

Decision No. 45366**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 E. A. Hosmer owner of The Kenwood and)
 Knights Landing Telephone Exchanges)
 for an order authorizing the transfer)
 of his telephone properties to The)
 Independent Telephone Company, Incor-)
 porated.)
 -----)

Application
 No. 30937

FIRST SUPPLEMENTAL OPINION

By Decision No. 42111, dated October 11, 1948, as amended, in Application No. 29704, the Commission authorized Elijah W. Beebe and Olive Bessie Beebe to sell the Kenwood Telephone Exchange to E. A. Hosmer under the terms of an agreement between the parties calling for the payment by E. A. Hosmer of the sum of \$15,000. The decision of the Commission, as amended, required said Hosmer to file with the Commission for its approval, not later than March 31, 1949, copies of the journal entries reflecting the purchase of the properties.

On March 30, 1949, E. A. Hosmer filed certain proposed entries. Thereafter, on September 4, 1950, and February 10, 1951, he filed revised figures reflecting the proposed distribution to plant accounts and to the depreciation reserve. The revised figures, which reflect net changes to December 31, 1950, are as follows:

	Charge Plant Accounts	Credit Depreciation Reserve	Balance
Central office equipment	\$ 2,512.92	\$ 261.61	\$ 2,251.31
Station equipment	7,553.92	2,495.85	5,058.07
Station wiring	2,744.70	- -	2,744.70
Poles, conduit, cable, wire	12,396.59	5,133.09	7,263.50
Furniture and office equipment	575.59	107.94	467.65
Vehicles and work equipment	183.99	48.81	135.18
Totals	<u>\$25,967.71</u>	<u>\$8,047.30</u>	<u>\$17,920.41</u>

The Commission has been advised that certain equipment included in the proposed charges to plant accounts in the amount of \$2,788.59 will be retired, leaving a total balance in such plant accounts of \$23,179.12 and in the depreciation reserve of \$5,258.71, the net charges to the plant accounts of \$17,920.41, of course, remaining unchanged.

The Commission's staff has reviewed the proposed entries, as well as books and records of the utility, and is of the opinion that the figures as submitted, and as proposed to be adjusted by the \$2,788.59 item, should be accepted for accounting purposes.

However, subsequent to the time the proposed journal entries first were filed, the Commission by Decision No. 43861, dated March 7, 1950, in Application No. 30937, authorized E. A. Hosmer to sell the Kenwood Telephone Exchange, along with the Knights Landing Telephone Exchange, to The Independent Telephone Company, a corporation which he had organized to acquire the properties and to conduct the business, and authorized said corporation to issue 1,500 shares of stock in part payment. In the opinion in said decision, the Commission stated that if the corporation acquired the properties of the two exchanges it should charge to Account 276, Telephone Plant Acquired, the amounts at which such properties are shown on the balance sheets of seller, and thereafter it should file its proposed journal entries to record the distribution of said amounts to primary plant and other accounts. The decision went on to state that after the filing of such entries the Commission would indicate the amounts to be charged to plant accounts and to be credited to the depreciation reserve, and would give consideration to the issue of additional shares of stock by the corporation.

The Commission has not yet received an inventory and appraisal of the Knights Landing Telephone Exchange, nor proposed

journal entries reflecting the acquisition of it by The Independent Telephone Company. Accordingly, it is not in a position to make a final order in this proceeding. It will, however, at this time enter its order authorizing The Independent Telephone Company to charge to its telephone plant accounts and to credit to its depreciation reserve the figures referred to herein representing the properties and equipment comprising the Kenwood Telephone Exchange. The excess of the net charges to plant accounts over and above the purchase price paid for them should be credited to accounts payable in favor of E. A. Hosmer pending final disposition of the amount.

FIRST SUPPLEMENTAL ORDER

The Commission having given further consideration to this matter and being of the opinion that a supplemental order should be entered at this time as indicated herein,

IT IS HEREBY ORDERED as follows:

1. The Independent Telephone Company may record journal entries on its books of account distributing to primary plant accounts the sum of \$25,967.71, representing the acquisition of the properties and equipment comprising the Kenwood Telephone Exchange, and may credit to depreciation reserve on account of said properties the sum of \$8,047.30, subject to the proposed adjustment of \$2,788.59 to which reference is made in the preceding first supplemental opinion.

2. The action taken herein is for accounting purposes only and shall not be construed to be a finding of the value of said properties.

3. The Independent Telephone Company shall file with the Commission a copy of each journal entry made under the authority herein granted, such filing to be made within thirty (30) days after the date of such entries.

4. The authority herein granted is effective upon the date hereof.

Dated at San Francisco, California, this 20th day of February, 1951.

R. F. [Signature]
Justin F. Calver
Harold P. Kala
Robert E. Mitchell
Commissioners