



Public Service Commission

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

DATE: June 29, 1998
 TO: Toni McCoy, Division of Communications
 FROM: Pete Lester, Division of Auditing and Financial Analysis *PL* *ALM*
 RE: Docket No. 980554-TI, Starpower Network, Inc., Financial Analysis for Certificate Application for Intrastate Interexchange Telecommunications Service

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 audited financial statements of RCN Corporation and Potomac Capital Investment Corporation, the parent companies of Starpower Network, Inc. (Starpower) for the period ending December 31, 1997. As the attached schedule shows, Starpower's parent companies have adequate liquidity and very low levels of common equity. RCN Corporation reported a loss for the period, and Potomac Capital Investment was profitable.

ACK _____ In this matter, Starpower is asking for a certificate to provide IXC service. Staff notes the
 VFA _____ limited nature of the application. For purposes of granting a certificate based on the financial
 APP _____ information provided, the financial capability appears adequate.

CAF _____ The applicant attests to its financial capability to provide and maintain the proposed
 CMU _____ telecommunications service by noting that it has access to capital through its parent companies,
 STR _____ both of which have lines of credit. Based on this showing, the applicant appears to meet the
 EAG _____ financial capability standard of Section 364.337, Florida Statutes.

LEG _____ cc: Division of Legal Services
 LIN _____ Division of Records and Reporting (2)

JPC _____
 RCH _____
 SEC _____
 WAS _____
 OTH _____

DOCUMENT NUMBER-DATE
 07065 JUL -6 98
 FPC-RECORDS REPORTING

DOCKET NO. 980554-TI
 STARPOWER NETWORK, INC.
 IXC CERTIFICATE
 FINANCIAL ANALYSIS
 ATTESTATION DONE

FROM AUDITED FINANCIAL STATEMENTS
 OF RCN CORPORATION AND OF POTOMAC
 CAPITAL INVESTMENT, THE JOINT VENTURE
 PARENT COMPANIES

IN THOUSANDS	RCN CORPORATION AS OF DECEMBER 31, 1997	POTOMAC CAPITAL INVESTMENT AS OF DECEMBER 31, 1997
CURRENT ASSETS	703,232	302,944
CURRENT LIABILITIES	69,705	91,366
CURRENT RATIO	10.09	3.32
CASH	222,910	422
COMMON EQUITY	358,584	226,956
TOTAL DEBT	686,103	838,143
PREFERRED STOCK	0	0
TOTAL INVESTOR CAPITAL	1,042,687	1,065,099
COMMON EQUITY RATIO	34%	21%
NET INCOME	(52,391)	17,081
RETURN ON EQUITY	NEGATIVE	8%