



Public Service Commission

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

DATE: December 20, 2000
TO: Toni McCoy, Division of Regulatory Oversight
FROM: Pete Lester, Division of Economic Regulation *PL*
RE: Docket No. 001433-TX, Soapstone Telecom, LLC, Financial Analysis for Certificate Application for Alternative Local Exchange Telecommunications Service

ALM

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 Soapstone Telecom, LLC (Soapstone) for the projected period ending December 31, 2001. An audit could change one's opinion of the company's financial condition. As the attached schedule shows, Soapstone projects adequate liquidity and sufficient common equity. The company projects a loss for its first year of operation.

In this matter, Soapstone 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.

APP
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The applicant attests to its financial capability to provide and maintain the proposed telecommunications service by noting that it projects that it will have revenue of \$5.6 million and net profits of \$1.3 million within 5 years. The company projects a net profit margin of 24%. 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)

DOCUMENT NUMBER-DATE

16497 DEC 29 00

FPSC-REG-WFS-REPORTING

DOCKET NO. 001433-TX
SOAPSTONE TELECOM, LLC
ALEC CERTIFICATE

FINANCIAL ANALYSIS

FROM UNAUDITED PROJECTED FINANCIAL STATEMENTS

	<u>AS OF</u> <u>12/31/01</u>
CURRENT ASSETS	\$341,122
CURRENT LIABILITIES	20,000
CURRENT RATIO	17.06
CASH	182,997
COMMON EQUITY	1,810,440
TOTAL DEBT	1,637,500
PREFERRED STOCK	0
TOTAL INVESTOR CAPITAL	3,447,940
COMMON EQUITY RATIO	53%
NET INCOME	(489,560)
RETURN ON EQUITY	NEGATIVE