

Decision No. 28556

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of CALIFORNIA WATER & TELEPHONE COMPANY for: (1) Order authorizing purchase of stocks of public utility corporations; (2) order authorizing acquisition of certain public utilities properties; (3) order authorizing mortgage of public utility and other properties; (4) order authorizing issue and sale of bonds and stock; and the Application of CORONADO WATER COMPANY, SAN GABRIEL VALLEY WATER COMPANY, THE MONTEREY COUNTY WATER WORKS, SAN FERNANDO TELEPHONE & TELEGRAPH COMPANY, SOUTHWESTERN HOME TELEPHONE COMPANY, SIERRA MADRE TELEPHONE & TELEGRAPH COMPANY, MONROVIA TELEPHONE & TELEGRAPH COMPANY for: (1) Order authorizing the sale of certain public utility properties; and (2) order authorizing said companies to discontinue public utility operations.

Application No. 20127

BY THE COMMISSION:

SECOND SUPPLEMENTAL ORDER

The Commission by Decision No. 28276 dated October 14, 1935, asked California Water & Telephone Company to file on or before February 15, 1936 with the Commission for approval a copy of each and every journal entry by which it proposes to record the purchase of the properties referred to in such decision, and the adjustment of its records to conform with said decision.

The company on January 20th filed with the Commission a copy of its proposed journal entries. In these entries the sum of \$249,458.93 invested in properties which at the time of the hearing on Application No. 20127 was reported under Central California Water Supply Company, was transferred to utility property and \$18,778.75 reported under Monterey County Water Works, was transferred to nonutility property. Whether or not the amounts

transferred represent investment in utility or nonutility property is an issue in Case No. 3825 now pending before the Commission. Applicant California Water & Telephone Company was advised informally that the Commission would not at this time approve the transfer of said amounts. On February 3, 1936 it submitted revised journal entries in line with Exhibit No. 2, submitted in Application No. 20127. If hereafter the Commission finds the transfer of said sums, or any part thereof, warranted, applicant may adjust its records accordingly.

Upon a review of the journal entries submitted and of the historical cost of the properties of Monterey County Water Works it was discovered that an item of \$54,942.00 was included twice. The company proposes to transfer \$54,942.00 from fixed capital to intangible capital. Such a transfer would of course not eliminate the duplicate charge from the records of the company. This duplicate charge should be eliminated from fixed capital and as a matter of fact, from the records of the company by a charge to the surplus of California Water & Telephone Company.

The company requests that the Commission permit it to charge \$573,800.97 said to represent the cost of the Jamacha lands to Account 8-C, Miscellaneous Investments. In referring to this amount the Commission in Decision No. 28276 says-

"It is obvious that the \$573,800.97 includes expenditures for labor, supplies and other items that will be of little, if any, benefit to a water system. The investment is not producing any net income. We think the entire sum should be placed in a suspense account until such time as the company goes forward with the development. At that time the Commission, if necessary, will determine how much of the \$573,800.97 will be transferred to fixed capital accounts."

We have not been furnished with any information that warrants a modification of the conclusion expressed in said Decision No. 28276. The amount should be charged to Account 15-Other Suspense.

The Commission has considered the journal entries submitted by California Water & Telephone Company, and hereby finds the same satisfactory if they are modified so as to be in accord with this second supplemental order, therefore,

IT IS HEREBY ORDERED that the journal entries filed by California Water & Telephone Company on January 20th, as amended by the journal entry filed on February 3rd, if the said journal entries are amended so as to be in accord with this second supplemental order, are hereby approved, provided that the approval of said journal entries is not to be construed as a determination of the value of the properties represented by said journal entries for the purpose of fixing rates or for any other purpose, nor a determination as to whether the properties represented by said journal entries are utility or nonutility properties; and provided further that the Commission reserves the right to require said California Water & Telephone Company to adjust its books of account, if in the opinion of the Commission such adjustment becomes necessary and desirable.

DATED at San Francisco, California, this 10th day of February, 1936.

M B Lewis
Leon Whidell
W A Cas
Robert M. ...
Frank ...
Commissioners.