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BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 SANTA BARBARA CELLULAR SYSTEMS, LTD.)
 dba CELLULAR ONE for a certificate of)
 public convenience and necessity)
 under Section 1001 of the Public)
 Utilities Code of the State of)
 California for authority to construct)
 and operate a new domestic public)
 cellular radiotelecommunication)
 service to the public in the Santa)
 Barbara - Santa Maria - Lompoc Metro-)
 politan Statistical Area.)

Application 87-08-040
 (Filed August 21, 1987)

OPINION

Applicant Santa Barbara Cellular Telephone Systems, Ltd., a Georgia Limited Partnership, seeks a certificate of public convenience and necessity (CPC&N) to construct and provide domestic public cellular radiotelephone service to the public throughout the Santa Barbara - Santa Maria - Lompoc Metropolitan Statistical Area (MSA), including a portion of Santa Barbara County. Service would be provided within the communities of Carpinteria, Santa Barbara, Goleta, Buellton, Solvang, Lompoc, and Santa Maria.

Applicant included its Proponent's Environmental Assessment (PEA) as Volume II of its application. It seeks the following Commission finding under Rule 17(d)1 of the Commission's Rules of Practice and Procedure:

"It can be seen with certainty there is no possibility that the construction and installation of the cell sites and utilization of an existing structure for the MTSO [Mobile Telephone Switching Office] may have a significant effect on the environment. If that finding could not be made, applicant requests that the Commission issue a negative declaration finding that the project will not have a significant effect on the environment."

Applicant asserts that an environmental impact report [EIR] is not required.

The application was filed on August 21, 1987 and was deemed filed 30 days later, on September 21, 1987, under Government Code Section 65943. (The thirtieth day fell on a Sunday.)

Summary

This decision grants applicant a CPC&N to construct and operate a cellular radiotelephone system to provide service in the Santa Barbara MSA. Since there was no protest to granting the certificate, it will be granted ex parte. The financing arrangements described in the application as supplemented by applicant's November 13 and December 1 1987 letters to the Commission (Exhibits 1 and 3) are authorized.

Applicant's design criteria require 90% coverage for the MSA at -100 dBm or better. We agree that such coverage is adequate.

The initial wholesale and retail service rates proposed by applicant are approved. Applicant's initial service proposal covers over 1,200 square miles in the Santa Barbara MSA, in Santa Barbara County. It proposes to later cover 1,400 square miles with a 5-cell final system. Its system is designed to meet its projection of growth in customer demand.

This decision approves staff's Negative Declaration (Appendix A of this decision), including the conditions incorporated in the Negative Declaration to preclude the occurrence of any significant adverse effects on the environment. No comments were received on the Negative Declaration. No EIR is warranted.

Applicant has consulted with appropriate local agencies on project details prior to filing this application, without objection from those agencies.

Applicant will be required to file additional environmental information with the Commission Advisory and

Compliance Division (CACD) prior to construction of any future expansion antenna sites.

On December 19, 1986, the Federal Communications Commission (FCC) issued authority to FCJ, Inc. (FCJ) to construct a cellular system in Santa Barbara County. The FCC approved assignment of FCJ's construction permit to Santa Barbara Cellular Systems, Ltd.

Background

In 1982, the FCC determined that a need for cellular service had been established throughout the nation and that this service, using new cellular technology and offering superior transmission quality and privacy with far greater capacity than conventional mobile radiotelephone service in use, should be made available in accord with the market structure it established (Memorandum Opinion and Order on Reconsideration, 47 Fed. Reg. 1018, 10033-34; 89 FCC 2d (1982)). Under this plan, applicant is one of the two utilities authorized to operate in the Santa Barbara MSA.

Applicant, doing business as Cellular One, is a Georgia limited partnership. Its general partner is another limited partnership, Santa Barbara Holding, Ltd. (Holding), whose general partners are FCJ and Charles G. Jones. Jones is also applicant's limited partner. FCJ is a Georgia corporation with 14 shareholders, formed to operate a cellular service in Santa Barbara. Jones, a certified public accountant, is the secretary of FCJ. Both Holding and FCJ have filed Certificates of Registration and are authorized to do business in California.

Proposed System

Applicant's proposed system design involves high capacity in which the radio spectrum assigned is divided into discrete channels which are allocated in groups to small geographic cells covering a defined service area not coextensive with nor limited in any fashion to local political jurisdictions. This allows reuse of

the limited number of radio channels allocated by FCC in different cells within the overall metropolitan area. Each cell contains low-powered radio transmitter-receiver units that will carry calls over its antenna, and each cell is connected to a computer-controlled call-switching center. Thus multiple channels are available, and can be used simultaneously by different customers in nearby cells.

The radiated power emissions from the antennas will meet FCC criteria. The height of each cell's antenna is critical: if too high, too great an area is blanketed, reducing the number of radio channels available in nearby cells; and if too low, the serving area of the cell is not adequately covered, resulting in unsatisfactory or no service. These considerations are implemented in determination of base radio sites. Based on a computer program validated in other MSAs, a geographic grid was designed to provide continuous service with a 90% or greater probability that a signal in the Santa Barbara MSA will register a satisfactory signal (of -100 dBm or greater) at a cellular mobile unit.

Applicant considered various radii for cellular transmission to minimize the number of cell sites, lower costs, and, at the same time, provide reliable coverage. This analysis included demographic variables such as highway traffic, population density, employment and income distribution, and business locations in conjunction with detailed propagation studies. The propagation studies give consideration to variations in terrain, obstructions to radio propagation, and to enhancement of radio signals due to water and other factors.

Applicant asserts that four cells will be initially required to cover the Santa Barbara MSA adequately. The system was designed to handle expansion to accommodate more than 30,000 subscribers through use of radios, sectorization, and cell splitting. A future cell site is planned in the vicinity of Lompoc.

Applicant chose Ericsson Radio Systems AB (Ericsson), a Swedish equipment manufacturer with extensive experience in providing public and private telephone service around the world. Ericsson has installed cellular equipment in 20 countries serving more than 600,000 subscribers, including service in MSAs in the United States, including one serving the San Francisco-San Jose area and another serving in Los Angeles. Ericsson has a full-fledged service and support staff located in Texas and field support groups in Chatsworth and Hayward, California. It will provide dedicated support staffing during applicant's initial operations and consulting staff for later operations.

Ericsson's cellular technology uses the Electronics Industry Association's (EIA) signaling format. The equipment to be provided applicant fully meets FCC Cellular System Mobile Station-Land Station Capability Specifications. The equipment will provide basic cellular capabilities, including normal call-processing, hand-off, traffic data, and enhanced features such as call forwarding, call waiting, and three-way calling. Applicant considered that Ericsson's equipment would be compatible with the cellular equipment serving the Los Angeles MSA.

Financing

Applicant intends to purchase its cellular mobile telephone system from Ericsson Systems, Inc. (ESI), a distributor of such systems. It has contracted with Southwestern Bell Mobile Systems (Southwestern) to install the system and to provide it with the requisite training and expertise needed to ensure that its system runs smoothly. Applicant's estimated capital costs for the equipment, construction, and installation are approximately \$3,700,000; its first year's operating expenses estimate is \$1,600,000.

Applicant proposes to enter into a loan agreement to acquire cellular equipment from Ericsson North America, Inc. (ENA) (Exhibit 1). Under the terms of the loan agreement, ENA would loan

applicant up to \$6,300,000 for financing equipment purchases; payment of the cost of technical services provided by Southwestern; legal and consultant fees related to the formation of the business, e.g. the cost of obtaining state and federal licenses and permits; accumulating necessary inventory; and for working capital. The funds would be provided at an annual weighted average of 1% over the prime rate, based on prime rates periodically announced by Morgan Guarantee Trust Company of New York or by another bank or financial institution if an ENA assignee elects to transfer the loan. Under the terms loan, security agreements granting ENA a lien on applicant's collateral would be issued; promissory notes could be issued for equipment loans and for working capital. The loan amounts would be amortized over 60 months following loan issuance dates. If a loan is in default, an additional 1% interest charge would be added to payments. ESI would be the vendor and supplier of certain services and products under the purchase agreement. Mortgages containing liens in favor of ENA would be issued on real property held by applicant.

