

State of Florida



# Public Service Commission

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

DATE: February 3, 1997  
 TO: Tom Williams, Division of Communications  
 FROM: Sonja Jones, Division of Auditing and Financial Analysis *ALM APC*  
 RE: Docket No. 961281-TX, Digital Cable, 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 unaudited financial statements of Digital Cable, Inc. (DCI) for the nine-month period ending September 30, 1996. An audit could change one's opinion of the company's financial condition. As the attached schedule shows, DCI has adequate ownership equity and shows a small profit but has minimal liquidity.

In this matter, DCI 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.

ACK \_\_\_\_\_  
 AFA \_\_\_\_\_  
 APP \_\_\_\_\_  
 CAF \_\_\_\_\_  
 CMU \_\_\_\_\_  
 CTR \_\_\_\_\_  
 EAG \_\_\_\_\_  
 LEG \_\_\_\_\_  
 LIN \_\_\_\_\_  
 OPC \_\_\_\_\_  
 RCH \_\_\_\_\_  
 SEC \_\_\_\_\_

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 applicant notes in its Private Placement Memo and Business Plan that it will have sufficient financial resources to fund switch acquisition, construction and installation; trunking; network connection; and operating costs through January 2002 without additional financing. It is anticipated that the switch will be profitable in a six-month period. In the event that future financing is necessary, the switch has a readily available mortgage market for debt funding and various resources are available via working capital financing. 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

DOCUMENT NUMBER-DATE  
 01355 FEB-56  
 FPSC-RECORDS/REPORTING

DOCKET NO. 961281-TX  
DIGITAL CABLE, INC.  
ALEC CERTIFICATE  
FINANCIAL ANALYSIS

FROM UNAUDITED FINANCIAL STATEMENTS

FOR THE NINE  
MONTHS ENDING  
9/30/96

CURRENT ASSETS	\$2,306
CURRENT LIABILITIES	39,935
CURRENT RATIO	0.06
COMMON EQUITY	78,168
TOTAL DEBT	13,238
TOTAL INVESTOR CAPITAL	91,405
COMMON EQUITY RATIO	86%
NET INCOME	280
RETURN ON EQUITY	0%