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## Public Service Commission

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

DATE: December 12, 1997

TO: Brenda Hawkins, Division of Communications

FROM: Sonja Jones, Division of Auditing and Financial Analysis 55

RE: Docket No. 971521-TX, GTC Inc., d/b/a GT Com, Financial Analysis for Application for Alternative Local Exchange Telecommunications Services

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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

CAF ---

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OTH .....

(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 audited financial statements of St. Joe Communications, Inc., the parent company of GTC Inc., d/b/a GT Com, (GTC) for the period of April 11, 1996 through December 31, 1996. As the attached schedule shows, GTC has adequate liquidity but reports marginal common equity and negative net income.

ACK \_\_\_\_\_ In this matter, GTC is asking for a certificate to provide alternative local exchange telecommunications 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 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. In 1994, St. Joe Communications, Inc. was owned by St. Joe Paper Company, and there was not a separate audit report on the St. Joe Communications, Inc. operations. The sale of the company was consummated on April 11, 1996, and therefore, the audit report for 1996 reflects the period from date of sale to end of year. St. Joe Communications, Inc. is the parent company of three local exchange companies, St. Joseph Telephone & Telegraph Company, Gulf Telephone Company, and The Florala Telephone Company, Inc., which have been merged and the name changed to GTC, Inc. Funding for the alternative local exchange service will be provided by the parent company from internal funds. Should it be necessary, funds could be borrowed from outside sources through established lines of credit. Based on this showing, the applicant appears to meet the financial capability standard of Section 364.337, Florida Statistis. NUMBER-DATE

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Division of Records and Reporting

cc: Division of Legal Services

FPSC-RECORDS/REPORTING

DOCKET NO. 971521-TX GTC, Inc. d/b/a GT Com ALEC CERTIFICATE FINANCIAL ANALYSIS

NMF = No Meaningful Figure

FROM AUDITED FINANCIAL STATEMENTS of St. Joe Communications, Inc. and Subsidiaries (Parent)

FOR THE PERIOD APRIL 11, 1996 through DECEMBER 31, 1996

CURRENT ASSETS	\$10,762,487
CURRENT LIABILITIES	6,324,070
CURRENT RATIO	1.70
CASH	5,150,902
COMMON EQUITY	29,778,443
TOTAL DEBT	85,702,179
TOTAL INVESTOR CAPITAL	115,480,622
COMMON EQUITY RATIO	28%
NET INCOME	(106,684)
RETURN ON EQUITY	NMF