



Public Service Commission

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

DATE: September 11, 2000
TO: Brenda Hawkins, Division of Regulatory Oversight
FROM: Christine G. Romig, Division of Economic Regulation
RE: Docket No. 000827-TI, Northwestern Digital Company, 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 unaudited consolidated financial statements of Northwestern Digital Company (Northwestern) for the period, January 1 through March 31, 2000. As the attached schedule shows, Northwestern has adequate liquidity, negative common equity and reported a negative net income for the period.

In this matter, Northwestern 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.

Although its financial capability appears marginal, Northwestern states that it is a start-up company and that it is financially secure and able to provide and maintain the proposed services within the State of Florida. Further, because Northwestern is a reseller, it does not need nor foresee it necessary to maintain the finances associated with purchasing/leasing switches in order to sell its products. Northwestern states that these large financial obligations are the sole responsibility of its underlying carriers, Qwest Communications and MCI Worldcom.

Based on its representations, 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

11341 SEP 12 8

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ORIGINAL

DOCKET NO. 000827-TI  
NORTHWESTERN DIGITAL COMPANY  
INTEREXCHANGE TELECOMMUNICATIONS SERVICE  
FINANCIAL ANALYSIS

State of Florida



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

	THREE MONTHS ENDING 03/31/2000
CURRENT ASSETS	\$878,655
CURRENT LIABILITIES	294,805
CURRENT RATIO (CA/CL)	2.9805 (a)
CASH & CASH EQUIVALENTS	180,995
COMMON EQUITY	(182,469)
TOTAL DEBT (SHORT-TERM & LONG TERM)	770,055
PREFERRED STOCK	0
TOTAL INVESTOR CAPITAL	587,586
COMMON EQUITY RATIO	-31% (b)
NET INCOME/(LOSS)	(575,600) (c)
RETURN ON EQUITY (Net Income/Equity)	NMF

(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

(c) Per unaudited financial statements 01/01/00 through 03/31/00 is \$(143,900). Annualized is \$(575,600) (\$143,900/3\*12)

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REGISTRATION REPORTING

Division of legal services  
Division of Records and Reporting (2)