Decision No. 85710

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of KERN VALLEY DISPATCH, a California corporation, for a Certificate of Public Convenience and Necessity to Construct a New Radiotelephone Utility System, and to Issue Its Capital Stock.

Application No. 55268 (Filed October 28, 1974)

Warren A. Palmer, Attorney at Law, for applicant.

James W. Crump and Larry Shriver, for themselves,
protestants.

George S. Gillam, for Kidd's Communications,
interested party.
Oscar D. Weed, for the Commission staff.

OPINION

Statement of Facts

Robert J. Bohn (Bohn) owns and operates Bohn's Kern Valley Ambulance Service with 24-hour answering service and a private radio system with a hilltop relay station in Kernville. Presently there exists no radiotelephone utility service providing local service in the Kern Valley area. Assertedly a need exists for such radiotelephone utility service. Consequently, Bohn has formed a new corporation styled "Kern Valley Dispatch" to meet the asserted need.

By this application Kern Valley Dispatch (applicant), a California corporation, seeks:

(1) A certificate of public convenience and necessity under the provisions of Section 1001 of the Public Utilities Code authorizing construction and operation of a common carrier mobile radiotelephone system;

- (2) Issuance of an order pursuant to Section 1003 of the Public Utilities Code declaring that upon supplemental application the Commission will grant permission so that applicant may exercise all the rights and privileges deriving from subsequent issuance of construction permit and license authority by the Federal Communications Commission; and
- (3) Authorization pursuant to the provisions of Sections 816-830 of the Public Utilities Code to issue and sell 450 shares of its capital stock to Bohn for an aggregate consideration of forty-five hundred dollars in cash.

The largest centers of population in the Kern Valley are Kernville and Lake Isabella, approximately eleven miles apart. Bohn's Kern Valley Ambulance Service operates out of Kernville. A second ambulance service, Progressive Ambulance Service, Inc., owned by James W. Crump (Crump), operates out of Lake Isabella. Both firms service the full Kern Valley area and offer similar prepaid ambulance contracts to Kern Valley residents. Bohn and Crump are intensively competitive.

^{1/} Both Bohn's Kern Valley Ambulance Service and Progressive Ambulance Service, Inc. (Crump) serve the entire Kern Valley offering prepaid service plans and other services. However, the California Highway Patrol has drawn a dividing line following Highway 155 for purposes of designating accident response zones between the two services.

The evidence is that Bohn's existing private radio system facilities can be easily converted to the required service for a radiotelephone utility by addition of 2 crystals, a duplexer, and a directional antenna for the repeater station, all at a cost of less than \$1,000. The proposed base station frequency will be 152.12 megahertz for transmitting, and the channel would be No. 7. The proposed system would provide reliable radio signals, both mobile and paging, within the station's computed 37 dbu and 43 dbu service contours, and would not significantly interfere with neighboring radiotelephone utility signals. No increase in Bohn's present staff of employees would be required to operate the radiotelephone utility. Bohn himself has had electronic technician experience, and applicant would rely upon Bakersfield Electronics of Bakersfield (the equipment supplier, manufacturers representative, and service station for General Electric equipment) for equipment servicing.

^{2/} Bohn's radio system consists of a 75-megacycle two-way control station, and a 75-megacycle repeater which is interfaced through a 150-megacycle base station.

^{3/} Kern Valley Dispatch's engineering statement and report, prepared by Reuben A. Isberg, registered professional electrical engineer (California certificate E-731), which will be used to support its application to the Federal Communications Commission for a construction permit and license, includes service area contour maps prepared in accordance with provisions of Section 21.504 of FCC Rules and Regulations. These two-way mobile radio 37 dbu service area maps set forth the service contours, both theoretical and as limited by high terrain.

^{4/} Kidd's Communications, Inc., and Fresno Mobile Radio, Inc.

The Kern Valley economy is largely agricultural, logging, retirement community, and recreational. It has enjoyed consistent growth, albeit slow. Its immediate and long-range potential for growth has been substantially enhanced by recent freeway construction improving access from the Central Valley. Letters of support for the application from a number of potential subscribers— point up a small but expanding business and professional need today for a radiotelephone utility. The projection of income and expenses is based on ten 2-way and fifteen paging subscribers the first year, and twenty-five 2-way and forty paging subscribers the fifth year.

