

Decision No. 81321

ORIGINAL

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 pursuant to)
California Public Utilities)
Code Sections 816-830 to issue)
debentures and other evidence)
of indebtedness aggregating)
not more than \$10,448,500.00.)

Application No. 53958
(Filed April 12, 1973)

O P I N I O N

Roseville Telephone Company seeks authority to issue debentures and other evidence of indebtedness in the aggregate amount of \$10,448,500.

Applicant is a California corporation furnishing local and long distance telephone service in the City of Roseville and vicinity. For the year 1972 it reports total operating revenues and net income in the respective amounts of \$5,215,147 and \$785,264.

The Commission previously authorized the company to issue to Pacific Mutual Life Insurance Company mortgage notes having reported outstanding balances aggregating \$4,448,500. In addition, the Commission has authorized the company to issue \$2,000,000 in notes to Bank of America National Trust and Savings Association, which amount is reported to be presently outstanding.

Applicant proposes to issue its Series A through F debentures in the aggregate principal amount of \$4,448,500 to Pacific Mutual Life Insurance Company in exchange for said

outstanding mortgage notes. The interest rate and maturity date of each series of the proposed debentures would correspond to the interest rate and maturity date of each of the series of mortgage notes to be exchanged.

In order to obtain funds for the purposes of repaying said \$2,000,000 in notes to Bank of America National Trust and Savings Association and providing \$1,000,000 for a portion of the purchase and installation of an electronic switching addition at its Citrus Heights office, applicant proposes to issue \$3,000,000 principal amount of its Series G debentures to Provident Mutual Life Insurance Company of Philadelphia. The Series G debentures would bear interest at the rate of 7-3/4% per annum, would mature April 1, 1998, and would be subject to a ten-year restricted redemption provision.

Pursuant to a Loan Agreement expiring on May 31, 1975, applicant proposes to borrow, repay and reborrow not exceeding \$3,000,000 at any one time outstanding from Bank of America National Trust and Savings Association, and to apply the proceeds approximately as follows:

Electronic switching addition	
to the Citrus Heights office	- \$1,500,000
Central office equipment	- 700,000
Station apparatus and PBX	- 370,000
Cable, conduit, poles, etc.	- <u>430,000</u>
Total	<u>\$3,000,000</u>

To and including May 31, 1974, the proposed bank indebtedness would bear interest at the rate of 1/4% above the bank's prime rate, and for the second year the interest rate would be 1/4% more.

The company's capital ratios as of February 28, 1973, and as adjusted to give effect to the proposed transactions, are reported in Exhibit B, attached to the application, as follows:

	<u>February 28, 1973</u>	<u>Pro forma</u>
Long-term debt	35.26%	56.00%
Common stock equity	<u>64.74</u>	<u>44.00</u>
Total	<u>100.00%</u>	<u>100.00%</u>

After consideration the Commission finds that:

1. The proposed transactions would not be adverse to the public interest.
2. The proposed restricted redemption provision is reasonable.
3. The proposed issues of debentures and other evidence of indebtedness are for proper purposes.
4. The money, property or labor to be procured or paid for by the issues of debentures and other evidence of indebtedness herein authorized is reasonably required for the purposes specified herein, which purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income.

On the basis of the foregoing findings we conclude that the application should be granted. A public hearing is not necessary. The authorization herein granted is for the purpose of this proceeding only, and is not to be construed 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 effective date hereof and on or before August 31, 1973, in exchange for mortgage notes and in accordance with an Exchange Agreement and an Indenture, may issue to Pacific Mutual Life Insurance Company not exceeding in aggregate principal amounts (a) \$131,000 of its 4-1/4% Series A Debentures Due March 1, 1975, (b) \$120,000 of its 4-1/4% Series B Debentures Due March 1, 1976, (c) \$187,500 of its 4-3/4% Series C Debentures Due January 1, 1982, (d) \$780,000 of its 5-1/4% Series D Debentures Due May 1, 1984, (e) \$1,820,000 of its 4-3/4% Series E Debentures Due March 1, 1988, and (f) \$1,410,000 of its 6-1/2% Series F Debentures Due March 1, 1992. The documents shall be in substantially the same forms as those attached to the application.

2. Roseville Telephone Company, on or after the effective date hereof and on or before August 31, 1973, in order to obtain funds for discharging existing indebtedness to Bank of America National Trust and Savings Association and financing a portion of the purchase and installation of an electronic switching addition at its Citrus Heights office, in accordance with a Debenture Purchase Agreement and the Indenture referred to in Ordering Paragraph No. 1 hereof, may issue and sell not exceeding \$3,000,000 aggregate principal amount of its 7-3/4% Series G Debentures Due April 1, 1993, at not less than their principal amounts. The Debenture Purchase Agreement shall be in substantially the same form as that attached to the application.

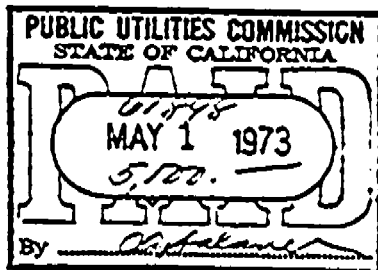
3. Roseville Telephone Company, on or after the effective date hereof and on or before August 31, 1973, in order to obtain funds for the purposes set forth in the application, may enter

into a Loan Agreement with Bank of America National Trust and Savings Association providing for indebtedness in the aggregate principal amount of not exceeding \$3,000,000 at any one time outstanding. The Loan Agreement shall be in substantially the same form as that attached to the application.

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

5. This order shall become effective when Roseville Telephone Company has paid the fee prescribed by Section 1904 (b) of the Public Utilities Code, which fee is \$5,000.

Dated at San Francisco, California, this
1st day of MAY, 1973.



Vernon L. Sturgeon
President
William J. Lyons
Richard J. Lyons
Mark J. Lyons
John J. Lyons
Commissioners