

State of Florida



# Public Service Commission

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

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**DATE:** October 19, 2000  
**TO:** Brenda Hawkins, Division of Regulatory Oversight  
**FROM:** Christine G. Romig, Division of Economic Regulation *CR*  
**RE:** Docket No. 001490-TI, T-NETIX Internet Services, Inc., Financial Analysis for Certificate Application for Intrastate Interexchange Telecommunications Service

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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 financial statements of T-NETIX, Inc. and Subsidiaries, of which Internet Services, Inc. (T-NETIX) is part, for the periods ended 12/31/98 and 12/31/99. As the attached schedule shows, in 1998 T-NETIX, Inc. reports net income, adequate liquidity and an adequate equity ratio. In 1999, T-NETIX, Inc. reports a net loss, adequate liquidity and an adequate equity ratio.

In this matter, T-TNETIX is asking for a certificate to provide IXC service. For purposes of granting a certificate, the financial capability appears marginal based on the financial information provided.

The applicant attests to its financial capability to provide and maintain the proposed telecommunications service by noting that it intends to fund the provision of service through internally generated cash flow and cash contributions from its parent company. The applicant also attests that it has the ability to borrow funds, if required, based upon its financial capabilities and the parent company is committed to providing any necessary capital if needed to provide service in the State of Florida.

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

13479 OCT 20 8

FPSC-RECORDS/REPORTING

DOCKET NO. 001490-TI  
T-NETIX Internet Services, Inc.  
INTRASTATE INTEREXCHANGE TELECOMMUNICATIONS SERVICE

FINANCIAL ANALYSIS

T-NETIX, INC. AND SUBSIDIARIES CONSOLIDATED DATA

	<u>12/31/99</u>	<u>12/31/98</u>	
CURRENT ASSETS	\$18,734,000	\$18,459,000	
CURRENT LIABILITIES	19,520,000	10,365,000	
CURRENT RATIO (CA/CL)	0.9597	1.7809	(a)
CASH & CASH EQUIVALENTS	118,000	678,000	
COMMON EQUITY	22,101,000	29,604,000	
TOTAL DEBT (SHORT-TERM & LONG TERM)	28,921,000	25,510,000	
PREFERRED STOCK	0	0	
TOTAL INVESTOR CAPITAL	51,022,000	55,114,000	
COMMON EQUITY RATIO	43%	54%	(b)
NET INCOME/(LOSS)	(10,247,000)	270,000	
RETURN ON EQUITY (Net Income/Equity)	nmf	0.0091	

(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