



Public Service Commission

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

DATE: November 13, 1997
TO: Tom Williams, Division of Communications
FROM: David J. Draper, Division of Auditing and Financial Analysis *DD*
RE: Docket No. 9713-TI, Time Warner Communications, Financial Analysis for Certificate Application for Intrastate Interexchange Telecommunications Service *ALM*

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 Time Warner Communications (TWC) for the period ending December 31, 1996. As the attached schedule shows, TWC reported negative net income for the period, but has adequate liquidity and sufficient common equity.

- ACK _____
- AFA _____
- APP _____
- CAF _____
- CMI _____
- CTR _____
- EAG _____
- LEG _____
- LR _____
- OTR _____
- PH _____
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- WAS _____
- OTH _____

In this matter, TWC 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 adequate. The applicant attests to its financial capability to provide and maintain the proposed telecommunications service. In addition, a 1995 credit agreement with TWC and its lenders, permits TWC to borrow up to \$8.3 billion. 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)

DOCUMENT NUMBER-DATE
11728 NOV 14 97
FPSC RECORDS/REPORTING

DOCKET NO. : 971393-TI
TIME WARNER COMMUNICATIONS

IXC TELECOMMUNICATION SERVICE
FINANCIAL ANALYSIS

FROM CONSOLIDATED FINANCIAL STATEMENTS

| | AS OF 12/31/96 (,000,000) |
|------------------------|------------------------------------|
| CURRENT ASSETS | \$4,821 |
| CURRENT LIABILITIES | 4,012 |
| CURRENT RATIO | 1.20 |
| CASH | 452 |
| COMMON EQUITY | 9,502 |
| TOTAL DEBT | 21,550 |
| TOTAL INVESTOR CAPITAL | 31,052 |
| COMMON EQUITY RATIO | 31% |
| NET INCOME | (191) |
| RETURN ON EQUITY | NMF |

NMF = No Meaningful Figure