



Public Service Commission

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

DATE: December 12, 1997
 TO: Paula Isler, Division of Communications
 FROM: Sonja Jones, Division of Auditing and Financial Analysis *ALM*
 RE: Docket No. 971576-TI, Kenarl, Inc., Financial Analysis for Certificate Application *APC*
 for Intrastate Interexchange Telecommunications Service *MM*

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 Kenarl, Inc. (KNRL) for the ten-month period ending October 31, 1997. An audit could change one's opinion of the company's financial condition. As the attached schedule shows, KNRL has adequate liquidity but reports minimal common equity and negative net income.

In this matter, KNRL 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 minimal.

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. The financial resources of Kenneth M. Adams, the president of Kenarl, Inc., are available to fund the company through temporary shortfalls. 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

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DOCKET NO. 971576-TI
Kenarl, Inc.
IXC CERTIFICATE
FINANCIAL ANALYSIS

FROM UNAUDITED FINANCIAL STATEMENTS

FOR THE TEN
MONTHS ENDING
OCTOBER 31, 1997

CURRENT ASSETS	\$49,404
CURRENT LIABILITIES	0
CURRENT RATIO	N.A.
CASH	49,404
COMMON EQUITY	80,455
TOTAL DEBT	366,096
TOTAL INVESTOR CAPITAL	446,551
COMMON EQUITY RATIO	18%
NET INCOME	(15,533)
RETURN ON EQUITY	NMF

N.A. = Not applicable

NMF = No Meaningful Figure