

Decision No. 46685

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of The Independent Telephone Co. for authority to increase Exchange Service rates at Kenwood and Knights Landing and to issue additional shares of its Common stock.
-----)

Application No. 32177

FIRST SUPPLEMENTAL OPINION AND ORDER

By Decision No. 43881, dated March 7, 1950, in Application No. 30937, the Commission authorized The Independent Telephone Company to issue 1,500 shares of its no par common stock in part payment for the Kenwood Telephone Exchange and the Knights Landing Telephone Exchange. The decision of the Commission stated that it would give consideration to the issue of additional shares of stock upon the filing by applicant of journal entries to record the distribution of the cost of said exchanges to primary plant and other accounts.

Subsequently, by Decision No. 45366, dated February 20, 1951, the Commission approved journal entries relating to the acquisition of Kenwood Telephone Exchange. Thereafter, the company filed a proposed entry relating to the Knights Landing Exchange and also filed its Application No. 32177 requesting, among other things, that the Commission grant it certain increases in rates and authorize it to issue 1,540 shares of stock in final payment for the telephone exchanges. On November 6, 1951, the Commission made its decision with respect to rates but held in abeyance the request of applicant to issue shares of stock.

The net charges to plant accounts on account of the acquisition of the Kenwood Telephone Exchange, in the journal entry

approved by the Commission, amounted to \$17,920.41. In its proposed entry relating to the acquisition of the Knights Landing Telephone Exchange applicant reported estimated original costs at \$76,412.49 and the reserve requirement at \$18,822.32, leaving net charges of \$57,590.17. Members of the staff of the Commission have reviewed the filing made by applicant and also its available books and records, and concluded that for accounting purposes applicant's proposed entry should be adjusted and the sum of \$71,050.40 should be charged to plant accounts as of December 31, 1950, to reflect the acquisition of the Knights Landing Exchange, and \$17,659.17 credited to reserve for depreciation, leaving net charges of \$53,391.23. The combined net charges to plant accounts for the two exchanges, exclusive, in each case, of subsequent net additions and betterments, thus aggregate \$71,311.64.

We have considered this matter and are of the opinion that an order should be entered authorizing applicant for accounting purposes to record the adjusted amounts referred to herein and authorizing it to issue the additional 1,540 shares of stock. In our opinion the money, property or labor to be procured or paid for through the issue of such shares of stock is reasonably required by applicant for the purpose specified herein, which purpose is not, in whole or in part, reasonably chargeable to operating expenses or to income; therefore,

IT IS HEREBY ORDERED as follows:

1. The Independent Telephone Company may record on its books journal entries distributing to primary plant accounts the sum of \$71,050.40, representing the acquisition of the properties and equipment comprising the Knights Landing Telephone Exchange, and credit to depreciation reserve on account of said properties and

equipment the sum of \$17,659.17, subject to adjustment for changes since December 31, 1950.

2. The Independent Telephone Company, after the effective date hereof and on or before June 30, 1952, may issue not exceeding 1,540 shares of its no par stock, in addition to the 1,500 shares heretofore authorized, in part payment for the properties and equipment it now owns and operates.

3. The action taken herein shall not be construed to be a finding of the value of said properties. The authorization here granted is for accounting purposes only, the Commission reserving the right to inquire at a later date into the amounts to be entered on applicant's books, if such amounts become matters of issue in any subsequent proceeding, and to direct such changes as it may deem to be appropriate.

4. 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 and, at the same time, shall file a report of the issue of the shares of stock herein authorized as required by General Order No. 24-A.

5. The authority herein granted will become effective twenty (20) days after the date hereof.

Dated at Los Angeles, California, this 29th day of January, 1952.

R. J. [Signature]
President
Justus F. [Signature]
Harold [Signature]
[Signature]
[Signature]
Commissioners