Bohn claims a net worth of \$29,279.15 as of September 30, 1975 arising out of his ambulance and related business interests, and asserts that incremental added cost or out-of-pocket expense to run the proposed radiotelephone utility would be small. He anticipates that even with the modest growth projected, he would experience profitable operations out of the radiotelephone utility. Bohn furnished banking and business references which purport to attest to his good financial reputation and to the fact that he has always met his obligations in an excellent manner, is a very respected member of the community, and valued highly as a customer.

The staff made a field investigation between December 9 and 11, 1974 for the purpose of developing factual data to permit determination of public need for the proposed service, and to inquire into the qualifications of Bohn. In this investigation the proprietors of various businesses, the Better Business Bureau, the Merchants

^{5/} Including: Armored Transport, Inc.; Charles W. August, M.D.;
Kern Valley Veterinary Clinic; Ann F. Elconin, M.D.; Kern Valley
Sun; Pearson TV Antenna Systems, Inc.; Kernville Auto Wrecking
& Towing Service; C. Post Locksmiths; Sierra Bookkeeping & Tax
Service, Inc.; B & R Septic Service; Kern Valley Animal Shelter;
and Community National Bank.

Association (Credit Bureau), the California Highway Patrol, and the Kern County Sheriff's office, as well as the rival ambulance service operator, Crump, were contacted. The persons contacted, other than Bohn's competitor Crump, either strongly endorsed Bohn's application or conceded that Bohn could be expected to operate a radiotelephone utility effectively and to offer reliable service. The proprietors of radiotelephone utilities in neighboring areas were aware of the Bohn application but signified no interest themselves in expanding to service the Kern Valley area - largely, the staff concluded, because of the expense that would be entailed in their establishment of a foreign exchange service in Kern Valley, and lease of telephone lines between unmanned Kern Valley facilities and the operational control point and message center of any remotely located utility. As a result of its investigation the staff concluded there is a public need for a radiotelephone utility; that the proposed utility is economically feasible when associated with applicant's present ambulance and other services; that the proposed rates are comparable with rates elsewhere in California; and recommended ex parte granting of a certificate of public convenience and necessity.

After Bohn filed this application, and following up information from Crump (Bohn's rival) that Bohn was refilling medical oxygen cylinders, the Food and Drug Section of the State Department of Health after investigation concluded that Bohn had violated the Health and Safety Code in delivering bottles of oxygen marked "industrial", and lacking requisite USP labels (which have usage directions and a lot number) denoting approval for medical use, to four MEDI-CAL clients of his ambulance service. Subsequently, the State Health Department filed a misdemeanor charge against Bohn.6

^{6/} People v Bohn, Case No. 191551, Bakersfield Municipal Court.
Judge Earl J. Gibbons dismissed the complaint January 27, 1976
on motion of the District Attorney.

Bohn's application has been vigorously protested by both Crump and Larry Shriver. Crump, in his letter of protest to the Commission, questioned the depth of the staff investigation, Bohn's competence in general, Bohn's failure to provide in his plans for auxiliary power, and made broad adverse commentary on the possible consequences of Bohn's difficulties over the oxygen cylinder matter. Shriver (presently employed as a ranch laborer and formerly employed as franchise operator of a now defunct local protective patrol service) in his letter of protest made a number of general and specific comments inferring incompetency and law violations to Bohn and questioned whether the proposed radiotelephone operation could be self-supporting.

A duly noticed public hearing was held November 13 and 14, 1975 before Examiner John B. Weiss in Kernville after which the case was submitted. At the public hearing Crump summarized his protest centering on doubts that Bohn's proposed radiotelephone utility charges would be adequate to make the operation self-supporting if there were any suspension or revocation of Bohn's license to operate an ambulance service or reduction in income from his normal business. Shriver in turn summarized by questioning whether there was a sufficient base of radiotelephone business to make the proposed service financially feasible at this time.