If applicant makes prepayments prior to the second anniversary of the initial loan, there would be a 1% prepayment penalty of the amount prepaid. Applicant would be required to prepay the loans if it sells equity securities at a public offering or if its fiscal quarterly cash flow exceeds a mandatory prepayment cash flow ratio of 300% of debt service. Applicant will also be required to flow through any rebate, adjustment, refund, or other payments received from ESI to ENA. The loan agreement contains negative covenants applying to applicant's operations and transactions designed to protect ENA's interest as a lender. The agreement also contains limitations on distributions to applicant's partners and provides that applicant's maintain minimum tangible net worth, which limits the deficit incurred by applicant through December 31, 1991 and further provides for a net worth on and after December 31, 1992 of \$2 million.

FCJ has loaned applicant \$300,000 for its initial startup costs.

In order to provide additional funds needed for initial operating losses, the 14 shareholders of FCJ will commit an additional \$800,000 if needed. Applicant's chief executive officer represents that FCJ's shareholders are all professionals with an average salary of approximately \$200,000. In addition, applicant states that it has received a commitment of at least \$2,000,000 to be used for operating expenses from TMC Financial Services of Anaheim, California (TMC); the funding of the line of credit by a Santa Barbara bank will be finalized by December 4, 1987 (see Exhibit 3).

The Commission's Advisory and Compliance Division (CACD) staff reviewed applicant's proposed source of funding arrangements without objection.

Estimated Operations

Tables 1' to 3 show applicant's estimated consolidated, retail, and wholesale income statements from 1988 through 1992.

TABLE 1

SANTA BARBARA CELLULAR SYSTEMS, LTD.

Consolidated Income Statement

	<u>Annual Pro Forma</u>				
	<u>1988</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>
<u>Revenue</u>					
Retail	\$1,661,281	\$3,696,313	\$6,351,420	\$9,101,520	\$12,048,055
Wholesale	<u>219,548</u>	<u>492,652</u>	<u>853,841</u>	<u>1,223,545</u>	<u>1,619,656</u>
Total Rev.	1,880,828	4,188,966	7,205,261	10,325,065	13,667,711
<u>Oper. Exp.</u>					
Salaries & Wages	463,000	604,367	579,038	625,361	675,390
Fringes	115,750	151,092	144,760	156,340	168,848
Bldg. Exp.	8,400	9,072	9,798	10,582	11,428
Motor Veh.	43,480	66,430	66,430	66,430	66,430
Equip. Depr.	635,527	635,527	672,965	761,400	797,990
Other Depr.	44,000	46,000	48,000	50,000	52,000
Billing Svce.	63,000	100,520	168,848	231,480	298,440
Insurance	40,000	43,200	46,656	50,388	54,420
Rent	85,044	85,044	97,044	97,044	97,044
Prof. Svce.	300,000	324,000	349,920	377,914	408,147
Advertising	264,000	76,750	117,250	160,750	207,250
Interest	447,764	447,764	466,483	394,079	295,754
Bad Debt Exp.	54,700	122,054	210,338	301,412	398,991
Telecomm.	80,440	184,510	326,758	468,241	619,830
Engrg. Chrgs.	462,000	508,000	559,000	615,000	676,000
Line Chrgs.	1,750	3,070	4,690	6,430	8,290
EDP Svces.	15,000	10,000	25,000	10,000	10,000
Property Tax	70,000	75,600	81,648	88,180	95,234
Recruiting	140,000	60,000			
Marketing	<u>90,000</u>	<u>97,200</u>	<u>104,976</u>	<u>113,374</u>	<u>122,444</u>
Total Oper. Expenses	<u>3,423,855</u>	<u>3,660,199</u>	<u>4,079,593</u>	<u>4,584,406</u>	<u>5,063,930</u>
Net Income	<u>\$(1,543,026)</u>	<u>\$ 528,767</u>	<u>\$3,125,668</u>	<u>\$5,740,659</u>	<u>\$8,603,782</u>

(Red Figures)

TABLE 2

SANTA BARBARA CELLULAR SYSTEMS, LTD.

Retail Income Statement

	<u>Annual Pro Forma</u>				
	<u>1988</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>
<u>Revenue</u>					
Retail	\$1,612,406	\$3,593,888	\$6,186,520	\$8,865,220	\$11,735,255
Activation Fees	<u>48,875</u>	<u>102,425</u>	<u>164,900</u>	<u>236,300</u>	<u>312,800</u>
Total Rev.	1,661,281	3,696,313	6,351,420	9,101,520	12,048,055
<u>Oper. Exp.</u>					
Salaries & Wages	393,550	513,712	492,183	531,557	574,082
Fringes	98,388	128,428	123,046	132,889	143,520
Bldg. Exp.	7,140	7,711	8,328	8,994	9,714
Motor Veh.	36,958	59,908	59,908	59,908	59,908
Equip. Depr.	540,198	540,198	572,020	647,190	678,292
Other Depr.	37,400	39,100	40,800	42,500	44,200
Billing Svce.	53,550	93,942	143,514	196,758	253,674
Insurance	34,000	36,720	39,658	42,830	46,257
Rent	72,287	72,287	82,487	82,487	82,487
Prof. Svce.	255,000	275,400	297,432	321,227	346,925
Advertising	224,400	65,238	99,663	136,638	176,163
Interest	380,599	380,599	396,510	334,968	251,391
Bad Debt Exp.	48,372	107,817	185,596	265,957	352,058
Telecomm.	68,374	156,833	277,744	398,005	526,855
Engrg. Chrgs.	392,700	431,800	475,150	522,750	574,600
Line Chrgs.	1,488	2,610	3,987	5,466	7,047
EDP Svces.	12,750	8,500	21,250	8,500	8,500
Recruiting	119,000	51,000			
Property Tax	59,500	64,260	69,401	74,953	80,949
Marketing	<u>76,500</u>	<u>82,620</u>	<u>89,230</u>	<u>96,368</u>	<u>104,077</u>
Total Oper. Expenses	<u>2,912,154</u>	<u>3,118,682</u>	<u>3,477,905</u>	<u>3,909,944</u>	<u>4,320,698</u>
Net Income	<u>\$(1,250,873)</u>	<u>\$ 577,631</u>	<u>\$2,873,515</u>	<u>\$5,191,576</u>	<u>\$7,727,357</u>

(Red Figure)

TABLE 3

SANTA BARBARA CELLULAR SYSTEMS, LTD.

Wholesale Income Statement

	<u>Annual Pro Forma</u>				
	<u>1988</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>
<u>Revenue</u>					
Wholesale	\$ 210,923	\$ 474,577	\$ 824,741	\$1,181,845	\$ 1,564,456
Activation					
Fees	<u>8,625</u>	<u>18,075</u>	<u>29,100</u>	<u>41,700</u>	<u>55,200</u>
Total Rev.	219,548	492,652	853,841	1,223,545	1,619,656
<u>Oper. Exp.</u>					
Salaries &					
Wages	69,450	90,655	86,856	93,804	101,309
Fringes	17,363	22,664	21,714	23,451	25,327
Bldg. Exp.	1,260	1,361	1,470	1,587	1,714
Motor Veh.	6,522	6,522	6,522	6,522	6,522
Equip. Depr.	95,329	95,329	100,945	114,210	119,699
Other Depr.	6,600	6,900	7,200	7,500	7,800
Billing Svce.	9,450	16,578	25,326	34,722	44,766
Insurance	6,000	6,480	6,998	7,558	8,163
Rent	12,757	12,757	14,557	14,557	14,557
Prof. Svce.	45,000	48,600	52,488	56,687	61,222
Advertising	39,600	11,513	17,588	24,113	31,088
Interest	67,165	67,165	69,972	59,112	44,363
Bad Debt Exp.	6,328	14,237	24,742	35,455	46,934
Telecomm.	12,066	27,676	49,014	70,236	92,974
Engrg. Chrgs.	69,300	76,200	83,850	92,250	101,400
Line Chrgs.	263	461	704	965	1,244
EDP Svces.	2,250	1,500	3,750	1,500	1,500
Recruiting	21,000	9,000	0	0	0
Property Tax	10,500	11,340	12,247	13,227	14,285
Marketing	<u>13,500</u>	<u>14,580</u>	<u>15,746</u>	<u>17,006</u>	<u>18,367</u>
Total Oper.					
Expenses	<u>511,701</u>	<u>541,517</u>	<u>601,688</u>	<u>674,462</u>	<u>743,232</u>
Net Income	\$ <u>(292,153)</u>	\$ <u>(48,864)</u>	\$ <u>252,153</u>	\$ <u>549,083</u>	\$ <u>876,424</u>

(Red Figure)

Applicant projects that its operations will be profitable by 1989, its second year of operations. Exhibit H attached to the application contains the assumptions underlying Tables 1 through 3.

