

State of Florida



Public Service Commission

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

DATE: July 31, 2000
 TO: Nancy Pruitt, Division of Regulatory Oversight
 FROM: David J. Draper, Division of Economic Regulation *J.D.* *ALM*
 RE: Docket No. 000741-TI, Birch Telecom of the South, Inc., Financial Analysis for Certificate Application for Intrastate Interexchange Telecommunications Service *CR*

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 Birch Telecom of the South, Inc. (BTS) 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, BTS has adequate liquidity, but reports negative common equity and negative income.

In this matter, BTS is asking for a certificate to provide IXC service. For purposes of granting a certificate based on the financial information provided, the financial capability appears minimal.

APP _____ Although an analysis of the financial statements reveals the applicant is in a minimal financial
 CAF _____ position, the applicant attests to its financial capability to provide and maintain the proposed
 CMP _____ telecommunications service by noting that the applicant can rely upon the financial support of its
 COM _____ parent company, if needed. Based on this showing, the applicant appears to meet the financial
 CTR _____ capability standard of Section 364.337, Florida Statutes.
 ECR _____
 LEG _____
 OPC _____

PAI _____ cc: Division of Legal Services
 RGO _____ Division of Records and Reporting (2)
 SEC _____
 SER _____
 OTH _____

DOCUMENT NUMBER - DATE

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FPSC-RECORDS-REPORTING

DOCKET NO. 000741-T
BIRCH TELECOM OF THE SOUTH, INC.

IXC APPLICATION
FINANCIAL ANALYSIS

FROM UNAUDITED FINANCIAL STATEMENTS

	AS OF 03/31/2000 (,000)
CURRENT ASSETS	\$43,962
CURRENT LIABILITIES	26,258
CURRENT RATIO	1.67
CASH	8,078
COMMON EQUITY	(91,716)
TOTAL DEBT	166,104
TOTAL INVESTOR CAPITAL	74,388
COMMON EQUITY RATIO	NMF
NET INCOME	(23,343)
RETURN ON EQUITY	NMF

NMF = No Meaningful Figure