

ORIGINAL

Decision ~~88-05-042~~ MAY 16 1988

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
American Network, Inc. (U-5060-C))
and United States Transmission)
System, Inc. (U-5041-C) for Approval)
to Transfer Control.)

Application 88-02-031
(Filed February 18, 1988)

OPINION

This is an application in which United States Transmission Systems, Inc. (USTS) seeks authority to acquire control of American Network, Inc. (Amnet) through the purchase of capital stock.

Notice of the filing of the application appeared in the Commission's Daily Calendar on February 23, 1988. There are no protests.

The parties filed a motion for a protective order. The motion was withdrawn on April 28, 1988. The issue having been removed from the proceeding, the matter is ready for decision.

The Commission makes the following findings and conclusion.

Findings of Fact

1. A public hearing is not necessary in this matter.
2. Amnet (U-5060-C) is a telephone corporation which provides interLATA MTS and WATS-like services in California and on a national basis. It received its California operating authority in Decision (D.) 84-10-047, dated October 17, 1984. Amnet has two wholly owned subsidiaries: Starnet International, Inc. (Starnet) and ATE, Inc. (ATE). Amnet acquired the assets of Starnet pursuant to D.87-07-059. ATE acquired operating authority (CPCN) pursuant to D.84-01-037. Amnet acquired ATE pursuant to D.86-11-011. Amnet has substantially integrated the operations of the subsidiaries with its own, and is in the process of creating a combined service

offering for the three entities. Presently, service is offered separately under tariffs of Amnet, Starnet, and ATE.

3. USTS ((U-5041-C) is a telephone corporation which provides MTS and WATS-like interLATA telephone services and private-line, point-to-point interLATA services, both within the State of California and throughout most of the United States. It received its California operating authority in D.84-05-008, dated May 4, 1984. It is a wholly owned subsidiary of ITT Corporation.

4. On February 10, 1988 the parties entered into an agreement in which USTS would acquire control of Amnet in the following manner. The acquisition will be effected through a statutory merger or a statutory share exchange. The holders of outstanding common stock (other than Ford Aerospace Corporation, Pacific Telecom, Inc., and CP National Corporation (collectively, the "preferred stockholders")) will receive in the transaction cash in the amount of \$.25 per share. CP National Corporation will receive cash in the amount of \$.10 per share for each share of common stock and preferred stock (company stock) owned by it. Ford Aerospace Corporation and Pacific Telecom, Inc. will receive no payment for their shares. Based on 7,177,082 shares of common stock held by all stockholders other than the preferred stockholders and 3,586,328 shares of Amnet stock held by CP National Corporation, the aggregate payment to the stockholders of Amnet will be \$2,152,903.30, including \$358,632.80 payable to CP National Corporation.

5. A condensed balance sheet for USTS and subsidiary indicates that it had total assets of \$182,078,584 as of December 31, 1986. It had gross operating revenues of \$282,104,813 for the year 1986.

6. USTS operates switching centers at San Francisco and Los Angeles, California, and utilizes transmission facilities obtained from various carrier and noncarrier vendors of such facilities to interconnect those switching centers with one another, with other

parts of USTS' national network, and with local points of presence throughout California where USTS' network interfaces with access services provided by local exchange carriers in California. Amnet (including its Starnet and ATE subsidiaries) maintains switching/operating centers at San Francisco, Sacramento, Los Angeles, and San Diego, and uses transmission facilities provided by carrier and noncarrier vendors of such facilities along with resold WATS services of other authorized carriers to connect its customers with other parts of Amnet's California and national networks.

Under the proposed transaction, the parties hope to realize substantial cost savings as a result of steps taken to integrate their now-separate operations into a common network. These steps will include the elimination of redundant transmission and switching facilities, more efficient utilization of transmission facilities, elimination of higher-cost services and facilities obtained from other vendors, and a general repositioning of resources so as to best serve each applicant's customers at the lowest cost consistent with the provision of high quality service. USTS and Amnet presently intend to continue providing service pursuant to each of their respective tariffs on file with this Commission. Applicants may, in the future, attempt to consolidate their communications services offered to customers in California into a single entity, and serve pursuant to a single tariff. They have stipulated that prior to any such consolidation, they will provide full notice to each of their respective customers and will similarly provide notice to the Commission and take any other steps required to comply with applicable Commission Rules.

7. USTS has the ability, including financial ability, to acquire control of Amnet and continue its operations.

8. The proposed acquisition of control of Amnet by USTS is not adverse to the public interest.

9. USTS and Amnet are telephone corporations which are nondominant telecommunications carriers with respect to the matters presented in this application.

10. Ordering Paragraph 1 of D.85-01-008 in Application 84-03-92 dated January 3, 1985, provides that:

"1. On and after the effective date of this order, public utility resellers of telecommunications services are exempted from the requirements of PU Code §§ 816-830."

11. Ordering Paragraph 7 of D.87-04-017, dated April 8, 1987, relating to telecommunications carriers, provides in part that:

"...in noncontroversial applications for authority to transfer assets or control under PU Code §§ 851-855, such authority may be granted by the Commission's Executive Director as specified in D.86-08-057."

12. Since the ensuring order primarily affects the parties to this application, it should be made effective on the date of issuance.

Conclusion of Law

The application should be granted.

This authorization is not a finding of the value of the rights and properties over which control is to be acquired.

ORDER

IT IS ORDERED that:

1. On or after the effective date of this order United States Transmission Systems, Inc. (USTS) may acquire control of American Network, Inc. (Amnet) through the purchase of capital stock in accordance with the terms set forth in the application.

2. Within 10 days after acquisition of control, USTS shall write the Commission stating the date of the transfer of control.

A copy of the documents effectuating the transfer of control shall be attached.

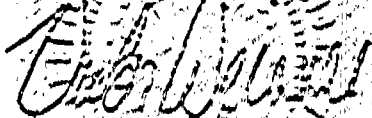
3. The authority granted in Ordering Paragraph 1 shall expire unless it is exercised before December 31, 1988.

This order is effective today.

Dated MAY 16 1988, at San Francisco, California.


VICTOR WEISSNER
Executive Director

I CERTIFY THAT THIS DECISION
WAS APPROVED BY THE ABOVE
COMMISSIONERS TODAY.


VICTOR WEISSNER, Executive Director