

ORIGINAL

Decision No. 93039 MAY 19 1981

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application)
of DESERT MOBILPHONE, a California)
corporation, for a Certificate of)
Public Convenience and Necessity)
to Construct a Radiotelephone)
Utility System, and to Issue its)
Capital Stock.)

Application No. 58661
(Filed February 8, 1979;
amended November 8, 1979
and March 16, 1981)

O P I N I O N

General

Desert Mobilfone (DM), a California corporation, seeks a certificate of public convenience and necessity under Section 1001 of the Public Utilities Code, authorizing it to provide 24-hour, two-way mobile radiotelephone service and one-way paging service in portions of Kern County, including the cities of Ridgecrest and California City, the communities of China Lake, Randsburg, Red Mountain, Ricardo, and Saltdale, and portions of the Mojave Desert.

The proposed service area is not served with either radiotelephone utility (RTU) two-way mobile or one-way paging services. The area is a relatively isolated high desert area of approximately 1,000 square miles with a population of approximately 20,000 people. A hospital and several doctors and dentists provide medical and dental services in the proposed service area. The economy of the area is largely related to the activities at China Lake Naval Weapons Center and to the world's largest boron mine, mining, and lumber activities. The service

area also includes a potential site for production of geothermal energy from wells. There are also farming operations which have no RTU service at the present time.

DM states that it is essentially a newly formed corporation which has not engaged in business and has not engaged in any transaction reportable under the Commission's General Order No. 104-A.

DM asserts that the project does not entail any construction of any substantial consequence or magnitude, and it believes with reasonable certainty that the activity in question will not have any significant effect on the environment.

DM proposes to construct and operate a public utility mobile and radiotelephone paging system with a base station for transmitting and receiving to be located at El Paso Peak located approximately 20 kilometers south of Ridgecrest. The transmitter is to be radio-controlled from DM's headquarters at 327 West Ridgecrest Boulevard, Ridgecrest, California. DM proposes to operate mobile and signal-and-voice paging units on a frequency of 152.21 MHz (Channel 13) and to operate tone-only paging units on a frequency of 152.24 MHz (Channel P-5). The control point is approximately 15 air miles from the base station. DM seeks to provide mobile service within the boundaries of a 37 dbu contour and tone-only paging service within the boundaries of a 43 dbu contour based on its transmitter (see Exhibit B to the November 8, 1979 amendment to the application). The Federal Communications Commission (FCC) has issued construction permits and operating licenses to DM for these facilities.

DM amended its application to eliminate its request to provide mobile telephone and signal-and-voice RTU service on a frequency of 152.09 MHz to eliminate interference with the signal of Kidds Communications, Inc. (KC).^{1/} Subsequently General Telephone Company of California (General) filed a protest to the granting of this application. The matter was calendared for November 12, 1980. Prior to the hearing General withdrew its opposition and the hearing was taken off calendar. Absent opposition, the application is being processed on an ex parte basis.

Affiliated Interests

DM proposes to issue the initial^{2/} 1,000 shares of common stock to its parent, Communication Enterprises, Inc. (CEI), a California corporation, for \$3,000. CEI proposes to finance DM's construction, equipment costs, and any initial operating losses through open account advances, using its internally generated funds and funds obtained from its long-standing revolving line of credit agreements with the United California Bank in Bakersfield, California.

1/ Reference Item A is an interference study prepared for DM. DM does not believe its signal will interfere with KC's signals. If any problems arise, DM has agreed to work with KC to eliminate them.

2/ DM's restated Articles of Incorporation provide for the issuance of 10,000 shares of no-par common stock.

The application states that Thomas R. Poor, president and majority shareholder of CEI and president of DM, will be responsible for the direction, management, and supervision of DM and the proposed RTU system. Mr. Poor has been in the radio and common carrier business for over 25 years and will oversee all operations of the proposed RTU system. The proposed facilities will be installed, maintained, and repaired on a 24-hour basis by the licensed technical staff of CEI's Ridgecrest Division which has operated a service facility at Ridgecrest for 16 years. CEI's resident technicians provide lease and maintenance service for the U. S. Navy at its China Lake Naval Weapons Test Station and also service private licensees in the area.

DM describes the functions of several CEI division subsidiaries, or affiliated corporations, as follows: Bakersfield Electronics, Bakersfield, California, is a two-way sales and service company serving Kern County, California; Kern Communications Company is a two-way radio equipment leasing company serving Kern County, California; Radio Electronics Products, Inc. is a radio common carrier serving Redding, California, and other areas in Shasta County, California; C.E.I. Redding is a sales and service company, with a telephone answering service in Redding, Shasta County, California; Cal-Autofone, Inc. is a radio common carrier serving Eureka, Crescent City, and adjacent areas in Humboldt, Del Norte, and Trinity Counties, California; Nor-Cal Telephone Answering Service is a telephone answering service with sales and service in Humboldt and Del Norte Counties, California; Ukiah Autofone is a radio common carrier in Ukiah, Mendocino County, California; and C.E.I. Ridgecrest is a two-way sales and service company in the Ridgecrest, China Lake Naval Weapons Test Station and Indian Wells Valley areas, Kern County, California.

