



Public Service Commission

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

DATE: September 15, 2000
TO: Brenda Hawkins, Division of Regulatory Oversight
FROM: Christine G. Romig, Division of Economic Regulation
RE: Docket No. 001006-TX, Reconnection Connection, 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 has analyzed the projected Balance Sheet of Reconnection Connection (Recon) for the period ending September 30, 2000. Staff also reviewed its comments regarding it projected earnings for the year ending September 30, 2001. Based on its projected financial statements, Recon forecasts adequate liquidity, an adequate equity ratio and net income. Staff notes the limited nature of the application.

Recon is a "start-up" company that is asking for a certificate to provide alternative local exchange telecommunications service. The applicant attests to its financial capability to provide and maintain the proposed telecommunications service by noting that the initial start up capital will be provided by the partners' personal savings. Further, in the event that more funds are needed to continue or maintain the business, the partnership has additional sources of funds in the form of investors and if the need should arise it would seek a loan from a commercial bank and/or the Small Business Administration.

For purposes of granting a certificate, the applicant appears to meet the financial capability standard of Section 364.337, Florida Statutes.

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CAF
CMP
COM
CTR
ECR
LEG
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PAI
RGO
SEC
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OTH
ec: Division of Legal Services
Division of Records and Reporting (2)

DOCUMENT NUMBER-DATE
11749 SEP 19 2000
FPSC-RECORDS/REPORTING

DOCKET NO. 001006-TX
 RECONNECTION CONNECTION
 ALTERNATIVE LOCAL EXCHANGE TELECOMMUNICATIONS SERVICE

FINANCIAL ANALYSIS

	<u>09/30/2000</u>
CURRENT ASSETS	\$3,000
CURRENT LIABILITIES	0
CURRENT RATIO (CA/CL)	NMF (a)
CASH & CASH EQUIVALENTS	1,500
COMMON EQUITY	1,500
TOTAL DEBT (SHORT-TERM & LONG TERM)	0
PREFERRED STOCK	0
TOTAL INVESTOR CAPITAL	1,500
COMMON EQUITY RATIO	100% (b)
NET INCOME/(LOSS)	35,000 (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) This is an estimate received from a Bellsouth rep. for year ending 9/30/01