



Public Service Commission

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

DATE: August 11, 1999
TO: Tommy Williams, Division of Communications
FROM: Pete Lester, Division of Auditing and Financial Analysis
RE: Docket No. 990784-TI, Quest Telecommunications, Inc., Financial Analysis for 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 unaudited financial statements of Quest Telecommunications, Inc. (Quest) for the period ending December 31, 1998. An audit could change one's opinion of the company's financial condition. As the attached schedule shows, Quest has inadequate liquidity, insufficient common equity, and reported a loss for the period.

In this matter, Quest is asking for a certificate to provide IXC 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 minimal.

Although an analysis of the financial statements reveals the applicant is in a minimal financial position, the applicant attests to its financial capability to provide and maintain the proposed telecommunications service by noting that its parent company is selling several holdings to raise funds. Quest has access to a credit facility with Fleet Bank, has access to venture capital funds, and projects significant increases in revenue. 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. 990784-TI
QUEST TELECOMMUNICATIONS, INC.
IXC CERTIFICATE

FINANCIAL ANALYSIS

FROM UNAUDITED FINANCIAL STATEMENTS

	AS OF <u>12/31/98</u>
CURRENT ASSETS	\$2,187,331
CURRENT LIABILITIES	4,590,312
CURRENT RATIO	0.48
CASH	617,865
COMMON EQUITY	(364,221)
TOTAL DEBT	4,196
TOTAL PREFERRED STOCK	0
COMMON EQUITY RATIO	NMF
NET INCOME	(364,221)
RETURN ON EQUITY	NMF

NMF=NO MEANINGFUL FIGURE