

Decision No. 44950

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application)	
of INDEPENDENCE WATER COMPANY for)	
authority to state, restate, or)	Application
revalue its properties in service)	No. 31711
as of December 31, 1948.)	
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Everett L. Clark, for applicant.

O P I N I O N

Independence Water Company, applicant herein, is a corporation which was organized under the laws of the State of California on April 12, 1887, and which now is, and since 1887 has been, engaged in the distribution and sale of water for domestic purposes in and about the unincorporated town of Independence, Inyo County. In this application, it seeks authorization to restate its books of account as of January 1, 1950, by substituting for the book balances the estimated original costs of its properties and the associated depreciation reserve. (1)

The effect of the proposed transaction, as indicated by the application as supplemented by the testimony in the proceeding, is shown below:

	<u>Book Figures</u>	<u>Books as Adjusted</u>	<u>Increase</u>
Fixed capital	\$30,402.62	\$58,519.36	\$28,116.74
Depreciation reserve	<u>6,631.44</u>	<u>19,707.00</u>	<u>13,075.56</u>
Net	<u>\$23,771.18</u>	<u>\$38,812.36</u>	<u>\$15,041.18</u>

It is proposed by applicant that the increase of \$15,041.18 be credited to an account designated "Reappraisal Surplus".

(1) Although the title of the application refers to December 31, 1948, applicant's request, as reflected by its testimony and exhibits, is to restate its books as of January 1, 1950.

Applicant's proposed adjustments are based on an inventory and original cost appraisal as of December 31, 1948, which was submitted by applicant to the Commission as an exhibit in Application No. 30353, plus subsequent additions.⁽²⁾ The fixed capital accounts as thus determined are segregated as follows:

Organization expense	\$ 1,800.00
Water rights	8,305.00
Buildings and structures	340.00
Collecting reservoirs and intake wells	9,927.30
Purification system	1,032.20
Transmission mains	5,097.49
Distribution mains	26,441.46
Services	4,875.19
Miscellaneous distribution equipment	591.08
General equipment	<u>109.64</u>
Total	<u>\$58,519.36</u>

The \$19,707 proposed to be credited to the depreciation reserve represents an estimate of the reserve requirement as of the close of 1949, on the straight line basis, which was calculated by a member of the Commission's staff and which was accepted by applicant's representative.

The \$1,800 included for organization expense includes an item of \$1,500 originally set up on applicant's books plus an item of \$300 incurred in 1937 in extending the corporate life. Under the uniform classification of accounts the latter item is classed as a renewal and is not chargeable to fixed capital.

The record clearly shows that applicant's fixed capital accounts are incomplete, that they do not identify in all cases

⁽²⁾ In connection with Application No. 30353, a rate proceeding, a member of the Commission's staff estimated the original cost of the properties as of December 31, 1948, one year earlier than the figures presented in the present proceeding, at \$54,351, and an engineer employed by applicant estimated such cost at \$57,202. The Commission's Decision No. 43464, dated November 1, 1949, on that application, established rates designed to yield a return of 6% on a rate base of approximately \$60,000 for 1949.

Application No. 30353 and Decision No. 43464, together with the transcript of testimony and exhibits, by reference were made a part of the record in the present proceeding.

specific properties installed, that some items of labor and equipment have been omitted, and that retirements have not been stated. Under these circumstances, it is desirable for applicant to correct its accounts and to show therein the original costs, estimated if not known, of its plants and properties. Accordingly, an order will be entered approving applicant's request, subject to the exclusion of the \$300 item from organization expense. The authorization thus granted is for accounting purposes only.

Applicant has advised the Commission that since 1948 it has had maps prepared of its lines, that it has caused its books to be set up in accordance with the uniform classification of accounts and that it has set up a work order system and a card index of each service, all of which, in its opinion, should permit accurate accounting for additions and retirements of fixed capital in the future.

O R D E R

A public hearing having been held on the above entitled application and the Commission having considered the matter and being of the opinion that applicant's request should be granted, as herein provided; therefore,

IT IS HEREBY ORDERED that Independence Water Company be, and it hereby is, authorized to restate its books of account so as to show, as of January 1, 1950, its fixed capital accounts in the aggregate amount of \$58,219.36, segregated as set forth in the preceding opinion, after excluding \$300 from its organization expense, and its depreciation reserve in the amount of \$19,707.00, with the net increase arising from such restatement of accounts being credited to Reappraisal Surplus.

IT IS HEREBY FURTHER ORDERED that Independence Water Company file with the Commission a copy of each of the journal entries made pursuant to the authority herein granted within thirty (30) days after it places the same on its books.

IT IS HEREBY FURTHER ORDERED that this order will become effective twenty (20) days after the date hereof.

Dated at San Francisco, California, this 30th day of October, 1950.

R. Z. [Signature]
Maxine F. [Signature]
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Commissioners