



# Public Service Commission

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

**DATE:** August 3, 1998  
**TO:** Louis Yambor, Division of Communications  
**FROM:** Pete Lester, Division of Auditing and Financial Analysis *ALM*  
**RE:** Docket No. 980746-TX, Digital Telecommunications, Inc. d/b/a Telrite, Financial *AP C*  
 Analysis for Certificate Application for Alternative Local Exchange *8/11/98*  
 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 Digital Telecommunications, Inc. (Digital) for the period ending December 31, 1997. An audit could change one's opinion of the company's financial condition.

As the attached schedule shows, Digital has adequate liquidity but has insufficient common equity. For the period, Digital reported a positive net income.

In this matter, Digital 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.

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 by noting that its owner has numerous banking and business references. The company's debt is from its owner, and the negative equity is due to treasury stock. Based on this showing, the applicant appears to meet the financial capability standard of Section 364.337, Florida Statutes.

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- AFA \_\_\_\_\_
- APP \_\_\_\_\_
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- WAS \_\_\_\_\_
- OTH \_\_\_\_\_

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

DOCUMENT NUMBER-DATE

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REC-RECORDS/REPORTING

DOCKET NO. 980746-1X  
DIGITAL TELECOMMUNICATIONS, INC. D/B/A TELRITE  
ALEC TELECOMMUNICATION SERVICE  
FINANCIAL ANALYSIS

FROM UNAUDITED FINANCIAL STATEMENTS

	EIGHT MONTHS ENDED 12/31/97
CURRENT ASSETS	\$47,078
CURRENT LIABILITIES	2,558
CURRENT RATIO	18.40
CASH	10,721
COMMON EQUITY	(50,976)
TOTAL DEBT	106,724
COMMON EQUITY RATIO	NMF
NET INCOME	9,134
RETURN ON EQUITY	NMF

NMF=NO MEANINGFUL FIGURE