

ORIGINALDecision No. 60631

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 161,000
Shares of its Common Stock
at \$10.00 Par Value.

Application No. 42527

O P I N I O N

This application was filed on July 29, 1960, for an order of the Commission authorizing Roseville Telephone Company to issue 161,000 shares of its common stock of the par value of \$10 each and of the aggregate par value of \$1,610,000.

Applicant is engaged in supplying telephone service in and about the City of Roseville. In its financial statement filed as Exhibit A, it reports its net investment in fixed assets as of June 30, 1960, at \$3,496,803 and its outstanding long-term debt, notes, common stock and retained earnings as follows:

Long-term debt	\$1,844,000	52%
Notes payable	325,000	9
Common stock equity -		
Common stock	1,049,850	
Premium on stock	100,000	
Surplus	226,902	
Total common stock equity	<u>1,376,752</u>	<u>39</u>
Total	<u>\$3,545,752</u>	<u>100%</u>

The outstanding common stock consists of 104,985 shares of the par value of \$10 each and with a book value, on the basis of the above figures, of approximately \$13 each. During the last

five years cash dividends were paid at the rate of 4.5% in 1955-56; of 3% during 1957-58; and of 6% during 1959.

The company now reports that it has need for additional capital funds and that it proposes to issue and sell 150,589 of the shares of stock which are applied for in this application at not less than \$11 per share in order to pay short-term loans and to finance, in part, its 1961-62 expenditures for plant additions. It estimates that its short-term borrowings will aggregate \$700,000 during the two years and that additions to its plant will cost \$1,109,500 during 1961 and \$953,000 during 1962, all as set forth in some detail in the application.

Before proceeding with the sale of the additional shares, applicant desires to distribute to its present shareholders a part of the earnings which have been retained in the business and properties and it proposes to issue to such shareholders 10,411 shares of stock as a dividend at the rate of one share for each ten shares outstanding. The transaction will tend to minimize dilution of the interests of the present shareholders upon the issue of the additional shares and will provide a broader base of permanent equity capital in applicant's structure.

Upon a full review of this matter, we find and conclude that applicant has had earnings from operations well in excess of the proposed stock dividend; that it has retained such earnings in its business; and that an order properly can be made authorizing the issue of 10,411 shares against the retained earnings and the distribution of such stock as a dividend. We

further find and conclude that applicant will have need for the funds from the sale of 150,589 shares to pay indebtedness and to finance expenditures for plant. Upon the basis of these findings, we will enter our order granting the application.

The authorization herein given shall not be construed as indicative of amounts to be included in a future rate base for the purpose of determining just and reasonable rates.

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

IT IS HEREBY ORDERED as follows:

1. Roseville Telephone Company, on or after the effective date hereof and on or before December 31, 1960, may issue not to exceed 10,411 shares of its common stock in reimbursement of retained earnings invested in its business and 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, on or after the effective date hereof and on or before December 31, 1962, may issue and sell not to exceed 150,589 shares of its common stock, at not less than \$11 per share, for the purpose of paying short-term loans and of financing, in part, the cost of additions to its plant.

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 authority herein granted shall become effective on the date hereof.

Dated at San Francisco, California,
this 30th day of August, 1960.

President

Commissioners