



Public Service Commission

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

DATE: January 14, 1998
 TO: Nancy Pruitt, Division of Communications
 FROM: Sonja Jones, Division of Auditing and Financial Analysis, ^{ALM} ^{ARC}
 RE: Docket No. ~~71633-TX~~ U.S. Dial Tone, Inc., Financial Analysis for Certificate Application for Alternative Local Exchange Telecommunications Service ^{ms}

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 U.S. Dial Tone, Inc. (USDT) for the eight-month period ending August 31, 1997. An audit could change one's opinion of the company's financial condition. As the attached schedule shows, USDT has adequate liquidity and ownership equity but reports negative net income.

ACK

AFA ~~In~~ this matter, USDT is asking for a certificate to provide alternative local exchange telecommunications service. It should be noted that USDT is a prepaid local telecommunications provider and, as a result, customer funds could be at risk. For purposes of granting a certificate based on the financial information provided, the financial capability appears adequate.

APP

CAF ~~The~~ applicant attests to its financial capability to provide and maintain the proposed telecommunications service. As mentioned, the applicant is a prepaid local telecommunications provider. As such, it obtains service from its underlying carriers only after its customers have paid for the service. The applicant states that because its customers prepay service, the company is always able to meet its obligations to the underlying provider. In addition, the company has been a successful venture and viable enterprise in Texas and Tennessee. If, however, additional sources of funding are needed, they will be arranged by the two principals of the company. Based on this showing, the applicant appears to meet the financial capability standard of Section 364.337, Florida Statutes.

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OTH cc: Division of Legal Services
Division of Records and Reporting

DOCUMENT NUMBER-DATE

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REC'D RECORDS & REPORTING

DOCKET NO. 971633-1
U.S. DIAL TONE, INC.
ALEC CERTIFICATE
FINANCIAL ANALYSIS

FROM UNAUDITED FINANCIAL STATEMENTS

FOR THE EIGHT
MONTHS ENDING
AUGUST 31, 1997

CURRENT ASSETS	\$4,081
CURRENT LIABILITIES	0
CURRENT RATIO	N.A.
CASH	4,081
COMMON EQUITY	9,635
TOTAL DEBT	0
TOTAL INVESTOR CAPITAL	9,635
COMMON EQUITY RATIO	100%
NET INCOME	(50,189)
RETURN ON EQUITY	NMF

N.A. = Not Applicable

NMF = No Meaningful Figure