



Public Service Commission

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

DATE: October 5, 1998
 TO: Lou Yambor, Division of Communications
 FROM: Pete Lester, Division of Auditing and Financial Analysis *PL* *ALM*
 RE: Docket No. 981062-TI, MGC Communications, Inc., Financial Analysts for *APC*
 Certificate Application for Intrastate Interexchange Telecommunications Service *[Signature]*

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 unaudited financial statements of MGC Communications, Inc. (MGC) for the three month period ending March 31, 1998. An audit could change one's opinion of the company's financial condition. As the attached schedule shows, MGC has adequate liquidity, insufficient common equity, and reported a loss for the period.

ACK _____
 AFA _____
 APP _____ In this matter, MGC is asking for a certificate to provide IXC service. Staff notes the limited
 CAF _____ nature of the application. For purposes of granting a certificate based on the financial
 CMU _____ information provided, the financial capability appears marginal.
 CTR _____ Although an analysis of the financial statements reveals the applicant is in a marginal financial
 EAG _____ position, the applicant attests to its financial capability to provide and maintain the proposed
 LEG _____ telecommunications service by noting that it raised funds for facilities through public stock
 LIN _____ offerings and privately placed investment. Based on this showing, the applicant appears to meet
 the financial capability standard of Section 364.337, Florida Statutes.

OPC _____
 RCH _____ cc: Division of Legal Services
 SEC _____ 1 Division of Records and Reporting (2)
 WAS _____
 OTH _____

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