



# Public Service Commission

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

**DATE:** February 11, 1998  
**TO:** Brenda Hawkins, Division of Communications  
**FROM:** Pete Lester, Division of Auditing and Financial Analysis *ALM*  
**RE:** Docket No. 980094-TX, Southern Telemanagement Group, Inc., Financial Analysis *APC*  
 for Certificate Application for Alternative Local Exchange 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 Southern Telemanagement Group, Inc. (Southern) for the year ended December 31, 1996. An audit could change one's opinion of the company's financial condition. As the attached schedule shows, Southern has adequate liquidity, ownership equity, and profitability.

- ACK \_\_\_\_\_
  - AFA \_\_\_\_\_
  - APP \_\_\_\_\_
  - CAF \_\_\_\_\_
  - CMU \_\_\_\_\_
  - CTR \_\_\_\_\_
  - EAG \_\_\_\_\_
  - LEG \_\_\_\_\_
  - LIN \_\_\_\_\_
  - OPC \_\_\_\_\_
- In this matter, Southern 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 it will not have significant capital investment, that it intends to fund its operation through internally generated funds, and that it has the ability to borrow funds, based on its financial capability, if needed. Based on this showing, the applicant appears to meet the financial capability standard of Section 364.337, Florida Statutes.

RCH \_\_\_\_\_ cc: Division of Legal Services  
 SEC \_\_\_\_\_ Division of Records and Reporting (2)

DOCUMENT NUMBER DATE  
 02158 FEB 12 98  
 CPSC REG. REG. REPORTING

**DOCKET NO. 980094-TI  
SOUTHERN TELEMAGEMENT GROUP, INC.  
ALEC CERTIFICATE  
FINANCIAL ANALYSIS  
ATTESTATION DONE**

**FROM ACCOUNTANT'S COMPILATION \***

**YEAR  
ENDED  
DECEMBER 31, 1996**

<b>CURRENT ASSETS</b>	<b>20,191</b>
<b>CURRENT LIABILITIES</b>	<b>1,900</b>
<b>CURRENT RATIO</b>	<b>10.63</b>
<b>CASH</b>	<b>20,191</b>
<b>COMMON EQUITY</b>	<b>20,120</b>
<b>TOTAL DEBT</b>	<b>8,443</b>
<b>PREFERRED STOCK</b>	<b>0</b>
<b>TOTAL INVESTOR CAPITAL</b>	<b>28,563</b>
<b>COMMON EQUITY RATIO</b>	<b>70%</b>
<b>NET INCOME</b>	<b>22,606</b>
<b>RETURN ON EQUITY</b>	<b>112%</b>

**\*A BUSINESS SERVICE, NOT A CPA FIRM**