

ORIGINAL

Decision S3 01 010 JAN 12 1983

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application
of HENDRIX ELECTRONICS, d.b.a.
CAL-COM RADIO TELEPHONE SERVICE,
a California corporation, For
Authorization to Reorganize Its
Corporate Structure and Transfer
Its Certificates of Public Con-
venience and Necessity to Its
Newly Formed Wholly Owned Subsidi-
ary, Hendrix Radio Communications,
Inc.

Application 82-08-34
(Filed August 17, 1982)

O P I N I O N

Applicant Hendrix Electronics, Inc., dba Cal-Com Radio Telephone Service, seeks an order authorizing it to reorganize its corporate structure by forming a wholly owned subsidiary and transferring the assets and liabilities of its common carrier division and its certificates of public convenience and necessity to the new subsidiary, Hendrix Radio Communications, Inc. (HRCI), in exchange for 1,000 shares of common stock of HRCI, which will constitute the total amount issued and outstanding.

Applicant alleges the following: It is a corporation organized under the laws of the State of California and that its present operations include (1) Blythe Communications, Blythe, California, a Motorola service shop serving the Blythe, Parker, and Palo Verde Valley areas of California; (2) Cal-Com Radio Telephone Service, a 24-hour telephone answering service, Western Union Agency, and radiotelephone utility serving Blythe, California;

(3) Hendrix Electronics, Inc., Imperial, California, and Lake Havasu City, Arizona, including Motorola service shops, two-way radio equipment repair and leasing facilities, and community repeaters in the Imperial Valley and in Yuma and Mojave County, Arizona; (4) Valley Communications Company, Brawley, California, a General Electric service shop serving Brawley; (5) Cal-Com Radio Telephone Service, a radiotelephone utility serving the entire Imperial Valley with telephone answering service, manual two-way radio, automatic car telephone and one-way paging services from El Centro; and (6) Accurate Communications, San Diego, California, a service shop providing two-way radio and paging repair and system and mountain site maintenance and repair.

Applicant was incorporated on August 23, 1965. Initially it was involved solely in noncommon carrier activities in the radiotelephone industry until 1976. In December 1976, applicant purchased the assets of Chalfont Communications, a certificated radiotelephone common carrier serving the Imperial Valley from its base in El Centro. The Commission authorized this purchase and transfer of the certificate of public convenience and necessity in Decision (D.) 86199 dated December 31, 1976. Since 1976 applicant has substantially upgraded its common carrier services in the Imperial Valley and over the same period of time a considerable utility plant has been added. In D.93378 (Application 60519) dated August 4, 1981, as amended in D.82-01-67 dated January 19, 1982, applicant was granted a certificate of public convenience and necessity to construct an extension of its public utility radiotelephone system in Blythe, California.

Exhibit D of the application shows that for the first four months of 1982 a slight operating loss has been sustained in the common carrier activities of applicant. Likewise, from 1976 to 1980 the common carrier activities have been operating at a slight loss. However, applicant alleges these figures do not properly reflect the healthy financial position of the common carrier activities because they include the effect of large capital investment expenditures and the concomitant depreciation and financing costs associated with these expenditures. The Federal Communications Commission has granted applicant authority to initiate service on four new improved mobiletelephone service channels and applicant expects that the investment and effort already expended for this new operation will soon be producing revenue at little added operating cost. For this reason, applicant expects its best year and a reasonable profit for the 1982 calendar year operations.

Gross revenues for its public utility operation account for approximately 20% of the gross revenues of applicant's organization as a whole. Applicant now believes the common carrier activity has grown to a point where it is financially viable on its own.

Approval of this application will result in the common carrier activities of applicant being operated solely by its separate wholly owned subsidiary, HRCI, while its noncommon carrier operations will continue to be conducted by applicant.

Applicant alleges that the requested transfer will be facilitated because the assets and operations of the common carrier and the closely related answering service activities which it purchased from Chalfont Communications in 1976 had never been fully integrated into applicant's organization, but instead have been conducted by a division of applicant under the name Cal-Com Radio Telephone Service.

Management of HRCI will be similar to the present corporate organization of applicant's Cal-Com Division. Applicant's president, George Hendrix, will also be president of HRCI. Vice president and general manager of HRCI will be Shirley Ashworth, the present general manager of applicant's Cal-Com Division. From a public viewpoint, this change in corporate organization will have no impact as the public will be served by the same personnel at the same offices and under the same tariffs and procedures as they are at present.

The authorization sought is, according to the application, primarily for internal management reasons. Over the past 5½ years, it has become evident to management that the common carrier activities are best viewed as a separate organization for accounting, management, and reporting purposes. Applicant believes that proper cost accounting procedures and management authority and responsibility would be facilitated with a separate organization. Because this is merely an internal corporate reorganization, no corporate transfer documents or formal agreements are proposed to be used to complete the transaction. All services provided by HRCI will be furnished under applicant's existing rates, charges, and tariffs on file with the Commission.

