

BEFORE THE TENNESSEE REGULATORY AUTHORITY

IN THE MATTER OF THE APPLICATION
OF Quality Telephone, Inc. FOR A CERTIFICATE
TO PROVIDE COMPETING LOCAL
TELECOMMUNICATION SERVICES

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T.R.A. DOCKET ROOM

SUPPLIMENT TO THE APPLICATION FOR CERTIFICATE TO PROVIDE
COMPETING LOCAL TELECOMMUNICATIONS SERVICES

DOCKET NUMBER 04-00216

Pursuant to applicable Tennessee Statutes and the Rules and Regulations of the Tennessee Regulatory Authority and Section 253 of the Federal Telecommunications Act of 1996 ("Act"), Quality Telephone, Inc. respectfully requests that the Tennessee Regulatory Authority ("TRA") add the following letter of deposit of funds for the CCNA for Quality Telephone, Inc. authority to provide competing local telecommunications services, including exchange access telecommunications, within the state of Tennessee.

Quality Telephone, Inc. is currently Docket Number 04-00216.

In support of its Application, Quality Telephone, Inc. submits the addition of three years of National projections of company financial. The company has supplied three years of Tennessee specific projections, and would like to add national projections at the recommendation of staff.

Respectfully submitted for addition on this the 9th day of September, 2004



Frank McGovern

Regulatory Manager for Quality Telephone, Inc.

Projections for Quality Telephone - Summary

	Year 1	Year 2	Year 3
Total Revenues			
Revenue - Base	1,684,526	2,035,322	2,362,047
Revenue - New	431,928	503,916	575,904
Total Revenue	2,116,454	2,539,238	2,937,951
Costs			
New Customer Costs	560,304	653,688	747,072
Monthly Costs of an Existing customers	567,813	739,516	858,228
Total Costs	1,128,117	1,393,204	1,605,300
EBIT	988,337	1,146,035	1,332,651

Year 1 Projections for Quality Telephone

	Year 1 Month 1	Year 1 Month 2	Year 1 Month 3	Year 1 Month 4	Year 1 Month 5	Year 1 Month 6	Year 1 Month 7	Year 1 Month 8	Year 1 Month 9	Year 1 Month 10	Year 1 Month 11	Year 1 Month 12
New Customers	600	600	600	600	600	600	600	600	600	600	600	600
Revenue - Base	39 99	23994	23994	23994	23994	23994	23994	23994	23994	23994	23994	23994
Revenue - Setup	20	12000	12000	12000	12000	12000	12000	12000	12000	12000	12000	12000
New customer revenue	35994	35994	35994	35994	35994	35994	35994	35994	35994	35994	35994	35994
Total Existing Customers												
Previous Month	3500	3645	3771	3881	3976	4059	4132	4195	4249	4297	4338	4374
Retention Rate	87%	3045	3171	3376	3459	3532	3595	3649	3697	3738	3774	3806
Monthly Revenues	39 99	121,770	126,814	131,203	135,022	138,344	141,234	145,936	147,839	149,494	150,935	152,188
Total Revenues	157,764	162,808	167,197	171,016	174,338	177,228	179,742	181,930	183,833	185,488	186,929	188,182

