

ORIGINAL



Public Service Commission

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

DATE: December 3, 1997
TO: Tom Williams, Division of Communications
FROM: Sonja Jones, Division of Auditing and Financial Analysis *ALM*
RE: Docket No. 971514-TX, Direct-Tel, 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 Direct-Tel, Inc. (DTI), a start-up company which began operations in November 1997, for the period ending November 4, 1997. An audit could change one's opinion of the company's financial condition. As the attached schedule shows, DTI has adequate liquidity and ownership equity but reports negative current earnings.

ACK _____
 AFA _____ In this matter, DTI is asking for a certificate to provide alternative local exchange
 APP _____ telecommunications service. It should be noted that DTI plans to offer prepaid service and, as
 CAF _____ a result, customer funds could be at risk. For purposes of granting a certificate based on the
 CMU _____ financial information provided, the financial capability appears adequate.
 CTR _____ The applicant attests to its financial capability to provide and maintain the proposed
 EAG _____ telecommunications service. The applicant notes that the initial marketing plan for its service
 LEG _____ is based on a pre-paid plan. It is estimated that the initial cash flow will provide adequate funds
 LIN _____ to meet all financial responsibilities. Further, the anticipated added cash requirements based
 OPC _____ on a pre-paid service are at a minimum. However, the shareholders of Direct-Tel, Inc. are
 RCH _____ prepared to fund the company should the additional capital be needed. In addition, as a reseller,
 SEC _____ the applicant does not require the need or use of equipment which would call for lease or
 WAS _____ purchase agreements. Based on this showing, the applicant appears to meet the financial
 OTH _____ capability standard of Section 364.337, Florida Statutes.

cc: Division of Legal Services
Division of Records and Reporting

DOCUMENT NUMBER-DATE

12440 DEC-45

FPSC-RECORDS/REPORTING

DOCKET NO. 9715-TX
DIRECT-TEL, INC.
ALEC CERTIFICATE
FINANCIAL ANALYSIS

FROM UNAUDITED FINANCIAL STATEMENTS

	AS OF 11/4/97*
CURRENT ASSETS	\$14,930
CURRENT LIABILITIES	2,657
CURRENT RATIO	5.62
CASH	10,000
COMMON EQUITY	16,973
TOTAL DEBT	0
TOTAL INVESTOR CAPITAL	16,973
COMMON EQUITY RATIO	100%
CURRENT EARNINGS	(2,657)
RETURN ON EQUITY	NMF

* Operations began November 1997

NMF = No Meaningful Figure