Customers

The tabulation below is applicant's estimate of the total number of subscribers to be served during the first five years of operation. It estimates an 85:15 ratio of retail to wholesale customers.

<u>End of Year</u>	<u>Total Customers</u>
1988	1,750
1989	3,070
1990	4,690
1991	6,430
1992	8,290

Based on its marketing studies (Exhibit I to the application), applicant believes it will be able to generate the level of business assumed in its financial and customer projections.

Rates

Applicant's proposed rates are shown in Table 4. The rates were designed to avoid cross-subsidization between wholesale and retail services. Applicant states that all of its charges, terms, and conditions not stated in Table 4 will be in its filed tariffs.

TABLE 4

SANTA BARBARA CELLULAR SYSTEMS, LTD.

Proposed Retail Rates

ACCESS:	<u>Per Month</u> \$50.00
USAGE CHARGE:	<u>Per Minute</u>
Peak	\$ 0.45
Off-peak	\$ 0.27
SERVICE CHARGE:	<u>Per Order</u> \$15.00

Proposed Wholesale Rates*

ACCESS CHARGE:

<u>Total Quantity of Access Numbers</u>	<u>Monthly Access Charge Per Access Number</u>
50-100	\$34.41
101 or more	\$32.26

USAGE CHARGE:

<u>Peak (Weekdays) 7 a.m. - 7 p.m.</u>	<u>Usage Charge Per Minute</u>
Usage Charge when total usage is less than or equal to 20,000 minutes per month.	\$ 0.37
Usage Charge when total usage is greater than 30,000 minutes per month.	\$ 0.36
<u>Off-Peak</u> All Usage	\$ 0.22

SERVICE CHARGE:

Individual Number Charge	\$10.00
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* Applicant will provide each reseller with a Reseller Operations Manual describing all pertinent policies and procedures.

Applicant's Service Plan

As noted above, Southwestern will assist applicant in training its personnel. Charles C. Jones, applicant's chief executive officer, is in the process of hiring appropriate experienced personnel for applicant's staff.

Mobile-originated calls to all wireline exchanges in the Santa Barbara MSA will be made on a "local" basis. No charge other than that for air time will be accessed on these calls. The exchanges included in this local calling area are Santa Barbara, Carpinteria, Elwood, Goleta, Las Positas, Monticeto, Gaviota, Santa Ynez, Lompoc, Los Alamos, Santa Maria, Guadalupe, and Nipomo. This calling area will be available to all mobile subscribers using this system. Mobile-originated emergency calls to police, fire, etc. will be provided on a no-charge basis.

Mobile-originated collect, credit card, person-to-person, and third number billing calls will be allowed. Incoming collect toll calls and third number billing to mobile numbers will not be allowed.

Applicant now plans to provide all interLATA and/or interstate mobile-originated calls through an interexchange agreement it entered into with General Telephone Company of California (General). Initial toll service will be handled via the PSTN connections. As the toll volume dictates, it will make a direct connection to a toll carrier. Based on the actual calling volumes of its mobile users and the costs involved, applicant may make a direct connection into the Los Angeles area.

Mobile customers will have access to both intraLATA and interLATA directory assistance. This information will be available on a chargeable basis for both air time and unit cost for directory assistance. The mobile subscribers will be provided the option of having their number listed for a fee in the local directory. Mobile subscribers who chose not to have their numbers listed will

not appear on any directory assistance listings. Nonworking mobile numbers will be intercepted in the Ericsson switch and routed to a recording indicating that the number called is a nonworking number.

Proponent's Environmental Assessment

Applicant alleges that the construction and operation of the project proposed in this application would not result in an environmental impact that is significant, as defined by the California Environmental Quality Act (CEQA). Of the basic physical elements of the proposed cellular telephone system, pipe antennas mounted on existing towers or on new prefabricated buildings with a maximum height from ground to the top of the antenna not greater than 25 feet are the only facilities which would have a potential environmental impact. For those sites at which towers would be visible from surrounding areas, the visual impacts of the towers would be mitigated by the careful location and design of the tower. Other environmental issues that could result from the construction and operation of the cellular system are short term or otherwise insignificant.

The Commission, in its role as regulator of telephone service within the State, must review and approve any proposed telephone system before it approves construction and operation. The application for a CPC&N under Public Utilities (PU) Code Section 1001 is subject to environmental review under the CEQA, under Public Resources Code Section 21,000, et seq. and Rule 17.1 of the Commission Rules of Practice and Procedure.

The Commission is the lead agency under CEQA in conducting an environmental review which must precede consideration and approval of the cellular system. Applicant anticipated that the environmental review will result in the issuance of categorical exemption or a Negative Declaration. As a matter of practice, the Commission review also relies on, and takes into full account, all of the zoning, planning, design, and environmental requirements of

each jurisdiction within which the individual radio transmitters of the cellular system will be located.

A total of four cell sites and an area for location of a future cell site have been identified. The four cell site locations, which applicant asserts constitute a workable operating system, are on the Freeman Ranch, the Gardner Ranch, Mt. Solomon, and Gibraltar Peak. The MTSO facility will be located in Goleta. Applicant has sought local environmental review, permitting, and approval processes. It will comply with any conditions of approval that are imposed.

The Commission staff has examined applicant's PEA and the findings of the local agencies and agrees that the project, as presented, has no significant effect on the environment. As a result, staff prepared a Negative Declaration. The PEA, confirmed by staff study, served as the initial study for the project. A notice of publication of a Negative Declaration was issued making the Negative Declaration available for a 20-day public review period from November 10, 1987 to December 1, 1987.

No adverse comments concerning the potential environmental impact of the project were directly received from property owners or any public agency. This decision adopts the Negative Declaration, attached as Appendix A.

Precertificate Construction

Staff was advised that applicant had commenced construction of its system in violation of PU Code Section 1001. Applicant avers it acted on its understanding of representatives made by a former staff member that its construction activities were permissible absent a certificate. Those activities involved grading, pouring of concrete, and construction of small shed-like buildings which did not involve construction or installation of radio or telecommunication equipment. When applicant was advised by counsel that those activities could be considered a technical violation of Section 1001, it immediately agreed to cease and

desist from any further construction pending issuance of this decision.

Applicant's violation of the precertificate construction requirement of PU Code Section 1001 was inadvertent.

Findings of Fact

1. Applicant holds a construction permit from the FCC for cellular radiotelephone system in the Santa Barbara - Santa Maria - Lompoc MSA.

2. Applicant possesses the ability and financial resources to perform the proposed services. It is utilizing Southwestern personnel to train its operating staff.

3. Applicant has negotiated and executed an interconnection agreement with General to allow operations of the proposed system to connect to the wireline network.

4. Cell site equipment, warranty, and customer support will be supplied by ESI, a company which has demonstrated ability to install and service cellular radiotelephone systems in California.

5. Applicant's initial development is a four-cell system covering over 1,200 square miles in the Santa Barbara MSA. It is designed to meet the forecast of customer demand in the area with an adequate level of signal quality. It plans to add another cell and increase its service area to over 1,400 square miles.

6. Applicant proposes initially to fund construction and operations with funds borrowed from ENA and to fund operating expenses with advances from its owners and/or their parents, and/or from TMC. Applicant has secured a long-term line of credit of up to \$6.3 million from ENA at prime plus 1%. Applicant seeks authority to borrow \$6.3 million from ENA.

