

ORIGINAL  
FILE COPY

State of Florida



# Public Service Commission

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

**DATE:** March 19, 1997  
**TO:** Tom Williams, Division of Communications  
**FROM:** Sonja Jones, Division of Auditing and Financial Analysis *ALM*  
**RE:** Docket No. 970055-TX, Pacific Gateway Exchange, Inc., 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 audited financial statements of Pacific Gateway Exchange, Inc. (PGE) for the period ending December 31, 1995. As the attached schedule shows, PGE has adequate profitability but marginal liquidity and ownership equity.

- ACK
  - AFA
  - APP
  - CAF
  - CMU
  - CTR
  - EAG
  - LEG
  - LIN
  - OPI
  - REP
  - SEC
  - WAS
  - OTH
- In this matter, PGE 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. PGE was founded in August 1991 and has extensive experience in providing telecommunications services internationally and throughout the country. PGE initially proposes to provide service on a resale basis only, which means that significant additional capital expenditures will not be required in the first year of operation in Florida. Further, PGE will be able to take advantage of the existing resources currently available in the company in such areas as billing, customer service, maintenance and technical support, and marketing and sales, and thereby further reduce the expenditures required to provide service in the state. 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

DOCUMENT # 97-0055-TX  
02856 MAR 19 97  
FPSC-RECORDS/REPORTING

DOCKET NO. 97005  
PACIFIC GATEWAY EXCHANGE, INC.  
ALEC CERTIFICATE  
FINANCIAL ANALYSIS

FROM AUDITED FINANCIAL STATEMENTS

	AS OF 12/31/95
CURRENT ASSETS	\$18,033,059
CURRENT LIABILITIES	21,444,827
CURRENT RATIO	0.84
CASH	1,792,202
COMMON EQUITY	2,890,580
TOTAL DEBT	5,420,339
TOTAL INVESTOR CAPITAL	8,310,919
COMMON EQUITY RATIO	35%
NET INCOME	1,786,290
RETURN ON EQUITY	62%