

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of Telephone and Data Systems, Incorporated, an Iowa corporation, and its California utility subsidiaries, for approval of its reincorporation as Telephone and Data Systems, Incorporated, a Delaware corporation.

Application 98-03-057
(Filed March 27, 1998)

ORIGINAL

OPINION

1. Summary

Telephone and Data Systems, Inc., an Iowa corporation (TDS-Iowa) seeks authority through reorganization to change its state of incorporation from Iowa to Delaware. TDS-Iowa controls three local exchange telephone companies and one cellular mobile radio carrier in California. The application is unopposed. The application is granted.

2. Background

TDS-Iowa is a national holding company offering telecommunications services through numerous subsidiaries, including 105 local telephone companies in 37 states and the District of Columbia. The company seeks to change its state of incorporation through merger into Telephone and Data Systems, Inc., a Delaware corporation (TDS-Delaware). TDS-Delaware would be the surviving entity. Applicants state that incorporation under Delaware's well-developed corporate law will encourage investment and facilitate the company's growth and expansion.

TDS-Iowa currently controls three rural local exchange carriers in California: Happy Valley Telephone Company, Hornitos Telephone Company, and Winterhaven Telephone Company. Happy Valley serves portions of Shasta,

Tehama and Trinity counties; Hornitos serves portions of Mariposa County; and Winterhaven serves portions of Imperial County. As public utilities, the three local exchange carriers are regulated by this Commission. TDS-Iowa also controls one cellular mobile radio carrier in the state, California Rural Service Area No. 1, Inc., which offers cellular service in California Rural Service Areas 1, 2 and 9.¹

Applicants state that the Delaware reincorporation will have no effect on the assets, liabilities, name, business or management of the holding company or its subsidiaries. Owners of shares of TDS-Iowa at the time of the merger will receive equivalent shares in TDS-Delaware. TDS-Delaware will succeed to all assets of TDS-Iowa, including ownership and control of the three California local exchange carriers regulated by this Commission.

3. Discussion

Public Utilities Code § 851 requires Commission authorization before a utility may "sell, lease, assign, mortgage, or otherwise dispose of or encumber" utility property. The purpose of the section is to enable the Commission, before any transfer of public utility property is consummated, to review the situation and to take such action, as a condition of the transfer, as the public interest may require. (San Jose Water Co. (1916) 10 CRRC 56.)

Technically, the reincorporation of the parent company, TDS-Delaware, contemplates a transfer of control of the three California local exchange telephone companies. As a practical matter, however, no change in the operation

¹ California rural Service Area #1, Inc., is a commercial mobile radio service provider, as defined by federal law. Because of federal preemption of state regulation of entry of commercial mobile radio service providers, the Commission no longer requires approval for change of control of such providers.

of the Happy Valley, Hornitos and Winterhaven carriers is proposed or planned. California end-users served by these carriers will not be adversely affected by the reincorporation.

Applicants request expedited approval of the application by the Executive Director pursuant to authority delegated to him by the Commission to grant "noncontroversial applications for authority to transfer assets or control under PU Code §§ 851-855..." (CAWC, Inc., D.87-04-017 (1987).) There have been no protests to this application, and the contemplated reincorporation appears to be noncontroversial.

Findings of Fact

1. Notice of this application appeared in the Commission's Daily Calendar of April 8, 1998.
2. No protests have been received.
3. Under the proposed reincorporation, TDS-Delaware will succeed to all assets currently owned by TDS-Iowa, including ownership and control of three California local exchange carriers, Happy Valley, Hornitos and Winterhaven telephone companies.
4. There will be no change in the operation of Happy Valley, Hornitos and Winterhaven telephone companies.

Conclusions of Law

1. The proposed reincorporation of the parent company of three California local exchange carriers is not adverse to the public interest.
2. The application is noncontroversial and may be granted by the Executive Director pursuant to authority delegated by the Commission.

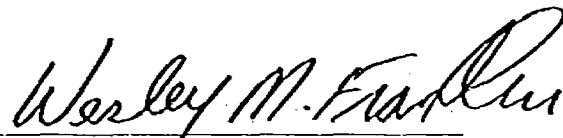
O R D E R

IT IS ORDERED that:

1. On or after the effective date of this order, Telephone and Data Systems, Inc., an Iowa corporation (TDS-Iowa), and Telephone and Data Systems, Inc., a Delaware corporation (TDS-Delaware), are authorized pursuant to Public Utilities Code § 851 to implement a reincorporation from an Iowa corporation to a Delaware corporation through the merger of TDS-Iowa into TDS-Delaware.
2. Within 30 days after reincorporation, TDS-Delaware shall, in writing, notify the Director of the Telecommunications Division, of the date that transfer of control has taken place. A copy of the document effectuating the transfer of control shall be attached.
3. The corporate identification numbers previously assigned to TDS-Iowa's subsidiaries, Happy Valley Telephone Company (U-1010-C), Hornitos Telephone Company (U-1011-C) and Winterhaven Telephone Company (U-1021-C) should be retained by those companies and included in the caption of all original filings with this Commission, and in the titles of other pleadings in existing cases.
4. The authority granted herein shall expire unless exercised within one year of the date of this order.

This order is effective today.

Dated MAY 21 1998, at San Francisco, California.



WESLEY M. FRANKLIN
Executive Director