Discussion

In determining whether or not to grant a certificate of public convenience and necessity in radiotelephone matters, this Commission considers these factors, among others: The public requirement for the service, adequacy of existing service, adequacy of proposed service, quality of the proposed service, revenue requirements, and rates; technical feasibility of the proposed system;

technical competency of the operator; financial integrity of the operator; economic feasibility of the proposed utility; and present operations. (Re Silver Beehive Telephone Co. (1970) 71 CPUC 304 at In the instant proceedings there is ample evidence of a public need for the service. George S. Gillam, vice-president of Kidd's Communications, a neighboring utility, testified that his company has had repeated requests for service in the Kern Valley. The president of Bakersfield Electronics, former owner of another nearby utility, stated that he had had inquiries relative to radiotelephone service in the Kern Valley and concludes there is a need. A number of local professional people and business people wrote in support of the application. $\frac{7}{}$ Despite Crump's assertion at the hearing that half of these supporters were no longer in business, on cross-examination it was shown that 11 of the 13 professional or business supporters were in fact still in business. Four of these and a long-time member of the Board of Directors of the Kern Valley Hospital testified as to the need. Shriver himself stated ". . . There is no doubt in my mind that a need exists," and even Crump admits "There could possibly be a need for this type of service." 8/

There is no existing radiotelephone utility service available to the general public. The two rival ambulance services each employ a private radio system and the hospital has its own

^{7/} Supra Note 5.

^{8/} Shriver statement - see page 267 of transcript, lines 9 and 10. Crump statement - see page 150 of transcript, lines 10 and 11.

system. The neighboring radiotelephone utilities are not disposed at this time to extend service into the Kern Valley. Therefore, without this proposed service there will be no radiotelephone utility service for the area.

The evidence indicates that the proposed service would be adequate and of good quality. A consulting engineer specializing in radiotelephone broadcasting and electronics communications, holding a registered professional electrical engineering certificate from the State of California, $\frac{10}{}$ prepared the technical support data for the application. He testified without contravention that Bohn's present radio system is compatible with the system he proposes here; that the system is technically feasible; and that a reliable radio signal, both paging and mobile, will be received in the designated service area contours. He further expressed his professional opinion that Bohn would have no difficulty from an engineering standpoint in obtaining a Federal Communications Commission permit and license. While there is some possibility of degradation to Channel 7 as far as Cook's Communication Corp. customers are concerned, the latter does not oppose this application, and any such possible interference problem is one properly decided not by this Commission but rather by the Federal Communications Commission (George W. Smith (1967) 67 CPUC 16.)

^{9/} Aside from the private radio systems owned by Bohn and Crump, the Kern Valley Hospital operates a special emergency radio service authorized under Sections 89.501 and 89.503 of Title 47 of the Code of Federal Regulations (Telecommunications). This licensed system is limited to "the transmission of messages necessary for the rendition of an efficient hospital service." The radio equipment is owned by Crump who also rents the pagers to the hospital technologists and specialists.

^{10/} Supra Note 3.

Much of the opposition centers upon doubt that the proposed radiotelephone utility will meet its costs. While it is true that in Fischer Berkeley Corp. v PT&T Co. (1968) 68 CPUC 649, the Commission stated that rates applicable to competitive service in radiotelephone operations must cover its costs, such principle is not directly applicable here. This applicant is not seeking to enter a competitive radiotelephone local market area by subsidizing the venture through imposition of an indirect burden on subscribers to other communication services he offers. There is no competition in the radiotelephone business in Kern Valley, and applicant offers no other communication business services which would be called upon to subsidize this venture. Rather applicant does enjoy a unique launching position in that the proposed radiotelephone service dovetails so well with his existing ambulance service radio system that the proposed service will add little or nothing to his net cost of operations. Office space and equipment to accommodate the common carrier radiotelephone service are available. Because of low operating expenses in doing business in this small rural area and this availability of space and equipment applicant should experience a profit from the start. Applicant's projection for income and expenses is realistic and the rates proposed are in line with those charged elsewhere in California. However, even if the modest growth projected is not attained, applicant appears able to absorb any loss that might initially occur. Applicant's ambulance service is financially sound and has contributed steadily over the past several years to an enhanced net worth position. Bohn's financial integrity is well-attested to and his standing in the community is substantial. Therefore, we find that the proposed radiotelephone utility would be economically feasible and that applicant has the financial integrity to operate it. Considering the enhanced growth potential of the area, the five-year projection seems attainable.