Exhibit 1 contains the subsidiary detail and combined balance sheet and income statement of CEI as of August 30, 1980. The balance sheet shows CEI's current assets of \$357,577, net plant of \$500,485, other assets of \$235,253, total assets of \$1,093,315, current liabilities of \$183,870, long-term debt of \$206,081, and net stockholders' equity of \$703,365. CEI's income statement shows an operating income of \$1,424,797, operating expenses including expenses related to equipment rentals and service of \$928,239, administrative and general expenses of \$431,616, and net operating income of approximately \$64,596. CEI's total net income, including other income and expenses, is \$144,695.

Capital Costs

DM's revised capital cost estimate (Exhibit 2) shows equipment costs at El Paso Peak of \$10,800 and control station equipment for automatic mobile radiotelephone service with operator access and for automatic one-way paging service costs of \$22,500. DM expects to buy \$58,500 of rental equipment as follows: 15 automatic mobile units--\$30,000, 15 manual mobil units--\$18,000, and 50 pagers--\$10,500. DM's total investment would be approximately \$91,800. DM states that it would install selective-calling equipment, compatible with the equipment of other RTUs, to relay transient calls between carriers. DM expects little, if any, demand for tone-only paging equipment vis-a-vis signal-and-voice paging service in its operations.

Projected Income and Expenses

DM's updated projection of income and expenses in its first and fifth years of operation (Exhibit 3) is summarized below:

<u>Description</u>	<u>First Year</u> (Dollars in Thousands)	<u>Fifth Year</u> (Dollars in Thousands)
Revenues ^{a/}	\$36	\$106
Expenses	\$35	\$ 74
Year-end mobile units served	25	75
Year-end paging units served	30	100

a/ Over half of the projected income is for equipment rentals, maintenance, and installation services.

Customer Surveys

DM states that it made a random distribution of survey forms in 1978 to help establish public convenience and necessity for the proposed service in the vicinity of Ridgecrest, China Lake, and Indian Wells Valley. The returned forms are contained in Exhibit G attached to the application. Exhibit 4 consists of returned forms from a similar 1980 survey. Two firms indicated both present and possible future needs for service. Two firms replied in both surveys. The initial responses of the latter two firms were not considered in the following summation: (a) six respondents wanted 4 or 5 mobile units and 7 paging units when surveyed; (b) one respondent wanted an unspecified type of service when surveyed; (c) eight respondents expressed a future interest in obtaining 11-12 mobile units and 7 paging units; (d) one respondent indicated

an unspecified future need for mobile and paging services; (e) one respondent, who did not indicate when he wanted service, expressed an interest in 2 mobile units and 4 paging units; and (f) two respondents did not indicate whether or not they were interested in obtaining service from DM. The survey forms do not indicate whether or not the respondents were interested in leasing equipment from DM.

The rates set forth in both surveys differ from the rates sought in the amended Exhibit F. The tabulation below compares DM's proposed tariffs with the rates supplied to persons returning survey sheets^{3/} to DM.

<u>Description</u>	<u>Monthly Rate</u>		<u>Limitations</u>		<u>Over Minimum Unit Charges</u>
	<u>Survey</u>	<u>Tariff</u>	<u>Survey</u>	<u>Tariff</u>	
<u>Two-way Service</u>					
Mobile-Manual	\$21.50	\$23.00 ^{b/}	50 min.	100-1 min.	\$0.30 ^{d/}
Mobile-Automatic	25.00	23.00 ^{b/}	50 min.	100-1 min.	0.30 ^{d/}
Transient		1.50	1 call	1 call	0.50
<u>Mobile Equipment Rental</u>					
Manual Service	45.00	54.00	Includes maintenance		-
Automatic Service	75.00	75.00	Includes maintenance		-
Unit Installation Charge	75.00	85.00	Radio link service only		-
<u>One-way Service</u>					
Signal-and-Voice	14.00 ^{a/}	12.00	Unlimited	100 calls	0.20
Tone-only	14.00 ^{a/}	12.00	Unlimited	Unlimited	-
<u>Paging Equipment Rental</u>					
Signal-and-Voice	14.00 ^{a/}	15.00	Includes maintenance		-
Tone-only	14.00 ^{a/}	15.00 ^{c/}	Includes maintenance		-

- ^{a/} The type of paging equipment was not specified.
^{b/} The type of mobile equipment was not specified.
^{c/} This rate was not mentioned in the survey forms.
^{d/} Survey rates correspond with proposed tariffs.

^{3/} The application and the first amendment did not set out a rate for unlimited tone-only paging.

Transient Service

Letters to DM from KC, High Sierra Communications, Kern Valley Dispatch, Incorporated (KV), Bohn's Paramedic-Ambulance Service, and Industrial Communications Systems, Inc. (Exhibit 5) indicate carrier interest in the establishment of transient service to meet the expressed needs of their customers and to communicate with ambulances providing emergency service in DM's proposed service area. KV would consider entering into an interchange traffic agreement with DM.

