

Decision 98-02-027

**BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

In the Matter of the Joint Application of LCI International Telecom Corp. (U-5270-C) for Authorization under Ca. Pub. Util. Code §§ 851 & 852 to Transfer its Assets and Operating Authority to LCI International CA, Inc. and for LCI International CA, Inc. to Provide Intrastate Interexchange and Competitive Local Exchange Services.

**ORIGINAL**

Application 98-02-027  
(Filed February 10, 1998)

**O P I N I O N**

**Summary**

By this decision, we grant the joint application of LCI International Telecom Corp. (U-5270-C) (LCIT) and LCI International CA, Inc. (LCIC) seeking permission to transfer LCIT's assets, including its existing customers, operating authority, and its utility identification number to its wholly owned subsidiary, LCIC, and authorize LCIC to provide the service formerly provided by LCIT.

**Background**

By joint application filed February 10, 1998, LCIT and its newly formed, wholly-owned subsidiary, LCIC, seek Commission approval to transfer LCIT's assets, including its existing customers, California Certificate(s) of Public Convenience and Necessity (CPCN(s)), and LCIT's assigned Utility Identification Number, U-5270-C, to LCIC.

By Resolution ALJ 176-2988 (March 12, 1998), this matter was preliminarily categorized as ratesetting with no hearing required.

No protests or other objections to the application have been submitted, and no hearing was held. Given this situation, it is not necessary to alter the preliminary determinations made in Resolution ALJ 176-2988.

#### **The Parties**

LCIT is a non-dominant world-wide telecommunications company that provides a number of voice and data communications services to business and residential customers. LCIT currently originates and terminates interstate and international traffic in all fifty states, provides intrastate service in forty-nine states, and is certificated to provide competitive local exchange service in thirty-nine states. By Decision (D.) 92-06-009 dated June 3, 1992, the Commission granted LCIT authority to provide intrastate, interLATA telecommunications services within California. That authority was expanded to include intraLATA services by D.94-10-023 issued October 12, 1994.

On June 13, 1994, LCIT submitted Advice Letter No. 14, advising the Commission of LCIT's intention to operate as a "switched" or "facilities-based" reseller within California. By D.96-02-072, issued February 23, 1996, LCIT was authorized to operate as a reseller of competitive local exchange services within the service territories of Pacific Bell and GTE California. That authority was expanded to include facilities-based local exchange service by D.97-09-110, issued September 24, 1997.

LCIC, a newly formed, wholly owned subsidiary of LCIT, is a Delaware corporation authorized to do business in California, having its principal California place of business at 949 South Coast Drive, Suite 400, Costa Mesa, California 92626. LCIC's principal executive office is located at 8180 Greensboro Drive, Suite 800, McLean, Virginia 22102.

### **The Transaction**

The joint applicants request approval to transfer the California operating authority currently held by LCIT and the California assets held by LCIT or its unregulated affiliates to a newly formed, wholly owned subsidiary, LCIC. The purpose of the transaction is to reduce intrastate operating expenses. The transaction is an internal transfer of corporate assets between subsidiaries and all assets will remain under the ultimate control of LCIT's and LCIC's parent corporation, LCI International, Inc. The California assets will be transferred to LCIC in exchange for additional shares of stock and no financial or other consideration will be exchanged between LCIT and LCIC. No liabilities are to be assumed by LCIC in the transfer. Following the transfer, LCIT will continue to exist as a corporate entity; however, it will be engaged only in the provision of interstate telecommunications services.

The joint applicants request that LCIC continue to provide intrastate communications services using the Utility Identification Number, U-5270-C, currently assigned to LCIT, and that it continue to provide intrastate service according to rates, terms and conditions contained in the tariffs currently on file with the Commission. Upon approval of the application, LCIC will refile its intrastate tariffs to reflect the change in the corporate entity providing service. No other changes to intrastate services are anticipated.

### **Discussion**

#### **Financial Requirements**

Under existing Commission regulations, in order for an entity to establish or acquire an existing facilities-based carrier, the entity must demonstrate the availability of \$100,000 in cash or cash equivalent to meet initial start-up and/or operating costs. Here, the availability of those resources is guaranteed by LCIC's ultimate parent, LCI International, Inc. Attached as

Exhibit E to the application is a letter executed by LCI International, Inc.'s Chief Financial Officer stating that it irrevocably guarantees the availability of \$100,000 plus an amount equal to the funds that may be paid as deposits to other telecommunications carriers whose services LCIC will resell. Also attached to the application as Exhibit D is LCI International, Inc.'s most recent Form 10-Q filed with the U.S. Securities and Exchange Commission, which indicates that LCI International, Inc. has the necessary financial resources to undertake that guarantee.

We conclude that LCIC has sufficient financial resources available to it to meet the Commission's financial requirements for the authority sought.

#### **Technical Expertise**

Under Commission regulations, the applicant(s) must demonstrate that it has available to it operating and/or management personnel qualified by training or experience to operate the enterprise sought to be established or acquired. In Exhibit A to the application, applicants have set forth the education, training and/or experience of the principal officers of its parent company, LCI International, Inc., under whose direction and control those individuals conducting the day-to-day operations of LCIC will work and to whom they will ultimately be responsible. A review of the information submitted indicates those listed possess extensive training and/or experience in telecommunications or related industries.