7. The proposed financing arrangements are not adverse to the public interest.

8. This decision does not determine that applicant's construction program is necessary or reasonable for rate-fixing purposes.

9. Public convenience and necessity require the service proposed by applicant.

10. Applicant plans to offer both wholesale and retail services. It will separate its resale operations from its retail operations.

11. The Commission, acting as lead agency under CEQA, has prepared a properly noticed Negative Declaration for the proposed project. The staff has concluded that with mitigation measures, the environmental impacts are not significant. This decision approves the Negative Declaration.

12. A public hearing is not necessary.

Conclusions of Law

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

2. Applicant is subject to the user fee system set forth in PU Code Section 401 et seq. The surcharge for fiscal year 1987-1988 is 0.1%.

3. The proposed base rates for wholesale and retail tariffs should be authorized.

4. Applicant is a FCC cellular communications licensee and hence must use the Uniform System of Accounts established by Decision 86-01-043 in OIR 85-03-075.

5. The proposed financing arrangements set forth in Exhibit 1 are for lawful purposes and the money, property, or labor to be obtained by applicant are required for these purposes.

6. Applicant should be required to pay the fee set forth in PU Code Section 1904(b), namely \$7,300.

7. The Commission should adopt the attached Negative Declaration and direct the Executive Director to file a Notice of Determination with the Office of Planning and Research.

8. Applicant's violation of the precertificate construction requirement of PU Code Section 1001 was inadvertent.

Only the amount paid to the State for operative rights may be used in rate-fixing. The State may grant any number of rights and may cancel or modify any monopoly feature of these rights at any time.

ORDER

IT IS ORDERED that:

1. A certificate of public convenience and necessity is granted to Santa Barbara Cellular Systems, Ltd. (applicant) to construct and operate a cellular mobile telecommunications system in the Santa Barbara Metropolitan Statistical Area. Within 30 days after this order is effective applicant shall file a written acceptance of the certificate of public convenience and necessity with the Commission Advisory and Compliance Division (CACD).
3. Applicant shall keep its books as directed by the Uniform System of Accounts for cellular communications licensees as prescribed by D.86-01-043.
4. The Commission adopts the attached Negative Declaration (Appendix A), including the mitigation measures ordered therein, and directs the Executive Director to file the attached Notice of Determination (Appendix B) approving the Negative Declaration with the Office of Planning and Research.
5. In constructing its system, applicant shall undertake the environmental mitigation measures stated as conditions in the Negative Declaration.
6. The authority granted by this order to issue evidence of indebtedness in the amount of \$6,300,000 and to execute and deliver an encumbering document will become effective when the issuer pays \$7,300, set by PU Code Section 1904(b).

7. Applicant shall use the proceeds from its financing arrangements for the purposes set forth in the application and in the Term Loan Agreement made part of Exhibit 1.

8. Applicant shall notify CACD in writing of the day it starts operating.

9. On or after the effective date of this order, applicant is authorized to file wholesale and retail tariff schedules in accordance with Table 4 of this decision. The filing shall comply with General Order Series 96 "except that applicant is authorized to employ the alternate method of page numbering described in Resolutions U-275 and T-4886 at its election," and shall be effective not earlier than five days after filing.

10. Applicant shall file additional environmental information with the CACD for all future expansion antenna sites prior to the construction of such antennas. Determination will be made at that time whether any supplemental environmental documentation is required in accordance with the provisions of the California Environmental Quality Act.

11. Applicant shall remit user fees applicable to its cellular mobile telecommunication operations under user number U-3015-C.

12. This application is granted as set forth above.

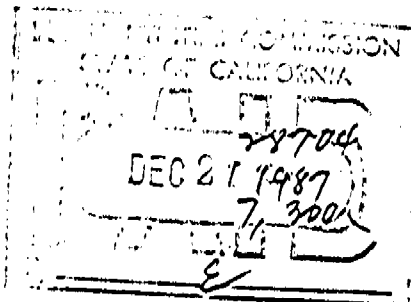
This order is effective today.

Dated December 17, 1987, at San Francisco, California.

STANLEY W. HULETT
President

DONALD VIAL
G. MITCHELL WILK
JOHN B. OHANIAN
Commissioners

Commissioner Frederick R. Duda,
being necessarily absent, did
not participate.



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

Victor Weiss
Victor Weiss, Executive Director

**Public Utilities Commission**
STATE OF CALIFORNIA

FILE NO.

NOTICE

PUBLICATION OF A NEGATIVE DECLARATION
CALIFORNIA PUBLIC UTILITIES COMMISSION

- Description of Proposed Action: Santa Barbara Cellular Systems, has applied to the California Public Utilities Commission (PUC) for a certificate of Public Convenience and Necessity for the installation and operation of mobile telephone system to serve the Santa Barbara-Santa Maria-Lompoc Metropolitan Statistical Area. Service would be provided within the following communities: Carpinteria, Santa Barbara, Goleta, Buellton, Solvang, Lompoc, and Santa Maria. A Negative Declaration has been prepared for the proposed components of this system in compliance with the provisions of the California Environmental Quality Act. This document and the accompanying Initial Study are now available for public review.

The proposed project consists of the installation of four cellular telephone antennas and associated radio equipment. The specific antenna sites are in Freeman Ranch, Gardner Ranch, Mount Soloman and Gibraltar Peak. Two sites require installation of prefabricated equipment structure and associated transmitting/receiver equipment. The new equipment associated with Cell 2 and 4 would be integrated into an existing communications facilities.

Document Available for Review: The PUC has prepared an Initial Study and Negative Declaration describing the project, its environmental impacts, and the conditions that will be imposed to ensure the project will not cause any significant environmental impacts.

Where Document Can Be Reviewed: The subject Negative Declaration may be reviewed at the offices of the California Public Utilities Commission, 1107 - 9th Street, Suite 710, Sacramento, CA, or at 505 Van Ness, PUC Information Center, San Francisco, CA. Copies can be obtained by calling the PUC at (415) 557-2400.

Review Period: The subject Negative Declaration is available for a 20-day public review period from November 10, 1987 to December 1, 1987. Comments must be received in writing by the close of business on December 1, 1987. Written comments should be addressed to:

Mr. Mike Burke
California Public Utilities Commission
1107 - 9th Street, Suite 710
Sacramento, CA 95814

THE NEXT 1

DOCUMENTS

ARE FOR

ORIGINALS

MICROFILMING SERVICES

WILL NOT ASSUME

RESPONSIBILITY FOR THE

IMAGE QUALITY

APPENDIX A
Page 2

ERRATA

Negative Declaration
for the

Santa Barbara Cellular Systems Cellular Telephone System

In the section entitled "Background" of the Initial Environmental Study Checklist, fourth paragraph, the name "San Joaquin County" should be changed to read, "Santa Barbara County".

Mike Burke
Mike Burke, Regulatory and
Environmental Coordinator

NEGATIVE DECLARATION

PURSUANT TO DIVISION 13
CALIFORNIA PUBLIC RESOURCES CODE

Project Description: The California Public Utilities Commission (PUC) proposes to grant a Certificate of Public Convenience and Necessity to Santa Barbara Cellular System, Limited Partnership, for the installation and operation of a mobile telephone system to serve the Santa Barbara-Santa Maria-Lompoc Metropolitan Statistical Area. The proposed project consists of the installation of four cellular telephone antennas and associated radio equipment.

Findings: An Initial Environmental Study (attached) was prepared to assess the project's potential effects on the environment and the significance of those effects. Based upon the initial study, the project will not have any substantial adverse effects on the environment. This conclusion is supported by the following findings:

1. The proposed project will not have a significant effect on the geology, geomorphology, soils, climate, hydrology, aesthetics, vegetation, or wildlife of the antenna sites.
2. The project will have no significant effect on municipal or social services, utility services, or community structure.
3. The project will not have a significant adverse effect on air or water quality, the existing circulation system, ambient noise levels, or public health.
4. Because the individual systems operate at a low power level in frequency bands well-separated from television and ordinary broadcasting frequencies, no significant interference with radio or television reception is anticipated.
5. Visual impacts are expected to be minimal. The project components are conforming uses. All the antenna sites have been selected so as to minimize their respective environmental impact, while still providing the precise radio coverage requirements of the proposed cellular system.

