

State of Florida



Public Service Commission

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

DATE: September 27, 1999
TO: Nancy Pruitt, Division of Communications
FROM: David J. Draper, Division of Auditing and Financial Analysis *DD*
RE: Docket No. 991388-TX, Convergent Communications Services, Inc., Financial Analysis for Certificate Application for Alternative Local Exchange Telecommunications Service *ALM*
apc
DD

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 Convergent Communications Services, Inc. (CCS) for the period ending December 31, 1998. As the attached schedule shows, CCS has adequate liquidity, but reports negative common equity and negative income for the period.

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

In this matter, CCS 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 minimal.

Although an analysis of the financial statements reveals the applicant is in a minimal financial position, the applicant attests to its financial capability to provide and maintain the proposed telecommunications service by noting that the Company will maintain capital from internally generated funds. 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)

DOCUMENT NUMBER-DATE
11768 SEP 29 99
FPSC-RECORDS/REPORTING

ALTERNATIVE LOCAL EXCHANGE SERVICE
FINANCIAL ANALYSIS

FROM AUDITED FINANCIAL STATEMENTS

	AS OF 12/31/98
CURRENT ASSETS	\$73,019,623
CURRENT LIABILITIES	44,519,887
CURRENT RATIO	1.64
CASH	46,397,461
COMMON EQUITY	(21,348,885)
TOTAL DEBT	168,792,087
TOTAL INVESTOR CAPITAL	147,443,202
COMMON EQUITY RATIO	NMF
NET INCOME	(5,052,976)
RETURN ON EQUITY	NMF

NMF = No Meaningful Figure