



Public Service Commission

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

DATE: September 21, 2000
TO: Tommy Williams, Division of Regulatory Oversight
FROM: Christine G. Romig, Division of Economic Regulation
RE: Docket No. 001079-TX, Trans National Communications International, Inc., Financial Analysis for Certificate Application for Alternative Local Exchange Telecommunications Service

ALM CR

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 Trans National Communications International, Inc. (TNCI) for the years ended 12/31/98, 12/31/99 and the six-month period ended 06/30/00. As the attached schedule shows, at 12/31/98, TNCI's liquidity was less than adequate, it had negative equity and it reported a net loss for the year, 1998. However, at 12/31/99 and 06/30/00, it had adequate liquidity, its equity ratio was adequate, and it reported net income for the year 1999 and for the first six months of the year 2000.

In this matter, TNCI 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 adequate. TNCI states that it intends to fund the provision of service through internally generated cash flow and states that it has the ability to borrow funds, if required.

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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FPSC-RECORDS/REPORTING

DOCKET NO. 001079-TX
 Trans National Communications International, Inc.
 ALTERNATIVE LOCAL EXCHANGE TELECOMMUNICATIONS SERVICE

FINANCIAL ANALYSIS - in thousands

	in thousands <u>12/31/98</u>	in thousands <u>12/31/99</u>	in thousands <u>06/30/00</u>	
CURRENT ASSETS	\$3,436	\$5,175	4,626	
CURRENT LIABILITIES	5,945	5,305	4,588	
CURRENT RATIO (CA/CL)	0.5780	0.9755	1.0083	(a)
CASH & CASH EQUIVALENTS	1,009	1,612	949	
COMMON EQUITY	(2,464)	12	269	
TOTAL DEBT (SHORT-TERM & LONG TERM)	0	0	0	
PREFERRED STOCK	0	0	0	
TOTAL INVESTOR CAPITAL	(2,464)	12	269	
COMMON EQUITY RATIO	NMF	100%	100%	(b)
NET INCOME/(LOSS)	(301)	251	774	(c)
RETURN ON EQUITY (Net Income/Equity)	NMF	20.9167	2.8773	

(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) Annualized 6 mos. (\$387/6*12 mos)