To assure that significant adverse effects do not occur as a result of this project, the following conditions are incorporated into this Negative Declaration:

1. The applicant will consult with appropriate local public agencies on project details such as the design, color, and type of materials used in the antenna towers, the specific configuration of equipment on each facility site, and any other relevant community building codes, provided such conditions or requirements do not render the project infeasible. While it is the PUC's intent that local concerns be incorporated into the design,


construction, and operation of this system, no additional permits from local authorities are required as a condition of this certificate.

2. For future expansion antenna sites to serve other portions of this market area, the Applicant shall submit environmental information to the PUC prior to construction of such antennas. The PUC will review this material and determine at that time whether any supplemental environmental documentation is required in accordance with the provisions of the California Environmental Quality Act.

Copies of this Negative Declaration and Initial Study may be obtained by addressing a request to the preparer:

California Public Utilities Commission
1107 - 9th Street, Suite 710
Sacramento, CA 95814

Attention: Mike Burke
(916) 322-7316



Mike Burke, Regulatory and Environmental Coordinator
California Public Utilities Commission

CALIFORNIA PUBLIC UTILITIES COMMISSION
INITIAL ENVIRONMENTAL STUDY
CHECKLIST

Project Title: Santa Barbara Cellular System

Study Date: November 1987

I. BACKGROUND INFORMATION

A. Name of Project:

Santa Barbara Cellular System

B. Project Location:

Santa Barbara Cellular System, a Limited Partnership, has applied to the California Public Utilities Commission (PUC) for a certificate of Public Convenience and Necessity for the installation and operation of a mobile telephone system to serve the Santa Barbara-Santa Maria-Lompoc Metropolitan Statistical Area. This cellular system would initially consist of four cell sites or transmitting/receiving stations in the company's geographic service area (see Figure 1).

The proposed cellular system is intended to provide a wide variety of local and long distance communications between fixed (office/home) and mobile (automobiles) sites or between two mobile bases. Cellular telephones can be used for regular business and personal telephone conversations as well as for emergency services such as police, hospital, and fire agencies. This system would function as an extension of the present telephone network in the Santa Barbara Area.

On April 9, 1981, the FCC adopted rules providing for the installation and operation of cellular telephone systems. The provisions include:

1. There will be two cellular systems per market area. Each defined market area is based upon standard metropolitan statistical areas.
2. Twenty (20) MHz is held in reserve for all land mobile services.
3. There are no limits on the number of markets that can be served by a single cellular mobile radio service (CMRS) operator.
4. Licensees and affiliates of licensees are allowed to manufacture radio equipment.
5. Telephone companies will be required to establish a fully separate subsidiary to provide CMRS.
6. Wire line companies must provide equal interconnection to all cellular systems.
7. The FCC will preempt the State jurisdictions with regard to licensing but will not regulate rates.

8. The FCC has found that point-to-point microwave and other regular cellular telephone radio transmissions do not pose a human health hazard.

The California Public Utilities Commission's Rule 17.1 of Practice and Procedure entitled "Special Procedure for Implementation of the California Environmental Quality Act of 1970" and the California Environmental Quality Act (CEQA) require an environmental review of all developmental projects before the PUC can issue a Certificate of Public Convenience and Necessity for a project, such as the proposed San Joaquin County mobile telephone system.

Depending upon demand, the Company may consider expanding this system to provide cellular telephone service to other portions of the project area in the future. The installation of antennas not covered in this document would require additional environmental review by the California Public Utilities Commission.

C. Project Description:

As noted above, the proposed cellular telephone system will consist of four new antennas. See Figure 1 for the general locations of these antennas. The following is a description of the four project sites and the equipment that will be installed at each:

1. Cell 1 - Freeman Ranch

Freeman Ranch is located one mile west of Refugio Canyon Road: Assessor Parcel Number 81-210-49, zoned agriculture. See Figure 2. The ranch is currently under the Williamson Act Agricultural Preserve status. The cell site consists of a 10,000 square foot leasehold. An existing ranch road will be utilized for access.

The cell site could consist of a 176 square foot prefabricated structure approximately 10 feet in height. Four pipe antenna mounts would be attached to the corners of the building and would extend to a total height of 25 feet.

The County of Santa Barbara Resource Management Department has determined that pursuant to Section 15061 of the State CEQA Guidelines, 87-CP-39 (ZA) (CZ) is exempt from Environmental Review.

The County Zoning Administrator approved the minor Conditional Use Permit at a public hearing on Wednesday, May 20, 1987.

2. Cell 2 - Gardner Ranch

Gardner Ranch is located 0.4 miles east of U.S. Highway 101 and 1.2 miles south of Buellton: Assessor Parcel Number

137-270-17, zoned agriculture. The ranch is currently under the Williamson Act Agricultural Preserve status. The cell consists of a 2,500 square foot (50' x 50') leasehold. An existing ranch road will be utilized for access. See Figure 3.

The cell site would consist of a 176 square foot prefabricated structure approximately 10 feet in height. Four pipe antenna mounts would be attached to the corners of the building and would extend to a total height of 25 feet.

The County of Santa Barbara Resource Management Department, Division of Environmental Review has determined that pursuant to Section 15061 of State CEQA Guidelines, 87-CP-340 (ZA) is exempt from Environmental Review.

3. Cell 3 - Mount Solomon

Cell 3 at Mount Solomon is situated on the Unocal Orcutt Properties located 7 miles south of Santa Maria and 1.3 miles west of U.S. Highway 101. Assessor Parcel Number 101-020-25, zoned agriculture. The site is currently used for numerous other communications facilities. The cell site consists of a 2,500 square foot (50' x 50') leasehold. An existing oil service road will be utilized for access. See Figure 4.

The cell site would consist of a 176 square foot prefabricated structure approximately 10 feet in height. The antenna mounts will be attached to a neighboring existing radio communications tower.

The County of Santa Barbara Resource Management Department, Division of Environmental Review has determined that pursuant to Section 15001 of the State CEQA Guidelines that 87-CP-51 (CZ) is exempt from Environmental Review.

4. Cell 4 is situated on Gibraltar Peak located 1,000 feet west of Gibraltar Road, 3 miles north of the City of Santa Barbara. Assessor Parcel Number 153-280-21, zoned 40-E-1. See Figure 5.

The site is currently used for numerous other communications facilities. The cell equipment will be placed in a position of an existing telecommunications building. The antenna will be attached to the cross arms of an existing antenna support structure on top of a building.

The County has determined that the cell equipment can be installed in and on an existing building under a current conditional use permit for Gibraltar Peak. No Environmental Review was deemed necessary by the County.

D. Lead Agency Contact Person:

Mr. Mike Burke
Energy Resources Branch
California Public Utilities Commission
1107 - 9th Street, Suite 710
Sacramento, CA 95814
(916) 322-7316

