



Public Service Commission

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

DATE: June 7, 2000
TO: Toni McCoy, Division of Regulatory Oversight
FROM: David J. Draper, Division of Economic Regulation *DD*
RE: Docket No. 000641-TX, KMC Telecom V, Inc., Financial Analysis for Certificate Application for Alternative Local Exchange Telecommunications Service

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 unaudited financial statements of KMC Telecom V, Inc. (KMC) for the three month period ending March 31, 2000. An audit could change one's opinion of the company's financial condition. As the attached schedule shows, KMC has adequate liquidity, but reports negative common equity and negative income for the period.

In this matter, KMC 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 minimal.

APP _____
CAF _____
CMP _____
COM _____
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REGO _____
SEC _____
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OTH _____

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 the applicant can rely upon the financial support of its parent company. In addition, the company notes that capital has been raised though the issuance of stock and long term debt by the parent holding company to finance the start-up and operations of KMC. 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)

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07018 JUN-88
FPSC-RECORDS/REPORTING

ALTERNATIVE LOCAL EXCHANGE SERVICE
FINANCIAL ANALYSIS

FROM UNAUDITED FINANCIAL STATEMENTS

	AS OF 03/31/2000
CURRENT ASSETS	\$305,538
CURRENT LIABILITIES	270,236
CURRENT RATIO	1.13
CASH	97,678
COMMON EQUITY	(213,565)
TOTAL DEBT	1,084,839
TOTAL INVESTOR CAPITAL	871,274
COMMON EQUITY RATIO	NMF
NET INCOME	(92,927)
RETURN ON EQUITY	NMF

NMF = No Meaningful Figure