

**ORIGINAL**

Decision No. 71114

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Investigation on )  
the Commission's own motion into the )  
matter of adopting and prescribing )  
for Class C telephone utilities the )  
Uniform System of Accounts for Class )  
C telephone utilities prescribed by )  
the Federal Communications Commission )  
or adopt and prescribe the same with )  
modifications. )

Case No. 4540

SEVENTH SUPPLEMENTAL ORDER

Heretofore, by orders in the above-entitled matter, the Commission adopted and prescribed, with certain modifications, for Class C telephone companies operating under its jurisdiction, the Uniform System of Accounts for Class C Telephone Companies, January 1961 Edition, and various amendments thereto, which had been prescribed by the Federal Communications Commission. The system of accounts so prescribed applied to telephone companies having average annual operating revenues exceeding \$1,500 but not more than \$100,000.

During the period from January 1, 1961 through June 9, 1965, the Federal Communications Commission amended its system of accounts in order to reflect changes in accounting theory and practice, as well as in income tax provisions and law, and to accomplish editorial changes. Said amendments have been

incorporated in the September 1965 Edition of the Uniform System of Accounts for Class C Telephone Companies.

Under date of April 20, 1966, The Federal Communications Commission adopted certain amendments to the Uniform System of Accounts for Class C Telephone Companies, September 1965 Edition. These amendments relate to various editorial changes necessary to reduce the number of filings required to be made with the Commission, and are identified in Transmittal Sheet No. VIII(65)-1.

For the purpose of coordinating the accounting requirements applicable to telephone companies, we find it desirable and in the public interest to adhere, insofar as practicable, to the appropriate uniform systems of accounts of the Federal Communications Commission. On the basis of this finding we conclude that we should adopt and prescribe, with certain modifications, said Uniform System of Accounts for Class C Telephone Companies, September 1965 Edition, together with the amendments thereto identified in Transmittal Sheet No. VIII(65)-1. A public hearing is not necessary.

IT IS ORDERED that:

1. The Public Utilities Commission of the State of California hereby adopts and prescribes for Class C telephone companies operating under its jurisdiction, that is, those telephone companies having annual operating revenues exceeding \$1,500 but not more than \$100,000, the Uniform System of Accounts for Class C Telephone Companies, September 1965 Edition,

prescribed by the Federal Communications Commission, together with the amendments thereto identified in Transmittal Sheet No. VIII(65)-1, subject to the following modifications:

- (a) Instruction 33.1, Classification of companies, shall be modified so as to define Class C companies as those having annual operating revenues exceeding \$1,500 but not exceeding \$100,000 and as defining Class D companies as those having annual operating revenues of not more than \$1,500.
- (b) Instruction 33.65, Depreciation accounting, in said system of accounts shall not be construed as prohibiting the use of the straight-line remaining life method of accruing depreciation.
- (c) Instruction 33.65, Depreciation accounting, is modified so as to permit the computation of depreciation charges by applying the applicable percentage rate to the beginning of the month balances in the primary accounts covering depreciable telephone plant.
- (d) The accounting treatment to be accorded to investment tax credits in order to provide for deferred accounting for such credits, described in Sections 33.2590(a) and 33.5490, will not be adopted by this Commission, in keeping with its adherence to the principle of immediate flow-through of all tax savings arising from such credits.

2. Effective January 1, 1967, all Class C telephone companies subject to the jurisdiction of this Commission shall keep their accounts in the manner set forth in said uniform system of accounts and amendments thereto, as adopted, prescribed and modified herein. However, any company may, at its option, adopt said uniform system of accounts and amendments, as modified, retroactively to September 1, 1965. Upon conformance

with this order, Class C telephone companies are relieved from keeping their accounts and records in accordance with the system of accounts previously in effect.

3. The Commission reserves the right to amend this order from time to time and does not bind itself to approve any item set out in any account as to either amount or character for rate-fixing purposes or for the issuance of securities.

4. The Secretary of the Commission is hereby directed to cause a copy of this decision to be served on each Class C telephone utility operating in this State.

5. This order shall become effective twenty days after the date hereof.

Dated at San Francisco, California, this 16<sup>th</sup> day  
of AUGUST, 1966.

*W. E. Mitchell*  
President  
*George F. Hoover*  
*Augustine*  
*William L. Bennett*  
Commissioners

Commissioner Frederick B. Holoboff, being necessarily absent, did not participate in the disposition of this proceeding.