

ORIGINAL

Decision No. 57547

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

An Application of THE REDWOOD EMPIRE TELEPHONE SYSTEM, seeking Commission authority to issue shares of its Capital Stock in compensation to Contractor for value of plant constructed.

Application No. 40192

O P I N I O N

In this proceeding, The Redwood Empire Telephone System, a corporation, seeks authorization to issue 2,500 shares of capital stock without par value.

Applicant was organized on May 22, 1957, with an authorized capital stock of 2,500 shares without par value. It has been certificated by the Commission to establish a telephone exchange serving subscribers in and about Cazadero and has been authorized to carry out the terms of an agreement with E. A. Hosmer & Co., dated July 1, 1957, relating to the design and installation of the telephone system. (Decision No. 55779, dated November 5, 1957.) The company has been authorized, also, to acquire, at a cost of \$1,040, certain facilities from The Pacific Telephone and Telegraph Company, in accordance with the terms of a purchase and sales agreement dated May 23, 1958, which facilities were reported to have a book cost of \$4,623. (Decision No. 56807, dated June 9, 1958.)

The present application shows that the construction work specified by the contract with E. A. Hosmer & Co. has been completed,

that the purchase of The Pacific Telephone and Telegraph Company's facilities has been consummated, and that applicant now desires to issue its authorized shares of stock to E. A. Hosmer & Co., as contemplated in the agreement of July 1, 1957, in discharge of the obligations incurred for the construction and acquisition of the telephone facilities.

The Commission's staff has made a review of the records of applicant and of E. A. Hosmer & Co. and has developed original costs and related accounts as follows:

	<u>Plant</u>	<u>Reserve</u>	<u>Net Plant</u>
201 Organization	\$ 1,199.58	\$ -	\$ 1,199.58
221 Central office equipment	11,169.09	-	11,169.09
231 Station equipment	3,753.83	491.00	3,262.83
232 Station connections	1,627.61	-	1,627.61
241 Pole lines	15,394.43	212.00	15,182.43
243 Aerial wire	501.00	111.00	390.00
264 Vehicles	928.19	-	928.19
Total	<u>\$34,573.73</u>	<u>\$814.00</u>	<u>\$33,759.73</u>

To be represented by -

100.4 Plant acquisition adjustment	\$ 2,769.00
150 Capital stock	25,000.00
153 Capital surplus	<u>5,990.73</u>
Total	<u>\$33,759.73</u>

The balances in the depreciation reserve account represent amounts reported by The Pacific Telephone and Telegraph Company for the facilities sold by it to applicant. The proposed balance in Account 100.4 was derived as follows:

Book cost of properties purchased from The Pacific Telephone and Telegraph Company	\$4,623.00
Less - associated depreciation reserve	<u>814.00</u>
Net book cost	3,809.00
Cash payment by applicant	<u>1,040.00</u>
Plant acquisition adjustment	<u>\$2,769.00</u>

The \$2,769 should be retained in Account 100.4 and, along with the opening balance of \$814 in the depreciation reserve account, utilized to reflect retirements of facilities which have been acquired from The Pacific Telephone and Telegraph Company.

We have considered this application and are of the opinion that an order should be entered.

O R D E R

The Commission has considered this proceeding and is of the opinion, and so finds, that a public hearing is not necessary; that the money, property or labor to be procured or paid for by the issue of the shares of stock herein authorized is reasonably required for the purpose specified herein; that such purpose is not, in whole or in part, reasonably chargeable to operating expenses or to income; that the \$34,573.73 reasonably reflects original costs of applicant's facilities as of this date; and that applicant should be authorized and directed to set up its books as indicated in the preceding opinion; therefore,

IT IS HEREBY ORDERED as follows:

1. The Redwood Empire Telephone System may issue 2,500 shares of its capital stock on or before February 28, 1959, for the purpose set forth in this application.

2. The Redwood Empire Telephone System shall record the cost of its properties on its books in the amounts and in the manner set forth in the preceding opinion.

3. The Redwood Empire Telephone System shall file with the Commission a report, or 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 shall become effective on the date hereof.

Dated at San Francisco, California, this 3rd day of November, 1958.

[Signature]
President
[Signature]
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Commissioners