

**ORIGINAL**

Decision No 45404

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application	)	
of Roseville Telephone Company,	:	
for authority to issue 7,500	)	Application
shares of its common stock at	:	No. 32855
\$10.00 par value.	)	
-----	:	

O P I N I O N

This is an application by Roseville Telephone Company for authority to issue and sell, at par, 7,500 shares of its common stock of the par value of \$10 each, and to use the proceeds (\$75,000) to pay indebtedness and to finance the cost of additions and improvements to its plant.

Applicant reports that it operates a common battery manual central office, that it proposes to install dial equipment, that it has borrowed \$17,352 from one of its stockholders to provide the engineering and other costs in connection with the proposed installation, and that it estimates its total expenditures for conversion to dial operation, and other purposes, in the aggregate amount of \$278,356.16, segregated as follows:

One dial board including installation for 1,200 lines	\$180,000.00
Additional equipment for present manual board to terminate dial tie lines	3,456.16
Dials for 2,500 telephones @ 7.00	17,500.00
200 new telephones to replace telephones not adapted to dial @ 25.00	5,000.00
Estimated cost of additional outside plant	22,000.00
500 held orders @ 30.00	15,000.00
400 estimated new service telephones @ 30.00	12,000.00
One new truck 1/2 ton with installers body	2,250.00
One new truck 3/4 ton with installers body	2,350.00
P A B X dial board for Southern Pacific Company	16,000.00
40 additional dial telephones	1,000.00
Expected promotion expenses in converting to dial	200.00
Miscellaneous office equipment	1,600.00
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Total	\$278,356.16

It is applicant's plan to meet its costs in part through the issue of the shares of stock covered by this application and in part with moneys to be borrowed from Pacific Mutual Life Insurance Company. It reports that negotiations for a loan of \$200,000 now are in progress and that it expects to receive assurance that such negotiations will be favorably concluded within a short time. It does not at this time ask for authority to borrow money.

A review of applicant's financial reports on file with the Commission show that its investment in its properties and its volume of business have been increasing rapidly since the close of the war. The following tabulation shows for each of the years 1946 to 1950, inclusive, the increase in plant, the operating revenues and net income, and the number of telephones in service at the close of each year:

	<u>Increase in Plant</u>	<u>Operating Revenues</u>	<u>Net Income</u>	<u>Telephones in Service</u>
1946	\$11,420	\$ 90,226	\$21,579	1,876
1947	25,412	102,207	21,766	2,171
1948	23,512	112,458	19,685	2,270
1949	73,166	125,566	22,748	2,668
1950	29,180	147,429	23,708	2,903

During the first eight months of 1951 applicant's operating revenues amounted to \$102,236 and its net income to \$14,679. It has been its practice to pay dividends in the amount of \$8,125 annually.

Applicant's reports to the Commission show that it has financed its investment in its assets primarily through the issue of common stock and the use of earnings from operation. Its financial position as of August 31, 1951, is set forth as follows:

Assets

Fixed capital -		
Total investment	\$350,181.44	
Less-depreciation reserve	<u>92,789.64</u>	
Net fixed assets		\$257,391.80
Current assets -		
Cash	20,990.47	
Accounts receivable	14,887.71	
Material and supplies	25,618.10	
Prepayments	1,051.77	
Other items	<u>921.30</u>	
Total current assets		63,469.35
Deferred charges		<u>29.00</u>
	Total	<u>\$320,890.15</u>

Liabilities and Net Worth

Current liabilities -		
Notes payable	\$ 17,352.00	
Accounts payable	14,584.76	
Accruals	<u>21,602.04</u>	
Total current liabilities		\$ 53,538.80
Net worth -		
Common stock	249,800.00	
Surplus	<u>17,551.35</u>	
Total net worth		<u>267,351.35</u>
	Total	<u>\$320,890.15</u>

It clearly appears that the inauguration of dial operations is in the public interest, that applicant will have need for funds from external sources to enable it to finance the estimated costs, and that the issue of stock as now proposed will improve applicant's financial position and will broaden the base of equity capital upon which applicant's proposed borrowings will rest. After a full review of this matter it is concluded that applicant's request should be granted.

ORDER

The Commission having considered the above entitled matter, and being of the opinion that a public hearing thereon is not necessary; that the application should be granted, as herein provided;

that the money, property or labor to be procured or paid for through the issue and sale of the stock herein authorized is reasonably required by applicant for the purposes specified herein, and that such purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income; therefore,

IT IS HEREBY ORDERED as follows:

1. Roseville Telephone Company, after the effective date hereof and on or before March 31, 1952, may issue and sell, at par for cash, 7,500 shares of its common stock and use the proceeds for the purposes set forth in this application.

2. Roseville Telephone Company shall file with the Commission monthly reports as required by General Order No. 24-A, which order, insofar as applicable, is made a part of this order.

3. The authority herein granted will become effective twenty (20) days after the date hereof.

Dated at San Francisco, California, this 13<sup>th</sup> day of November, 1951.

R. F. [Signature]  
President

Harold [Signature]

[Signature]

[Signature]

Commissioners