

Decision 02-02-035 February 21, 2002

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Joint Application of OneStar Communications, LLC, OneStar Long Distance, Inc., (U-6129-C) and CRG International, Inc. (U-5896-C) for Approval of Transfer of Assets, Certificates, and Control.

Application 01-07-021
(Filed July 20, 2001)

O P I N I O N

1. Summary

This application seeks approval under Pub. Util. Code §§ 851-854 of a transaction that will result in a change of control of OneStar Long Distance, Inc. (OSLD) and CRG International, Inc., d/b/a Network One, both of which provide interexchange telecommunications services in California, to a new company, OneStar Communications, LLC (OneStar). OSLD is also certificated to provide local exchange service in California (U-6503-C) and registered as a wireless service reseller (U-4299-C) as well. Network One provides operator services in California. The transaction is structured to take effect upon approval by government entities, including this Commission. The application is unopposed and is granted.

2. Description of Applicants

OSLD is an Indiana corporation with its principal business office in Evansville, Indiana. It was authorized to provide telecommunications services in California by Decision (D.) 99-03-002. It is authorized by the Federal Communications Commission (FCC) to provide domestic interstate and

international services as a non-dominant carrier. It is authorized to provide long distance service in 48 states and the District of Columbia. OSLD provides local exchange service in 18 states.

Network One is a Georgia corporation with its principal business office in Atlanta, Georgia. It was authorized to provide telecommunication services in California by D. 98-04-003. It also is authorized by the FCC to provide domestic interstate and international services as a non-dominant carrier. It possesses federal and state authorizations to provide telecommunications services in 46 states and the District of Columbia.

OneStar is a privately owned limited liability company that was formed in Indiana on February 26, 2001. Its principal business office is in Evansville, Indiana. OneStar seeks authorization to provide resold and facilities-based long distance services in all 50 states and the District of Columbia, resold and facilities-based local exchange service in 27 states, and the District of Columbia, and operator service in conjunction with these services and pre-paid long distance calling service in 36 states and in the District of Columbia.

OneStar does not currently provide any telecommunications services in California or any other state. OSLD and Network One mailed notices to their respective customers informing them that there would be no rate changes as a result of the change in control. OneStar informed its prospective customers that not only should there be a smooth transition to OneStar, but that the customers could expect to see an increase in products offerings and cost effective solutions to telecommunications needs as a result of the change in control. OneStar advises that no rate changes are presently contemplated.

3. Description of Transaction

OSLD and Network One have entered into an agreement to pool assets, liabilities and operations. OneStar will become the new company with OSLD

owning 80% and Network One the remaining 20%. The final step in the transaction, including the ultimate transfer of control, is conditioned upon receipt of required regulatory approvals, including the approval of this Commission. After the transfer, the entire stock of OneStar will consist of the contributions of OSLD and Network One. OneStar will henceforth provide all the services of OSLD and Network One in the State of California.

After the transfer of ownership and control, OneStar will continue to operate using the OneStar Communications, LLC name and Network One's and OSLD's operating authority. The applicants seek to transfer OSLDs' and Network One's operating authority in connection with this transaction to OneStar.

Applicants state that although the transaction will result in a change in control, it will not involve any change in the manner in which services are provided to their respective customers. OneStar will operate under the OneStar Communications, LLC name, providing its own tariffs. Applicants state that the transfer of control will be transparent to customers and will have no adverse impact upon them. In fact, applicants claim that the efficiencies, technological enhancement, and capital infusion that will follow, as a result of the transfer of assets, will allow OneStar to provide better service to its California customers.

Exhibits attached to the application describe the transaction in more detail and provide the data that indicates OneStar will have the financial and technical qualifications necessary to continue OSLD's and Network One's operations in California.

4. Public Interest

The application states that the transfer of control will serve the public interest by promoting competition in California by combining the strengths of

two proven long distance carriers, OSLD and Network One. Applicants state that the proposed transfer will also make available new and advanced services and other benefits to small and medium-sized consumers that are usually only available to high volume users. Finally, the applicants state that the transaction will combine the companies' complementary assets to enable OneStar to offer a broader range of services in California more efficiently and to more customers.

The applicants have provided copies of their financial statements, as well as the agreements describing the proposed transfer of control.

5. Discussion

Pub. Util. Code §§ 851-854 require Commission authorization before a company may "merge, acquire, or control...any public utility organized and doing business in this state...." The purpose of these sections 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 CRC 56.)

