



# Public Service Commission

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

DATE: October 27, 1998

TO: Ray Kennedy, Division of Communications

FROM: Pete Lester, Division of Auditing and Financial Analysis *ALM*

RE: Docket No. 981094-TX, Tallahassee Telephone Exchange, 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 Tallahassee Telephone Exchange, Inc. (TTE) for the period ending August 30, 1998. An audit could change one's opinion of the company's financial condition. As the attached schedule shows, TTE has adequate liquidity, sufficient common equity and reported a positive net income for the period.

In this matter, TTE 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 a \$100,000 line of credit is available to TTE and that it will have very little capital investment. 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) ✓

- ACr \_\_\_\_\_
- AFA \_\_\_\_\_
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- CMJ \_\_\_\_\_
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DOCKET NO. 98109-X  
TALLAHASSEE TELEPHONE EXCHANGE, INC.  
ALEC TELECOMMUNICATION SERVICE  
FINANCIAL ANALYSIS

FROM UNAUDITED FINANCIAL STATEMENTS  
OF INTERNET SERVICES OF TALLAHASSEE, INC.,  
AN AFFILIATED COMPANY

	AS OF <u>08/30/98</u>
CURRENT ASSETS	\$15,000
CURRENT LIABILITIES	10,866
CURRENT RATIO	1.38
CASH	15,000
COMMON EQUITY	134,786
TOTAL DEBT	90,558
TOTAL PREFERRED STOCK	0
TOTAL INVESTOR CAPITAL	225,344
COMMON EQUITY RATIO	60%
NET INCOME	72,398 *
RETURN ON EQUITY	54%

\*PROJECTED 1998 INCOME