

**ORIGINAL**

Decision No. 55181

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application  
of ROSEVILLE TELEPHONE COMPANY,  
a California Corporation, for  
Authority to Issue 55,000 Shares  
of its Common Stock at \$10.00  
Par Value.

Application No. 39091

O P I N I O N

Roseville Telephone Company has filed this application for authorization to issue 55,000 shares of its common stock of the par value of \$10 each.

Applicant is a California corporation engaged in operating a telephone system in and about the City of Roseville. In Exhibit A attached to the application, it reports its net investment in telephone plant in the amount of approximately \$1,400,000 as of April 30, 1957, its outstanding long-term debt at \$813,000 and its common stock equity capital at \$598,833. The latter consists of 50,000 shares of common stock of the aggregate par value of \$500,000 and surplus of \$98,833.

Applicant now reports that it has need for additional capital funds in order to pay for plant additions, improvements and betterments to meet the increased demand for telephone service in its area and that it proposes to issue and sell 50,000 of the shares which are covered by this application at not less than \$10 a share to meet a portion of its requirements. In presenting this matter to the Commission the company estimates its capital

expenditures during 1957 in the amount of \$325,500, during 1958 in the amount of \$292,000, and during 1959 in the amount of \$403,000, as shown in some detail in the application.

Before proceeding with the sale of the additional shares, however, applicant proposes to capitalize a portion of its retained earnings through the issue of the remaining 5,000 shares included in this proceeding and to distribute such shares to its present shareholders as a dividend on the basis of one new share for each 10 shares outstanding. In making this distribution, applicant will transfer \$50,000 from its surplus account to its capital stock account.

From a review of applicant's financial statements, it clearly appears that it has had earnings, after making allowance for depreciation, in excess of the proposed stock dividend and that such earnings, instead of being distributed as cash dividends, have been retained by applicant in its assets and business. The transfer of \$50,000 as now proposed will result in the permanent retention of earnings of that magnitude in the business and will tend to minimize the dilution of the interests of the present shareholders upon the issue and sale of the additional shares.

Upon a full review of this matter, we are of the opinion that an order should be entered granting applicant's requests.

O R D E R

The Commission having considered the above-entitled matter and being of the opinion that a public hearing is not necessary, that the application should be granted, as herein provided, that the money, property or labor to be procured or

paid for by the issue of common 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 may issue not exceeding 5,000 shares of its common stock on or before December 31, 1957, at par, for the reimbursement of moneys expended from income for additions to its properties and, thereafter, may distribute such shares as a stock dividend to the holders of its presently outstanding shares of common stock.

2. Roseville Telephone Company may issue and sell not exceeding 50,000 shares of its common stock at not less than par on or before December 31, 1958 for the purpose of financing the costs of plant additions, improvements and betterments.

3. Roseville Telephone Company 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 approval herein indicated is for the issue and sale of securities only and is not to be construed as indicative of amounts to be included in a future rate base for the purpose of determining just and reasonable rates.

5. The authority herein granted will become effective on the date hereof.

Dated at Los Angeles, California, this 25<sup>th</sup> day of June, 1957.

[Signature]  
President

[Signature]

[Signature]

[Signature]

Commissioners