We are satisfied that the applicant has demonstrated the availability of qualified personnel to operate and manage the affairs of LCIC.

#### **Transfer of Utility Identification Number**

Applicants have requested that the utility identification number, U-5270-C, currently assigned to LCIT be transferred to LCIC as part of this transaction. Under the usual transfer of control situations, where one company

acquires control of another, we cancel the utility identification number assigned to the acquired company and either require the acquiring company to obtain a new number, or if it already has its own identification number, operate the acquired company under the acquiring company's number. This practice is intended to avoid customer confusion as to the entity providing service. Here, however, since the acquiring company, LCIC, is a wholly owned subsidiary of the acquired company, LCIT, and inasmuch as the utility identification number is not normally included in the company name, except in proceedings before the Commission, we doubt that the customers will be confused. We will, therefore, transfer utility number U-5270-C from LCIT to LCIC.

#### **Public Interest**

Since the transfer will be seamless to LCIT's customers, and the customers will continue to receive the same service from LCIC, the subsidiary of the current service provider, and since the ultimate parent of both LCIT and LCIC provides financial backing to LCIC in this undertaking, it appears the transaction will have no adverse impact on the public.

#### **Conclusion**

Having demonstrated that it has access to financial resources in the amount required by our regulations and that it has sufficient experienced personnel to operate LCIC, we will approve the transfer of LCIT's assets to LCIC. We will also transfer utility identification number U-5270-C from LCIT to LCIC.

The Executive Director is authorized under previous decisions of the Commission to issue orders granting noncontested applications of nondominant interexchange carriers (NDIECs) to transfer control under Public Utilities Code §§ 851-854.

**Findings of Fact**

1. No protests or other opposition to the application have been filed.
2. LCIT and LCIC jointly seek authority to transfer LCIT's assets, and its operating authority, including its utility identification number, U-5270-C, to LCIC.
3. LCIC is a wholly owned subsidiary of LCIT.
4. LCIC desires and intends to provide intrastate telecommunications services presently provided by LCIT at the same rates, terms and conditions contained in LCIT's tariffs currently on file with the Commission.
5. LCI International, Inc. irrevocably guarantees LCIC the availability of \$100,000 plus an amount equal to the funds that may be paid as deposits to other telecommunications carriers whose services LCIC will resell.
6. Officers and employees of LCI International, Inc., LCIC's ultimate parent, under whose direction and control LCIC personnel operate and to whom they are responsible, possess extensive training and/or experience in telecommunications or related industries.
7. LCIC desires to utilize the utility identification number, U-5270-C, currently assigned to LCIT, and to provide service at the same rates and under the same terms and conditions as specified in LCIT's tariffs on file with the Commission.
8. By Resolution ALJ-176-2988 (March 12, 1998) this matter was preliminarily categorized as ratesetting with no hearing required.
9. The transfer of LCIT's assets to LCIC is not adverse to the public interest.
10. The Executive Director is authorized under previous decisions of the Commission to issue orders granting noncontested applications of NDIECs to transfer control under PU Code §§ 851-854.

**Conclusions of Law**

1. No hearing on the application is necessary.
2. LCIC has, or has available to it, sufficient financial resources to meet the Commission's requirements.
3. LCIC has, or has available to it, management and operating personnel who possess extensive training and/or experience in telecommunications or related industries.
4. The transfer of LCIT's authority to LCIC is in the public interest.
5. Utility identification number U-5270-C should be transferred from LCIT to LCIC.

**O R D E R**

**IT IS ORDERED that:**

1. On or after the effective date of this order, LCI International Telecom Corp. (LCIT) is authorized to transfer all of its operating authority to LCI International CA, Inc. (LCIC) pursuant to Public Utilities (PU) Code § 851, in accordance with the terms and conditions set forth in Application (A.) 98-02-027.
2. LCIT and LCIC shall jointly notify the Director of the Commission's Telecommunications Division in writing of the actual transfer date as authorized herein, within 10 days thereafter.
3. LCIC shall file a new tariff incorporating LCIT's present rates into a single new tariff under the name of the transferee.
4. LCIC shall be subject to the same terms and conditions that the Commission has placed on LCIT in granting the authority represented in its CPCNs.
5. LCIC and LCIT shall make all books and records available for review and inspection upon Commission staff request.

6. Upon compliance with all of the conditions of this order, including the payment of all fees due under PU Code § 431 to the date of transfer, LCIT shall stand relieved of all future public utility obligations incidental to the authority being transferred and its Identification Number U-5270-C shall be transferred to LCIC.

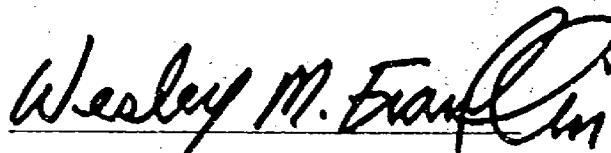
7. On and after the date of transfer, LCIC shall operate under the Corporate Identification Number U-5270-C, which shall be included in the caption of all original filings with this Commission, and in the titles of other pleadings filed in existing cases.

8. The authority granted in this order shall expire if not exercised within 12 months after the effective date of this order.

9. A.98-02-027 is closed.

This order is effective today.

Dated JUL 09 1998, at San Francisco, California.



WESLEY M. FRANKLIN  
Executive Director