

State of Florida



Public Service Commission

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

DATE: November 16, 1999
TO: Nancy Pruitt, Division of Communications
FROM: Pete Lester, Division of Auditing and Financial Analysis
RE: Docket No. 991482-TX, Pathnet, Inc., Financial Analysis for Certificate Application for Alternative Local Exchange Telecommunications Service

Handwritten initials: ALM, PL, and a signature.

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 Pathnet, Inc. (Pathnet) for the period ending December 31, 1998. As the attached schedule shows, Pathnet has adequate liquidity but also has negative common equity and reported a loss for the period.

In this matter, Pathnet is asking for a certificate to provide alternative local exchange telecommunications service. Staff notes the limited nature of the application. For purposes of granting a certificate based on the financial information provided, the financial capability appears marginal.

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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 by noting that it has capital commitments from Worldwide Fiber USA for \$87.5 million and \$400 million in financing from Lucent (information from Pathnet's 10-Q). 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 (2)

DOCUMENT NUMBER-DATE

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FPSC-RECORDS/REPORTING

DOCKET NO. 991482-TX  
PATHNET, INC.  
ALEC CERTIFICATE

FINANCIAL ANALYSIS

FROM AUDITED FINANCIAL STATEMENTS

AS OF  
12/31/1998

CURRENT ASSETS	\$162,478,759
CURRENT LIABILITIES	20,280,245
CURRENT RATIO	8.01
CASH	57,321,887
COMMON EQUITY	(37,047,880)
TOTAL DEBT	346,212,125
TOTAL PREFERRED STOCK	35,969,639
COMMON EQUITY RATIO	NMF
NET INCOME	(36,296,596)
RETURN ON EQUITY	NEGATIVE

NMF=NO MEANINGFUL FIGURE