

Decision No. \_\_\_\_\_

92790

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BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of  
 PENINSULA COMMUNICATIONS, INC.,  
 ANSWER-RING TELEPHONE SERVICE and  
 PENINSULA RADIO SECRETARIAL SERVICE,  
 INC., California corporations for  
 authorization to liquidate Answer-  
 Ring Telephone Service, Inc. and  
 Peninsula Radio Secretarial Service,  
 Inc. pursuant to a plan of  
 reorganization.

ORIGINAL

Application No. 60207  
 (Filed January 23, 1981;  
 amended February 3, 1981)

O P I N I O N

Peninsula Communications, Inc., Answer-Ring Telephone Service, and Peninsula Radio Secretarial Service, Inc. request the following authority:

1. Dissolve Answer-Ring Telephone Service, and Peninsula Radio Secretarial Service, Inc.,
2. distribute Answer-Ring Telephone Service's and Peninsula Radio Secretarial Service, Inc.'s assets to the parent corporation, and
3. transfer all the public utility assets and operating authority to Beepercall, a new corporation in exchange for stock.

Peninsula Radio Secretarial Service, Inc. (Pen Radio) is a radio-telephone utility (RTU) under the jurisdiction of this Commission, and is presently a wholly owned subsidiary of Answer-Ring Telephone Service (Answer-Ring), a nonutility, which in turn is wholly owned by Peninsula Communications, Inc. (Pen Com) a nonutility. Applicants request this authority pursuant to Sections 851 through 854 of the Public Utilities Code. Notice of the filing of the application and the amendment appeared on the Commission's Daily Calendar of January 27 and February 9, 1981. No protests have been received.

Pen Radio is a RTU, certificated pursuant to Decision No. 62156, dated June 20, 1961 in Application No. 42456. It provides one-way paging and signaling, two-way mobile and private radio communication services in the cities of San Francisco, San Mateo, Millbrae, San Carlos and Redwood City, the counties of San Francisco, San Mateo, and portions of the counties of Santa Clara and Alameda.

The sole and exclusive purpose of the proposed plans of liquidation, attached as Exhibits C-1 and C-2 to the application, is to obtain the considerable tax benefits afforded by Internal Revenue Code Sections 332 and 334 and thereby reduce costs and improve the quality of operations. In effect, these sections of the Internal Revenue Code permit the enjoyment of a "step-up" of the tax basis of the assets of Answer-Ring and Pen Radio from their "book value" to their "purchase price". By following these provisions of the Internal Revenue Code, substantial tax savings will result from larger tax deductions for amortization and depreciation expenses.

The proposed plan is to liquidate both Pen Radio and Answer-Ring, distribute their assets to Pen Com (their parent corporation) and then transfer all the public utility assets and operating authority from Pen Com to Beepercall, a new corporation, in exchange for 25,000 shares of its capital stock.

Beepercall, according to the application, was formed in order to maintain the continuity and reliability of the public utility radiotelephone operations of Pen Radio. Its officers, directors and operations will be the same as those of Pen Radio.

The books and records of Beepercall will be kept according to the Uniform System of Accounts for RTU s. The Uniform System of Accounts for RTU s adopted by Commission Decision No. 76362, dated November 4, 1969, provides that the properties, which are to be transferred from Pen Radio to Beepercall are to be recorded on the utility's accounting records at their original cost. Original cost

is defined as the cost of such properties to the person first devoting them to public service. The system of accounts also provides that the utility is obligated to obtain from Pen Radio all existing records for the properties transferred including records of plant construction dates and costs and records of depreciation reserves applicable to such properties.

The pro forma Balance Sheet of Beepercall as of July 31, 1980 before and after the "step-up" basis for tax purposes as provided by applicants' attorney by letter dated February 18, 1981, is as follows:

	<u>Pro Forma Balance Sheet</u>	
	<u>Original Cost for</u>	<u>"Step-Up" Basis</u>
	<u>RTU Record Purposes</u>	<u>for Tax Purposes</u>
<u>Assets</u>		
Current Assets	\$109,523	\$109,523
Fixed Assets	50,092	127,300
Other Assets	100	320,100
Total Assets	<u>\$159,715</u>	<u>\$556,923</u>
<u>Liabilities and Equity</u>		
Current Liabilities	\$ 13,132	\$ 13,132
Long-Term Liabilities	-	-
Equity:		
Common Stock	14,130	14,130
Paid in Capital	23,119	23,119
Retained Earnings	<u>109,334</u>	<u>506,542</u>
Total Liabilities	<u>\$159,715</u>	<u>\$556,923</u>

Applicants' attorney, by letter dated February 17, 1981, requests that the Commission's order in this proceeding be made effective on the date of signature. The letter states that in order to take advantage of the substantial tax-saving benefits afforded the utility by the Internal Revenue Code, the Plan of Reorganization must be complete on or before April 7, 1981.

