



Public Service Commission

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

DATE: October 1, 1997
TO: Brenda Hawkins, Division of Communications
FROM: David J. Draper, Division of Auditing and Financial Analysis *DD* *ALM*
RE: Docket No. ~~971048-TX~~, ETS/ARC.NET, Financial Analysis for Certificate Application for Alternative Local Exchange Telecommunications Service *APC*

Section 364.337 (1), Florida Statutes, requires the following:

The commission shall grant a certificate of authority to provide alternative local exchange 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 audited financial statements of ETS/ARC.NET (ETS) for the period ending December 31, 1996. As the attached schedule shows, ETS reports negative net income for the period, but has adequate liquidity and sufficient common equity.

In this matter, ETS is asking for a certificate to provide alternative local exchange telecommunications 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. Further, the company notes that additional equity is being offered through a private placement and it is expected to raise \$1.2 million dollars. 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) ✓

DOCUMENT NUMBER-DATE

10224 OCT-6 97

FPSC-RECORDS/REPORTING

DOCKET NO. : 971048
ETS/ARC.NET

IXC TELECOMMUNICATION SERVICE
FINANCIAL ANALYSIS

FROM AUDITED FINANCIAL STATEMENTS

	AS OF 12/31/96
CURRENT ASSETS	\$6,501,742
CURRENT LIABILITIES	860,508
CURRENT RATIO	7.56
CASH	5,092,121
COMMON EQUITY	11,219,714
TOTAL DEBT	0
TOTAL INVESTOR CAPITAL	11,219,714
COMMON EQUITY RATIO	100%
NET INCOME	(1,889,874)
RETURN ON EQUITY	NMF

NMF = No Meaningful Figure