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Decision 92-06-064 June 17, 1992

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application for Approval of the Merger)
of WTG-West, Inc. (CPUC No. U-5192-C))
of California, Inc. (CPUC No. U-5124-C))
into Wiltel, Inc.; for Approval of the)
Transfer of the Certificate of Public)
Convenience and Necessity for WTG-West,)
Inc. to Wiltel; for Emergency, Interim)
Authority; and for Waiver of USOA)
Requirements.)

ORIGINAL

Application 91-12-002
(Filed December 3, 1991)

O P I N I O N

By this application, Wiltel, Inc. (WilTel), WTG-West Inc. (CPUC No. U-5192-C) (WTG-West) and WTG of California, Inc. (CPUC No. U-5124-C) (WTG of California), jointly applicants, request Commission approval of the merger into WilTel of WTG-West and WTG of California; the transfer of the Certificate of Public Convenience and Necessity (CPC&N) held by WTG-West to WilTel; and waiver of the application to WilTel of the Uniform System of Accounts requirements imposed upon WTG-West. Finally, applicants request emergency, temporary authority as required to enable WilTel to provide telecommunication services to the customers of Telesphere Network, Inc. (CPUC No. U-5016-C) (TNI) and Telesphere Limited, Inc. (CPUC No. U-5156-C) (TLI) as part of the distribution of TNI's and TLI's estates in bankruptcy. In this regard, it is noted that TNI and TLI are both wholly-owned subsidiaries of Telesphere Communications, Inc. (TCI), which is also in bankruptcy. TCI does not hold a CPC&N issued by the Commission, nor has it been issued a Commission identification number.

In Decision (D.) 92-01-058, issued January 28, 1992, we granted WTG-West interim authority on a temporary emergency basis to provide telecommunications services to the customers of TNI and TLI, as limited by the terms of TNI's and TLI's respective CPC&Ns,

as part of the distribution of their estates in bankruptcy. Further, we granted WTG-West authority to adopt TNI's and TLI's existing tariffs for the service temporarily authorized to be afforded customers of TNI and TLI by WTG-West.

On January 2, 1992, the Commission's Division of Ratepayer Advocates (DRA) filed a protest regarding that portion of the application that requests waiver of the application of the Uniform System of Accounts requirements imposed upon WTG-West. On March 13, 1993, applicants filed an amendment to the application indicating that they would comply with the accounting requirements, and on March 23, 1992, DRA withdrew its protest and request for hearing. No protests remain outstanding and no hearing on the application is deemed necessary.

The Applicants

WilTel, WTG-West and WTG of California are each headquartered at One Williams Center, P. O. Box 21348, Tulsa, Oklahoma 74121. All three companies are wholly-owned subsidiaries of Williams Telecommunications Group, Inc. (WTG) which, in turn, is a wholly-owned subsidiary of The Williams Companies.

WilTel is incorporated under the laws of the State of Delaware and is qualified to transact business within the State of California. It is noted that WilTel, Inc. was formerly named WTG-Central, Inc. and before that it was named LDX Net, Inc. Accordingly, some of the documents submitted as exhibits to the application are in those names.

WTG-West is a facilities-based interexchange carrier which was granted a CPC&N by the Commission to provide intrastate services in California in D.90-01-023 on July 18, 1990. Its CPUC number is U-5192-C.

WTG of California is a reseller of interexchange services which was granted a CPC&N by the Commission to provide intrastate services in California in D.87-03-066 on March 25, 1987. Its CPUC number is U-5124-C.

Authority Requested

WilTel seeks approval of the merger of WTG-West and WTG of California into WilTel as part of a corporate restructuring being implemented by the three companies mutual corporate parent, WTG. In this regard, it is noted that this is the same restructuring that applicant informed the Commission in Application (A.) 89-05-026, D.90-01-023, likely would occur upon completion of its fiber optic plant in California. WilTel also seeks approval of the transfer of the CPC&N held by WTG-West to WilTel as part of this restructuring. WilTel indicates in the application that the CPC&N held by WTG of California to operate as a reseller of telecommunications services will be relinquished by WilTel upon completion of the merger.

Fitness of the Applicant

WilTel, WTG-West and WTG of California are all wholly-owned subsidiaries of WTG. WTG of California has operated as a reseller of intrastate interLATA telecommunications services within California since 1987.

