

Decision 83 12 C45 DEC 20 1983

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application )	
of SIERRA TELEPHONE COMPANY, INC., )	
and MARIPOSA COUNTY TELEPHONE )	Application 83-11-24
COMPANY, INC., for authority to )	(Filed November 10, 1983)
merge. )	
)	

O P I N I O N

By this application, Sierra Telephone Company, Inc. (Sierra) and Mariposa County Telephone Company, Inc. (Mariposa) seek this Commission's authorization to merge under Public Utilities (PU) Code § 851.<sup>1</sup> Both companies provide public utility telephone service and are wholly owned subsidiaries of Sierra Tel Tronics (formerly Big Sky Enterprises, Inc.) a California corporation. Harry H. Baker, Jr., serves as president of both Sierra and Mariposa.

With respect to the telephone service provided by these two utilities, Mariposa serves a portion of Mariposa County and Sierra serves a portion of eastern Madera County. The territories served by these two utilities are adjacent to each other and are fully described in their tariffs on file with the Commission. The proposed merger will not have any effect on these service territories nor will it alter the property used by the utilities in their operations.

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<sup>1</sup> PU Code § 851 states in part that "[n]o public utility...shall... by any means whatsoever, directly or indirectly, merge or consolidate its...line, plant, system, or other property, or franchises or permits or any part thereof, with any other public utility, without first having secured from the commission an order authorizing it so to do."

According to the application, the purpose of the merger is to simplify the operations of Sierra and Mariposa and reduce the related costs. As previously noted, both companies are wholly owned by Sierra Tel Tronics, the shares of which are all owned beneficially by Harry H. Baker, Jr., the president of both Mariposa and Sierra.

Appended to the application are three exhibits. Exhibit A is a copy of the merger agreement between Sierra and Mariposa which, among other things, states that Mariposa shall be merged into Sierra. The financial statements of the two utilities are contained in Exhibit B. Included in Exhibit B are letters dated March 4, 1983 from Burgis, Ricci & Company, certified public accountants, stating that the balance sheets and related statements of income, retained earnings, and changes in financial positions of the two companies for the years ending 1981 and 1982 have been examined by the firm.

Exhibit C is a pro forma balance sheet giving effect to the merger. When combined, Sierra and Mariposa will have assets and liabilities of \$21,413,233. The companies will have total revenues of \$3,280,674, total expenses of \$2,735,894, and a net income, taking into account fixed and miscellaneous charges, of \$234,855.

#### Discussion

The Communications Division of the Commission staff has reviewed this application and concluded that the merger is reasonable. Further, staff notes that the rates for both exchanges are similar and that the merger will simplify regulation of Mariposa and Sierra by eliminating the requirement of allocating costs between the two utilities.

Our review of the application and appended exhibits leads us to conclude, like the staff, that the merger is reasonable and in the public interest. In particular, we are persuaded by the following factors: the ownership and management of the companies are under the control of the same individual, Harry H. Baker, Jr; the two service territories are contiguous; and the merger will have no negative impact on the utilities' financial standing or on the public utility service which they provided. Under these circumstances, it

appears likely that the purposes of the merger, the simplification of operations and the reduction of related costs, can be achieved without impairing the current level of public utility service.

For these reasons, the merger of Sierra and Mariposa in the manner described in Exhibit A to this application is reasonable and in the public interest, and should be authorized by this Commission. To ensure that the utilities will achieve the maximum tax benefit from the merger, the order authorizing the merger should be made effective today. The application was filed November 10, 1983 and notice of the filing appeared on November 14. Because no protests to the application were filed, hearings in this matter are unnecessary.

Findings of Fact

1. Sierra and Mariposa seek Commission authorization to merge.
2. Sierra and Mariposa are wholly owned subsidiaries of Sierra Tel Tronics, a California corporation, the shares of which are all owned beneficially by Harry H. Baker, Jr., the president of both Sierra and Mariposa.
3. The service territories of Sierra and Mariposa are adjacent to each other.
4. The merger will have no effect on the service territories of nor the property used by Sierra and Mariposa.
5. The merger of Sierra and Mariposa is financially sound and will not impair the public utility service provided by the two companies.
6. It appears likely that the merger will achieve its purpose of simplifying the operations of Sierra and Mariposa and reducing related costs.
7. The merger of Sierra and Mariposa according to the merger agreement appended to the application is reasonable and is not adverse to the public interest.

8. In the absence of any protest to this application, a hearing in this matter is unnecessary.

Conclusions of Law

1. The merger of Sierra and Mariposa should be authorized.
2. To maximize any tax benefits from the merger, this order should be made effective today.

O R D E R

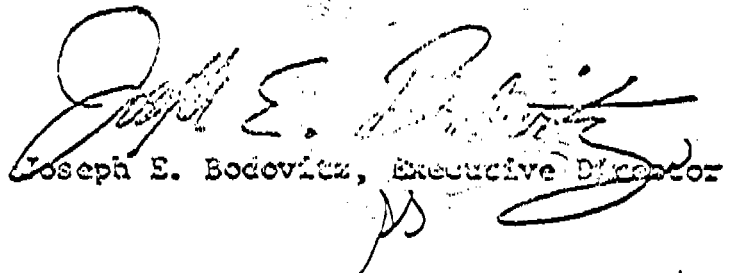
IT IS ORDERED that Sierra Telephone Company, Inc. and Mariposa County Telephone Company, Inc. are authorized to merge in accordance with the Agreement of Merger, appended as Exhibit A to this application.

This order is effective today.

Dated DEC 20 1983, at San Francisco, California.

LEONARD M. GRIMES, JR.  
President  
VICTOR CALVO  
FRISCILLA C. GREW  
DONALD VIAL  
WILLIAM T. BAGLEY  
Commissioners

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

  
Joseph E. Bodovitz, Executive Director