Costs

New customers	600	600	600	600	600	600	600	600	600	600	600	600
Customer COGS	48 00	48 00	48 00	48 00	48 00	48 00	48 00	48 00	48 00	48 00	48 00	48 00
Customer Overhead	29 82	29 82	29 82	29 82	29 82	29 82	29 82	29 82	29 82	29 82	29 82	29 82
Cost of new customers	46692 00	46692 00	46692 00	46692 00	46692 00	46692 00	46692 00	46692 00	46692 00	46692 00	46692 00	46692 00
Existing Customers	3045	3171	3281	3376	3459	3532	3595	3649	3697	3738	3774	3806
Customer COGS	14 53	14 53	14 53	14 53	14 53	14 53	14 53	14 53	14 53	14 53	14 53	14 53
Customer Overhead	7 93	7 93	7 93	7 93	7 93	7 93	7 93	7 93	7 93	7 93	7 93	7 93
Monthly Costs of an Existing customers	44,244	46,077	47,671	49,059	50,266	51,316	52,230	53,024	53,716	54,317	54,841	55,296
Total Revenue	157,764	162,808	167,197	171,016	174,338	177,228	179,742	181,930	183,833	185,488	186,929	188,182
Total Expense	90,936	92,769	94,363	95,751	96,958	98,008	98,922	99,716	100,408	101,009	101,533	101,988
Net Income	66,828	70,039	72,834	75,265	77,380	79,220	80,821	82,213	83,425	84,479	85,396	86,194
Cumulative Income	66,828	136,867	209,701	284,966	362,345	441,565	522,386	604,599	688,024	772,503	857,899	944,093

Revenues

First Month	\$39 99
Set Up Charge	\$20 00
Monthly	\$39 99

Monthly Costs

Phone Service from Bell South	14 53
Labor and Support (14 min X 9 00)	2 10
Billing	0 83
Distribution	3 50
Overhead	1 50
Total	22 46

New Set Up Costs

Phone Service from Bell South	80
Labor (30 min X \$9 00/hr)	4 5
Distribution Cost	\$6
Toll Free Number (22 minutes x \$0 60	\$1 32
Advertising / Marketing Costs	18
Total First Month Costs	109 82

Year 2 Projections for Quality Telephone

	Previous Year	Year 2											
		Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
New Customers		700	700	700	700	700	700	700	700	700	700	700	700
Revenue - Base		27993	27993	27993	27993	27993	27993	27993	27993	27993	27993	27993	27993
Revenue - Setup		14000	14000	14000	14000	14000	14000	14000	14000	14000	14000	14000	14000
New customer revenue		41993	41993	41993	41993	41993	41993	41993	41993	41993	41993	41993	41993
Total Existing Customers													
Previous Month		4406	4533	4644	4740	4824	4897	4960	5015	5063	5105	5141	5173
Retention Rate	87%	3833	3944	4040	4124	4197	4260	4315	4363	4405	4441	4473	4501
Monthly Revenues	39.99	153278.53	157706.23	161558.33	164909.66	167825.31	170361.93	172568.79	174488.76	176159.13	177612.35	178876.66	179976.60
Total Revenues		195271.53	199699.23	203551.33	206902.66	209818.31	212354.93	214561.79	216481.76	218152.13	219605.35	220869.66	221969.60

Costs

New customers	700	700	700	700	700	700	700	700	700	700	700	700	700
Customer COGS	48.00	48.00	48.00	48.00	48.00	48.00	48.00	48.00	48.00	48.00	48.00	48.00	48.00
Customer Overhead	29.82	29.82	29.82	29.82	29.82	29.82	29.82	29.82	29.82	29.82	29.82	29.82	29.82
Cost of new customers	54474.00	54474.00	54474.00	54474.00	54474.00	54474.00	54474.00	54474.00	54474.00	54474.00	54474.00	54474.00	54474.00
Existing Customers	3833	3944	4040	4124	4197	4260	4315	4363	4405	4441	4473	4501	4501
Customer COGS	14.53	14.53	14.53	14.53	14.53	14.53	14.53	14.53	14.53	14.53	14.53	14.53	14.53
Customer Overhead	7.93	7.93	7.93	7.93	7.93	7.93	7.93	7.93	7.93	7.93	7.93	7.93	7.93
Monthly Costs of an Existing customer	55,692	57,301	58,701	59,918	60,978	61,899	62,701	63,399	64,006	64,534	64,993	65,393	65,393
Total Revenue	195,272	199,699	203,551	206,903	209,818	212,355	214,562	216,482	218,152	219,605	220,870	221,970	221,970
Total Expense	110,166	111,775	113,175	114,392	115,452	116,373	117,175	117,873	118,480	119,008	119,467	119,867	119,867
Net Revenue	85,105	87,924	90,377	92,510	94,367	95,981	97,387	98,609	99,672	100,598	101,402	102,103	102,103
Cumulative Revenue	85,105	173,029	263,406	355,916	450,283	546,264	643,651	742,260	841,932	942,529	1,043,932	1,146,035	1,146,035

