

Decision 84 C9 023

SEP 6 1984

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the application of)
PACIFIC COMMUNICATIONS INDUSTRIES,)
INC. for a certificate of public)
convenience and necessity to oper-)
ate as a reseller of cellular radio)
telecommunications within California)
and for exemption from the require-)
ments of Sections 816 and 851-855)
of the Public Utilities Code.)

Application 84-07-024
(Filed July 6, 1984)

O P I N I O N

Pacific Communications Industries, Inc. (PCI), a California corporation, seeks: (a) a certificate of public convenience and necessity (CPC&N) to operate as a resale carrier providing cellular radio service within the State of California under Public Utilities (PU) Code Section 1001; (b) exemption from the provisions of PU Code Sections 816-830 and 851-855; and (c) exemption from the requirements of Sections IV, V, and VI of this Commission's General Order (GO) No. 96-A.

PCI initially intends to resell cellular radiotelephone service in the greater Los Angeles metropolitan area by purchasing cellular service from the Los Angeles SMSA Limited Partnership (Partnership) at the wholesale rates and then reselling the service at its tariffed rates. Eventually PCI intends to resell cellular radio services in some or all of the California cities where cellular radio systems may be authorized to operate.

PCI was incorporated on May 31, 1984 and authorized to issue 100,000 shares of one class of shares of stock. Capital stock, so far subscribed, consists of 1,000 shares of \$1 par value common stock with 510 shares to be issued to Jodi Farace, president of PCI, and 490 shares to be issued to John J. Doran. The principals of PCI have successfully been engaged in the marketing of personal communications products and services, including pagers and paging systems and two-way radio products, for approximately eight years under the name of Page Unlimited, Inc. A balance sheet as of June 11, 1984, attached to the application, listed assets of \$100,786, liabilities of \$91,027, and stockholders' equity of \$9,759.

PCI proposes to resell cellular service in Los Angeles at the following rates:

Service Establishment	\$50.00
Monthly Access Charge	45.00
Peak Minute Usage	0.45
Off-peak Minute Usage	0.27

Decision (D.) 84-04-014 dated April 4, 1984 on the Partnership's Application (A.) 83-01-12 for a CPC&N to provide a cellular radio communications system in the greater Los Angeles metropolitan area provided tariffs including rates for both wholesale and retail sale of cellular service. The retail service establishment charge, monthly access charge, peak minute usage charge, and off-peak minute usage charge are as proposed by PCI. However, the retail tariff provisions also included charges for many optional features. These retail tariff provisions were reviewed in detail by this Commission and its staff before being authorized by D.84-04-014. It is our intent that

such tariff provisions be used as a model for other resellers in the Los Angeles area. Consequently, we will require the filing of retail tariffs generally similar to the retail provisions authorized by D.84-04-014 and filed by the Partnership. We recognize that the tariffs as a whole may be somewhat abbreviated from those of the primary carrier; however, they must include the usual Table of Contents, Preliminary Statement, Rate Schedules, List of Contracts and Deviations, Rules, and Sample Forms, as prescribed in Section II of GO 96-A. We will permit the initial filing to contain only the Preliminary Statement, Table of Contents, and Rate Schedules, to be effective on five days' notice; the remaining material will be prepared promptly and transmitted to the Commission staff by advice letter for review and filing per GO 96-A. We will authorize PCI to deviate from the page numbering system prescribed by GO 96-A, Section II.C.(1)(b), and to substitute the system generally employed by the major wireline exchange carriers at its election.^{1/}

PCI filed its application for a CPC&N in terms of the traditional CPC&N granted to monopoly public utilities, but requests that in granting such a certificate this Commission recognize the significant differences among the potential providers of cellular radio services in California. Such differences include consideration of the relative market power, consideration of granting exemption from certain provisions of this Commission's GO 96-A, and consideration of granting exemption from the provisions of PU Code Sections 816-830 and 851-855.

^{1/} The alternate system is described in Commission Resolutions U-275 (March 25, 1947) and T-4886 (February 26, 1962).

PCI alleges in its application that resale cellular radio service competitors have minimal market power and correspondingly little ability to influence prices and, therefore, we should adopt a regulatory scheme that will allow the development of competition. Precisely for this reason we have specifically set the wholesale and retail tariff levels to provide an adequate margin to enable resellers to enter the competitive marketplace as bona fide competitors.

Sections IV, V, and VI of GO 96-A relate to filed and effective dates, procedures in filing tariff sheets which do not increase rates or charges, and procedures in filing increased rates, respectively. In general, these provisions require a showing before this Commission justifying any increase and provide that rates will become effective 30 days after filing tariff sheets which do not increase rates, or 30 days after filing an authorized increase unless Commission authorization for a shorter period is obtained. PCI suggests that the Commission exempt resellers from the above GO 96-A provisions and allow tariff revisions to become effective on one day's notice. Other resellers have made similar requests.

