

ORIGINALDecision No. 82730

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 THE SISKIYOU TELEPHONE COMPANY,)
 a California corporation, for)
 authority to issue 16,000 shares of)
 its \$50 par value 5.75% Cumulative)
 Class A Preferred Stock, First)
 Series.)

Application No. 54755
 (Filed March 27, 1974)

O P I N I O N

The Siskiyou Telephone Company seeks authority to issue not exceeding 16,000 shares of its \$50 par value 5.75% Cumulative Class A Preferred Stock, First Series, as a stock dividend.

Applicant is a California corporation furnishing telephone service in portions of Humboldt and Siskiyou Counties. Its balance sheet as of September 30, 1973, as summarized from Exhibit B attached to the application, is as follows:

<u>Assets</u>	
Current assets	\$ 803,079
Net telephone plant	3,355,259
Other assets	71,554
Total	<u>\$4,229,892</u>

<u>Liabilities</u>	
Current liabilities	\$ 186,501
Long-term debt	3,005,077
Preferred stock	18,000
Common stock	10,000
Paid-in surplus	6,957
Retained earnings	987,132
Other liabilities	16,225
Total	<u>\$4,229,892</u>

The company's outstanding common stock consists of 2,000 shares having a par value of \$5 each. The utility proposes to issue 16,000 shares of its \$50 par value 5.75% Cumulative Class A Preferred Stock, First Series, as a stock dividend on the basis of eight shares for each share of common stock outstanding. The transaction would be accomplished by transferring \$800,000 from the Unappropriated Retained Earnings Account to the Class A Preferred Stock, First Series, Capital Stock Account. Each share of the 5.75% Cumulative Class A Preferred Stock, First Series, would be entitled to ten votes.

The application indicates that the voting provisions of the proposed stock would insure retention of control of the utility by its present majority stockholder, while enabling her to make dispositions of her common stock in order to make potential estate taxes reasonable, and thereby preventing a possible forced sale of a controlling interest in the company in the event of her death. According to the application, the proposed transactions would assure applicant's telephone users a continuation of the excellent service which they have received through the years as a result of local control and operation.

After consideration the Commission finds that:

1. The proposed stock would be for a proper purpose.
2. Applicant's retained earnings from operations exceed the proposed 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 stock herein authorized is reasonably required for the purpose specified herein, which purpose is 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. 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 it 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.

The action taken herein is based upon the merits of this particular application, and is not to be construed as a precedent.

O R D E R

IT IS ORDERED that:

1. The Siskiyou Telephone Company, on or after the effective date hereof and on or before September 30, 1974, may issue and distribute as a stock dividend not exceeding 16,000 shares of its \$50 par value 5.75% Cumulative Class A Preferred Stock, First Series, in the manner and for the purpose set forth in this proceeding.
2. The Siskiyou Telephone Company shall file with the Commission the report required by General Order No. 24-B, which order, insofar as applicable, is hereby made a part of this order.

3. This order shall become effective when The Siskiyou Telephone Company has paid the fee prescribed by Section 1904.1 of the Public Utilities Code, which fee is \$1,600.

Dated at San Francisco, California, this 16th day of April, 1974.

William L. Sturgeon President
[Signature]
[Signature]
[Signature] Commissioners

Commissioner Vernon L. Sturgeon, being necessarily absent, did not participate in the disposition of this proceeding.

