

ORIGINAL

Decision No. ~~48814~~

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of )  
 GENERAL TELEPHONE COMPANY OF CALIFORNIA, )  
 (formerly named Associated Telephone )  
 Company, Ltd.) and SANTA PAULA HOME )  
 TELEPHONE COMPANY for an order (a) author- )  
 izing General Telephone Company of Cali- )  
 fornia to acquire all of the outstanding )  
 stock of Santa Paula Home Telephone Com- )  
 pany in exchange for shares of its Cumula- )  
 tive Preferred Stock, \$20 Par Value, 5% )  
 1947 Series; and (b) in the event that all )  
 of the outstanding stock of Santa Paula )  
 Home Telephone Company shall be acquired )  
 by General Telephone Company of California )  
 authorizing (1) General Telephone Company )  
 of California to acquire all of the prop- )  
 erties and assets and to assume all of the )  
 obligations and liabilities of Santa Paula )  
 Home Telephone Company, (2) Santa Paula )  
 Home Telephone Company to convey and trans- )  
 fer all of its properties and assets to )  
 General Telephone Company of California, )  
 and (3) General Telephone Company of Cali- )  
 fornia to render service in the territory )  
 now served by Santa Paula Home Telephone )  
 Company and Santa Paula Home Telephone Com- )  
 pany to discontinue service in such terri- )  
 tory. )  
 ----- )

Application  
 No. 30531  
 (Second Supplemental)

SECOND SUPPLEMENTAL ORDER

By Decision No. 42925, dated June 1, 1949, in Application No. 29933, the Commission authorized Santa Paula Home Telephone Company to adjust its telephone plant, depreciation reserve and other accounts. The order of the Commission provided that in the event applicant should retire any property before it is fully depreciated, it must charge to earned surplus the difference between the cost of the property retired less the net salvage value, on the one hand, and the amount in the depreciation reserve applicable to such retired property, on the other hand.

Thereafter, the properties of Santa Paula Home Telephone Company were sold to Associated Telephone Company, Ltd., now known as General Telephone Company Of California. The order of the Commission authorizing the sale (Decision No. 43213, dated August 16, 1949) carried with it the proviso appearing in said Decision No. 42925 by providing that the purchaser should make a similar charge to earned surplus upon the retirement of properties before being fully depreciated.

In a supplemental application filed in this proceeding, General Telephone Company Of California now requests the Commission to modify its former orders with respect to the accounting treatment. It reports that the book value of all of its depreciable plant as of December 31, 1952, was approximately \$127,700,000, of which only about \$135,000 is attributable to unretired depreciable plant formerly owned by Santa Paula Home Telephone Company, and it is of the opinion that in view of the relatively small ratio of the plant at Santa Paula to the plant of the entire system the added costs of keeping separate records cannot be justified on the mere grounds that there might be an inadequate depreciation reserve applicable to the Santa Paula property. It reports, moreover, that with the current adoption of remaining life depreciation rates effective as of January 1, 1953, any effects of an inadequacy in the reserve applicable to the Santa Paula properties would tend to be corrected automatically.

We have considered this matter and in view of the changed conditions since the date of our original Decision No. 42925 are of the opinion that applicant's request should be granted; therefore,

IT IS HEREBY ORDERED as follows:

1. The portion of ordering paragraph 5 of the order in Decision No. 43213, dated August 16, 1949, reading as follows:

" . . . provided that if it retires any Santa Paula Home Telephone Company properties or assets before the same are fully depreciated, it must charge to earned surplus the difference between the cost of the properties or assets retired, less the net salvage value of the retired properties or assets, and the amount in its depreciation reserve applicable to such properties or assets."

be, and it hereby is, vacated and set aside.

2. This second supplemental order will become effective upon the date hereof.

Dated at San Francisco, California, this 19<sup>th</sup> day of May, 1953.

*A. J. [Signature]*  
President

*James J. [Signature]*  
*Harold A. [Signature]*

*Frederick L. [Signature]*  
*John E. [Signature]*  
Commissioners