No new physical construction of any consequence is proposed or will be required to implement and operate this radiotelephone utility. Therefore, we conclude with reasonable certainty that the project will not have any significant effect on the environment. The Commission is the lead agency for the proposed project.

Before concluding, we would be remiss were we not to discuss the underlying question so persistently raised by protestants - the question of the reasonable fitness of applicant. A certificate of public convenience and necessity is often a monopoly license, and the reasonable fitness of an applicant must always be considered before we grant such authority. In the Commission's view, reasonable fitness connotes more than mere adequacy in training, financial competency, or adaptability to the appropriate technical or financial aspects of the service to be rendered. It also includes an element of moral trustworthiness, reliance, and dependability. These standards must be based on the interests of the applicant, and the burden rests with the applicant to demonstrate that he is reasonably fit to be entrusted with such a franchise. In this application the evidence has led us to conclude that applicant has met his burden.

ments questioning Bohn's fitness. The most serious dealt with the oxygen bottle matter. As a result of Crump's tip to the state health agent, an investigation was made by that agency and it was asserted that Bohn had delivered oxygen bottles to four MEDI-CAL patients. These bottles did not bear "medical oxygen" labels. In 1970 the Legislature in passing the Sherman Food, Drug, and Cosmetic Law (Stats. 1970, c. 1573, p. 3,238 et seq.) revised some and added other sections to the Health and Safety Code. Under one of the sections

(Section 26010), by incorporation by reference oxygen is classified as a drug. $\frac{11}{}$ In September 1975 Bohn was charged in the Kern River Justice Court with a misdemeanor violation of Section 26619 of the Health and Safety Code. $\frac{12}{}$ On change of venue the case was transferred to the Bakersfield Municipal Court where, as noted elsewhere, $\frac{13}{}$ the case was dismissed upon motion of the District Attorney. We take official notice of this disposition of the misdemeanor charge. Aside from noting the judicial disposition, we also

It should be noted that Bohn's uncontroverted testimony to the Commission was that the same manufacturing process, the same liquid oxygen transportation, and the same liquid oxygen reservoirs were used by the two wholesale distributors in the area to fill both medical and industrial bottles; that a bottle would be pulled from stock, and depending upon one's order, if "medical" oxygen were wanted - a "medical" label would be attached; otherwise, the bottle was "industrial". Bohn testified that the price was the same for either (\$2.75 per hundred cubic feet - now \$1.75 per hundred cubic feet) and that only recently are the area distributors starting to put white metal top rings on bottles to distinguish "medical" oxygen bottles from "industrial" bottles.

^{11/} Health & Safety Code Section 26010 states: "'Drug' means any of the following: (a) any article which is recognized in an official compendium..." Health & Safety Code Section 26022 states: "'Official compendium' means the latest edition of the United States Pharmacopoeia..." The United States Pharmacopoeia, XIX Revision, approved for July 1, 1975 on page 354 lists "oxygen" in the category of "Medicinal Gas".

^{12/} Health & Safety Code Section 26619 states: "It is unlawful for any person to...deliver...any drug or device that is adulterated." Health & Safety Code Section 26612 states: "Any drug...is adulterated if the methods, facilities, or controls used for its manufacture, processing, packing, or holding do not conform to, or are not operated or administered in conformity with current good manufacturing practice to assure that the drug...meets the requirements of this division as to safety and has the identity and strength, and meets the quality and purity characteristics which it purports or is represented to possess."