The proposed transfer of control here promises improved services for California consumers. No changes in the existing services of OSLD or Network One are proposed.

We authorize OneStar's request to consummate the proposed transaction. Where a company such as OneStar, which does not possess a CPCN, seeks to acquire control of companies that do possess a CPCN, we apply the same requirements as in the case of an applicant seeking a CPCN to exercise the type of authority held by the companies being acquired. (*Joint application of Empire One Telecommunications, Inc. and EOT Acquisition Corporation*, D.99-12-022, mimeo, p.2.) Since OSLD possesses a CPCN to act as a provider of intrastate local

exchange and long distance telephone services, we will apply the requirements for such authority to the new OneStar.

The Commission has established two major criteria for the issuance of a CPCN to act as a facilities-based provider of telecommunications services. An applicant that desires to act as such must demonstrate that it has a minimum of \$100,000 cash or cash equivalent,¹ reasonably liquid and readily available to meet the firm's startup expenses. An applicant that desires to act as a switchless reseller must demonstrate that it has a minimum of \$25,000 in cash or cash equivalent, reasonably liquid and readily available to meet startup expenses. OneStar as a prospective facilities-based carrier must meet the \$100,000 test. OneStar exceeds the \$100,000 minimum, as shown in its financial data provided as Exhibit F to this application.

A new entrant must also make a reasonable showing of technical or managerial expertise in telecommunications or a related business. While OneStar is technically a new company, all of its operating personnel, managerial and technical personnel come from OSLD and Network One. OneStar's managerial, technical and operational team's experience is extensive. Its seven key officers have, in the aggregate, over 75 years of combined telecommunications and financial experience. The new OneStar meets the Commission's managerial, technical and financial criteria.

There are no protests, and the contemplated transfer of control appears to be noncontroversial. In Resolution ALJ 176-3068, dated August 2, 2001, the Commission preliminarily categorized this proceeding as ratesetting, and preliminarily determined that hearings were not necessary. Based on the record,

¹ As described in D.95-12-056, Appendix C, Paragraph 4A (1-2) (63 CPUC2d 700 at 756).

we conclude that a public hearing is not necessary, nor is it necessary to alter the preliminary determinations in Resolution ALJ 176-3068.

The application is granted, subject to the terms and conditions set forth below.

This is an uncontested matter in which the decision grants the relief requested. Accordingly, pursuant to Pub. Util. Code § 311(g)(2), the otherwise applicable 30-day period for public review and comment is being waived.

Findings of Fact

1. Notice of this application appeared in the Commission's Daily Calendar of August 21, 2001.
2. OneStar meets the technical and financial requirements for a new telecommunications entrant. The existing customers of OSLD and Network One should see better service from the claimed efficiencies and from the infusion of new capital into OneStar.
3. OSLD and Network One gave customers notice of the proposed change in control; no customers objected.
4. Applicants seek approval pursuant to Pub. Util. Code §§ 851-854 of a transaction that will transfer control of OSLD and Network One to OneStar Communications LLC.
5. There will be no change in name, current services or rates provided by OneStar Communications, LLC as a result of the transfer of control.
6. The proposed transfer of control is in the public interest as customers of the new company should see increased product offerings and cost effective telecommunications solutions to their telecommunications needs.

Conclusions of Law

1. This proceeding is designated a ratesetting proceeding; no protests have been received; no hearing is necessary.
2. The application should be granted and the transfer of control approved as in the public interest.

O R D E R

IT IS ORDERED that:

1. OneStar Communications, LLC, OneStar Long Distance, Inc. (OSLD) and CRG International, Inc, d/b/a Network One (collectively, applicants) are authorized pursuant to Pub. Util. Code §§ 851-854 to enter into the transaction, as more fully described in the application and its exhibits, by which OneStar Communications, LLC will acquire and control OSLD and CRG International, Inc. d/b/a Network One.
2. Applicants shall notify the Director of the Commission's Telecommunications Division in writing of the transfer of authority, as authorized herein, within 10 days of the date of consummation of such transfer. A true copy of the instruments of transfer shall be attached to the notification.
3. OSLD and Network One shall make all books and records available for review and inspection upon Commission staff request.
4. The authority granted herein shall expire if not exercised within one year of the date of this order.

5. Application 01-07-021 is closed.

This order is effective today.

Dated February 21, 2002, at San Francisco, California.

LORETTA M. LYNCH

President

HENRY M. DUQUE

RICHARD A. BILAS

CARL W. WOOD

GEOFFREY F. BROWN

Commissioners