



ORIGINAL
Public Service Commission

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

DATE: August 26, 1998
TO: Tommy Williams, Division of Communications
FROM: Pete Lester, Division of Auditing and Financial Analysis *ALM*
RE: Docket No. 980931-TI, DIECA Communications, Inc., Financial Analysis for *PL APC*
Certificate Application for Intrastate Interexchange Telecommunications Service

Section 364.337 (3), Florida Statutes, requires the following:

The commission shall grant a certificate of authority to provide intrastate interexchange telecommunications 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 Covad Communications Group, Inc., the parent company of DIECA Communications, Inc. (DIECA), for the period ending December 31, 1997. As the attached schedule shows, DIECA's parent company has adequate liquidity and sufficient common equity. For the period, the company reported a loss.

ACK _____ In this matter, DIECA is asking for a certificate to provide LXC service. Staff notes the limited
AFA _____ nature of the application and that no customer provided funds appear to be at risk. For purposes
APP _____ of granting a certificate based on the financial information provided, the financial capability
CAF _____ appears adequate.

CMU _____ The applicant attests to its financial capability to provide and maintain the proposed
CTR _____ telecommunications service by noting that it has access to the financing and capital necessary to
EAG _____ conduct its operations. DIECA's parent company will provide the necessary capital. Based on
LEG _____ this showing, the applicant appears to meet the financial capability standard of Section 364.337,
Florida Statutes.

LIN _____
QPC _____ cc: Division of Legal Services
Division of Records and Reporting (2)

RCH _____
SEC 1
WAS _____
OTH _____

RECEIVED DATE
SEP - 1 8

DOCKET NO. 98093-11
DIECA COMMUNICATIONS, INC.
ALC TELECOMMUNICATION SERVICE
FINANCIAL ANALYSIS

FROM AUDITED FINANCIAL STATEMENTS OF
COVAD COMMUNICATIONS GROUP, INC., THE PARENT COMPANY

000'S	AS OF <u>12/31/97</u>
CURRENT ASSETS	\$4,819
CURRENT LIABILITIES	793
CURRENT RATIO	6.08
CASH	4,378
COMMON EQUITY	6,496
PREFERRED STOCK	6
TOTAL DEBT	783
TOTAL INVESTOR CAPITAL	7,285
COMMON EQUITY RATIO	89%
NET INCOME	(2,317)
RETURN ON EQUITY	NEGATIVE