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Decision 97-08-051 August 1, 1997

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of EXCEL Communications, Inc. and
Telco Communications Group, Inc. for Approval of
Agreement and Plan of Merger and Related
Transactions.

Application 97-06-029
(Filed June 19, 1997)

OPINION

ORIGINAL

Summary

This decision approves the merger of Excel Communications, Inc. (Excel) and Telco Communications Group, Inc. (Telco) pursuant to Section 854. Each of the companies have subsidiaries who offer telecommunications services in California.

Discussion.

On June 19, 1997, Excel and Telco filed this application for approval of their agreement to merge. Under the terms of the agreement, Telco and Excel would merge with two separate subsidiaries of a new holding company and survive as wholly-owned subsidiaries of the new holding company, New RES Inc. Under the terms of the merger agreement, shareholders of Excel will receive one share of common stock of New RES, Inc. for each share of Excel common stock. Shareholders of Telco will receive .7595 shares of common stock of New RES, Inc. and \$15.00 in cash for each share of Telco common stock. Ultimately, Excel shareholders will hold about 80% and Telco shareholders will hold approximately 20% of New RES, Inc.'s common stock.

The Applicants hope to consummate their merger by September 15, 1997, subject to approval by shareholders, and approval by the Department of Justice, the Federal Communications Commission and various state authorities.

The Applicants state the merger will serve the public interest by strengthening the operating and management strengths of both merging companies, both of which offer a variety of local and long distance telecommunications services. The Applicants believe the merger will create significant savings in operating costs as well, which will promote their competitive position.

Section 854(a) of the Public Utilities Code provides that the Commission must approve all mergers and related transactions of jurisdictional utilities. Because neither Telco nor Excel has annual revenues exceeding \$500 million, the merger is not subject to

the review required under Section 854 (b). Both merging companies are relatively small telecommunications utilities. According to the financial information provided in the application, the combined assets of the two companies would be about \$1.1 billion with total annual revenues in 1996 of about \$1.7 billion for providing a variety of services in 50 states. As such, the transaction does not raise concerns regarding market power or competitive impacts. No party protested the application. We herein grant the application of Telco and Excel to merge.

Findings of Fact

1. Excel and Telco have agreed to merge and become subsidiaries of a holding company, New RES, Inc.
2. Excel and Telco have authority to offer telecommunications services in California and other states.
3. Excel and Telco propose to continue to offer services as authorized under current names and with existing certificates.
4. Nothing in the record suggests the merger of Excel and Telco will disrupt service or compromise service quality.
5. The merger is in the public interest to the extent it will strengthen both companies and create operating efficiencies.
6. There is nothing in the record to indicate any concerns regarding the ability of the merged entity to exercise market power in a fashion that would result in anti-competitive effects.

Conclusion of Law

The Commission should grant the application of Excel and Telco seeking authority to merge their operations under a single holding company.

ORDER

IT IS ORDERED that:

1. The application of Excel Communications, Inc. and Telco Communications Group, Inc. for approval of their agreement to merge and undertake related transactions as set forth in Exhibit C of the application is granted.
2. Excel Communications, Inc. and Telco Communications Group, Inc. shall continue to file Commission-mandated surcharge, annual financial, and other required reports separately.
3. Application 97-06-029 is closed.

This order is effective today.

Dated August 1, 1997, at San Francisco, California.

P. GREGORY CONLON

President

JESSIE J. KNIGHT, JR.

HENRY M. DUQUE

JOSIAH L. NEEPER

RICHARD A. BILAS

Commissioners