E. Lead Agency:

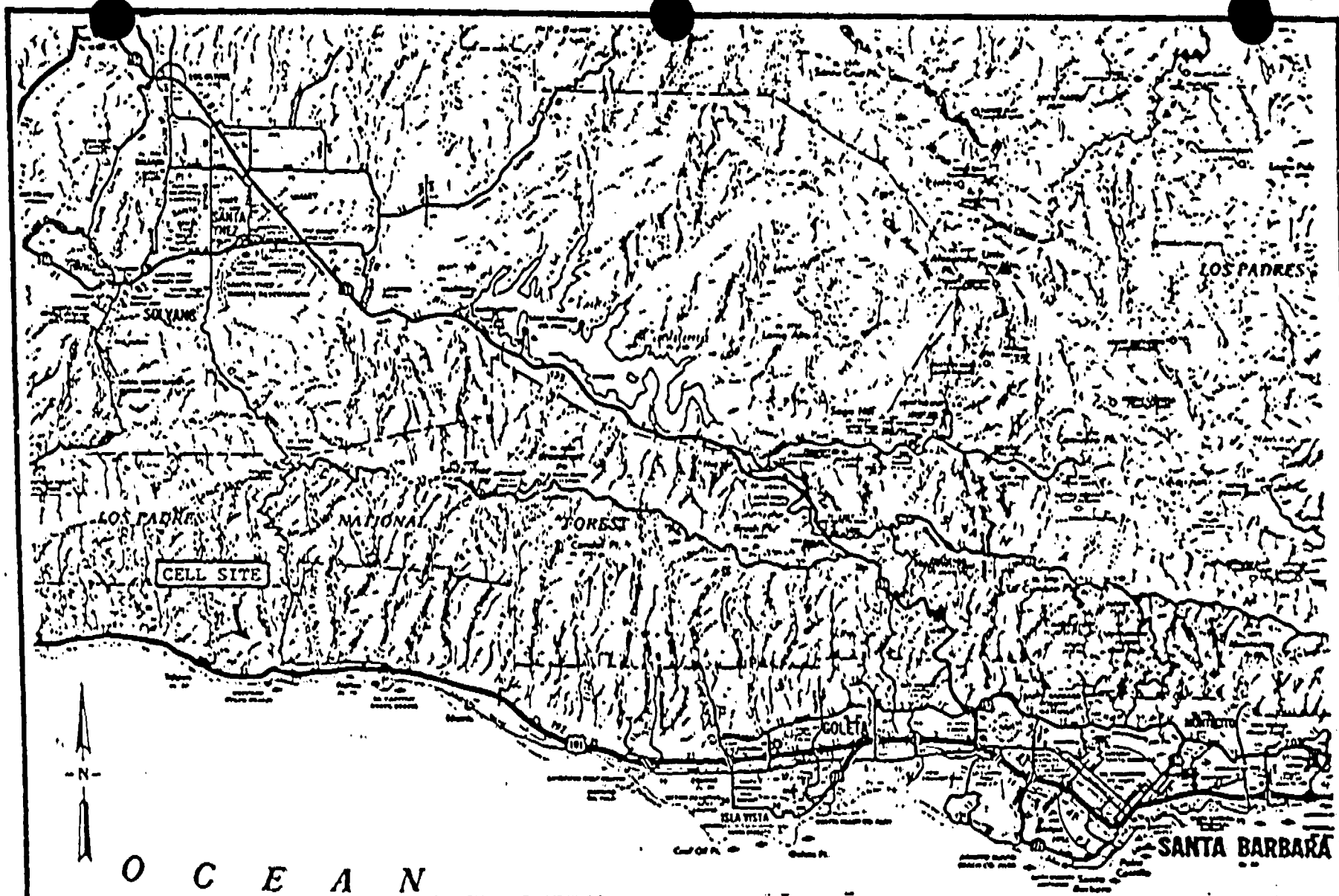
California Public Utilities Commission
505 Van Ness
San Francisco, CA 94102

F. Responsible Agencies:

Except for the California Public Utilities Commission, no other State or local agencies have discretionary approval over cellular telephone systems.

THE NEXT 5
DOCUMENTS
ARE POOR
ORIGINALS

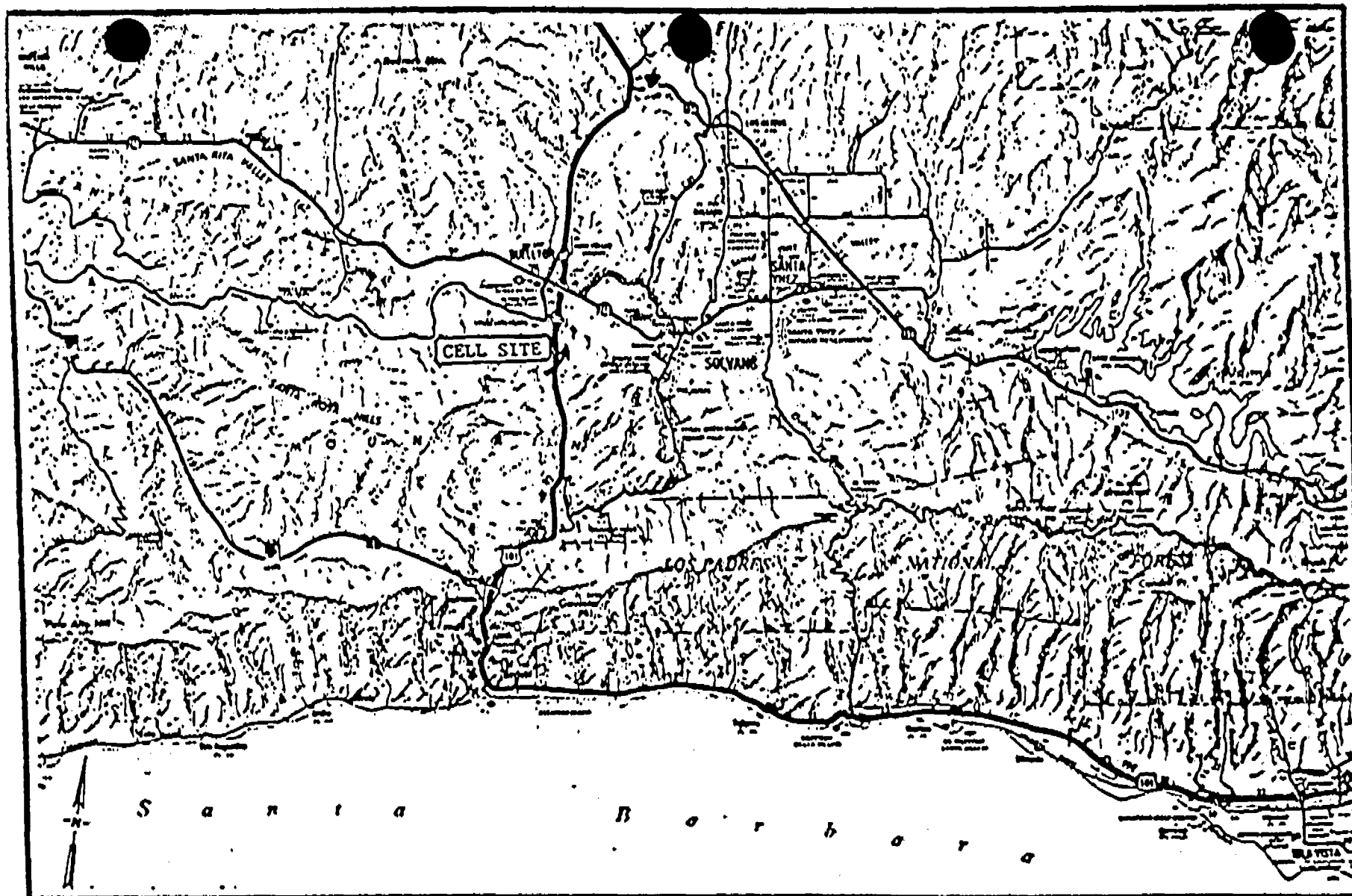
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RESPONSIBILITY FOR THE
IMAGE QUALITY



