



Public Service Commission

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

DATE: January 13, 1998
TO: Rick Moses, Division of Communications
FROM: Pete Lester, Division of Auditing and Financial Analysis *ALM*
RE: Docket No. 971674-TX, Knology of Panama City, Inc., Financial Analysis for Certificate Application for Alternative Local Exchange Telecommunications Service *PL APC*

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 audited financial statements of Cybernet Holdings, Inc., the parent company of Knology of Panama City, Inc. (Knology) for the year ended December 31, 1996. As the attached schedule shows,

ACK Knology's parent company has inadequate liquidity, adequate ownership equity, and negative net
AFA income.

APP In this matter, Knology is asking for a certificate to provide alternative local exchange
CAF telecommunications service. Staff notes the limited nature of the application. For purposes of
CMU granting a certificate based on the financial information provided, the financial capability appears
CTR marginal.

EAG Although an analysis of the financial statements reveals the applicant is in a marginal financial
LEG position, the applicant attests to its financial capability to provide and maintain the proposed
LIR telecommunications service by noting that its parent company recently raised \$249 million in
OPC debt and equity. The applicant believes that these funds will allow the company to continue
RGR expansion of its interactive broadband network. Based on this showing, the applicant appears
SEC to meet the financial capability standard of Section 364.337, Florida Statutes.

WAS cc: Division of Legal Services
TTH Division of Records and Reporting (2) (

DOCUMENT NUMBER-DATE

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SPEC. RECORDS/REPORTING

DOCKET NO. 971674-TX
KNOLOGY OF PANAMA CITY, INC.
ALEC CERTIFICATE
FINANCIAL ANALYSIS
ATTESTATION DONE

FROM AUDITED FINANCIAL STATEMENTS OF
CYBERNET HOLDINGS, INC., THE PARENT COMPANY
OF KNOLOGY OF PANAMA CITY, INC.

YEAR
ENDED
DECEMBER 31, 1996

CURRENT ASSETS	1,200,820
CURRENT LIABILITIES	3,424,149
CURRENT RATIO	0.35
CASH	83,092
COMMON EQUITY	14,148,427
TOTAL DEBT	12,319,169
PREFERRED STOCK	0
TOTAL INVESTOR CAPITAL	26,467,596
COMMON EQUITY RATIO	53%
NET INCOME	(3,125,589)
RETURN ON EQUITY	NEGATIVE