



Public Service Commission

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

DATE: April 23, 1998
 TO: Tommy Williams, Division of Communications
 FROM: David J. Draper, Division of Auditing and Financial Analysis ^{ALM} ^{DD} ^{HPC}
 RE: Docket No. 980456-TX, Touch 1 Communications, Inc., Financial Analysis for Certificate Application for Alternative Local Exchange Telecommunications Service ^[Signature]

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 Touch 1 Communications, Inc. (T1C) 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, T1C has minimal liquidity and marginal common equity. The company also reports marginal net income for the period.

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In this matter, T1C is asking for a certificate to provide alternative local exchange telecommunications service. For purposes of granting a certificate based on the financial information provided, the financial capability appears marginal.

Although an analysis of the financial statements reveals the applicant is in a marginal financial position, the applicant attests to its financial capability to provide and maintain the proposed telecommunications service by noting that the applicant can rely upon the financial support of Touch 1, Inc., its parent company. Touch 1, Inc. has over \$70 million in total assets. 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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