Notice of the filing of this application appeared in the Commission's Daily Calendar on August 19, 1982. In addition, applicant has furnished a copy of this application to The Pacific Telephone and Telegraph Company, a common carrier with which the proposed service is likely to compete. No protests have been received.

Findings of Fact

1. Applicant desires to transfer its certificates of public convenience and necessity to its newly formed wholly owned subsidiary, HRCI.

2. Applicant intends to transfer all the assets and liabilities of its Cal-Com Division and its common carrier activities and related telephone answering services in Blythe, California, as well as the certificates of public convenience and necessity granted to applicant in D.86199 and D.93378 (as amended) in exchange for 1,000 shares of common stock of HRCI which will constitute all the issued and outstanding shares of stock of HRCI.

3. HRCI intends to issue 1,000 shares of its common stock (which will be all of its issued and outstanding shares) in exchange for the certificates of public convenience and necessity granted to applicant in D.86199 (December 31, 1976) and D.93378 (issued August 4, 1981, as amended in D.82-01-67).

4. The requested transfer is primarily for internal management reasons and will not result in a change in ownership.

Conclusions of Law

1. As there remains a unity of ownership in the transferor entity and the transferee entity, the requested transfer of applicant's certificates of public convenience and necessity from applicant to HRCI would not be adverse to the public interest and the application should be granted.

2. The requested transfer of 1,000 shares of common stock of HRCI to applicant in exchange for the assets and liabilities of applicant's Cal-Com Division as well as applicant's common carrier activities and related telephone answering services in Blythe, California, should be granted.

3. A public hearing is not necessary.

ORDER

IT IS ORDERED that:

1. Hendrix Radio Communications, Inc., dba Cal-Com Radio Telephone Service, is granted authority to issue 1,000 shares of its common stock and transfer such stock to Hendrix Electronics, Inc. in exchange for all the assets and liabilities of the Cal-Com Division of Hendrix Electronics, Inc. as well as its common carrier activities and related telephone answering services in Blythe, California.

2. Hendrix Radio Communications, Inc. is granted authority to issue an evidence of indebtedness of Hendrix Electronics, Inc. for \$161,598.36.

3. The number of shares outstanding, to total par (stated) value of the shares, and the dividends paid do not determine allowable return on plant investment. This authorization is not a finding of the value of the utility's stock or property, nor does it indicate the amounts to be included in ratesetting proceedings.

4. In the event the transfer authorized in Ordering Paragraph 1 is completed, effective concurrently with the effective date or adoption of the transferee's tariffs or filing of new tariffs required by Ordering Paragraph 4, the certificates of public convenience and necessity granted to Hendrix Electronics, Inc., dba Cal-Com Radio Telephone Service, in D.86199 dated December 31, 1976 and D. 93378 dated August 4, 1981, as amended in D.82-01-67 issued January 18, 1982, are transferred to Hendrix Radio Communications, Inc., dba Cal-Com Radio Telephone Service.

5. Within 30 days after the transfer, Hendrix Radio Communications, Inc., dba Cal-Com Radio Telephone Service, shall

file with the Commission written acceptance of the certificates and written notice that the transfer has been consummated.

6. Hendrix Radio Communications, Inc., dba Cal-Com Radio Telephone Service, shall adopt the tariffs of Hendrix Electronics, Inc., or file new tariffs with the Commission, naming rates and rules on the same level as previously governed the operations transferred. The tariff filings shall be made effective not earlier than 5 days after the effective date of this order on not less than 5 days' notice to the Commission and to the public, and the effective date of the tariff filing shall be concurrent with the transfer.

7. The authority granted by this order to issue stock will become effective when the issuer pays \$690, set by Public Utilities (PU) Code Section 1904.1. In all other respects this order becomes effective 30 days from today.

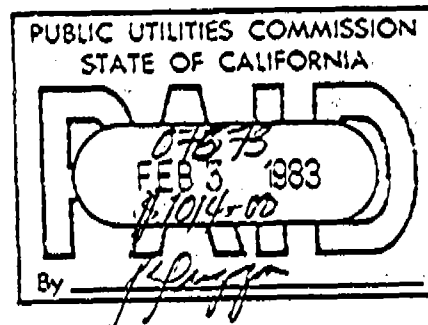
8. The authority granted by this order to issue an evidence of indebtedness (and to execute and deliver an encumbering document) will

become effective when the issuer pays \$324, set by PU Code Section 1904(b). In all other respects this order becomes effective 30 days from today.

This order becomes effective 30 days from today.

Dated JAN 12 1983, at San Francisco, California.

LEONARD M. GRIMES, JR.
President
VICTOR CALVO
PRISCILLA C. GREW
DONALD VIAL
Commissioners



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

Joseph E. Bodoytz
Joseph E. Bodoytz, Executive Director