

ORIGINAL

Decision No. 48090

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application)	
of KERMEN TELEPHONE COMPANY, a	:	
corporation, for an order authoriz-)	Application
ing increases and changes in rates	:	No. 31855
for exchange telephone service.)	
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FIRST SUPPLEMENTAL OPINION AND ORDER

In the above entitled matter Kerman Telephone Company, among other things, requested an order of the Commission authorizing it to restate its books as of December 31, 1949, to reflect an historical cost appraisal of its properties and its estimated depreciation reserve requirement. In its Decision No. 45660, dated May 8, 1951, the Commission authorized certain increases in rates but continued the request to restate books for further consideration.

Subsequently, applicant filed with the Commission for approval its proposed journal entries to adjust its plant and reserve accounts as of December 31, 1949, in order to reflect changes resulting from the appraisal of its properties, to adjust its material and supplies account as of June 30, 1951, and to record additions and retirements for the year 1950. The following tabulation shows the book figures for the telephone plant and depreciation reserve accounts and the appraisal figures, as of December 31, 1949:

	<u>Books</u>	<u>Appraisal</u>	<u>Appraisal Excess</u>
Plant accounts	\$99,246.71	\$127,867.20	\$28,620.49
Depreciation reserve	<u>44,995.05</u>	<u>41,032.24</u>	<u>(3,962.81)</u>
Net	<u>\$54,251.66</u>	<u>\$ 86,834.96</u>	<u>\$32,583.30</u>

The record shows that applicant's books have been inaccurate and incomplete in some respects. The staff of the Commission has made a complete examination of available records, has reassigned items to proper accounts and has made adjustments where appropriate. It takes exception to the inclusion in the proposed entries of one item of \$965.47 representing an appraisal increase for material and supplies for which no support was available.

Upon a review of this matter it appears to us that sufficient justification exists to warrant the restatement of applicant's accounts and that its proposed journal entries should be approved with the appropriate modification for the \$965.47 item; therefore,

IT IS HEREBY ORDERED as follows:

1. Kerman Telephone Company may record on its books the journal entries submitted by it in this proceeding, with the modification referred to herein.
2. Kerman Telephone Company shall file with the Commission a copy of each of the journal entries recorded by it responsive to the authorization herein granted.
3. Kerman Telephone Company shall base the annual accruals to depreciation upon the appraisal figures thus recorded in its accounts, less the estimated net salvage and the calculated depreciation reserve, over the estimated remaining life of the property. Applicant shall review the accruals for each plant account at intervals of not more than five (5) years, and also when major changes in plant composition occur, and shall submit the

results of these reviews to the Commission.

4. The action taken herein shall not be construed to be a finding of the value of the properties referred to in this proceeding.

5. This first supplemental opinion and order is effective upon the date hereof.

Dated at San Francisco, California, this 22nd day of December, 1952.

A. B. Anderson
President

Justin J. Casner

Harold A. Huls

Jennette Foster
Robert L. Mitchell
Commissioners