

ORIGINAL

Decision No. 48019

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of John H. Evans, Virginia Evans Williams, and Estella C. Evans, co-partners, and EVANS TELEPHONE COMPANY, a corporation, for an Order; (a) authorizing John H. Evans, Virginia Evans Williams, and Estella C. Evans, co-partners, to sell to EVANS TELEPHONE COMPANY the properties owned by them and consisting of the EVANS TELEPHONE COMPANY, a co-partnership; (b) authorizing said John H. Evans, Virginia Evans Williams, and Estella C. Evans, co-partners, to withdraw from the public utility telephone business; (c) authorizing EVANS TELEPHONE COMPANY to purchase EVANS TELEPHONE COMPANY properties and to engage in the public utility telephone business; (d) authorizing EVANS TELEPHONE COMPANY to issue shares of its \$5 Par Value Common Stock in an amount equal to the net book value of said properties and to issue 500 shares of its Preferred Stock, \$20 Par Value, Series A.

) : Application
) : No. 32994
) : (First Supplemental)

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FIRST SUPPLEMENTAL OPINION

By Decision No. 46622, dated January 8, 1952, the Commission authorized Evans Telephone Company, a corporation, to issue \$81,000 par value of common stock in part payment for the properties of John H. Evans, et al., located in and about the City of Patterson.

Applicant reports that because of the absence of satisfactory property records it has had made an inventory and appraisal of its property, together with a depreciation reserve requirement analysis, as of December 31, 1951. The figures thus developed and those taken over by applicant from its predecessors are as follows:

	<u>Books</u>	<u>Appraisal</u>	<u>Appraisal Excess</u>
Plant accounts -			
Operative	\$149,472.13	\$161,591.00	\$12,118.87
Nonoperative	-	401.00	401.00
Total	<u>149,472.13</u>	<u>161,992.00</u>	<u>12,519.87</u>
Depreciation reserve	67,446.99	56,454.00	10,992.99
Balance	<u>\$ 82,025.14</u>	<u>\$105,538.00</u>	<u>\$23,512.86</u>

In its first supplemental application filed in this proceeding, applicant has requested the Commission to approve the appraisal and to authorize it to place on its books proposed journal entries, which are filed with the supplemental application as Exhibit B, in order to record the results of the appraisal, and to issue \$24,000 par value of its common stock in addition to the \$81,000 heretofore authorized by Decision No. 46622.

A review of the appraisal shows that it was prepared on the historical cost basis, that in the derivation of unit costs all existing invoices were reviewed and unit material costs arrived at therefrom, and that for other items for which no unit costs were available those experienced by comparable utilities for the same type of equipment were reviewed for applicability. Central office equipment was priced through the use of company records which were available, except for some labor which was estimated by Kellogg Switchboard and Supply Company. The depreciation reserve requirement was calculated on the straight line method.

An examination of available records was made by members of the Commission's staff who report that the books do not reflect some items of plant which were charged to operating expenses and do not include indirect costs of installation, and that, on the other hand, some plant retirements had not been recorded.

Under the circumstances set forth it appears to us that applicant is warranted in replacing the present book figures with the appraisal figures submitted in this proceeding. Accordingly, we will authorize applicant to record the results of the appraisal on its books of account. In making such an order, however, we are

making no finding of the cost or value of the properties referred to herein or the service lives used in the appraisal report, and we reserve the right to review these matters anew should they become issues in any future proceeding.

FIRST SUPPLEMENTAL ORDER

The Commission having considered the first supplemental application filed in this proceeding, and being of the opinion that a public hearing is not necessary; that the application should be granted, as herein provided; that the money, property or labor to be procured or paid for by the issue of the stock herein authorized is reasonably required by applicant for the purpose specified herein; and that such purpose is not, in whole or in part, reasonably chargeable to operating expenses or to income; therefore,

IT IS HEREBY ORDERED as follows:

1. Evans Telephone Company, on and after the effective date hereof and on or before March 31, 1953, may issue not exceeding \$24,000 par value of its common stock in addition to the \$81,000 authorized by Decision No. 46622, dated January 8, 1952, in part payment for the properties of John H. Evans, Virginia Evans Williams and Estella C. Evans, and may record on its books the journal entries set forth in Exhibit B filed with the first supplemental application in this proceeding.

2. Evans Telephone Company shall base the accruals to depreciation upon spreading the appraisal amounts of plant, less estimated net salvage and the calculated depreciation reserve as

shown in the appraisal, over the estimated remaining life of the property, and the accrual based on plant as of December 31, 1951, shall be \$7,169 as set forth in the appraisal. Applicant shall review the accruals when major changes in plant composition occur and for each plant account at intervals of not more than five (5) years, and shall submit the results of these reviews to this Commission.

3. Evans Telephone Company shall file with the Commission monthly reports as required by General Order No. 24-A, which order, insofar as applicable, is made a part of this order.

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

Dated at San Francisco, California, this 9th day of December, 1952.

A. J. Johnson
 President

Justice J. Coe
Harold A. Hill

Samuel D. Dutton
John E. Mitchell
 Commissioners