REGIONAL MAP- FREEMAN RANCH

FIGURE 2

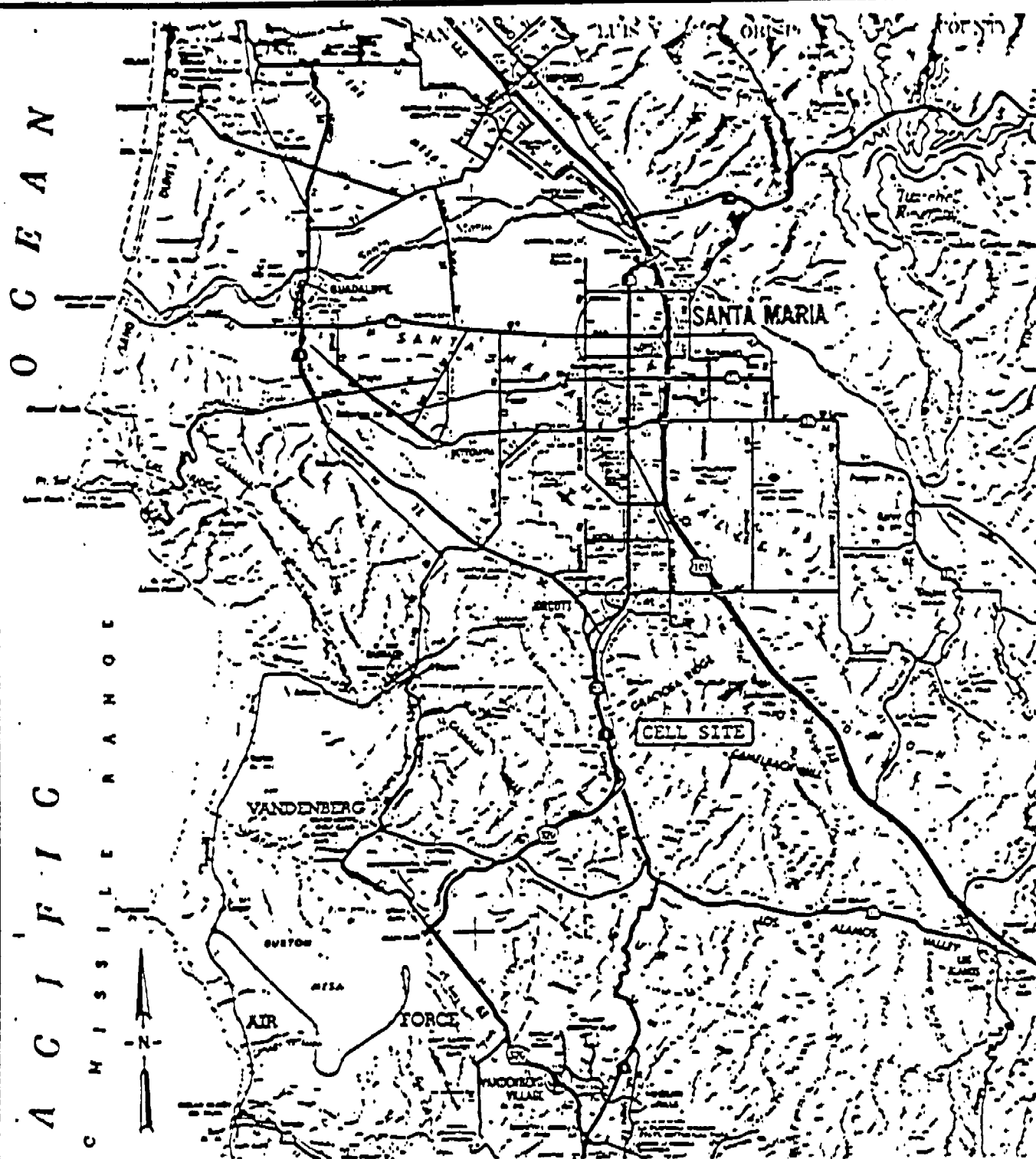
SOURCE: AMERICAN AUTOMOBILE ASSOC.



REGIONAL MAP- GARDNER RANCH

FIGURE 2

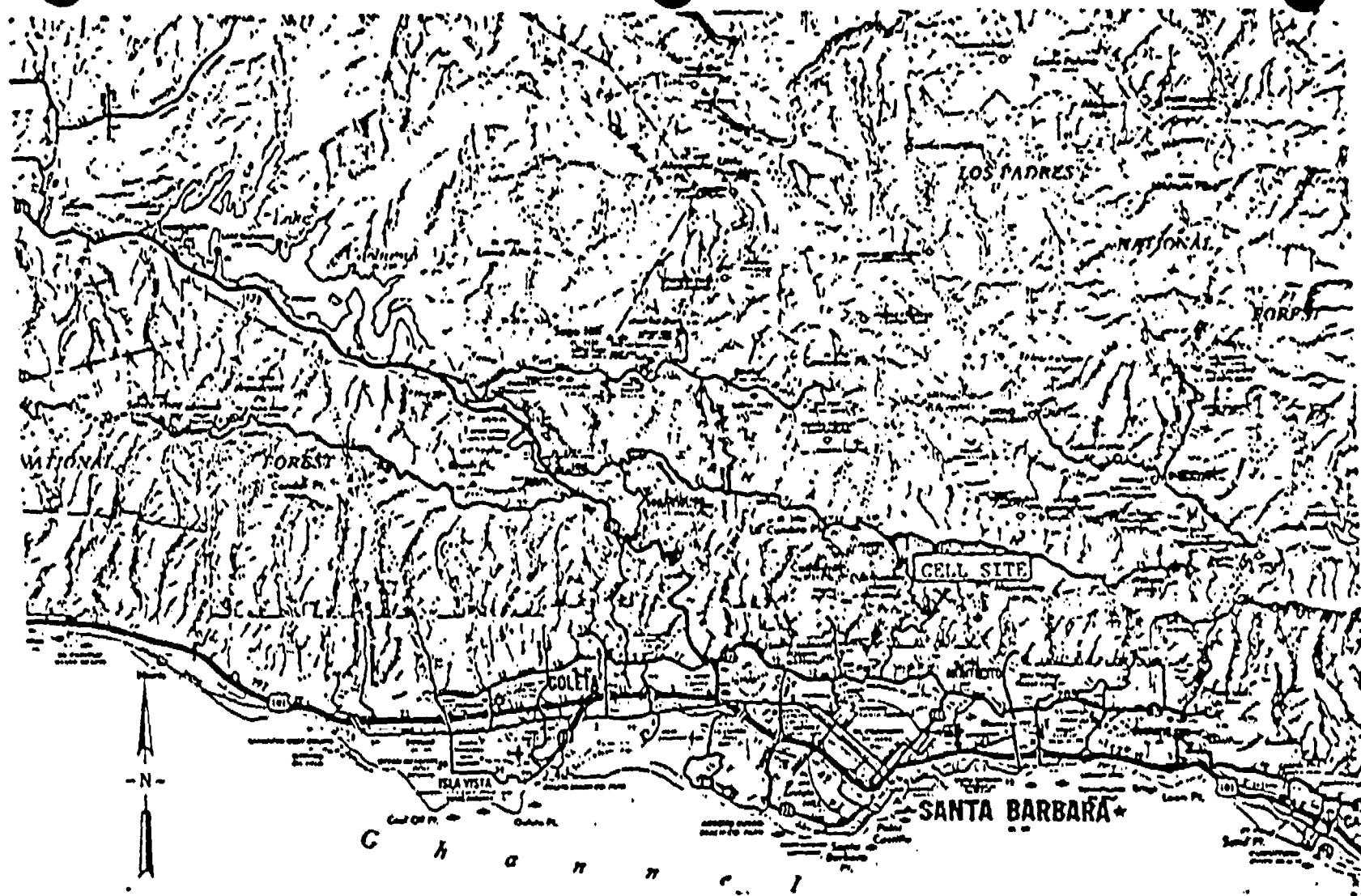
SOURCE: AMERICAN AUTOMOBILE ASSOC.



REGIONAL MAP- MT. SOLOMON

FIGURE 2

SOURCE: AMERICAN AUTOMOBILE ASSOC. _



REGIONAL MAP- GIBRALTAR PEAK

FIGURE 5

SOURCE: AMERICAN AUTOMOBILE ASSOC.

