

ORIGINAL

Decision No. 72855

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application)
of POLLOCK WATER SERVICE, INC.)
for Authority to Restate Assets.)

Application No. 49029
Filed December 15, 1966
and Amendment
Filed July 24, 1967

O P I N I O N

This is an application for an order of the Commission authorizing Pollock Water Service, Inc. to restate the amounts in its plant accounts and corresponding reserves for depreciation, all as of June 30, 1965.

Applicant owns water system facilities located in a portion of Monterey County, which facilities have been leased to, and are presently being operated by, California-American Water Company. Both companies are California corporations and wholly owned subsidiaries of American Water Works Company, Inc., a Delaware corporation.

Pursuant to authority granted by Decision No. 71668, dated December 6, 1966, in Application No. 48895, applicant acquired its water system facilities from Loretta M. Pollock, individually and as conservator of the Estate of George D. Pollock. According to the present application, applicant recorded the transaction with amounts carried on the records of said Loretta M. Pollock. It appears that said amounts do not accurately reflect the original cost of the assets acquired by applicant nor the appropriate related depreciation reserves. Attached as Exhibit B to the amendment to the present application

is a summary of an historical cost appraisal, as of June 30, 1965, of applicant's plant accounts and reserve requirements, which applicant desires authority to record as a restatement. A comparison of the total recorded assets and related reserves for depreciation with the proposed restated amounts, as of June 30, 1965, is as follows:

	<u>Recorded</u>	<u>Restated</u>	<u>Differ- ence</u>
Utility plant in service	\$ 510,049	\$ 604,214	\$ 94,165
Reserves for depreciation	<u>(152,447)</u>	<u>(175,600)</u>	<u>(23,153)</u>
Net utility plant	<u>\$ 357,602</u>	<u>\$ 428,614</u>	<u>\$ 71,012</u>

Any estimates submitted as a substitute for recorded data of questionable accuracy must be adequately supported, and should be so conservative as to preclude any question as to their reasonableness. The staffs of the Commission's Utilities and Finance and Accounts Divisions have made a joint review of said appraisal and related reserves and have expressed the opinion that they fulfill such standards and reasonably reflect the original cost of utility plant and accumulated depreciation reserves applicable thereto.

The Commission has considered this application, as amended, which is supported by staff analysis, and finds that the plant accounts and related reserve requirements set forth in Exhibit B, attached to the amendment to the application, are conservative, just and reasonable. On the basis of this finding we conclude that the application, as amended, should be granted. A public hearing is not necessary.

The authorization herein granted is for accounting purposes only and the Commission reserves the right to review this matter in further detail should it become an issue in any proceeding. Moreover, applicant reports that its predecessor had utilized long-term interest bearing notes to finance certain main extensions. Such financing is at variance with the prescribed main extension rule. Therefore, the company is hereby placed on notice that the question of an appropriate theoretical unrefunded balance of advances for construction may become an issue in a future proceeding.

O R D E R

IT IS ORDERED that:

1. Pollock Water Service, Inc. may restate the amounts in its plant accounts and corresponding reserves for depreciation as of June 30, 1965, so as to reflect the figures set forth in Exhibit B, attached to the amendment to the application.

2. Within thirty days after restating said plant accounts and corresponding reserves for depreciation, Pollock Water Service, Inc. shall file with the Commission a copy of each journal entry used to record the restatement on its books of account.

3. The effective date of this order is the date hereof.

Dated at San Francisco, California,
this 8th day of AUGUST, 1967.

President

Stella M. Bennett

Augusta

William J. ...

Paul P. ...

Commissioners

Commissioner Peter E. Mitchell, being necessarily absent, did not participate in the disposition of this proceeding.