



Public Service Commission

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

DATE: September 4, 1997
TO: Tom Williams, Division of Communications
FROM: David Draper, Division of Auditing and Financial Analysis *ALM*
RE: Docket No. 971111-TI, Direct Net Telecommunications, Financial Analysis for Certificate Application for Intrastate Interexchange Telecommunications Service *APC*

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 unaudited financial statements of Direct Net Telecommunications (DNT) for the period ending December 31, 1996. An audit could change one's opinion of the company's financial condition. As the attached schedule shows, DNT has minimal liquidity, but reports sufficient common equity and positive net income for the period.

ACK _____
 AFA _____
 APP _____
 CAF _____
 CMU _____
 CTR _____
 EAG _____
 LEG _____
 LIR _____

In this matter, DNT is asking for a certificate to provide IXC service. For purposes of granting a certificate based on the financial information provided, the financial capability appears adequate. The applicant attests to its financial capability to provide and maintain the proposed telecommunications service by noting that DNT proposes to operate as a reseller in the state of Florida, and will incur minimal capital or operating expenses. In addition, the company has structured its retail pricing so that its per minute rate covers its per minute cost, thus assuring an almost instantaneous positive cash flow. 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) ✓

RON _____
 SEC _____
 WAS _____
 OTH _____

DOCUMENT NUMBER-DATE

08992 SEP-85

FPSC-RECORDS/REPORTING

DOCKET NO. : 971111-
DIRECT NET TELECOMMUNICATIONS

IXC TELECOMMUNICATION SERVICE
FINANCIAL ANALYSIS

FROM UNAUDITED FINANCIAL STATEMENTS

	AS OF 12/31/96 (,000)
CURRENT ASSETS	\$2,150
CURRENT LIABILITIES	3,056
CURRENT RATIO	0.70
CASH	398
COMMON EQUITY	729
TOTAL DEBT	1,100
TOTAL INVESTOR CAPITAL	1,829
COMMON EQUITY RATIO	40%
NET INCOME	204
RETURN ON EQUITY	28%

NMF = No Meaningful Figure