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Decision 91-07-011 July 2, 1991

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
Calaveras Communications Company for)
an order authorizing it to control)
Calaveras Telephone Company)
(U-1004-C).)

ORIGINAL
Application 91-01-022
(Filed January 18, 1991)

OPINION

Calaveras Communications Company (applicant) seeks authority to acquire control of Calaveras Telephone Company (telephone company) by acquiring from 80% to 100% of the telephone company's outstanding stock for applicant's stock through a tax-free reorganization.

Notice of this application appeared in the Commission's Daily Calendar of January 24, 1991. No protests were received; therefore, a public hearing is not necessary.

The telephone company, incorporated on August 31, 1962, is a family-owned public utility furnishing telephone service to portions of Calaveras and Stanislaus Counties. The telephone company has been and continues to be a local, family-owned and operated enterprise.

Applicant, incorporated on December 7, 1990, is a California corporation whose principal place of business is in Copperopolis. Applicant proposes to function as a family-owned holding company for the stock of the telephone company and to engage in unregulated business activities.

By clarification letters of May 7 and May 17, 1991, applicant explains that the holding company, either directly or through separate subsidiaries, may engage in a variety of business activities. It contemplates that these business activities will include farming, real estate investments, certificates of deposit, publicly traded stocks, and other ventures not related to the

telephone industry. It may, through the holding company, invest in and own noncontrolling minority limited partnership interests in cellular telephone partnerships. However, it does not intend to engage in any activities which would constitute subsidization of related companies by the telephone company.

Although this proposed transaction represents a change in the control requiring Commission approval under Public Utility (PU) Code § 854(a), it does not constitute an actual change in management personnel. Applicant seeks to obtain control of the telephone company to facilitate estate and financial planning of the present owners of the telephone company. Applicant's officers and directors are identical to the telephone company's officers and directors. There will be no change in the telephone company's operation or management.

PU Code § 854(b) and (c) require an applicant, seeking to acquire control of a California public utility, where either the acquiring or acquired entity has gross annual California revenues exceeding five hundred million dollars, to demonstrate that the affected ratepayers will receive a net benefit from the transaction. Applicant represents that neither applicant nor the telephone company meets the five hundred million dollar gross revenue test.

Applicant represents that the granting of this application will assure the telephone company ratepayers a continuation of the service that they have received through the years as a result of local control and operation.

It is apparent from the application and clarification letters that applicant intends to maintain the small, family-owned independent telephone company as a family-owned entity. Although applicant states that unregulated activities will be entered into, such activities are to facilitate family estate planning and are designed to perpetuate the family-owned interest in the telephone company.

The family-owned business has provided adequate service to the telephone company ratepayers, and there is no reason to expect any change in telephone service if the holding company structure is approved. Therefore, we will approve the application without requiring an extensive showing of benefit to the ratepayers. However, to ensure that ratepayer's interests are fully protected and that both applicant and the telephone company are not relieved of their responsibility to maintain the financial viability of the telephone company, we will require:

- a. Applicant and any of its affiliated companies which transact business with the telephone company to make all books and records available for Commission staff review and inspection.
- b. The telephone company to submit in future applications and advice letters requesting an increase in rates, a separate exhibit identifying transactions between the telephone company and applicant or applicant's affiliated companies which transact business with the telephone company.
- c. Applicant to provide the equity capital necessary to maintain a reasonable, balanced capital structure for the telephone company.

Findings of Fact

1. Notice of this application appeared on the Commission's Daily Calendar of January 24, 1991.
2. No protests to the application were received.
3. Applicant is a California corporation.
4. Applicant intends to function as a family-owned holding company for the stock of the telephone company and to engage in unregulated business activities.
5. Applicant may invest in and own noncontrolling minority limited partnership interests in cellular telephone partnerships.

6. Applicant's officers and directors are identical to the telephone company's officers and directors.

7. The grant of this application will not result in any change in the operation or management of the telephone company.

8. The formation of a holding company and/or affiliates will not relieve applicant or the telephone company of the obligation to maintain the financial viability of the telephone company.

9. The proposed transfer of control between applicant and the telephone company will not be adverse to the public interest.

Conclusions of Law

1. There being no opposition to the application this order should be effective on the date of issuance.

2. The application should be granted as set forth in the following order.

ORDER

IT IS ORDERED that:

1. Within six months after the effective date of this order, Calaveras Communications Company (applicant) may acquire control of Calaveras Telephone Company (telephone company) in accordance with the terms set forth in the application.

2. Within 15 days after the acquisition is consummated, applicant shall file written notice of the acquisition with the Commission Advisory and Compliance Division Director.

3. Applicant and its affiliate companies which transact business with the telephone company shall, upon Commission staff request, make all books and records available for review and inspection.

4. The telephone company shall submit in future applications and advice letters seeking an increase in rates, a separate exhibit identifying transactions between the telephone company and

applicant or its affiliated companies, which transact business with the telephone company.

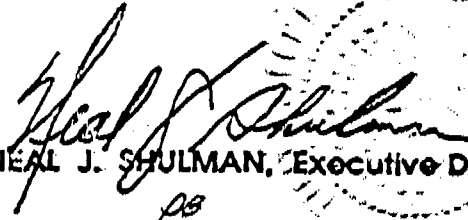
5. Applicant shall provide the equity capital necessary to maintain a reasonable, balanced capital structure for the telephone company.

This order is effective today.

Dated July 2, 1991, at San Francisco, California.

PATRICIA M. ECKERT
President
G. MITCHELL WILK
JOHN B. OHANIAN
DANIEL Wm. FESSLER
NORMAN D. SHUMWAY
Commissioners

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


NEAL J. SHULMAN, Executive Director