



Public Service Commission

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

DATE: May 14, 1997
 TO: Tom Williams, Division of Communications
 FROM: David Draper, Division of Auditing and Financial Analysis *DD APC*
 RE: Docket No. 970175-T1, International Gateway Communications, Inc., Financial Analysis for Certificate Application for Intrastate Interexchange Telecommunications Service

Section 364.337 (3), Florida Statutes, requires the following:

The commission shall grant a certificate of authority to provide intrastate interexchange telecommunications 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 International Gateway Communications, Inc. (IGC) for the twelve (12) month period ending June 30, 1996. As the attached schedule presents, IGC has sufficient common equity, but has marginal liquidity and reports negative net income.

ACK _____ In this matter, IGC is asking for a certificate to provide IXC service. Staff notes the limited
 AFA _____ nature of the application and that no customer provided funds appear to be at risk. For purposes
 APP _____ of granting a certificate based on the financial information provided, the financial capability
 CAF _____ appears marginal.

CMU _____ Although an analysis of the financial statements reveals the applicant is in a marginal financial
 CTR _____ position, the applicant attests to its financial capabilities by stating that its operating revenues
 EAG _____ and retained earnings provide sufficient financial resources to provide and maintain the proposed
 LEG _____ telecommunications service. In addition, no additional capital funding will be need to maintain
 LIN _____ requested services. Based on this showing, the applicant appears to meet the financial capability
 OPC _____ standard of Section 364.337, Florida Statutes.

RCH _____ cc: Division of Legal Services
 SEC 1 _____ Division of Records and Reporting

WAS _____
 OTH _____

DOCUMENT NUMBER-DATE

04857 MAY 15 97

FPSC-RECORDS/REPORTING

DOCKET NO. : 97017-1
INTERNATIONAL GATEWAY COMMUNICATION, INC.

IX TELECOMMUNICATION SERVICE
FINANCIAL ANALYSIS

FROM AUDITED FINANCIAL STATEMENTS

	AS OF 06/30/96	AS OF 06/30/95
CURRENT ASSETS	\$617,270	\$385,511
CURRENT LIABILITIES	675,683	382,557
CURRENT RATIO	0.91	1.01
CASH	198,168	122,611
COMMON EQUITY	206,000	256,020
TOTAL DEBT	72,230	41,300
TOTAL INVESTOR CAPITAL	278,230	297,320
COMMON EQUITY RATIO	74%	86%
NET INCOME	(62,020)	46,348
RETURN ON EQUITY	NMF	18%

NMF = No Meaningful Figure