Monthly Costs

COGS from Bell South	14.53
Labor and Support (14 min X 9.00)	2.10
Billing	0.83
Distribution	3.50
Overhead	1.50
Total Overhead	7.93

New Set Up Costs

COGS from Bell South	48
Labor (30 min X \$9.00/hr)	4.5
Distribution Cost	\$6
Toll Free Number (22 minutes x \$0.60	\$1.32
Advertising / Marketing Costs	18
Total First Month Costs	29.82

Revenues

First Month	\$39.99
Set Up Charge	\$20.00
Monthly	\$39.99

Year 3 Projections for Quality Telephone

	Year 3 Month 1	Year 3 Month 2	Year 3 Month 3	Year 3 Month 4	Year 3 Month 5	Year 3 Month 6	Year 3 Month 7	Year 3 Month 8	Year 3 Month 9	Year 3 Month 10	Year 3 Month 11	Year 3 Month 12
New Customers	800	800	800	800	800	800	800	800	800	800	800	800
Revenue - Base	31992	31992	31992	31992	31992	31992	31992	31992	31992	31992	31992	31992
Revenue - Setup	16000	16000	16000	16000	16000	16000	16000	16000	16000	16000	16000	16000
New customer revenue	47992	47992	47992	47992	47992	47992	47992	47992	47992	47992	47992	47992
Total Existing Customers												
Previous Month	5201	5324	5432	5526	5608	5679	5740	5794	5841	5882	5917	5948
Retention Rate	87%	4524	4632	4808	4879	4940	4994	5041	5082	5117	5148	5175
Monthly Revenues	39 99	180933 55	185245 23	188996 39	192259 90	195099 15	197569 30	201587 99	203214 59	204629 74	205860 91	206932 03
Total Revenues	228925 55	233237 23	236988 39	240251 90	243091 15	245561 30	247710 33	249579 99	251206 59	252621 74	253852 91	254924 03

Costs

New customers	800	800	800	800	800	800	800	800	800	800	800	800
New Customer Costs	48 00	48 00	48 00	48 00	48 00	48 00	48 00	48 00	48 00	48 00	48 00	48 00
Cost of new customers	29 82	29 82	29 82	29 82	29 82	29 82	29 82	29 82	29 82	29 82	29 82	29 82
	62256 00	62256 00	62256 00	62256 00	62256 00	62256 00	62256 00	62256 00	62256 00	62256 00	62256 00	62256 00
Existing Customers												
Monthly Costs	4524	4632	4726	4808	4879	4940	4994	5041	5082	5117	5148	5175
Monthly Costs of an Existing customers	14 53	14 53	14 53	14 53	14 53	14 53	14 53	14 53	14 53	14 53	14 53	14 53
	7 93	7 93	7 93	7 93	7 93	7 93	7 93	7 93	7 93	7 93	7 93	7 93
	65,741	67,307	68,670	69,856	70,887	71,785	72,566	73,245	73,836	74,350	74,798	75,187
Total Revenue	228,926	233,237	236,988	240,252	243,091	245,561	247,710	249,580	251,207	252,622	253,853	254,924
Total Expense	127,997	129,563	130,926	132,112	133,143	134,041	134,822	135,501	136,092	136,606	137,054	137,443
Net Revenue	100,929	103,674	106,062	108,140	109,948	111,520	112,889	114,079	115,114	116,015	116,799	117,481
Cumulative Revenue	100,929	204,603	310,665	418,805	528,753	640,273	753,162	867,241	982,355	1,098,371	1,215,170	1,332,651

Monthly Costs

Phone Service from Bell South	14 53
Labor and Support (14 min X 9 00)	2 10
Billing	0 83
Distribution	3 50
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