



Public Service Commission

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

DATE: July 7, 1998
 TO: Tommy Williams, Division of Communications
 FROM: Pete Lester, Division of Auditing and Financial Analysis *PL* *ALM*
 RE: Docket No. 980525-TX, Kexas, Inc. d/b/a Capital Explorations, Financial Analysis *AP*
 for Certificate Application for Alternative Local Exchange Telecommunications Service *CMK*

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 unaudited financial statements of Kexas, Inc. d/b/a Capital Explorations (Capital) for the period ending December 31, 1997. An audit could change one's opinion of the company's financial condition. As the attached schedule shows, Capital has adequate liquidity but reports negative common equity and negative net income.

- ACK _____
- AFA _____
- APP _____ In this matter, Capital is asking for a certificate to provide alternative local exchange telecommunications service. Staff notes the limited nature of the application. For purposes of granting a certificate based on the financial information provided, the financial capability appears marginal.
- CAF _____
- CMU _____
- CTR _____
- EAG _____ The applicant attests to its financial capability to provide and maintain the proposed telecommunications service by noting that it does not require large amounts of capital investment and that the cost of leased lines is passed on to customers. It also notes that it has a line of credit exceeding \$50,000. Based on this showing, the applicant appears to meet the financial capability standard of Section 364.337, Florida Statutes.
- LEG _____
- LIN _____
- OPC _____
- RCH _____

cc: Division of Legal Services
Division of Records and Reporting (2)

DOCUMENT NO.
 07288-48
 7-10-98

- SEC _____
- WAS _____
- OTH _____

DOCKET NO. 980525-TX
KEXAS, INC. D/B/A CAPITAL EXPLORATIONS
ALEC CERTIFICATE
FINANCIAL ANALYSIS
ATTESTATION DONE

FROM UNAUDITED FINANCIAL STATEMENTS

AS
OF
DECEMBER 31, 1997

CURRENT ASSETS	100
CURRENT LIABILITIES	0
CASH	100
COMMON EQUITY	(480)
TOTAL DEBT	580
PREFERRED STOCK	0
COMMON EQUITY RATIO	NMF
NET INCOME	(580)
RETURN ON EQUITY	NEGATIVE

NMF=NO MEANINGFUL FIGURE