

ORIGINAL

Decision No. 69023

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application)
of ROSEVILLE TELEPHONE COMPANY,)
a California Corporation, for)
Authorization to issue 37,500)
shares of its Common Stock.)

Application No. 47494
Filed April 15, 1965

O P I N I O N

Roseville Telephone Company has filed this application requesting authority from the Commission to issue 37,500 shares of its \$10 par value common stock. Applicant contemplates distributing 12,691 shares of the proposed stock issue to its shareholders as a stock dividend, and issuing and selling the balance of 24,809 shares for cash at a price of not less than \$30 per share.

The company is a California corporation engaged as a public utility in the business of providing telephone service in and about the City of Roseville. For the year 1964, applicant's annual report discloses gross operating revenues and net income of \$2,292,506 and \$412,584, respectively, and a total of 15,879 telephones in service at the end of the period. The balance sheet, attached to the application as Exhibit A, indicates that as of February 28, 1965, the utility's net telephone plant, after deducting the depreciation reserve, amounted to \$7,869,118 and that its net current and other

assets were \$197,915. The corporation's reported capitalization on the balance sheet date, together with adjustments giving effect to the financing proposed herein, are shown as part of Exhibit B annexed to the application, and are summarized as follows:

	Feb. 28, 1965		Pro Forma	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Long-term debt	\$3,701,415	45.88%	\$3,701,415	42.01%
Common stock equity -				
Common stock	\$2,659,850		\$3,034,850	
Premium on capital stock	905,000		1,655,000	
Earned surplus	798,490		417,760	
Capital surplus	2,278		2,278	
Total equity	<u>4,365,618</u>	<u>54.12</u>	<u>5,109,888</u>	<u>57.99</u>
Total capital-ization	<u>\$8,067,033</u>	<u>100.00%</u>	<u>\$8,811,303</u>	<u>100.00%</u>

In order to distribute part of the earnings which have been retained in the business and properties, applicant seeks permission to issue 12,691 shares of common stock to shareholders on the basis of one share for each twenty shares outstanding. To record the stock dividend on its books at a value of \$30 per share the company intends to transfer the sum of \$380,730 from earned surplus and to credit its capital stock and premium on capital stock accounts with respective amounts of \$126,910 and \$253,820.

Applicant also requests authority to issue an additional 24,809 shares of common stock for cash at a price of not less than \$30 per share. It proposes to issue said shares over a two-year period and to use the proceeds of \$744,270 to finance, in part,

the cost of estimated capital additions during 1965 and 1966, which, according to Exhibit B attached to the application, will aggregate \$1,483,065. The company reports that the balance of such construction costs will be financed by the use of internal funds and with the proceeds of short-term bank borrowings at the prime commercial interest rate. It asserts further that such borrowings will be replaced with permanent financing upon Commission approval of an application to issue and sell appropriate securities at a later date.

The Commission has considered this matter and finds that: (1) the proposed stock issue is for proper purposes; (2) applicant's retained earnings from operations exceed the proposed common stock dividend to the extent that it may properly issue 12,691 shares of common stock against such earnings; (3) 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; and (4) such purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income. On the basis of these findings we conclude that the application should be granted. A public hearing is not necessary.

In issuing our order herein, we place applicant and its shareholders on notice that we do not regard the number of shares outstanding, the total par value of the shares nor the dividends paid as measuring the return applicant should be allowed to earn on its investment in plant and that the

authorization herein given is not to be construed as a finding of the value of applicant's stock or properties nor as indicative of amounts to be included in proceedings for the determination of just and reasonable rates.

ORDER

IT IS ORDERED that:

1. Roseville Telephone Company, on or after the date hereof and on or before June 30, 1967, may issue not to exceed 12,691 shares of its common stock for the purpose set forth in the application, and concurrently therewith may transfer not to exceed \$380,730 from its earned surplus account to its capital stock and premium on capital stock accounts in the manner described in the foregoing opinion.

2. Roseville Telephone Company, on or after the date hereof and on or before June 30, 1967, may issue and sell not to exceed 24,809 shares of its common stock at not less than \$30 per share, for the purpose set forth in the application.

3. Roseville Telephone Company shall file with the Commission a report, or reports, as required by General Order No. 24-B, which order, insofar as applicable, is hereby made a part of this order.

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

Dated at San Francisco, California,
this 11th day of MAY, 1965.

[Signature] President
George J. Hoover
[Signature]
[Signature] Commissioners

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