

Decision No. 28781

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of )  
the REEDLEY TELEPHONE COMPANY ) Application No. 4858  
for authority to increase rates for )  
telephone service. )

BY THE COMMISSION:

ORIGINAL

FIRST SUPPLEMENTAL OPINION AND ORDER

The Railroad Commission by its order in Decision No. 7027, dated January 12, 1920, authorized Reedley Telephone Company to file a new rate schedule.

A condition of the Commission's order reads as follows:-

"(b) A depreciation reserve of \$900. per annum in installments of \$75. per month shall be set aside in a special fund for the purpose of maintaining the plant in good condition and shall be used for such purpose only as may be authorized by the Commission."

Thereafter by Decision No. 9255, dated July 23, 1921, the Commission increased the annual amount to be thus set aside from \$900. to \$1,600.

The company has filed a supplemental application in which it asks the Commission to vacate and set aside condition (b) of said order in Decision No. 7027. It alleges that in accordance with the order of the Commission it did establish a cash depreciation fund but that it was unable to maintain it on account of the demand for new capital to construct additions and betterments to its plant and equipment. From time to time the Commission has authorized the company to withdraw and use cash from the fund to pay indebtedness and for other purposes.

In general, it appears to have been the practice of the company to finance its capital additions with surplus earnings and depreciation moneys. The company further alleges that the moneys in-

vested in plant and properties have been in excess of the depreciation requirements. Its financial reports filed with the Commission show that during the sixteen years that have elapsed since the former decision, its investment in fixed capital has increased from \$32,103.96 on December 31, 1919 to \$81,261.33 on December 31, 1935 and its reserve for depreciation during the same period from \$8,080.63 to \$33,311.54.

Applicant as of December 31, 1935 reports its assets and liabilities as follows:-

#### ASSETS

Plant and equipment . . . . .		\$81,261.33
Other property . . . . .		6,500.00
Current assets:		
Cash . . . . .	\$7,677.21	
Accounts receivable . . . . .	854.69	
Due from subscribers . . . . .	1,663.48	
Materials and supplies . . . . .	<u>658.97</u>	10,854.35
Prepayments . . . . .		823.88
Other debit accounts . . . . .		<u>237.17</u>
Total . . . . .		<u>\$99,676.73</u>

#### LIABILITIES

Capital stock-Common . . . . .		\$14,210.00
Funded debt . . . . .		15,200.00
Current liabilities:		
Accounts payable . . . . .	1,457.22	
Accruals . . . . .	<u>810.39</u>	2,267.61
Depreciation reserve . . . . .		33,311.54
Other credit accounts . . . . .		11.82
Surplus . . . . .		<u>34,675.76</u>
Total . . . . .		<u>\$99,676.73</u>

The company reports that it is in a sound financial condition and at all times has been in a position to make the renewals and replacements required to maintain its system in a good, operating condition without the continuous maintenance of a cash depreciation fund. On this point the company's reports do show since 1919 that its volume of business has been increasing and that its revenues have been

sufficient to pay for repairs and other operating and maintenance costs, including taxes, to provide for depreciation to meet fixed charges, to pay dividends aggregating \$6,536.60 on the outstanding stock, and to build up a corporate surplus unappropriated from \$1,881.30 to \$34,675.76. Further, the reports show that the company has issued no stock during the sixteen years' period and, since 1928, has reduced its outstanding bonds and notes payable from \$23,960.00 to \$15,200.00. Incidentally, it might be added that for the past few years the company has been, and now is, controlled through stock ownership by Associated Telephone Company, Ltd.

It appears to the Commission that Reedley Telephone Company's position has improved to such a degree that there is no longer any need for the maintenance of the depreciation fund ordered to be created by Decision No. 7027 and that accordingly its supplemental application should be granted, therefore,

IT IS HEREBY ORDERED that condition (b) of the order in Decision No. 7027, dated January 12, 1920, as amended in the order in Decision No. 9255, dated July 23, 1921, be, and the same is hereby, vacated and set aside.

DATED at San Francisco, California, this 4th day of May 1936.

M. B. Lewis  
Leon A. Sullivan  
W. H. Carr  
John H. Sullivan  
James R. Sullivan  
Commissioners.