^{13/} Supra Note 6.

note that according to the information furnished the Commission staff by Lieutenant Gavin of the Bakersfield office of the California Highway Patrol (the agency with licensing jurisdiction over ambulance services), conviction on the misdemeanor charge would not have placed Bohn's ambulance operation license in jeopardy. Furthermore, in response to inquiries made by applicant's attorney, as late as November 1975 both MEDI-CAL and MEDICARE authorities indicated that there were no proceedings pending against Bohn to deny him "provider" status in operation of his ambulance service. 14/

Crump also was critical that Bohn's proposal had not provided for an auxiliary power generator, asserting that there were "frequent power loss and shortages from electricity in this area." This last contention was controverted by staff testimony that according to Southern California Edison Company (the local power company) there had been no power outages for Bohn during the past two years. In addition, in his testimony Bohn related that over the eight years of his operation of a radio system locally, there had been only three interruptions of power: an arranged 3-hour shutdown to work on the line, a 3- to 4-hour outage when a local delivery truck struck a power pole, and one incident when Bohn's circuit breaker had tripped off for unknown reasons.

In his turn, Shriver questioned the propriety of Bohn using female ambulance attendants or drivers at all, and alleged avoidance by Bohn of his duty to go down to assist in removing an accident victim from a canyon in the Greenhorn area. Both allegations were

^{14/} The significance of this fact is that without MEDI-CAL and MEDICARE "provider" status an important source of revenue to Bohn's ambulance company would vanish.

rebutted by Officer Malouf of the California Highway Patrol. $\frac{15}{}$ Officer Malouf further concluded that Bohn and Crump were intense rivals, but that "both provide an adequate service for this area"; an evaluation also shared by Sergeant Hylton of the Kern County Sheriff's office.

The remaining protest involved a small civil suit brought by a subscriber to Bohn's ambulance service against Bohn over interpretation of an ambiguous contract provision. The local Justice Court resolved the interpretation in favor of the subscriber, and judgment was entered in favor of the subscriber in the amount of \$250.00 plus \$6.40 costs. The matter was subsequently appealed from Small Claims to Kern County Superior Court.

Lastly, we find the proposed issuance and sale of four hundred fifty (450) shares of applicant's capital stock to Bohn for an aggregate consideration of forty-five hundred (4,500) dollars to be reasonable, and authorize the issuance and sale. The funds so obtained by applicant will be used to pay organization expenses; acquire equipment; extend, improve, and complete facilities; discharge obligations; and provide working funds - purposes all directly or inferentially authorized by Sections 816, et seq., of the Public Utilities Code.

In issuing this decision we place the issuer of the authorized stock and its shareholder on notice that we do not regard the number of shares outstanding, the total stated value of the shares, nor the dividends paid, as measuring the return it should be allowed to earn on its investment in plant, and that this authorization is not to be construed as a finding of the value of the company's stock or property nor as indicative of amounts to be included in proceedings for the determination of just and reasonable rates.

^{15/} Officer Malouf agreed that use of a female attendant had been a problem upon occasion, but concluded by stating: "I don't know whether the word 'female' in this day and age, saying that a female can't do something -." Officer Malouf, as to Shriver's second allegation, stated that Bohn had been right along with the officer down in the bottom of the canyon.

^{16/} By Mrs. Delphina H. Petyak, who did not want to take the witness chair and testify.

Findings

- 1. There exist no radiotelephone utility services in the Kern Valley presently available to the public.
- 2. Recent freeway construction leading into the Kern Valley from Bakersfield enhances the economic potential of the Kern Valley.
- 3. There presently exists an economic base, comprised of professional and business elements, albeit small, for a radiotelephone utility service in the Kern Valley.
- 4. With the enhanced economic potential for the Kern Valley, the economic base for a radiotelephone utility service should also expand.
- 5. Robert J. Bohn, the real party in interest, owns and operates a profitable ambulance service together with a private associated radio system in the Kern Valley.
- 6. The local California Highway Patrol and the Kern County Sheriff's Department characterize Bohn's ambulance service (as well as that of the major protestant to this application) as "adequate service for this area."
- 7. Bohn has the financial integrity and resources, equipment base, and technical competency to operate a radiotelephone utility.
- 8. With minor and relatively inexpensive equipment additions and changes, Bohn's radio system can be expanded into a radiotelephone utility.
- 9. The radiotelephone system proposed will provide adequate, good quality, and reliable signals within the service area proposed.
- 10. Possible interference with an adjacent area radiotelephone utility service is minor and the utility involved does not oppose this application.