There is merit to the arguments presented by resellers that the Commission consider some modifications of GO 96-A. The basic purpose of Sections IV, V, and VI of GO 96-A is to provide an orderly procedure to control the rates and services of a monopoly utility. These rules are subject to revision where the Commission deems necessary.

In this case, we are not dealing with a monopoly situation. At this time, it appears that the cellular market will be a highly competitive one. The basic scheme established

by the Federal Communications Commission allowing two major carriers, one wireline and one nonwireline, to operate in the same territory, coupled with the provisions for the wholesale marketing of this service, is designed to promote vigorous competition in cellular markets.

Under these circumstances, our traditional tariff filing requirement of a 30-day review period should not be necessary. Indeed, in a new and dynamic market such as cellular telephone, this requirement could impede the provision of rates and services which are responsive to customer needs. We, of course, will monitor the cellular market and if we find abusive or unfair practices by resellers, we will take corrective action aimed at eliminating such practices. Therefore, we will permit resellers to make the requested tariff changes on 15 days' notice.

PU Code Sections 816-830 govern the power of the utility to issue stocks and stock certificates or other evidence of interest or ownership, and bonds, notes, and other evidence of indebtedness and to create liens on their property situated within this State. PU Code Sections 851-855 provide, in part, that no public utility other than a common carrier by railroad subject to Part 1 of the Interstate Commerce Act shall sell, lease, assign, mortgage, or otherwise dispose of or encumber the whole or any part of its property useful in the performance of its duties to the public without first having secured from this Commission an order authorizing it to do so. PCI seeks exemption from PU Code Sections 816-830 under PU Code Section 829 and from PU Code Sections 851-855.

under PU Code Section 853. PU Code Sections 829 and 853 provide that the Commission may, by order or rule and subject to such terms and conditions as may be prescribed therein, exempt any public utility or class of public utility from the above PU Code provisions if it finds that the application thereof to such public utility or class of public utility is not necessary in the public interest. PCI, in support of its request, alleges that strict enforcement of PU Code Sections 816-830 and 851-855 would only impede competition while it would provide no attendant protection to consumers. This issue is before us in A.84-03-92 of the California Association of Long Distance Telephone Companies and provides a larger forum in which to address these considerations. Accordingly we will deny PCI's request in this application.

In Interim D.83-06-080 on the Partnership's A.83-01-12, we stated in Finding 25:

"25. A resale plan that constitutes a viable business opportunity and thereby permits the nonwireline carrier to enter the marketplace as a bona fide competitor is necessary to mitigate any adverse effects of the early entry into the cellular marketplace of a wireline carrier in advance of a nonwireline carrier." (Mimeo. page 38.)

PCI's proposed operations, as well as the operations of other resellers in the area, dovetail with the resale concept envisioned in the above-quoted Finding 25. In its application, PCI alleges that public convenience and necessity require Commission approval of this application because:

1. Certificate of the Partnership as the underlying carrier demonstrates the need for cellular service in the greater Los Angeles area, and certificate of underlying carriers in other California

markets where PCI may act as a reseller will likewise demonstrate the need for cellular service in these markets.

2. PCI's proposed resale of cellular service will enhance competition in the cellular retail market.
3. Enhanced competition will bring the following long-term benefits to California cellular subscribers:
 - a. Lower priced service;
 - b. Increased ability of customers to choose between service providers, a greater variety of service packages, greater choice of mobile cellular phone equipment, and greater attendance to customer needs by all service providers; and
 - c. Greater utilization of the existing facilities of the underlying carrier to use the system more efficiently.

We agree in general with the allegations and note the reasons set forth generally form the bases for a viable resale plan for resellers.

PCI estimates that by the end of 1984, it will have approximately 1,000 subscribers in California and that by the end of 1988, it will have approximately 8,000 subscribers in California. PCI's projected cumulative net income after 18 months of operation is \$317,693.

Copies of the application were served on potential competitors within California and no protests were received.

Upon certification by this Commission, PCI will be subject to reporting requirements deemed appropriate by this Commission. One of these requirements is the manner in which records are kept.

The Commission is currently developing a Uniform System of Accounts for cellular communications companies. Until a uniform accounting system for cellular companies has been prescribed, the Commission will not issue detailed account instructions. Each cellular communications company will, however, be expected to maintain its books in such detail that financial data relating to its operations can be assembled upon request:

1. Revenue and expenses of utility operations should be segregated from nonutility operations.
2. Charges from affiliates should be broken down so that each kind of charge can be identified.
3. Revenue accounts should be appropriately subdivided (access, peak, off-peak, service order charges, custom calling, directory listing, etc.).
4. Expense accounts should be grouped to provide a total for sales and marketing expense. This would include, in sub-accounts, advertising, promotion and incentives, sales salaries and commissions, sales vehicle expense, etc.
5. General and administrative expenses should be subdivided to identify rent and lease expense, billing expense, salaries, insurance, and other appropriate subdivisions.
6. Other significant costs, such as unsold numbers inventory, should be separately identified.

