

Decision 89 10 045

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
)
 TELEPHONE AND DATA SYSTEMS, INC.,)
 TDS ACQUISITION CORP., NATIONAL)
 TELEPHONE & TELEGRAPH COMPANY, HAPPY)
 VALLEY TELEPHONE COMPANY (U 1010 C),)
 HORNITOS TELEPHONE COMPANY)
 (U 1011 C), and WINTERHAVEN TELEPHONE)
 COMPANY (U 1021 C))
)
 To Authorize the Acquisition of)
 NATIONAL TELEPHONE AND TELEGRAPH)
 COMPANY by TDS ACQUISITION CORP.)
)

Application 89-07-033
(Filed July 18, 1989)

OPINION

This is an application in which Telephone and Data Systems, Inc. (TDS) and TDS Acquisition Corp. (Acquisition Corp.) seek authority to acquire control of National Telephone and Telegraph Company (NT&T), which is the parent company of Happy Valley Telephone Company (Happy Valley), Hornitos Telephone Company (Hornitos) and Winterhaven Telephone Company (Winterhaven).

Notice of the filing of the application appeared in the Commission's Daily Calendar on July 25, 1989. There are no protests.

The Commission makes the following findings and conclusion.

Findings of Fact

1. A public hearing is not necessary in this matter.
2. NT&T is a California corporation. It owns all of the outstanding stock of Happy Valley, Hornitos and Winterhaven. It operates the three subsidiaries.
3. Happy Valley is a public utility telephone corporation subject to the jurisdiction of the Commission. It operates four

telephone exchanges: Olinda, Platina, Minersville, and Trinity Center. The exchanges are located within the counties of Shasta, Tehama, and Trinity. The Olinda exchange is served with two central offices, Igo and Olinda. The Platina exchange is served by the Platina central office. The Minersville exchange is served by the Covington Mills central office. The Trinity Center exchange is served by the Trinity Center central office. The company has a local business office in Andersen. As of June 30, 1988, Happy Valley furnished approximately 2,432 access lines.

4. Hornitos is a public utility telephone corporation subject to the jurisdiction of the Commission. It has a business office and headquarters in Stockton. Its three exchanges are located in the northwest corner of Mariposa County. The exchanges encompass approximately 210 square miles. Hornitos serves four unincorporated communities: Hornitos, Catheys Valley, Mt. Bullion and Bear Valley. In addition, four recreation areas are served along Lake McClure and Lake McSwain: Hunters Valley, Barrett Cover, McClure Point and Lake McSwain. As of June 30, 1988, Hornitos provided service to approximately 415 access lines.

5. Winterhaven is a public utility telephone corporation subject to the jurisdiction of the Commission. It was purchased from Pacific Bell in 1988. Winterhaven has a local business office in the Town of Winterhaven. The Winterhaven exchange covers about 73 square miles and is located in Imperial County, California in the extreme southeastern corner of California, across the California River from the City of Yuma, Arizona. As of June 30, 1988, Winterhaven served approximately 1,005 subscribers.

6. TDS is an Iowa corporation which is qualified to do business in California. It is a diversified communications distribution company. TDS operates 76 telephone companies in 25 states.

7. Acquisition Corp. is a Delaware corporation which is qualified to do business in California. It was established by TDS to be the acquiring entity of NT&T.

8. Acquisition Corp. and NT&T entered into a stock sale and purchase agreement under which the shareholders of NT&T will sell all of their common stock to Acquisition Corp. for \$22,001,680 in cash.

9. As of December 31, 1988, the original cost, less depreciation of NT&T's operating companies plants was as follows:

Happy Valley	\$9,424,010
Hornitos	2,221,680
Winterhaven	1,214,724

10. As of December 31, 1988, TDS and its subsidiaries had depreciated plant of \$421,182,330. It had operating revenues of \$196,259,631 for the 12 months ending on December 31, 1988.

11. Acquisition Corp. has the ability, including financial ability, to acquire control of NT&T and continue NT&T's operations.

12. The proposed transfer of control of NT&T from its present shareholders to Acquisition Corp. is not adverse to the public interest.

13. The application states that:

"TDS Acquisition Corp. is a subsidiary of TDS established to be the acquiring entity of NT&T. TDS plans to move all of its telephone company subsidiaries to a recently created first-tier subsidiary of TDS, TDS Telecommunications Company. This internal to merge with NT&T, leaving TDS Acquisition Corp. as the surviving corporation. ..."

TDS Telecommunications Company is not a party to this application. It has not been shown to be qualified to do business in California. The mode of proposed transfer is not set forth. It will be necessary to secure Commission authorization for the envisioned transfer at the time it is sought to be done.

14. NT&T, TDS and Acquisition Corp. are telephone corporations which are nondominant telecommunications carriers with respect to the matters presented in this application.

15. Ordering Paragraph 7 of Decision (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."

16. There is presently pending before the Commission Case (C.) 89-01-033, a complaint by several customers against Happy Valley. In a letter dated August 29, 1989, which is designated Exhibit 1, applicants acknowledge that:

"TDS is aware of the matter. Happy Valley Telephone Company obviously will be bound to any decision rendered in C.89-01-033, regardless of whether it is rendered before or after the Commission acts on the application. Similarly, the telephone operating companies would be bound to any decision rendered by the Commission with respect to their operations before or after the application is approved."

17. 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, Telephone and Data Systems (TDS) through its wholly owned subsidiary TDS Acquisition Corp. (Acquisition Corp.), may acquire control of National Telephone and Telegraph Co. (NT&T) in accordance with the terms set forth in the application. This authority shall not become effective until TDS and Acquisition Corp. file statements with the Commission that they have submitted to the jurisdiction of the Commission for regulatory purposes.

2. Within 10 days after acquisition of control, Acquisition Corp. shall write the Commission stating date of the transfer of control. A copy of the documents effectuating the transfer of control shall be attached.

3. The corporate identification numbers previously assigned to NT&T's subsidiary operating entities, Happy Valley Telephone Company (U 1010 C), Hornitos Telephone Company (U 1011 C) and Winterhaven Telephone Company (U 1021 C) should be retained by those companies and included in the caption of all original filings with this Commission, and in the titles of other pleadings in existing cases.

4. The authority granted in Ordering Paragraph 1 shall expire unless it is exercised before October 31, 1990.

This order is effective today.

Dated OCT 26 1989, at San Francisco, California.

Wesley Franklin

WESLEY FRANKLIN
Acting Executive Director

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

Wesley Franklin

WESLEY FRANKLIN, Acting Executive Director