

Decision 97-11-011 November 5, 1997

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of SA Telecommunications, Inc. and AddTel Communications, Inc. for Authority to Transfer the Stock of AddTel Communications, Inc., an NDIEC Operating in California, to SA Telecommunications, Inc.

ORIGINAL

Application 97-07-040
(Filed July 23, 1997)

O P I N I O N

Summary

This decision grants the joint application of SA Telecommunications, Inc. (SA), a Delaware corporation authorized to do business in California and AddTel Communications, Inc. (AddTel), a California corporation, a nondominant interexchange carrier (NDIEC), which requests approval of an agreement for SA to acquire 100% of the issued and outstanding shares of stock of AddTel, resulting in AddTel becoming a wholly-owned subsidiary of SA. The Certificate of Public Convenience and Necessity (CPCN) held by AddTel will not be transferred, and AddTel will continue to exercise the authority granted by that CPCN.

Notice of the filing of the application appeared in the Commission's Daily Calendar on August 1, 1997, and no protests or other opposition to the application have been filed. No hearing on the application is required.

Parties to the Transaction

SA is a Delaware corporation authorized to do business in California, having its principal place of business at 1600 Promenade Center, 15th Floor, Richardson, Texas 75080. SA does not operate as a public utility within the State of California or any other state.

AddTel, a California corporation having its principal place of business at 143 South Glendale Avenue, 3rd Floor, Glendale, California 91205, was originally

incorporated in California under the name ComTel, Inc., and changed its name to AddTel Communications, Inc. by Certificate of Amendment of its Articles of Incorporation dated August 16, 1991 and filed with the California Secretary of State on August 20, 1991. AddTel is the holder of a CPCN issued by this Commission (Decision (D.) 93-03-016) authorizing it to provide interLocal Access and Transport Area (interLATA) telecommunications services in California as a reseller.

Proposed Transaction

Pursuant to the agreement executed by the parties, SA will acquire 100% of the issued and outstanding shares of stock of AddTel, and by virtue thereof, AddTel will become a wholly-owned subsidiary of SA. AddTel will not change its name nor transfer the CPCN issued to it by the Commission, but will continue to exercise the authority granted by that CPCN under its tariff currently on file with the Commission, utilizing its present name.

Discussion

In a situation where a company which does not possess a CPCN desires to acquire control of a company that does possess a CPCN issued by this Commission, we will apply the same requirements as in the case of an applicant seeking a CPCN to exercise the type of authority held by the company being acquired. Since AddTel possesses a CPCN to act as a reseller of interLATA telecommunications services within California, we will apply the requirements for such authority to the application.

The Commission has established two major criteria for determining whether a CPCN should be granted. An applicant who desires to act as a switchless¹ reseller must

¹ D.93-05-010 defines a switchless reseller as an NDIEC with the following characteristics: it uses the switch of another carrier; it usually, but not always, uses access circuits that the underlying carrier purchases from a local exchange carrier; it provides service in its own name, and its customers view it as their telephone company for interLATA and interstate calls. D.96-06-069 noted that it is possible to control, operate, or manage telephone lines without owning them. The decision also notes that resellers which do not own or directly operate their own telephone wires may still have plant which is owned, controlled, operated, and/or managed in order to facilitate communication by telephone.

demonstrate that it has a minimum of \$25,000 in cash or cash equivalent (as described in D.91-05-010, 41 CPUC2d 505 at 520 (1991)), reasonably liquid and readily available to meet the firm's start-up costs. In addition, the applicant is required to make a reasonable showing of technical expertise in telecommunications or a related business.

Financial information contained in SA's Securities and Exchange Commission Form 10-QSB for the quarter ended September 30, 1996, which was provided in support of the application (Exh. E), indicates that SA has sufficient resources to meet our requirements as set forth above.

In addition, since AddTel will continue to operate under its present name, in the same manner, and with the same personnel after SA acquires control of it as it currently does, we find our "technical expertise" requirement has been satisfied..

Having met our basic requirements, and there being no showing that granting the application would have any adverse impact on the public interest, the application should be granted.

Findings of Fact

1. SA and AddTel seek Commission approval of an agreement for SA to acquire one hundred percent (100%) of the issued and outstanding stock of AddTel, the holder of a CPCN issued by this Commission authorizing it to act as a reseller of interLATA telecommunications services within California.
2. SA will not acquire the CPCN held by AddTel, and AddTel will continue to provide, under its current name, the services authorized by its CPCN as a wholly-owned subsidiary of SA.
3. SA has sufficient financial resources to meet the Commission's requirements for an NDIEC.
4. AddTel possesses the necessary technical expertise required by the Commission.
5. The acquisition of control of AddTel by SA will not have an adverse impact on the public interest.

Conclusions of Law

1. The Commission will apply the same requirements to a request for approval of an agreement to acquire control of a reseller of interLATA telecommunications services within California as it does to an applicant for authority to provide such services.

2. SA meets the Commission's requirements for the issuance of a CPCN to provide such services.

3. The application is not adverse to the public interest.

4. The application should be granted and made effective immediately.

5. After the acquisition of control, AddTel will be a wholly-owned subsidiary of SA, and will continue to exercise, in its current name, the authority granted by its CPCN.

O R D E R

IT IS THEREFORE ORDERED that:

1. The joint application of SA Telecommunications, Inc. (SA) and AddTel Communications, Inc. (AddTel) requesting approval of an agreement for SA to acquire 100% of the issued and outstanding stock of AddTel is approved.

2. Following acquisition of AddTel's stock by SA, AddTel will become a wholly-owned subsidiary of SA.

3. The Certificate of Public Convenience and Necessity (CPCN) currently held by AddTel is not acquired by SA.

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4. AddTel will continue to provide, in its own name, the services authorized by its CPCN.

5. Application 97-07-040 is closed.

This order is effective today.

Dated November 5, 1997, at San Francisco, California.

P. GREGORY CONLON

President

JESSIE J. KNIGHT, JR.

HENRY M. DUQUE

JOSIAH L. NEEPER

RICHARD A. BILAS

Commissioners