



Public Service Commission

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

DATE: January 26, 1998
TO: Jim Strong, Division of Communications
FROM: David J. Draper, Division of Auditing and Financial Analysis *DD APC ALM*
RE: Docket No. 980064-TI, KNOLOGY of Panama City, Inc. d/b/a KNOLOGY, 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 KNOLOGY of Panama City, Inc. d/b/a KNOLOGY (KNO) for the period ending December 31, 1996. As the attached schedule shows, KNO has sufficient common equity, but reports minimal liquidity and negative net income for the period.

In this matter, KNO 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 minimal.

Although an analysis of the financial statements reveals the applicant is in a minimal financial position, the applicant attests to its financial capability to provide and maintain the proposed telecommunications service. The Company has signed a letter of intent with SCANA Credit Facility for a revolving line of credit in the amount of forty million dollars. In addition, the Company raised more than two-hundred and fifty million dollars in debt and equity offering in October 1997. 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)

1620 JUN 30 1998

DOCKET NO. 980064-TI
KNOLOGY OF PANAMA CITY, INC.
d/b/a KNOLOGY

IXC TELECOMMUNICATION SERVICE
FINANCIAL ANALYSIS

FROM AUDITED FINANCIAL STATEMENTS

	AS OF 12/31/96
CURRENT ASSETS	\$1,200,820
CURRENT LIABILITIES	4,452,022
CURRENT RATIO	0.27
CASH	83,092
COMMON EQUITY	14,148,427
TOTAL DEBT	11,291,296
TOTAL INVESTOR CAPITAL	25,439,723
COMMON EQUITY RATIO	56%
NET INCOME ^{CF}	(3,125,428)
RETURN ON EQUITY	NMF

NMF = No Meaningful Figure