



Public Service Commission

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

DATE: June 16, 1999
TO: Nancy Pruitt, Division of Communications
FROM: David J. Draper, Division of Auditing and Financial Analysis *al ALM*
RE: Docket No. 990661-TX, Essex Communications, Inc., Financial Analysis for Certificate Application for Alternative Local Exchange Telecommunications Service *ajc*

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 audited financial statements of Essex Communications, Inc. (ECI) for the twelve month period ending November 30, 1998. As the attached schedule shows, ECI has sufficient common equity, but reports marginal liquidity and negative net income.

In this matter, ECI is asking for a certificate to provide alternative local exchange telecommunications service. For purposes of granting a certificate based on the financial information provided, the financial capability appears marginal.

- AFA _____
- APP _____
- CAF _____
- CMU _____
- CTR _____
- EAG _____
- LEG _____
- MAS _____
- OPC _____
- RFR _____
- SEC _____
- WAW _____
- OTH _____

Although an analysis of the financial statements reveals the applicant is in a marginal financial position, the applicant attests to its financial capability to provide and maintain the proposed telecommunications service by noting that ECI proposes to operate as a reseller in the state of Florida, and will incur minimal capital or operating expenses. In addition, the company has structured its retail pricing so that its per minute rate covers its per minute cost, thus assuring an almost instantaneous positive cash flow. 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)

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DOCKET NO. 990661
ESSEX COMMUNICATIONS, INC.

ALTERNATIVE LOCAL EXCHANGE SERVICE
FINANCIAL ANALYSIS

FROM AUDITED FINANCIAL STATEMENTS

	AS OF 11/30/98
CURRENT ASSETS	\$6,702,349
CURRENT LIABILITIES	6,368,139
CURRENT RATIO	1.05
CASH	352,489
COMMON EQUITY	3,754,080
TOTAL DEBT	290,994
TOTAL INVESTOR CAPITAL	4,045,074
COMMON EQUITY RATIO	93%
NET INCOME	(4,977,003)
RETURN ON EQUITY	NMF

NMF = No Meaningful Figure