A.55268 ltc 18. There exists a public need for radiotelephone utility in the Kern Valley. 19. Robert J. Bohn possesses the requisite financial, technical resources, and a reasonable fitness to provide such a radiotelephone utility service. 20. The project with reasonable certainty will have no significant effect on the environment. 21. The proposed radiotelephone utility service would be in the public interest. 22. Kern Valley Dispatch should be granted a certificate of public convenience and necessity authorizing construction and operation of a common carrier mobile radiotelephone system. 23. An order should issue pursuant to Section 1003 of the Public Utilities Code declaring that upon supplemental application the Commission will grant permission so that Kern Valley Dispatch may exercise all the rights and privileges deriving from subsequent issuance of construction permit and license authority by the Federal Communications Commission. 24. Kern Valley Dispatch should be authorized to issue and sell four hundred fifty (450) shares of its capital stock to Robert J. Bohn for forty-five hundred (4,500) dollars. Applicant is placed on notice that operative rights, as such, do not constitute a class of property which may be capitalized or used as an element of value in rate fixing for any amount of money in excess of that originally paid to the State as the consideration for the grant of such rights. Aside from their purely permissive aspect, such rights extend to the holder a full or partial monopoly of a class of business. This monopoly feature may be modified or canceled at any time by the State, which is not in any respect limited as to the number of rights which may be given. -162. Applicant is authorized to file, after the effective date of this order, the schedule of rates and charges set forth in Exhibit D attached to the application, to be effective on or before the date service is first rendered to the public under the authority herein granted, and rules governing service to subscribers, tariff service area maps, and sample copies of printed forms normally used in connection with subscribers' services, in accordance with the requirements of General Order No. 96-A. Such rates, rules, tariff service area maps, and forms shall become effective on five days' notice to the Commission and to the public as hereinabove provided.

No. 3, with the control point and message center at 155 Tobias,

Kernville.

- 3. Applicant shall notify this Commission, in writing, of the date service is first rendered to the public under the rates and rules authorized herein, within ten days thereafter.
- 4. Applicant shall determine accruals for depreciation by dividing the original cost of the depreciable utility plant, less estimated future net salvage and less depreciation reserve, by the estimated remaining life of the depreciable plant. Applicant shall review the accruals as of January 1, following the date service is first furnished to the public under the rates and rules authorized herein and thereafter when major changes in depreciable utility plant composition occur, and at intervals of not more than five years. Results of these reviews shall be submitted to this Commission.

A.55268 ltc 5. Applicant shall maintain its books of account in accordance with the Uniform System of Accounts for Radiotelephone Companies as prescribed by this Commission. 6. The certificate herein granted and the authority to render services under the rates and rules authorized herein will expire if not exercised within eighteen months after the effective date of this order. 7. Pursuant to Section 1003 of the Public Utilities Code, the Commission will, upon supplemental application following issuance of a construction permit and license by the Federal Communications Commission, and under such terms and conditions as it may designate, issue a certificate of public convenience and necessity to exercise all rights and privileges granted by any permit and license as may be issued by the Federal Communications Commission covering this proposed radiotelephone system. 8. Applicant shall file with this Commission copies of any authorizations it may receive from the Federal Communications Commission respecting the licensing or operation of the radio installations covered by the certificate of public convenience and necessity hereinabove issued, within fifteen days of their receipt by applicant. 9. Applicant is authorized to issue and sell four hundred fifty (450) shares of its capital stock to Robert J. Bohn for fortyfive hundred (4,500) dollars. The issuer of the securities authorized by this order shall file with the Commission a report, or reports, as required by General Order No. 24-Series. Applicant shall file with the Commission copies of all annual reports made to the Federal Communications Commission. -18The authority granted by this order to issue stock will become effective when the issuer has paid the minimum fee prescribed by Section 1904.1 of the Public Utilities Code, which fee is \$50. In other respects the effective date of this order shall be twenty days after the date hereof.

Dated at San Francisco, California, this 26th day of APRIL, 1976.

PUBLIC UTILITIES COMMISSION
STATE OF CALIFORNIA

APR 2 1 1976

By A G. Gardinsform

William Gunnery

Vernon La Studien

Rolet Between

Commissioners

Commissioner D. W. Holmes, being necessarily absent, did not participate in the disposition of this proceeding.