Discussion

The survey forms used by DM should have clearly spelled out the services offered and the correct rates for the services, and should have asked potential customers whether they would lease equipment from DM. Certain rates, rental charges, and limitations on service quoted in the survey would cost a customer more than the rates actually requested in the tariffs. A mobile customer using the 100-call allowance would be provided service at a lower cost than indicated in the survey whether or not equipment was leased from DM. A customer obtaining signal-and-voice paging service would be billed an additional 20 cents per call per month to receive over 110 calls, or would be billed at lower than the quoted charges for less than 110 calls. The monthly paging equipment rental charge would be \$15 versus the \$14 quote. A tone-only paging customer would obtain service at \$2 less per month for service or \$1 less per month for service and equipment rental charges.

The impact of these rate discrepancies on customer growth cannot be quantified on this record. They do not appear to be substantial. A further survey is not warranted. The survey establishes a need for mobile and paging services. There is a need for transient service, including emergency service.

DM's parent and affiliated companies operate and maintain RTU systems and equipment in many areas. CEI's operation has the capability of absorbing initial operating losses, if any, to purchase DM's common stock, and to purchase the equipment needed by DM.

The authority sought by DM should be granted.

Construction of additional transmission facilities on an existing building on El Paso Peak and of control station facilities in Ridgecrest will not have a significant effect on the environment.

Findings of Fact

1. The public has need for the proposed RTU services which are not presently available in the cities of Ridgecrest and California City and neighboring territory in Kern County.

2. Public convenience and necessity require that DM construct and operate a mobile and radiotelephone and paging system within the 37 and 43 dbu contours shown on the maps included in Exhibit B attached to the application.

3. The rates proposed by DM are fair and reasonable for the services to be rendered.

4. The FCC has authorized DM to construct the facilities and to use the frequencies, signal strengths, and transmission site certificated herein.

5. There is no opposition to the granting of the authority sought by DM. Other RTUs support DM's proposal to provide transient service for the benefit of their customers and to communicate with emergency vehicles.

6. The proposed issuance of 1,000 shares of DM's common stock to CEI for \$3,000 and the open-account funding of DM by CEI are reasonable.

7. DM with the financial and operational backing proposed by its parent, CEI, has the ability to construct and operate the facilities certificated herein.

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

Conclusions of Law

1. Public convenience and necessity require that the requested authority should be issued.

2. The effective date of this order, except for the filing of the fee prescribed by Section 1904.1 of the Public Utilities Code, should be the date of signature to permit DM to expeditiously establish the proposed service.

The certificate hereinafter granted is subject to the provision of law that the Commission shall have no power to authorize the capitalization of this certificate of public convenience and necessity or the right to own, operate, or enjoy such certificate of public convenience and necessity 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 certificate of public convenience and necessity or right.

O R D E R

IT IS ORDERED that:

1. A certificate of public convenience and necessity is granted to Desert Mobilefone (DM), a California corporation, authorizing it to construct and operate a common carrier two-way mobile radiotelephone and one-way radiotelephone paging systems from proposed base station facilities to be constructed and located at El Paso Peak in Kern County, California, within the 37 and 43 dbu contours as shown on the map included in Exhibit B attached to the application.

2. DM is authorized to file, after the effective date of this order, the schedule of rates and charges set forth in Exhibit F attached to the application, as modified in paragraph IV of the second amendment to the application, to be effective on or before the date service is first rendered to the public under the authority herein granted, and rules governing service to subscribers, tariff service area maps, and sample copies of printed forms normally used in connection with subscribers' services, in accordance with the requirements of General Order No. 96-A. Such rates, rules, tariff service area maps, and forms shall become effective on five days' notice to this Commission and to the public as hereinabove provided.

3. DM shall notify this Commission, in writing, of the date service is first rendered to the public under the rates and rules authorized herein, within ten days thereafter.

4. DM shall file with this Commission copies of all annual reports made to the Federal Communications Commission.

5. DM shall determine accruals for depreciation by dividing the original cost of the depreciable utility plant, less estimated future net salvage and less depreciation reserve, by the estimated remaining life of the depreciable plant. DM shall review the accruals as of January 1, following the date service is first furnished to the public under the rates and rules authorized herein and thereafter when major changes in depreciable utility plant composition occur, and at intervals of not more than five years. Results of these reviews shall be submitted to this Commission.

6. DM shall maintain its books of account in accordance with the Uniform System of Accounts for Radiotelephone Companies as prescribed by this Commission.

7. The certificate herein granted and the authority to render service under the rates and rules authorized herein will expire if not exercised within one year after the effective date of this order.

The authority granted by this order to issue 1,000 shares of its no-par common stock for \$3,000 to Communication Enterprises, Inc. will become effective when DM has paid the fee prescribed by Section 1904.1 of the Public Utilities Code, which fee is six dollars. In all other respects the effective date of this order is the date hereof.

Dated MAY 19 1981, at San Francisco, California.

John E. Bryan
President
Malcolm W. ...
Thomas M. ...
Arthur ...
Prudence C. ...
Commissioners

