



Public Service Commission

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

DATE: March 30, 1998
 TO: Paula Isler, Division of Communications
 FROM: Pete Lester, Division of Auditing and Financial Analysis *ALM*
 RE: Docket No. 980149-TI, iTELSA (USA), Inc., Financial Analysis for Certification *AFC*
 Application for Intrastate Interexchange Telecommunications Service *PLS*

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 iTELSA (USA), Inc. (iTELSA) for the quarter ended September 30, 1997. An audit could change one's opinion of the company's financial condition. As the attached schedule shows, iTELSA has adequate liquidity but reports negative common equity and negative net income.

ACK _____
 AFA _____
 APP _____
 CAF _____
 CMU _____
 CTR _____
 EAG _____
 LEG _____
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 OPC _____
 RCH _____
 SEC 1 _____
 WAS _____
 OTH _____

In this matter, iTELSA 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 marginal.

Although an analysis of the financial statements reveals the applicant is in a marginal financial position, the applicant attests to its financial capability to provide and maintain the proposed telecommunications service by noting that it expects to achieve \$200 million in gross revenues within 5 years, and that it has a number of large corporations as clients. 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

03851 APR-2 1998

FPSC-RECORDS/REPORTING

DOCKET NO. 980149-TI
ITELSA, USA, INC.
IXC CERTIFICATE
FINANCIAL ANALYSIS
ATTESTATION DONE

FROM UNAUDITED FINANCIAL STATEMENTS

QUARTER
ENDED
SEPTEMBER 30, 1997

CURRENT ASSETS	5,438,127
CURRENT LIABILITIES	1,387,475
CURRENT RATIO	3.92
CASH	3,342,440
COMMON EQUITY	(1,108,422)
TOTAL DEBT	19,910,721
PREFERRED STOCK	0
TOTAL INVESTOR CAPITAL	18,802,299
COMMON EQUITY RATIO	NMF
NET INCOME	(1,330,645)
RETURN ON EQUITY	NEGATIVE

NMF=NO MEANINGFUL FIGURE