PCI will be directed to file an annual report with the Commission, in a form prescribed by the Commission. Although PCI will be expected to have detailed operating information available in its records, for competitive reasons it may not be required to disclose such detail in its filed annual reports.

PCI is not a radiotelephone utility as defined in PU Code Section 4902.^{2/} Therefore, it is not subject to the fee system prescribed by PU Code Sections 4905, et seq., but is instead subject to the fee system set forth in PU Code Sections 401, et seq. By Resolution M-4735, the Commission set the fee level for telephone corporations at 0.10 of 1% (0.0010) of revenue subject to the fee, prescribed the method of remitting the fee, and directed the application of a billing surcharge of 0.10% to customer billings. PCI will be ordered to provide in its tariff rules for the imposition of this surcharge.

Findings of Fact

1. PCI has the ability, experience, equipment, and financial resources to perform the proposed service.
2. Public convenience and necessity require the service proposed by PCI.
3. PCI should file a set of tariffs similar in scope to the retail tariffs set forth in D.84-04-014 for the Partnership.
4. The issue of exemption from the provisions of PU Code Sections 816-830 and 851-855 is before us in a broader proceeding than this application.
5. The time constraints of Sections IV, V, and VI of GO 96-A are unduly restrictive at this time.
6. At this time, it appears that the cellular market will be a highly competitive one.

^{2/} In D.84-04-014 in A.83-01-012, we determined that resellers of cellular service are telephone corporations under PU Code Sections 216(b), 233, and 234, and are subject to our jurisdiction. However, they are not radiotelephone utilities as defined in Section 4902, because they do not furnish "domestic public land mobile radio service" as described in 47 CFR 22, but instead furnish "domestic public cellular radio telecommunications service."

7. PCI's proposed operations will provide competition in the cellular radio service market which will benefit the public at large.

8. It can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment.

9. PCI should keep its records in the detail described on pages 7 and 8 of this decision.

10. A public hearing is not necessary.

Conclusions of Law

1. The application should be granted as provided in the order which follows.

2. PCI should be exempt from the provisions of Sections IV, V, and VI of this Commission's GO 96-A and may file tariff revisions to become effective on 15 days' notice.

3. PCI should not be exempt from the provisions of PU Code Sections 816-830 and 851-855.

4. PCI is not a radiotelephone utility as defined in PU Code Section 4902.

5. PCI is subject to the fee system set forth in PU Code Sections 401, et seq.

6. The appropriate surcharge pursuant to Conclusion of Law 5 is 0.1% for the fiscal year 1984-1985.

7. Because of the immediate need for the service, the order should become effective today.

The certificate hereinafter granted is subject to the provision of law that the Commission shall have no power to authorize the capitalization of this CPC&N or the right to own, operate, or enjoy such CPC&N in excess of the amount (exclusive of any tax or annual charge) actually paid to the State as the consideration for the issuance of such CPC&N or right.

O R D E R

IT IS ORDERED that:

1. A certificate of public convenience and necessity is granted to Pacific Communications Industries, Inc. (PCI) to operate as a reseller of cellular radio telecommunications services within California.

2. On or after the effective date of this order, PCI is authorized to file tariff schedules for the resale of cellular mobile radiotelephone service in the Los Angeles area purchased from the Los Angeles SMSA Limited Partnership (Partnership). This filing shall comply with General Order (GO) 96-A, except that PCI is authorized to employ the alternate method of page numbering described in Resolutions U-275 and T-4886 at its election. The initial filing shall contain at least the Preliminary Statement, Table of Contents, and Rate Schedules, the rates and charges to be those requested by PCI in its application, together with the remaining retail rates and charges authorized to the Partnership by Decision 84-04-014, the filing to be effective on not less than five days' notice. PCI shall file the remaining tariff schedules, to include rules and forms as prescribed by GO 96-A, no later than 10 days following the effective date of this order, to be effective on not less than five days' notice. The tariff shall provide for a user fee surcharge of 0.1% for the fiscal year 1984-1985. ✓

3. PCI is to keep its records as detailed on pages 7 and 8 of this decision.

4. The certificate of public convenience and necessity is granted as set forth above; the application to be exempted from the provisions of Sections IV, V, and VI of GO 96-A is granted in part and the application to be exempt from the provisions of PU Code Sections 816-830 and 851-855 is denied.

This order is effective today.

Dated SEP 6 1984, at San Francisco, California.

LEONARD M. GRIMES, JR.

President

VICTOR CALVO

PRISCILLA C. CREW

DONALD VIAL

WILLIAM T. BAGLEY

Commissioners

I CERTIFY THAT THIS DECISION
WAS APPROVED BY THE ABOVE
COMMISSIONERS TODAY.


Joseph E. Bodovitz, Executive Director

O R D E R

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3. PCI is to keep its records as detailed on pages 7 and 8 of this decision.