



Public Service Commission

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

DATE: October 13, 1999
TO: Nancy Pruitt, Division of Communications
FROM: Eva P. Samaan, Division of Auditing and Financial Analysis
RE: Docket No. 991339-TX, Questel Corp., Financial Analysis 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 Quest Net Corp., parent of Questel Corp. (QC) for the period ending June 30, 1999. An audit could change one's opinion of the company's financial condition. As the attached schedule shows, QC has adequate liquidity and sufficient common equity, but reported a net loss for the period.

In this matter, QC is asking for a certificate to provide alternative local exchange telecommunications service. Staff notes the limited nature of the application and that no customer provided funds appear to be at risk. 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. Questel Corp. is a wholly owned subsidiary of Quest Net Corp. and will be financially supported by the parent company, if deemed necessary. Based on this showing, the applicant appears to meet the financial capability standard of Section 364.337, Florida Statutes.

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APP
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cc: Division of Legal Services
Division of Records and Reporting (2)

DOCUMENT NUMBER-DATE
12517 OCT 14 99
FPSC-RECORDS/REPORTING

DOCKET NO. 991339-
QUEST NET CORP.

ALEC TELECOMMUNICATION SERVICE
FINANCIAL ANALYSIS

FROM UNAUDITED FINANCIAL STATEMENTS AS OF 06/30/99

CURRENT ASSETS	\$3,340,804
CURRENT LIABILITIES	1,252,699
CURRENT RATIO	2.67
CASH	3,298,289
COMMON EQUITY	4,422,444
LONG-TERM DEBT	0
TOTAL INVESTOR CAPITAL	4,422,444
COMMON EQUITY RATIO	100%
NET INCOME/LOSS	(8,012,419)
RETURN ON EQUITY	NMF

NMF= Non-meaningful figure