

ORIGINAL

Decision 88 11 064 NOV 23 1988

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
US Sprint Communications Company to)
transfer certificate of public)
convenience and necessity.)

Application 88-09-001
(Filed September 2, 1988)

MAILED

NOV 23 1988

OPINION

This is an application in which US Sprint Communications Company (Sprint) seeks authority to transfer its California operating authority to US Sprint Communications Company, a limited partnership (LP).

Notice of the filing of the application appeared in the Commission's Daily Calendar on September 8, 1988. There are no protests.

The Commission makes the following findings and conclusions.

Findings of Fact

1. A public hearing is not necessary in this matter.
2. Sprint is a New York general partnership which is equally owned by United Telecom (Telecom) through its subsidiary US Telecom, Inc. (US Telecom), and GTE Corporation (GTE) through its subsidiary GTE Communications Services, Inc.

Sprint received a certificate of public convenience and necessity to operate as a telephone corporation and provide California intrastate telecommunications services in Decision (D.) 86-06-028 in Application (A.) 86-02-045 (U-5112-C).

3. Sprint provides voice, data, and video teleconferencing originating telecommunications services in the continental United States and Hawaii. From its originating location, Sprint can terminate calls throughout the United States and most of the world. In addition to California, Sprint is authorized to provide

intrastate service in 39 states. It has virtually completed construction of the nation's first all-digital, 100% fiber optic network at a cost in excess of \$3 billion. The 23,000-mile network ultimately will have a point of presence in each of the 186 LATAs and will provide access to Sprint from every telephone in the continental United States.

4. On July 20, 1988, Telecom and GTE agreed to restructure their respective interests in Sprint. Although the joint venture between GTE and Telecom was important in launching Sprint, the partners concluded that the 50-50% management arrangement inherent in the partnership had become burdensome in light of the fast growing and rapidly changing environment of the interexchange telecommunications industry. They concluded that by establishing a single entity as the primary decision-maker, Sprint would be able to respond more quickly and effectively to marketplace developments.

5. The agreement provides that on January 3, 1989, the existing general partnership will be dissolved, and the assets of Sprint will be assigned to a newly created Delaware limited partnership, LP. Telecom will purchase from GTE, at book value as of December 31, 1988, an additional 30.1% interest in Sprint, giving Telecom a total ownership interest of 80.1%. The book value is presently estimated to exceed \$600 million. The Telecom interest will be held through two subsidiaries: as a 50% general partnership interest via its US Telecom subsidiary and as a 30.1% LP interest via its UCOM, Inc. subsidiary. The 19.9% interest retained by GTE will be held as a limited partnership interest. Telecom has the option until December 31, 1995 to purchase GTE's remaining interest at book value as of December 31, 1988, or at the time of exercise of the option, whichever is higher. GTE has the option to require Telecom to purchase its remaining interest at any time between December 31, 1991 and December 31, 1995, at book value at the time of exercise of the option.

6. Since LP has not yet been formed it has not qualified to do business in California pursuant to Corporations Code § 15692. Counsel for Sprint has transmitted a letter, designated as Exhibit 1, that states LP will comply with these sections, designate an agent for the service of process in California, and submit to the jurisdiction of the Commission. It is reasonable to condition the subsequent order on the effectuation of these proposed actions.

7. The proposed transaction between Telecom and GTE will serve the public interest by improving the efficiency and competitiveness of Sprint. It will have no negative effect on Sprint's existing customers.

8. For the calendar year ending December 31, 1987, Telecom had operating revenues of \$2,405,311,000. Its current assets as of December 31, 1987 were \$808,300,000.

9. GTE had operating revenues of \$15,421,000,000 for the calendar year 1987. Its net assets as of December 31, 1987 were \$20,971,255,000.

10. LP has the ability, including financial ability, to acquire the operating authority of Telecom.

11. The proposed sale and transfer by Sprint of its California operating authority to LP is not adverse to the public interest.

12. Sprint and LP are telephone corporations which are nondominant telecommunications carriers.

13. Ordering Paragraph 1 of D.85-01-008 in A.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."

14. Ordering Paragraph 7 of D.87-04-017, dated April 8, 1987, 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."

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

Conclusions of Law

1. The application should be granted.
2. The ensuing order should be conditioned on LP submitting to the jurisdiction of the Commission and complying with Corporations Code § 15692.

This authorization is not a finding of the value of the rights to be transferred.

ORDER

IT IS ORDERED that:

1. On or after the effective date of this order, US Sprint Communications Company (Sprint) may transfer to US Sprint Communications Company, a Delaware limited partnership (LP), the certificate of public convenience and necessity to operate as a telephone corporation granted in D.86-06-028 in accordance with the terms of the application. This authority shall not become effective until:
 - a. LP files a statement with the Commission that it has submitted to the jurisdiction of this Commission for regulatory purposes.
 - b. LP complies with the provisions of Corporations Code § 15692 requiring it to qualify to do business in California and appoint an agent for service of process and furnishes evidence of compliance to the Commission.

2. Within 10 days after transfer, Sprint shall write the Commission stating the date of transfer and the date when LP began operating the system. A copy of the transfer documents shall be attached.

3. LP shall either file a statement adopting Sprint's tariffs or refile those tariffs under its own name as prescribed in General Order 96. Rates shall not be changed unless in accordance with law and the rules of the Commission.

4. Within 90 days after actual transfer, LP shall file, in proper form, an annual report on Sprint's operations from the first day of the current year through date of transfer.

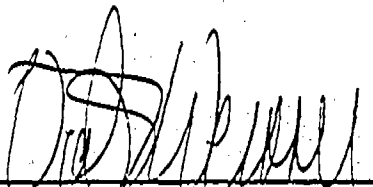
5. When this order has been complied with, Sprint shall have no further public utility obligations in connection with the operating authority transferred.

6. The corporate identification number previously assigned to Sprint (U-5112-C) should be retained by LP and included in the caption of all original filings with this Commission, and in the titles of other pleadings in existing cases.

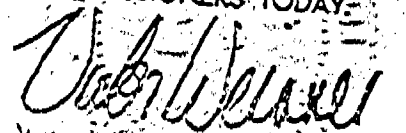
7. The authority granted in Ordering Paragraph 1 shall expire unless it is exercised before December 31, 1989.

This order is effective today.

Dated NOV 23 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