II. ENVIRONMENTAL IMPACTS

	<u>Yes</u>	<u>Maybe</u>	<u>No</u>
A. <u>Geology/Geomorphology.</u> Will the proposal result in:			
1. Unstable earth conditions or changes in geologic substructures?	—	—	X
2. Changes in topography or any unique geologic or physical features of the site?	—	—	X
3. Exposure of people or property to major geologic hazards (earthquakes, slides, subsidence, liquefaction, volcanism)?	—	—	X
B. <u>Soils.</u> Will the proposal result in:			
1. Disruptions, displacements, compaction or overcovering of the soil?	X	—	—
2. Increased erosion from wind or water?	—	—	X
3. Changes in deposition or erosion of beach sands, or changes in siltation, deposition or erosion which may modify the channel of a river or stream or the bed of the ocean or any bay, inlet or lake?	—	—	X
Minor displacement, compaction, and overcovering of soil would occur as a result of the construction of cells number 1 and 2. This would be a minor effect.			
C. <u>Air Quality/Climate.</u> Will the proposal result in:			
1. Substantial air emissions or deterioration of ambient air quality?	—	—	X
2. Creation of objectionable odors?	—	—	X
3. Alteration of air movement, moisture, temperature, or any change in climate, either locally or regionally?	—	—	X

	<u>Yes</u>	<u>Maybe</u>	<u>No</u>
D. <u>Water</u> . Will the proposal result in:			
1. Degradation of water quality?	—	—	X
2. Degradation or depletion of ground water resources, or interference with ground water recharge?	—	—	X
3. Depletion or contamination of public water supply?	—	—	X
4. Erosion, siltation, or flooding?	—	—	X
5. A change in the amount of surface water in any water body?	—	—	X
6. Alterations to the course or flow of flood waters?	—	—	X
E. <u>Vegetation</u> . Will the proposal result in:			
1. A change in the diversity of species, or numbers of any species of plants (including trees, shrubs, grass, crops, microflora and aquatic plants)?	X	—	—
2. A reduction of the numbers of any unique, rare or endangered species of plants?	—	—	X
3. The introduction of new species of plants into an area, or in a barrier to the normal replenishment of existing species?	—	—	X
4. A reduction in acreage of any agricultural crop?	—	—	X

Common grass would be removed during the construction of the 500 square foot building for cell number 1 and 2.

F. Wildlife. Will the proposal result in:

1. A change in the diversity, of species, or numbers of any species of animals (birds and animals, including reptiles, fish and shellfish, benthic organisms, insects or microfauna)?

X — —

	<u>Yes</u>	<u>Maybe</u>	<u>No</u>
2. A reduction of the numbers of any unique, rare or endangered species of animals?	—	—	X
3. Introduction of new species of animals into an area?	—	—	X
4. Deterioration to existing fish or wildlife habitat, or interference with the movement of resident or migratory fish or wildlife?	—	—	X

For cells 1, 2 and 3, approximately 500 square feet of habitat for grass dwelling insects and rodents would be destroyed. This is a minor effect of the project.

G. Land Use. Will the proposal result in:

1. A substantial alteration of the present or planned land use in the area?	—	—	X
2. A conflict with Local, State or Federal land use plans or elements to those plans?	—	—	X

H. Visual Quality. Will the proposal result in:

1. Obstruction of any scenic vista or view now observed from public areas?	—	—	X
2. Creation of an aesthetically offensive site open to public view?	—	—	X
3. New light or glare substantially impacting other properties?	—	—	X

The visual effects would be insignificant.

I. Human Population. Will the proposal result in:

1. Growth inducement or concentration of population?	—	—	X
2. Relocation of people (involving either housing or employment)?	—	—	X

	Yes	Maybe	No
J. <u>Housing.</u> Will the proposal affect existing housing, or create a demand for additional housing?	—	—	X
K. <u>Transportation/Circulation.</u> Will the proposal result in:			
1. An increase in traffic which is substantial in relation to the existing traffic load and capacity of the street system?	—	—	X
2. Effects on existing parking facilities, or demand for new parking?	—	—	X
3. A substantial increase in transit demand which cannot be accommodated by current transit capacity?	—	—	X
4. An increase in traffic hazards to motor vehicles, bicyclists or pedestrians?	—	—	X
5. Alterations to present patterns of circulation or movement of people and/or goods?	—	—	X
6. Alterations to waterborne, rail or air traffic?	—	—	X
L. <u>Noise.</u> Will the proposal result in:			
1. An increase in ambient noise levels?	—	—	X
2. An effect on noise sensitive receptors near or on project site?	—	—	X
M. <u>History/Archaeology.</u> Will the proposal result in:			
1. Alteration or destruction of a prehistoric or historic archaeological site?	—	—	X
2. Adverse physical or aesthetic effects to a prehistoric or historic building, structure or object?	—	—	X
3. A physical change which would affect unique ethnic cultural values?	—	—	X

	Yes	Maybe	No
4. Restriction of existing religious or sacred uses within the potential impact area?	—	—	X
N. <u>Public Services.</u> Will the proposal result in:			
1. Increased demand for fire or police protection?	—	—	X
2. Increased demand for schools, recreation or other public facilities?	—	—	X
3. Increased maintenance of public facilities, including roads?	—	—	X
O. <u>Utilities.</u> Will the proposal result in:			
1. Expansion or alteration of water, sewer, power, storm water drainage or communication facilities?	—	—	X
2. A breach of published national State or local standards relating to solid waste or litter control?	—	—	X
P. <u>Energy/Natural Resources.</u> Will the proposal result in:			
1. Use of substantial amounts of fuel or energy?	—	—	X
2. Substantial increase in demand on existing sources of energy?	—	—	X
3. Substantial depletion of any nonrenewable natural resource?	—	—	X
Q. <u>Hazards.</u> Will the proposal result in:			
1. Creation of a potential health hazard or exposure of people to potential health hazards?	—	—	X

The Federal Communications Commission has determined that the microwave and other radio transmissions associated with cellular telephone systems do not pose a risk to humans. The towers that will be necessary for this system will be designed and constructed so that they are not subject to failure from anticipated natural forces.

Yes Maybe No

2. Interference with emergency
response plans or emergency
evacuation plans?

— — X

The proposed cellular telephone system will improve the emergency communications system in the Santa Barbara area by providing individuals with mobile telephones the ability to contact police, fire fighters, and other public safety agencies from their cars or mobile units.

III. MANDATORY FINDINGS OF SIGNIFICANCE

	Yes	Maybe	No
A. Does the project have the potential to degrade the quality of the environment, substantially reduce the habitat of a fish or wildlife species, cause a fish or wildlife population to drop below self-sustaining levels, threaten to eliminate a plant or animal community, reduce the number or restrict the range of a rare or endangered plant or animal or eliminate important examples of a major period of California history or prehistory?	—	—	X
B. Does the project have the potential to achieve short-term, to the disadvantage of long-term environmental goals?	—	—	X
C. Does the project have impacts which are individually limited, but cumulatively considerable?	—	—	X
D. Does the project have environmental effects which will cause substantial adverse effects on human beings, either directly or indirectly?	—	—	X

IV. REFERENCES

1. Proponent's Environmental Assessment, Santa Barbara Cellular System, a Limited Partnership, before the Public Utilities Commission of the State of California.
2. Federal Communications Commission, Gen. Docket No. 87-08-040.

V. DETERMINATION (To be completed by the Lead Agency)

On the basis of this initial evaluation:

- ☒ I find the proposed project COULD NOT have a significant effect on the environment. A NEGATIVE DECLARATION will be prepared.
- ☐ I find that although the proposed project could have a significant effect on the environment, there will not be a significant effect in this case because the mitigation measures described in this Initial Study have been added to the project. A NEGATIVE DECLARATION will be prepared.
- ☐ I find the proposed project MAY have significant effects on the environment and an ENVIRONMENTAL IMPACT REPORT is required.

Date

11-9-87

Mike Burke

Mike Burke

Regulatory and Environmental Coordinator

(END OF APPENDIX A)

APPENDIX B

NOTICE OF DETERMINATION

TO: Secretary for Resources
1416 Ninth Street
Sacramento, CA 95814

FROM: California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102

SUBJECT: Filing of Notice of Determination in compliance with Section 21108 or 21152
of the Public Resources Code

PROJECT TITLE: Santa Barbara Cellular Systems

STATE CLEARINGHOUSE NUMBER: N/A

CONTACT PERSON: Mike Burke TELEPHONE NUMBER: (916) 322-7316

PROJECT LOCATION: Santa Barbara County

PROJECT DESCRIPTION: Construction of two antenna sites, involving prefabricated towers and equipment, and installation of transmitting equipment on two existing towers for cellular telephone service.

This is to advise that the California Public Utilities Commission finds:

1. The project will not have a significant effect on the environment.
2. A Negative Declaration was prepared for this project pursuant to the provisions of the California Environmental Quality Act (CEQA).

The Negative Declaration and record of project approval may be examined at:
505 Van Ness Avenue, San Francisco, CA.

3. Mitigation measures were not made a condition of the approval of the project.
4. A Statement of Overriding Considerations was not adopted for this project.

APPROVED

Executive Director

Date Received for Filing _____

Date _____