The Revenue Requirements Division and the Communications Division of the Commission staff have reviewed the proposals set forth in the application as amended and consider the requests reasonable and not adverse to the public interest.

Findings of Fact

1. Pen Radio is a California corporation and an RTU subject to the jurisdiction of this Commission.
2. The Plan of Reorganization, Exhibits C-1 and C-2 of the application, is not adverse to the public interest.
3. The transfer of control of Pen Radio and its liquidation, the transfer of Pen Radio's assets and operating authority to Pen Com, and the simultaneous retransfer to Beepercall, a proposed RTU, is reasonable and not adverse to the public interest.
4. There is no known opposition to this proceeding and no reason to delay granting the authority requested.

Conclusions of Law

1. A public hearing is not necessary.
2. The application should be granted to the extent set forth in the order which follows.

The authority herein granted is for the purposes of this proceeding, only, and is not to be construed as a finding of the values of the assets or capital stock of Beepercall.

O R D E R

IT IS ORDERED that:

1. On or after the effective date hereof and on or before December 31, 1981, Answer-Ring Telephone Service and Peninsula Radio Secretarial Service, Inc., may be dissolved pursuant to the proposed plan of liquidation and dissolution as contained in the application.
2. Concurrent with the dissolution of Answer-Ring Telephone Service and Peninsula Radio Secretarial Service, Inc., the assets of the corporations may be distributed to Peninsula Communications, Inc.

3. After distribution of assets to Peninsula Communications, Inc., all of the public utility assets and operating rights may be transferred to Beepercall.

4. Upon compliance with all the terms and conditions of the order, Peninsula Radio Secretarial Services, Inc., shall be relieved of its public utility obligations in connection with the radiotelephone system being transferred.

5. Beepercall may receive the utility assets, assume all of the liabilities and shall undertake the public utility obligations of Peninsula Radio Secretarial Service, Inc.

6. Within thirty days after the consummation of the reorganization plan, Beepercall shall notify the Commission in writing of that fact, and that it assumes the radiotelephone utility obligations.

7. On or after the effective date hereof and on or before December 31, 1981, Beepercall may issue to Peninsula Communications, Inc., not to exceed 25,000 shares of its no par value capital stock in exchange for the assets and operating authority of Peninsula Radio Secretarial Service, Inc.

8. Beepercall shall file with the Commission a report, or reports, as required by General Order 24-B, which order, insofar as applicable is hereby made a part of this order.

9. Not less than five days before the date of the actual reorganization, Beepercall shall file with the Commission by advice letter, four copies of a notice of adoption of the tariff schedules of Peninsula Radio Secretarial Service, Inc., then in effect. The effective date of the notice of adoption shall be concurrent with the date of actual reorganization.

10. Within sixty days after the effective date of actual reorganization herein authorized and in accordance with the requirements of General Order No. 96-A, Beepercall, as part of its

tariffs, shall refile the tariff maps and rate schedules applicable to areas served by Peninsula Radio Secretarial Service, Inc., and the rules and standard forms of the companies to be reorganized may be standardized to the extent that they do not result in increases in rates or more restrictive conditions than those in effect.

11. Beepercall shall maintain its accounting records on a calendar year basis in conformance with the Uniform System of Accounts for Radiotelephone Utilities adopted by Commission Decision No. 7632, dated November 4, 1969, and shall file with the Commission on or before March 31 of each year, an annual report of its operations in such form, content and number of copies as the Commission, from time to time, shall prescribe.

12. Within sixty days after the consummation of the reorganization herein authorized, Beepercall shall file with the Commission a copy of each journal entry to record the transfer on its books of account.

13. On or before the end of the third month after the consummation of the reorganization herein authorized, Beepercall shall cause to be filed with the Commission, in such form as the Commission may prescribe, an annual report or reports, related to the operations of Peninsula Radio Secretarial Service, Inc. for the period commencing with the first day of the current year and to and including the effective day of the reorganization.

14. On or after the effective date hereof and on or before December 31, 1981, Peninsula Communications, Inc., may acquire control of Beepercall, a California radiotelephone utility.

15. Within sixty days after the actual transfer of control, Peninsula Communications, Inc., shall notify this Commission in writing of the date which the transfer of control is consummated.

The effective date of this order is the date hereof.

Dated MAR 17 1981, at San Francisco, California.

John E. Bay  
President  
Richard D. Howell  
Terrence J. Smith  
Victor Calvo

Commissioners