



Public Service Commission

State of Florida

-M-E-M-O-R-A-N-D-U-M-

DATE: May 29, 1997
TO: Tom Williams, Division of Communications
FROM: Pete Lester, Division of Auditing and Financial Analysis *Pl apc*
RE: Docket No. 970385-TI, Sprint Spectrum, L.P., Financial Analysis for Certificate Application for Intrastate Interexchange Telecommunications Service and Request for Waiver of the Bond Requirement for Customer Deposits

Section 364.337 (3), Florida Statutes, requires the following:

The commission shall grant a certificate of authority to provide intrastate interexchange telecommunications service upon a showing that the applicant has sufficient technical, financial, and managerial capability to provide such service in the geographic area proposed to be served.

Also Section 364.01 (3) and (4) states that:

(3) The Legislature finds that the competitive provision of telecommunciations service, including local exchange telecommunications service, is in the public interest.

and

(4)(d) The Commission shall exercise its exclusive jurisdiction in order to: (d) Promote competition by encouraging new entrants into telecommunications markets . . .

Regarding the showing of financial capability, the Finance staff has analyzed the unaudited and audited financial statements of Sprint Spectrum L.P. for the periods ending September 30, 1996 and December 31, 1995. An audit could change one's opinion of the company's financial condition. As the attached schedule shows, Sprint Spectrum has adequate liquidity and ownership equity, but it reported a loss during the period.

For purposes of granting a certificate based on the financial information provided, the financial capability appears marginal. However, the applicant attests to its financial capability to provide and maintain the proposed telecommunications service by noting that it has \$10 billion in capitalization and financial commitments, projected income for Florida operations, and substantial investment in Florida PCS networks. Based on this showing, the applicant appears to meet the financial capability standard of Section 364.337, Florida Statutes.

Sprint Spectrum also requests a waiver of the requirement to back its customer deposits with a bond. Rule 25-24.490 (2), Florida Administrative Code, requires interexchange companies to

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back their customer deposits and advance payments (for more than one month) with a bond covering the balance. The rule also allows for a waiver of the bond requirement if the company demonstrates that it has the financial resources and income to provide assurance of continued operation over the long term.

Sprint Spectrum will not commence operations until the last quarter of 1997. This explains its reported losses to date. It anticipates revenue in excess of \$30 million in its first year of operations. Its primary business will be a nationwide wireless PCS (personal communication services) network. As part of its beginning, the company has secured \$3.1 billion in vendor financing and a \$2 billion credit facility with a money center bank. Staff believes that such commitment by lenders indicates that Sprint Spectrum has the financial wherewithal to qualify for waiver of the bond requirement.

cc: Division of Legal Services
Division of Records and Reporting

DOCKET NO. 970385-TI
SPRINT SPECTRUM, L.P.
IXC CERTIFICATE
FINANCIAL ANALYSIS
ATTESTATION DONE

FROM FORM 10-Q FOR 1996 AND AUDITED FINANCIALS FOR 1995

	AS OF SEPTEMBER 30, 1996	AS OF DECEMBER 31, 1995
IN THOUSANDS		
CURRENT ASSETS	477,485	1,651
CURRENT LIABILITIES	113,558	49,417
CURRENT RATIO	4.20	0.03
CASH	460,296	1,123
PARTNERS' CAPITAL	2,414,965	2,183,070
TOTAL DEBT	1,233,760	5,000
TOTAL INVESTOR CAPITAL	3,648,725	2,188,070
COMMON EQUITY RATIO	66%	100%
NET INCOME	94,487	110,428
RETURN ON EQUITY	NEGATIVE	NEGATIVE