

**ORIGINAL**Decision No. 74370

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application  
of GEORGE W. SMITH, dba RADIO PAGE  
(KME-438) for authority to sell  
and transfer and for RADIO PAGE  
COMMUNICATIONS, INC., a California  
corporation, to purchase and  
acquire the Certificate of Public  
Convenience and Necessity  
authorizing radiotelephone common  
carrier public utility service and  
related property, and for RADIO  
PAGE COMMUNICATIONS, INC., to  
issue securities.

Application No. 49926  
(Filed January 8, 1968,  
Amended May 21, 1968)

O P I N I O N

George W. Smith, doing business as Radio Page (seller), seeks authority to sell and transfer his radiotelephone utility system properties to Radio Page Communications, Inc., a corporation (purchaser), which joins in the application.

Applicant Smith, is a radiotelephone utility holding "grandfather" authorization (certificate of public convenience and necessity) granted by this Commission in Decision No. 62156 dated June 20, 1961 in Application No. 42456 and Case No. 6945. Applicant Smith has for a number of years provided radiotelephone utility service in the Los Angeles basin area. Carl M. Tierney has for the past several years been the general manager of the business conducted under the trade name of Radio Page.

Radio Page Communications, Inc. (Radio) is a California corporation organized for the purpose of engaging in radio communications and related activities.

Applicants further request an order authorizing issuance of fifty-four (54) shares of \$100 par value common stock by Radio,

fifty percent of such stock, twenty-seven (27) shares, to be issued to Smith and fifty percent of the stock, twenty-seven (27) shares to be issued to Carl M. Tierney.

If applicants' requests are granted, Smith will transfer to Radio all of the physical assets of Radio Page, together with the franchises, licenses, certificates, agreements, goodwill and property used in connection therewith. A pro forma balance sheet as of December 31, 1967 giving effect to the proposed transactions is as follows:

<u>Assets</u>	
Current Assets	\$18,774.93
Equipment - net	12,223.81
License costs - net	<u>37,605.55</u>
Total	<u>\$68,604.29</u>
<u>Liabilities and Capital</u>	
Current Liabilities	\$30,580.99
Capital Stock	5,400.00
Paid in Surplus	<u>32,623.30</u>
Total	<u>\$68,604.29</u>

Applicant Radio states that it will adopt the tariff which has been duly filed and published by Smith.

Applicants' reasons prompting this application and their justification for the transaction are as follows:

1. Smith and Tierney have for a number of years engaged in the providing of mobile radio communication services within the area described on the map, Attachment "B", attached to the application.
2. They desire, for various business reasons, that the said services be performed by a corporation.
3. Applicant Radio, a corporation organized for the purpose of engaging in radio communications, is ready and able to perform the radio communication services.

4. Tierney has been intimately involved in the operation, management and development of the business being transferred to the corporation in this transaction.

5. It has been the intent of Smith and Tierney to incorporate the said business and to become equal owners thereof.

6. Tierney's ownership of fifty percent of the stock of applicant Radio is fair and just as between Tierney and Smith and will enhance and secure Tierney's continued vigorous interest in developing the business, the subject matter of this application.

7. Tierney has acquired significant and substantial knowledge and expertise in the field of common carrier radio paging.

8. It is in the public interest that he become a fifty percent stockholder of applicant Radio.

9. The public interest and the interest of the applicants will be served by this transaction, and no detriment will be suffered by any other party.

A report, dated May 22, 1968, by the Commission's staff has been made a part of the record as Exhibit No. 1.

The report describes the history of the operation and includes an analysis of four sub-accounts which show the costs of obtaining and litigating Federal Communications Commission licenses and this Commission's certificates of public convenience and necessity. These costs, amounting to \$39,878, had originally been charged off as expenses and subsequently restated on the books as assets. For income tax purposes, applicant expensed all of these costs.

The staff position is that a utility should be able to capitalize as intangible plant reasonable costs of incorporation, plus the ordinary, necessary and reasonable expenses of non-contested

showings before regulatory agencies to obtain required certificates. The costs of litigation between competing utilities should not ordinarily be added to a utility's intangible plant or used as a basis for a stock issue. In the instance at hand, however, where the California Public Utilities Commission has not prescribed a uniform system of accounts for radiotelephone utilities and has not as yet required other radiotelephone utilities to remove questionable charges from utility plant accounts, the staff sees no need at this time to challenge the various items included in the balance sheet presented by applicant.

The staff believes that the assets of applicant are sufficient to support a stock issue in the amount of \$5,400. It recommends that the application, as amended, be granted.

The Commission has considered this matter and finds that:

1. There will be no change in rates or services to the public as a result of the transfer.
2. The proposed sale and transfer will not be adverse to the public interest.
3. The money, property or labor to be procured or paid for by the issue of the stock herein authorized is reasonably required for the purposes specified herein, and such purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income.
4. A public hearing is not necessary.

We conclude that the amended application should be granted.

In issuing our order herein, we place Radio Page Communications, Inc. and its shareholders on notice that we do not regard the number of shares outstanding, the total par value of the shares nor the dividends paid as measuring the return the company

should be allowed to earn on its investment in plant and that the authorization herein given is not to be construed as a finding of value of applicant's stock or properties nor as indicative of amounts to be included in proceedings for the determination of just and reasonable rates.

O R D E R

IT IS ORDERED that:

1. Within one year after the effective date hereof, George W. Smith, doing business as Radio Page (seller), may transfer and sell and Radio Page Communications, Inc., a corporation (purchaser), may purchase and acquire, all of the right, title and interest of seller in and to the operating right and properties referred to in the application herein.

2. Within one year after the effective date hereof, purchaser, in payment for said radiotelephone utility business and related assets, may issue not exceeding 54 shares of its \$100 par value common stock at their par value.

3. Purchaser shall file with the Commission a report, or reports, as required by General Order No. 24-E, which order, insofar as applicable is made a part of this order.

4. After the effective date of this order, and not less than five days before the date of actual transfer, purchaser shall file a notice of adoption of seller's tariffs. Such filing shall comply with General Order No. 96-A. The notice of adoption shall become effective on the date of actual transfer.

5. On or before the date of actual transfer, seller shall deliver to purchaser and purchaser shall receive and preserve, all records, memoranda and papers pertaining to the construction and operation of the properties authorized herein to be transferred.

6. Within five days after the date of actual transfer, seller and purchaser jointly shall file in this proceeding a written statement, showing:

- (a) The date of transfer. A true copy of the instrument of transfer shall be attached to the statement.
- (b) The dates of compliance with the foregoing paragraph 5.

7. On or before the end of the third month after the consummation of the transfer as herein authorized, Radio Page Communications, Inc., shall cause to be filed with the Commission, in such form as it may prescribe, an annual report covering the period commencing with the first day of the current year to and including the effective date of the transfer.

8. Upon compliance with all of the conditions of this order, seller shall stand relieved of his public utility obligations in the area served by the transferred system and may discontinue service concurrently with the commencement of service by purchaser.

The effective date of this order shall be twenty days after the date hereof.

Dated at San Francisco, California, this 9<sup>th</sup> day of JULY, 1968.

William Lyons, Jr.  
President

William B. Brown

August

Red P. Morrison  
Commissioners