WTG-West has provided facilities-based InterLATA telecommunications services within California since 1990. WilTel has not previously applied for such authority and does not presently offer intrastate service in California.

WilTel is authorized to provide interstate telecommunications services pursuant to § 63.07 of the Federal Communications Commission (FCC) Rules. In addition, WilTel and its affiliates are authorized to provide intrastate interexchange telecommunications services by 22 other states.

WilTel is financially capable of providing intrastate telecommunications services within California through its own capital and other financial resources. As noted earlier, WilTel is a wholly-owned subsidiary of WTG. WTG is, in turn, a wholly-owned subsidiary of the Williams Companies, Inc. (Williams). Williams is a Delaware corporation engaged through its subsidiaries in the

public transmission of natural gas and petroleum products and in interstate digital telecommunications. Williams has assets totaling \$3.5 billion and annual revenues exceeding \$1.8 billion. Its common stock is publicly traded on the New York Stock Exchange and the Pacific Stock Exchange.

WilTel has the managerial and technical capability to provide intrastate telecommunications services within California. WilTel, directly or through its affiliated companies, has successfully provided interstate telecommunications services since 1984. WilTel's affiliate, Vyvx Telcom, Inc., has provided international long distance service between the United States and various overseas points by authority granted by the FCC pursuant to Section 214 of the Communications Act of 1934, as amended. On May 3, 1991, WilTel received FCC authority to provide private line services between the United States and Canada.

WilTel affiliates own and operate a nationwide state-of-the-art digital telecommunications network that spans over 11,000 route miles and represents an investment of approximately \$800 million. The WilTel affiliates' transmission network is the nation's fourth largest, exceeded only by those owned by AT&T, MCI, and Sprint.

WilTel proposes to offer service pursuant to the rules, regulations, and rates included in WilTel's tariff and requests Commission approval of its initial proposed tariff which is annexed as Exhibit J to the application. Billing, payment, and collection terms are set forth in WilTel's proposed tariff.

TNI and TLI each hold CPC&N's to provide intrastate telecommunications services within California. TNI's CPC&N was granted January 5, 1984, in D.84-01-037, and TLI's CPC&N was granted on June 8, 1988, in D.88-06-025. Consistent with this authority, TNI and TLI provide an assortment of Intrastate interexchange telecommunications services to the public in the state, including 1+, MTS, WATS, Calling Card, 800, Private Line,

900, and Operator Services. In approximately September 1991, TCI, TNI, and TLI each filed petitions in the U.S. Bankruptcy Court for the Northern District of Illinois, Eastern Division, seeking protection from its creditors.

On October 23, 1991, The Bankruptcy Court approved an agreement pursuant to which substantially all assets of TCI, TNI, and TLI (collectively Telesphere), will be acquired by R. Haan Ventures, Inc. (Haan Ventures) or its designees for a total purchase price of \$17 million. Copies of the agreement between Telesphere and Haan Ventures and the Bankruptcy Court's order approving the agreement are attached as Exhibit L to the application. Haan Ventures in turn reached agreements with other firms, including WilTel, regarding the actual distribution of various Telesphere's assets. Under its agreement with Haan Ventures, WilTel will acquire substantially all of Telesphere's executory service contracts for the provision of 1+, MTS, WATS, Calling Card, 800, and Private Line services, and certain associated network equipment. The contracts will be transferred directly from Telesphere to WilTel without any intervening role by Haan Ventures. It is specifically noted that WilTel will not acquire rights to Telesphere contracts for 900 services or operator services. A copy of the agreement between WilTel and Haan Ventures is attached as Exhibit M to the application.

The permanent transfer of Telesphere's assets from Haan Ventures to WilTel pursuant to the Bankruptcy Court's order is not considered herein, but is the subject of A.92-01-062, currently before the Commission.

Since WilTel has, for the past several months pursuant to D. 92-01-058, exercised the authority contained in TNI and TLI's respective CPC&N's on a temporary, emergency basis with respect to certain customers of TNI and TLI, and was allowed to exercise that authority under TNI and TLI's tariffs, it should continue to

provide such service under those tariffs until WilTel's new tariffs, attached as Exhibit J to the application are approved.

