



# Public Service Commission

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

**DATE:** December 11, 1997  
**TO:** Nancy Pruitt, Division of Communications  
**FROM:** Pete Lester, Division of Auditing and Financial Analysis *PL APC*  
**RE:** Docket No. 971476-TI, ACSI Local Switched Services, Inc., Financial Analysis For Certificate Application for Intrastate Interexchange Telecommunications Service *ALM*

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 American Communications Services, Inc., the parent company of ACSI Local Switched Services, Inc. (ACSI), for the six-month period ending June 30, 1997. An audit could change one's opinion of the company's financial condition. As the attached schedule shows, the parent company has inadequate liquidity, ownership equity, and profitability.

ACK \_\_\_\_\_  
 AFA \_\_\_\_\_  
 APP \_\_\_\_\_  
 CAF \_\_\_\_\_  
 CMU \_\_\_\_\_

In this matter, ACSI is asking for a certificate to provide IXC service. Staff notes the limited nature of the application. For purposes of granting a certificate based on the financial information provided, the financial capability appears minimal.

CTR \_\_\_\_\_  
 EAG \_\_\_\_\_  
 LEG \_\_\_\_\_  
 LIN \_\_\_\_\_  
 OFC \_\_\_\_\_  
 RCH \_\_\_\_\_

Although an analysis of the financial statements reveals the applicant is in a minimal financial position, the applicant attests to its financial capability to provide and maintain the proposed telecommunications service by noting that its parent company will allow it to access necessary financing based on the parent company's substantial sales growth. The parent has a \$31.2 million credit facility with AT&T. ACSI further notes that it will be a switchless reseller and will have minimal investment. Based on this showing, the applicant appears to meet the financial capability standard of Section 364.337, Florida Statutes.

SEC - 1 cc: Division of Legal Services  
 WAS \_\_\_\_\_ Division of Records and Reporting (2)  
 OTH \_\_\_\_\_

*12/15/97*  
*12/21/97*

DOCKET NO. 971476-T1  
ACSI LOCAL SWITCHED SERVICES, INC.  
IXC CERTIFICATE  
FINANCIAL ANALYSIS  
ATTESTATION DONE

FROM UNAUDITED FINANCIAL STATEMENTS  
OF AMERICAN COMMUNICATIONS SERVICES, INC.

SIX MONTHS  
ENDING  
JUNE 30, 1997

CURRENT ASSETS	21,770,643
CURRENT LIABILITIES	33,719,010
CURRENT RATIO	0.65
CASH	8,499,115
COMMON EQUITY	(18,225,527)
TOTAL DEBT	227,078,712
PREFERRED STOCK	0
COMMON EQUITY RATIO	NMF
NET INCOME	(50,770,471)
RETURN ON EQUITY	NEGATIVE

NMF=NO MEANINGFUL FIGURE