



Public Service Commission

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

DATE: May 13, 1997
TO: Tom Williams, Division of Communications
FROM: David J. Draper, Division of Auditing and Financial Analysis
RE: Docket No. 970503-TX, Easton Telecom Services, Inc., Financial Analysis for Certificate Application for Alternative Local Exchange Telecommunications Service

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 Easton Telecom Services, Inc. (ETS) for the period ending December 31, 1996. An audit could change one's opinion of the company's financial condition. As the attached schedule shows, ETS has sufficient net income and marginal liquidity but reports negative common equity.

ACK
AFA
APP In this matter, ETS 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.

EAG 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. The Company notes that it's operating revenues provide sufficient financial resources to maintain services in the proposed areas. In addition, no additional funds will be needed to offer services. Notwithstanding, the Company's sole shareholder shall provide the additional funding should the need arise. Based on this showing, the applicant appears to meet the financial capability standard of Section 364.337, Florida Statutes.

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

DOCUMENT NUMBER-DATE

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FPSC-RECORDS/REPORTING

DOCKET NO. : 970503-TX
EASTON TELECOM SERVICES, INC.

ALTERNATIVE LOCAL EXCHANGE
FINANCIAL ANALYSIS

FROM UNAUDITED FINANCIAL STATEMENTS

	AS OF 12/31/96
CURRENT ASSETS	\$675,846
CURRENT LIABILITIES	738,588
CURRENT RATIO	0.92
CASH	67,919
COMMON EQUITY	(21,712)
TOTAL DEBT	46,766
TOTAL INVESTOR CAPITAL	25,054
COMMON EQUITY RATIO	NMF
NET INCOME	260,217
RETURN ON EQUITY	NMF

NMF = No Meaningful Figure