



Public Service Commission

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

DATE: October 5, 1998
 TO: Paula Isler, Division of Communications
 FROM: Pete Lester, Division of Auditing and Financial Analysis *PL* *ALM*
 RE: Docket No. 981014-TX, Dial Tone, Inc., Financial Analysis for Certificate *ARC*
 Application for Alternative Local Exchange Telecommunications Service *amts*

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 Dial Tone, Inc. (Dial Tone) 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, Dial Tone has adequate liquidity and sufficient common equity. For the period, Dial Tone reported a loss.

In this matter, Dial Tone is asking for a certificate to provide alternative local exchange telecommunications service. Staff notes the limited nature of the application. For purposes of granting a certificate based on the financial information provided, the financial capability appears adequate.

The applicant attests to its financial capability to provide and maintain the proposed telecommunications service by noting that its major shareholder, James J. Lane, will provide the necessary capitalization to allow the company to provide local exchange resale services. Mr. Lane's personal financial statements indicate that he has adequate financial resources. 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 (2)

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DOCKET NO. 981014-
DIAL TONE, INC.
ALEC TELECOMMUNICATION SERVICE
FINANCIAL ANALYSIS

FROM UNAUDITED FINANCIAL STATEMENTS

	AS OF <u>12/31/97</u>
CURRENT ASSETS	\$10,222
CURRENT LIABILITIES	0
CURRENT RATIO	NMF
CASH	6,382
COMMON EQUITY	22,568
TOTAL DEBT	0
TOTAL INVESTOR CAPITAL	22,568
COMMON EQUITY RATIO	100%
NET INCOME	(28,732)
RETURN ON EQUITY	NEGATIVE

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