



Public Service Commission

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

DATE: October 19, 2000
TO: Tommy Williams, Division of Regulatory Oversight
FROM: Christine G. Romig, Division of Economic Regulation
RE: Docket No. 001489-TX, 360networks (USA) 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 analyzed the consolidated financial statements of 360networks Inc. (360), of which 360networks (USA) Inc. (360USA) is a part, for the years ended 12/31/98 and 12/31/99. As the attached schedule shows, the consolidated entity reports a minimal equity ratio, but adequate liquidity and positive net income for both years.

In this matter, 360USA is asking for a certificate to provide alternative local exchange telecommunications service. 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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ORIGINAL

DOCKET NO. 001489-TX
360NETWORKS (USA), INC.
ALTERNATIVE LOCAL EXCHANGE TELECOMMUNICATIONS SERVICE

FINANCIAL ANALYSIS

	12/31/99	12/31/98	
CURRENT ASSETS	\$899,338,000	\$212,862,000	
CURRENT LIABILITIES	247,425,000	41,556,000	
CURRENT RATIO (CA/CL)	3.6348	5.1223	(a)
CASH & CASH EQUIVALENTS	521,362,000	156,366,000	
COMMON EQUITY	29,861,000	18,261,000	
TOTAL DEBT (SHORT-TERM & LONG TERM)	675,000,000	175,000,000	
PREFERRED STOCK	0	0	
TOTAL INVESTOR CAPITAL	704,861,000	193,261,000	
COMMON EQUITY RATIO	4%	9%	(b)
NET INCOME/(LOSS)	23,640,000	9,020,000	
RETURN ON EQUITY (Net Income/Equity)	0.7917	0.4939	

(a) .8 is marginal; .95 is adequate

(b) 35% is marginal

EQUITY RATIO:
EQUITY / INVESTOR CAPITAL
(Common Equity / (Common Equity + Pfd. Stk. + LT. Debt + Current LT. Debt + ST Debt))

- NMF = NO MEANINGFUL FIGURE
- 3/3 = ADEQUATE
- 2/3 = ADEQUATE
- 1/3 = MARGINAL
- 0/3 = MINIMAL

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