Findings of Fact

1. WilTel requests that its wholly-owned subsidiaries, WTG-West and WTG of California, be merged into WilTel.
2. WilTel is a Delaware corporation and is qualified to conduct business in California.
3. WilTel was formerly named WTG-Central, Inc., and before that was named LDX Net, Inc.
4. WTG-West is a facilities-based interexchange carrier which was granted a CPC&N by the Commission to provide intrastate services in California in D.90-01-023 on July 18, 1990. Its CPUC number is U-5192-C.
5. WTG of California is a reseller of interexchange services which was granted a CPC&N by the Commission to provide intrastate services in California in D.87-03-066 on March 25, 1987. Its CPUC number is U-5124-C.
6. WilTel is a wholly-owned subsidiary of WTG, which, in turn, is a wholly-owned subsidiary of The Williams Companies.
7. WilTel, WTG-West, and WTG of California are each headquartered at One Williams Center, Tulsa, Oklahoma, which is also the headquarters of WTG and The Williams Companies.
8. WilTel possesses sufficient financial resources and technical expertise to perform the services for which it seeks authority.
9. WilTel is fit, ready, willing, and able to perform the services for which it seeks authority.
10. The merger of WTG-West and WTG of California into WilTel is in the public interest.
11. The operating authority contained in the CPC&N held by WTG-West should be transferred to WilTel.

Conclusions of Law

1. The merger of WTG-West and WTG of California into WilTel should be approved.
2. The operating authority granted WTG-West in D.90-01-023 issued July 18, 1990, should be transferred to WilTel.
3. CPUC number U-5192-C assigned by the Commission to WTG-West should be cancelled.
4. The operating authority granted WTG of California in D.87-03-066 issued March 25, 1987, should be cancelled.
5. CPUC number U-5124-C assigned by the Commission to WTG of California should be cancelled.
6. A new CPUC number should be assigned to WilTel.
7. WilTel should comply with the Uniform System of Accounts requirements.

ORDER

IT IS ORDERED that:

1. The merger of WTG-West, Inc. (WTG-West) and WTG of California, Inc. (WTG of California) into WilTel, Inc. (WilTel) is approved.
2. The operating authority granted WTG-West in Decision (D.)90-01-023 issued July 18, 1990, is hereby transferred to WilTel.
3. CPUC number U-5192-C assigned by the Commission to WTG-West is hereby cancelled.
4. The operating authority granted WTG of California in D.87-03-066 issued March 25, 1987, is hereby cancelled.
5. CPUC number U-5124-C assigned by the Commission to WTG of California is hereby cancelled.
6. CPUC number U-5278-C is hereby assigned to WilTel.

7. In maintaining its accounts in connection with the authority granted herein, WilTel will comply with the Uniform System of Accounts requirements.

8. In exercising the authority granted it by D.92-01-058 issued January 28, 1992, WilTel will comply with Telesphere Network, Inc. (TNI's) and Telesphere Limited, Inc. (TLI's) filed tariffs until such time as WilTel's initial tariff, attached as Exhibit J to its merger application, or other tariff requested by the Commission has been approved.

9. In exercising the authority granted by the merger of WTG-West and WTG of California into WilTel, WilTel will comply with WTG-West's and WTG of California's filed tariffs until such time as WilTel's initial tariff, attached as Exhibit J to its merger application, or other tariff requested by the Commission has been approved.

10. Within 10 days following conclusion of the merger authorized herein, WilTel will advise the Commission of the date such merger was completed, and will advise the Commission (CACD, Telecommunications Branch) of the name and address of the custodian of the merger documents.

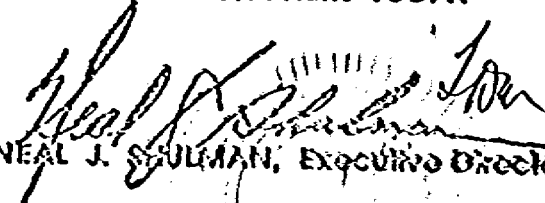
11. Within 90 days following completion of the merger authorized herein, Wiltel will file, for Commission approval, new tariffs covering the combined service resulting from the authority granted herein.

This order is effective today.

Dated June 17, 1992, at San Francisco, California.

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

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


NEAL J. SULMAN, Executive Director