

ORIGINAL

Decision No. 77715

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of )  
 )  
 SAN MIGUEL TELEPHONE COMPANY OF )  
 CALIFORNIA )  
 For authorization to borrow )  
 \$1,225,000, issue notes therefor )  
 and execute security instruments in )  
 connection therewith. )

Application No. 51582  
 Petition for Modification  
 Filed July 31, 1970

In the Matter of the Application of )  
 )  
 REDWOOD EMPIRE TELEPHONE COMPANY )  
 (formerly San Miguel Telephone )  
 Company of California) )  
 For authorization to issue and sell )  
 up to 10,000 shares of its Common )  
 Stock and up to 2,000 shares of its )  
 Cumulative Preferred Stock, 9% )  
 Series A. )

Application No. 52093  
 Filed July 31, 1970

O P I N I O N

Redwood Empire Telephone Company seeks an order of the Commission authorizing it to issue and sell up to 10,000 shares of its 50¢ par value common stock at a price of \$10 per share, and 2,000 shares of its preferred stock at their par value of \$50 per share, the offering to be in units of five shares of common stock and one share of preferred stock. In addition, the utility

requests the Commission to amend Decision No. 77208, dated May 12, 1970, so as to enable the company to include preferred stock in the 10% of capitalization minimum equity requirement.

Applicant is a California corporation operating as a public utility telephone company in portions of Fresno, Kern, Kings, Monterey, San Luis Obispo and Sonoma Counties. Prior to the filing of an Amendment of Articles of Incorporation in July, 1970, the utility's name was San Miguel Telephone Company of California. For the year 1969, the company reports operating revenues and net loss of \$373,836 and \$4,475, respectively. The utility's March 31, 1970 balance sheet, attached to the application as a part of Exhibit B, shows total assets of \$1,339,366 offset by liabilities, as follows:

Common stock (201,530 shares)	\$ 100,790
Unappropriated earned surplus	37,482
Long-term debt	1,154,968
Current and accrued liabilities	439,674
Deferred credits	<u>106,452</u>
Total	<u>\$1,839,366</u>

In connection with granting authority for applicant to issue 2%, 35-year, Rural Electrification Administration notes in the aggregate principal amount of not exceeding \$1,225,000, said Decision No. 77208 required the utility, among other things, to

increase its common equity investment to a minimum of 10% of capitalization, and to maintain such percentage thereafter.

The utility proposes to increase its equity by approximately \$200,000 through issuing and selling 10,000 shares of its common stock and 2,000 shares of its Cumulative Preferred Stock, 9% Series A in units of five shares of common stock and one share of preferred stock at a price of \$100 per unit. The net proceeds would be used in conjunction with borrowings through the Rural Electrification Administration for the acquisition and expansion of telephone plant and equipment, and for retiring open account and short-term debt incurred for, or in connection with, such plant and equipment. Details pertaining thereto are set forth in Exhibit D attached to the application.

Applicant has submitted to the Rural Electrification Administration, and has attached to the application as page 3 of Exhibit B, a statement indicating that its estimated net earnings for the years 1970 to 1974, inclusive, should be sufficient to cover dividends on the proposed issue of preferred stock. In this connection attention is directed to Section 828 of the Public Utilities Code, which reads as follows:

"No provision of this part, and no act done or performed under or in connection therewith, shall obligate the State to pay or guarantee, in any manner whatsoever, any stock or stock certificate or other evidence of interest or ownership, or bond, note, or other evidence of indebtedness, authorized, issued, or executed under the provisions of this part."

After consideration the Commission finds that:

(1) the proposed stock issues are for proper purposes; (2) the money, property or labor to be procured or paid for by the issues of stock herein authorized is reasonably required for the purposes specified herein; and (3) 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 petition and 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 the company should be allowed to earn on its investment in plant, and that the authorization herein granted is not to be construed as a finding of the value of the company'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. Ordering Paragraph No. 7 of Decision No. 77203, dated May 12, 1970, is hereby amended to read as follows:

7. Applicant shall increase its equity investment to a minimum of 10% of capitalization, and maintain this minimum percentage thereafter.

2. Redwood Empire Telephone Company, on or after the effective date hereof and on or before December 31, 1971, for the purposes specified in the application, may issue and sell up to 10,000 shares of its common stock at a price of \$10 per share and up to 2,000 shares of its Cumulative Preferred Stock, 5% Series A at a price of \$50 per share, in units of five shares of common stock and one share of said preferred stock. Such sales shall be made by officers and employees of applicant only to bona fide residents of the State of California without payment of commission, and so as to net applicant the full proceeds thereof less other applicable costs of issuance and sale.

3. Redwood Empire Telephone Company shall distribute to each prospective purchaser of the stock herein authorized a copy of this decision, together with either a copy of said Decision No. 77208 or a resume thereof indicating therein that a copy of the decision is available for review in the company's offices.

4. Until completion of construction of the plant and projects described in its Rural Electrification Administration application pertaining to notes authorized by said Decision No. 77208, all expenditures by Redwood Empire Telephone Company shall be by checks signed by an official of applicant and also countersigned by a person acceptable to the Rural Electrification Administration and to this Commission, provided that no such countersignature shall be required on routine payroll checks to be paid out of a special payroll account from funds transferred thereto at regular intervals by countersigned checks.

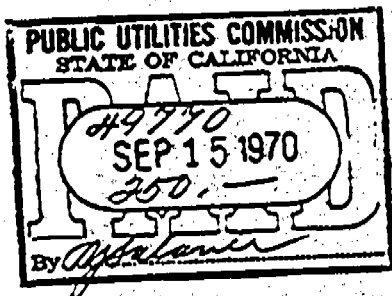
5. Redwood Empire Telephone Company shall file with the Commission a report, or reports, as required by General Order No. 24-B, which order, insofar as applicable, is hereby made a part of this order.

6. Said Decision No. 77208, including its interim status, shall remain in full force and effect, except as modified by this order.

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7. This order shall become effective when Redwood  
Empire Telephone Company has paid the fee prescribed by  
Section 1904.1 of the Public Utilities Code, which fee is \$250.

Dated at Los Angeles, California,  
this 15<sup>th</sup> day of SEPTEMBER, 1970.



[Signature]  
Chairman

[Signature]

[Signature]  
Commissioners

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

Commissioner Thomas Moran, being  
necessarily absent, did not participate  
in the disposition of this proceeding.