

Decision No. 88869 MAY 31 1978**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of  
 INDUSTRIAL COMMUNICATIONS SYSTEMS, INC.  
 a California corporation, for authorization  
 to issue evidences of indebtedness and  
 encumber utility property.

) Application No. 57930  
 ) (Filed March 16, 1978)  
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 )

O P I N I O N

Industrial Communications Systems, Inc., (ICS) requests authority to execute and deliver a Security Agreement and a Deed of Trust, and to issue four promissory notes in the aggregate principal amount not exceeding \$41,432.

ICS is a public utility radiotelephone corporation which provides two-way mobile and one-way paging service in portions of San Bernardino, Riverside, Los Angeles, Orange and San Diego Counties.

The financial statements of ICS, attached to the application as Exhibit A, indicate that gross operating revenues and net income for the eleven months ended November 30, 1977, amounted to \$1,495,177 and \$165,084, respectively. The balance sheet at November 30, 1977, is summarized as follows:

<u>Assets</u>	<u>Amount</u>
Plant in service (net)	\$265,915
Current assets	494,357
Other assets	4,818
<b>Total</b>	<b><u>\$765,090</u></b>
<u>Liabilities &amp; Stockholder's Equity</u>	
Long-term debt	\$ 28,748
Other liabilities	536,723
Common stock	4,000
Retained earnings	<u>195,619</u>
<b>Total</b>	<b><u>\$765,090</u></b>

The application indicates that ICS obtained long-term loans in the aggregate principal amount of \$56,415, and executed and delivered a security agreement and a deed of trust without first requesting authority from this Commission as required by Sections 825 and 851 of the Public Utilities Code. ICS reports that the outstanding balance owing on the notes amounts to \$41,432 as of November 30, 1977.

The following tabulation, based on data contained in exhibits attached to the application, sets forth each promissory note issued by ICS without Commission approval. Included in the tabulation, is the outstanding balance due on each note as of November 30, 1977:

<u>Description of Note</u>	<u>Amount Outstanding</u>
1. Auto contract dated 7/19/77 with Imperial Bank for purchase of 1977 Chevrolet, original contract balance \$4,000, annual interest rate 11.0% monthly payment \$130.95 for 36 months.	\$ 4,191
2. Auto contract dated 4/7/77 secured by a Security Agreement with Imperial Bank for purchase of 1977 Cadillac, original contract balance \$9,415, annual interest rate 11.08% monthly payment \$308.60 for 36 months.	8,950
3. Auto contract dated 1/20/75 with GMAC for purchase of 1974 Chevrolet Vega, original contract balance \$3,000, annual interest rate 15.4% monthly payment \$105.10 for 36 months.	105
4. Note dated 2/17/76 secured by a Deed of Trust, with Imperial Bank, original note for \$40,000, annual interest rate 10.0% monthly payment \$850.00. Term 5 years.	<u>28,186</u>
Total	<u>\$41,432</u>

The long-term indebtedness and security agreements were incurred in connection with the purchase of motor vehicles, which are used by officers and employees in the management, operation and maintenance of the business and facilities of ICS, and in connection with the expansion and improvement of ICS' headquarters structures and facilities. The expansion and improvement included the addition of offices for officers and employees, enlargement and rearrangement of space for technical facilities and equipment.

The Finance Division and the Communications Division have reviewed the application. They have determined that the issuance of the promissory notes and the execution of security agreements are reasonable and not adverse to the public interest.

After consideration the Commission finds that:

1. ICS, through inadvertence, issued four promissory notes in the aggregate principal amount of \$56,415 and executed a Security Agreement and Deed of Trust for proper purposes without receiving authority from this Commission.
2. Said notes and encumbering documents are void under Sections 825 and 831 of the Public Utilities Code.
3. The proposed Security Agreement and Deed of Trust would not be adverse to the public interest.
4. ICS has need for external funds for the purposes set forth in this proceeding.
5. The money, property or labor to be procured or paid for by the notes herein authorized is reasonably required for the purposes specified herein, which purposes are not, in whole or in part, reasonably chargeable to operating expenses or income.

On the basis of the foregoing findings we conclude that ICS should be granted authority to execute new notes and new encumbering documents. A public hearing is not necessary. The authorization herein granted is for the purpose of this proceeding only and is not to be construed as indicative of amounts to be included in proceedings for the determination of just and reasonable rates.

O R D E R

IT IS ORDERED that:

1. Industrial Communications Systems, Inc., on or after the effective date hereof and on or before December 31, 1978, may issue four new promissory notes in the aggregate principal amount not to exceed \$41,432 for the purposes set forth in this proceeding, and may execute and deliver a new Security Agreement and a new Deed of Trust. The new evidences of indebtedness shall replace corresponding documents which were issued and executed without authorization from the Commission, and shall be in substantially the same form as those attached to the application.

2. Industrial Communications Systems, Inc., shall file with the Commission a report, or reports, as required by General Order No. 24-3, which order, insofar as applicable, is hereby made a part of this order.

3. This order shall become effective when Industrial Communications Systems, Inc., has paid the fee prescribed by Section 1904(b) of the Public Utilities Code, which fee is \$84.

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Dated at San Francisco, California, this 31st day  
of MAY, 1978.

President  
William Brown Jr.  
Vernon L. Sturgeon  
Richard D. Hoyle

Commissioners

Commissioner Robert Batinovich, being necessarily absent, did not participate in the disposition of this proceeding.

Commissioner Claire T. Dedrick, being necessarily absent, did not participate in the disposition of this proceeding.

