

Public Service Commission

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DATE: May 5, 1997
TO: Tom Williams, Division of Communications
FROM: David Draper, Division of Auditing and Financial Analysis *DD* *ALM*
RE: Docket No. 970252-TI, US Xchange of Florida, L.L.C., 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 unaudited financial statements of US Xchange, L.L.C., parent company of US Xchange of Florida, L.L.C., (USX), for the period ending September 30, 1996. An audit could change one's opinion of the company's financial condition. As the attached schedule demonstrates, USX has marginal liquidity and sufficient common equity but currently produces no net income.

In this matter, USX is asking for a certificate to provide IXC service. Staff notes the limited nature of the application and that no customer provided funds appear to be at risk. For purposes of granting a certificate based on the financial information provided, the financial capability appears marginal.

Although an analysis of the financial statements reveals the applicant is in a marginal financial position, the applicant attests to its financial capability by noting that it has access to the necessary capital and financing, from its parent company, needed to provide telecommunication services in the state of Florida. Based on this representation, 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

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DOCKET NO. : 97025
US XCHANGE OF FLORIDA, L.L.C.

IXC TELECOMMUNICATION
FINANCIAL ANALYSIS

FROM UNAUDITED FINANCIAL STATEMENTS

	AS OF 09/30/98
CURRENT ASSETS	\$880,078
CURRENT LIABILITIES	952,803
CURRENT RATIO	0.92
CASH	856,960
COMMON EQUITY	731,977
TOTAL DEBT	204,326
TOTAL INVESTOR CAPITAL	936,303
COMMON EQUITY RATIO	78%
NET INCOME	0
RETURN ON EQUITY	NMF

NMF = No Meaningful Figure