



Public Service Commission

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

DATE: December 1, 2000
TO: Tommy Williams, Division of Regulatory Oversight
FROM: Christine G. Romig, Division of Economic Regulation *ALM es*
RE: Docket No. 001582-TI, NorthStar Communications, Inc. d/b/a Small Business America, Financial Analysis for Certificate Application for Intrastate Interexchange Telecommunications Service

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 telecommunications 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 financial statements of NorthStar Communications, Inc. (NorthStar) for the period January 1 through August 31, 2000. As the attached schedule shows, NorthStar has a marginal common equity ratio but shows net income for the period and has adequate liquidity.

In this matter, NorthStar is asking for a certificate to provide IXC service. For purposes of granting a certificate, the financial capability appears adequate based on the financial information provided. Further, the applicant attests to its financial capability to provide and maintain the proposed telecommunications service by noting that in addition to the funds available as shown on the financial statements furnished, it has access to additional funding through financial institutions and if necessary through additional capital from the shareholders. Based on this showing, the applicant appears to meet the financial capability standard of Section 364.337, Florida Statutes.

cc: Division of Legal Services
Division of Records and Reporting (2)

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FPSC-RECORDS/REPORTING

DOCKET NO. 001582-TI
 NORTHSTAR COMMUNICATIONS, INC. D/B/A/ SMALL BUSINESS AMERICA
 INTEREXCHANGE TELECOMMUNICATIONS SERVICE

FINANCIAL ANALYSIS

	<u>JANUARY TO</u> <u>AUGUST, 2000</u>	
CURRENT ASSETS	\$1,424,872	
CURRENT LIABILITIES	552	
CURRENT RATIO (CA/CL)	2581.2899	(a)
CASH & CASH EQUIVALENTS	118,167	
COMMON EQUITY	427,493	
TOTAL DEBT (SHORT-TERM & LONG TERM)	1,000,000	
PREFERRED STOCK	0	
TOTAL INVESTOR CAPITAL	1,427,493	
COMMON EQUITY RATIO	30%	(b)
NET INCOME/(LOSS)	335,708	(c)
RETURN ON EQUITY (Net Income/Equity)	0.7853	

(a) .8 is marginal; .95 is adequate

(b) 35% is marginal

EQUITY RATIO:
 EQUITY / INVESTOR CAPITAL
 (Common Equity / (Common Equity + Pfd. Stk. + LT. Debt + Current LT. Debt + ST Debt))

NMF = NO MEANINGFUL FIGURE
 3/3 = ADEQUATE
 2/3 = ADEQUATE
 1/3 = MARGINAL
 0/3 = MINIMAL

(c) Annualized - 8 mos. at \$223,805
 (223805/8*12) 335,708