

ORIGINAL

Decision No. 72378

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 50,000)
shares of its Common Stock.)

Application No. 49275
Filed April 11, 1967

O P I N I O N

In this application Roseville Telephone Company seeks authorization from this Commission to issue 50,000 shares of its \$10 par value common stock. Applicant contemplates distributing approximately 15,000 shares of the proposed stock issue to its shareholders as a stock dividend, and issuing and selling the balance of approximately 35,000 shares for cash at a price of not less than \$40 per share.

Applicant is a California corporation providing local and long distance telephone service in and about the city of Roseville. For the year ended December 31, 1966, the company reports operating revenues of \$2,873,457 and net income of \$456,834.

The balance sheet as of December 31, 1966, attached to the application, indicates that applicant's net telephone plant, after deducting accumulated depreciation, amounted to \$9,708,368. The corporation's capitalization ratios on the balance sheet date, and as adjusted to give effect (a) to the recent \$1,500,000 long-term note authorization for retiring

short-term loans and (b) to the stock issue proposed herein, are reported as follows:

	<u>Dec. 31, 1966</u>	<u>Pro Forma</u>
Long-term debt	39%	42%
Common stock equity	<u>61</u>	<u>58</u>
Total	<u>100%</u>	<u>100%</u>

The company reports an earned surplus balance of \$896,096 as of December 31, 1966. For the purpose of permanently capitalizing a portion of the earnings which have been retained in the business and invested in properties, applicant requests permission to issue approximately 15,000 shares of common stock to its shareholders on the basis of one share for each twenty shares outstanding. The utility proposes to record the stock dividend on its books at a value of \$40 per share, which is the approximate current market price.

Based on a distribution of 15,000 shares, it appears that a sum of \$600,000 would be charged to earned surplus with concurrent credits to the capital stock and premium on capital stock accounts in respective amounts of \$150,000 and \$450,000.

Applicant plans to issue and sell an additional 5,000 shares of common stock to its employees and directors through purchase and payroll subscriptions at a price of not less than \$40 per share. According to the application, that portion of the proposed 50,000 shares not issued as a stock dividend or held for issue and sale to employees and directors (estimated to be approximately 30,000 shares) will be offered to present

California shareholders at a price of not less than \$40 per share before offering the shares to the general public.

The company proposes to issue and sell said shares over a three-year period and to use funds derived from the sale for repaying, in part, short-term bank loans, the proceeds of which have been, or will be, applied to capital additions and betterments. Applicant estimates that its construction expenditures in the years 1967 and 1968 will amount to \$1,045,000 and \$524,300, respectively.

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 the stock dividend 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.

O R D E R

IT IS ORDERED that:

1. Roseville Telephone Company, on or after the date hereof and on or before June 30, 1970, in the manner and for the purposes set forth in this proceeding, may issue not to exceed 50,000 shares of its common stock, the selling price to be not less than \$40 per share for any of such shares that are sold.

2. 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.

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

Dated at San Francisco, California,
this 2nd day of MAY, 1967.

[Signature]
President

[Signature]
Commissioners

Commissioner A. W. Gatov, being necessarily absent, did not participate in the disposition of this proceeding.