

ORIGINAL

Decision 89 06 043 JUN 21 1989

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Western Union Corporation)
(U-5019-C) to sell and transfer certain)
assets to Telecom* USA, Inc. and of)
Teleconnect Long Distance Services and)
Systems Company (U-5152-C) to acquire)
certain assets from Telecom* USA, Inc.)

Application 89-04-026
(Filed April 11, 1989)

O P I N I O N

Western Union Corporation (Western Union) seeks authority to sell and transfer certain customer accounts to Telecom* USA, Inc. (Telecom). In turn, Telecom and its wholly-owned subsidiary, Teleconnect Long Distance Services and Systems (Teleconnect), seeks authority for Telecom to transfer the Western Union customer accounts to Teleconnect "shortly" following the transfer of Western Union's customer accounts to Telecom.

Notice of the filing of this application appeared in the Commission's Daily Calendar on April 18, 1989. No protests to the application have been filed; therefore, a public hearing is not necessary.

Western Union is a certificated interexchange utility authorized to provide intrastate interLATA (Local Access Transport Area) service. Western Union, qualified to do business in California, provides switched voice telecommunications service to approximately 2,500 customers and dedicated service to approximately 30 customers in California.

Telecom, qualified to do business in California, is an interexchange carrier serving more than 400,000 customers throughout the United States. Telecom operates in California through Teleconnect, a certificated utility.

Western Union and Telecom entered into an agreement to sell certain Western Union interstate and intrastate long distance

customers, including customer accounts, records and lists, to Telecom. Telecom may also purchase approximately \$5,000 of Western Union's physical assets used in connection with Western Union's present California long distance customer base.

By a May 5, 1989 clarification letter, applicants state that Western Union will advise its customers, who are scheduled to be transferred to Telecom, of the proposed transaction. Subsequent to Western Union's notice, Teleconnect will provide specific telecommunications service information to each customer.

The authorization of this transfer will enable Western Union to exit the retail lower volume long distance market and enable Telecom and Teleconnect to enhance their ability to provide communication services on a more economical scale.

Applicants do not propose any new construction or relocation of facilities. Therefore, it can be seen with certainty that there is no possibility that a granting of this application may have a significant effect on the environment.

Telecom will pay approximately \$17 million to Western Union for the purchase of Western Union's customers. The purchase price is an approximation because the actual price is based on certain percentages of average monthly revenues earned during the months following the close of sale. The specific percentages for various services are detailed in the purchase agreement, attached to the application.

Upon consummation of this transfer, Telecom will transfer the California accounts to Teleconnect within 90 days. However, because Telecom is not a California public utility, the customers transferred to Telecom from Western Union cannot obtain any telecommunications service until Telecom transfers the customers to Teleconnect.

On May 5, 1989, applicants clarified that Telecom intends to transfer the assets to Teleconnect immediately upon obtaining legal ownership of the Western Union assets. If Telecom does not

transfer the assets immediately, Telecom should be precluded from providing any telecommunications service to the transferred customers until the customers are transferred to Teleconnect, a public utility.

Financial statements attached to the application show that, as of December 31, 1988, Telecom has a 1.5 to 1 current ratio, or \$44 million more assets than liabilities, and approximately \$165 million in equity. As of September 30, 1988, Teleconnect has a 1.5 to 1 current asset ratio, or \$27 million more assets than liabilities, and approximately \$97 million in equity. These financial statements show that Telecom and Teleconnect are financially qualified to acquire the proposed assets from Western Union.

Applicants request a waiver of Rule 36(b) of the Commission's Rules of Practice and Procedure, which requires applicants to file a complete copy of the sale agreement. This waiver is requested because portions of the agreement contain information on the structure and approach used to transfer parts of Western Union's long distance business, and key business customer information, which applicants consider sensitive and proprietary.

We will grant a waiver of Rule 36(b) for this proceeding only. We grant such a waiver because applicants have disclosed sufficient information in the sales agreement for us to make an decision on the merits of the transfer and because no protests to this request were filed.

Further, applicants request that the Commission's Executive Director issue an order authorizing the proposed transfer of assets involving nondominant telecommunications carriers, pursuant to prior decisions. Ordering Paragraph 1 of Decision (D.) 87-10-035 provides in part that:

"...the Executive Director...[may] grant noncontroversial applications by nondominant telecommunications carriers and radiotelephone utilities for authority to transfer assets or control under §§ 851-855 of the PU Code."

Findings of Fact

1. Western Union proposes to sell and transfer certain customer accounts to Telecom.
2. Teleconnect is a wholly-owned subsidiary of Telecom.
3. No protests to the application have been filed.
4. Western Union is a certificated interexchange carrier.
5. Telecom is not a certificated public utility.
6. Telecom operates in California through Teleconnect, a certificated public utility.
7. Telecom may purchase approximately \$5,000 of Western Union's physical assets.
8. Western Union will advise its customers of the proposed transfer of assets.
9. Teleconnect will advise the Western Union customers being transferred of Teleconnect's telecommunication service.
10. It can be seen with certainty that there is no possibility that a granting of this application may have a significant effect on the environment.
11. Telecom will pay Western Union approximately \$17 million.
12. Telecom intends to transfer the Western Union customer accounts to Teleconnect as soon as it obtains legal ownership of such accounts.
13. Telecom and Teleconnect are financially qualified to acquire the proposed assets from Western Union.
14. Applicants request a waiver of Rule 36(b).
15. The Executive Director is authorized to grant noncontroversial transfer applications by nondominant telecommunications carriers, pursuant to D.87-10-03.

Conclusion of Law

The application should be granted.

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

O R D E R

IT IS ORDERED that:

1. On or after the effective date of this order, Western Union Corporation (Western Union) may transfer to Telecom* USA, Inc. (Telecom) the operating properties for intrastate long distance customers described in the application, in accordance with the terms of the application.
2. Telecom shall transfer all intrastate customers and assets to Teleconnect Long Distance Services and Systems (Teleconnect) within 90 days after the effective date of sale from Western Union to Telecom. Telecom, which is not a public utility, shall not provide any telecommunications service to the customers transferred from Western Union until Telecom transfers the customers to Teleconnect, a public utility.
3. Telecom shall inform the Commission Advisory and Compliance Division Director in writing of the actual transfer date as authorized herein, within 5 days after the transfer from Western Union is completed.
4. Teleconnect shall notify the Commission Advisory and Compliance Division Director in writing of the actual transfer date as authorized herein, within 5 days after the transfer from Telecom is completed.
5. The corporate identification number assigned to Teleconnect Long Distance Services and Systems Company is U-5152-C which should be included in the caption of all original filings with this Commission, and in the titles of other pleadings filed in existing cases.


6. The authority granted in Ordering Paragraphs 1 and 2 will expire if not exercised within 12 months after the effective date of this order.

This order is effective today.

Dated JUN 21 1989, at San Francisco, California.

G. MITCHELL WILK
President
FREDERICK R. DUDA
STANLEY W. HULETT
JOHN B. OHANIAN
PATRICIA M. ECKERT
Commissioners

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


Victor Weiss, Executive Director