



Public Service Commission

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

DATE: November 9, 1998
TO: Nancy Pruitt, Division of Communications
FROM: Eva P. Samaan, Division of Auditing and Financial Analysis *ALM*
RE: Docket No. 981308-TX, Southern Telecommunications Service, Inc., Financial Analysis for Certificate Application for Alternative Local Exchange Telecommunications Service *APC*

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 financial statements of Southern Telecommunications Service, Inc., (STS) as of January 1, 1999. An audit could change one's opinion of the company's financial condition. As the attached schedule shows, STS does not have adequate liquidity, but has sufficient common equity and projects a positive net income for the next three years.

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In this matter, STS is asking for a certificate to provide alternative local exchange telecommunications service. Staff notes the limited nature of the application and that no customer provided funds appear to be at risk. For purposes of granting a certificate based on the financial information provided, the financial capability appears marginal.

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 it has secured SBA financing through Allied Capital in the amount of \$50,000. Based on this showing, the applicant appears to meet the financial capability standard of Section 364.337, Florida Statutes.

RCH _____ cc: Division of Legal Services
 SEC 1 _____ Division of Records and Reporting (2)

DOCUMENT NUMBER-DATE

13150 NOV 20 98

FPSC-RECORDS/REPORTING

DOCKET NO. 981308
SOUTHERN TELECOMMUNICATIONS SERVICE, INC.

ALEC TELECOMMUNICATION SERVICE
FINANCIAL ANALYSIS

FROM PROJECTED FINANCIAL STATEMENTS AS OF 01/01/99

CURRENT ASSETS	\$40,150
CURRENT LIABILITIES	50,000
CURRENT RATIO	0.80
CASH	40,150
COMMON EQUITY	22,500
TOTAL DEBT	0
TOTAL INVESTOR CAPITAL	22,500
COMMON EQUITY RATIO	100%
NET INCOME	0
RETURN ON EQUITY	NMF

NMF = No Meaningful Figure