

ORIGINAL

Decision No. 83736

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application)
 of THE PONDEROSA TELEPHONE CO.,)
 a California corporation, for)
 authority to issue 79,272)
 shares of its \$10 par value)
 Preferred Shares, First Series.)

Application No. 55269
 (Filed October 28, 1974)

O P I N I O N

The Ponderosa Telephone Co. seeks authority to issue 79,272 shares of its \$10 par value Preferred Shares, First Series, as a stock dividend.

Applicant is a California corporation furnishing telephone service in portions of Fresno and Madera Counties. Its balance sheet as of June 30, 1974, as summarized from Exhibit B attached to the application, is as follows:

Assets

Current assets	\$ 376,860
Net telephone plant	3,351,210
Other assets	<u>103,170</u>
Total	<u>\$3,831,240</u>

Liabilities

Current and accrued liabilities	\$ 77,386
Common stock	66,060
Unappropriated retained earnings	989,915
Long-term debt	<u>2,697,879</u>
Total	<u>\$3,831,240</u>

The company's outstanding capital stock consists of 6,606 shares of common stock having a par value of \$10 each. The utility proposes to issue 79,272 shares of its \$10 par value Preferred Shares, First Series, as a stock dividend on the basis of twelve shares for each share of common stock outstanding. The accounting for the transaction would be accomplished by transferring \$792,720 from the Unappropriated Retained Earnings Account to the Preferred Shares, First Series Capital Stock Account. Each of such preferred shares would bear a 6% per annum cumulative dividend, and would be entitled to one vote.

The application indicates that the voting provisions of the proposed shares would insure retention of control of the utility by its present small family group of stockholders, while enabling them to make substantial dispositions of their common stock in order to prevent a possible forced sale of a controlling interest in the company to pay estate taxes in the event of their death. According to the application, the proposed transactions would assure telephone users of the utility a continuation of the excellent service which they have received through the years as a result of local control and operation, and would transfer a substantial amount of money otherwise available for dividends to a capital stock account.

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

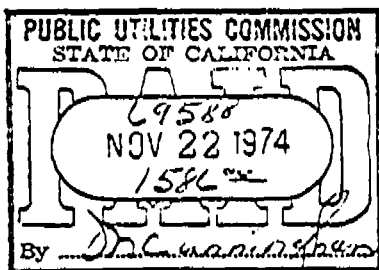
IT IS ORDERED that:

1. The Ponderosa Telephone Co., on or after the effective date hereof and on or before March 31, 1975, may issue and distribute as a stock dividend not exceeding 79,272 shares of its \$10 par value Preferred Shares, First Series, in the manner and for the purpose set forth in this proceeding.

2. The Ponderosa Telephone Co. 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 Ponderosa Telephone Co. has paid the fee prescribed by Section 1904.1 of the Public Utilities Code, which fee is \$1,586.

Dated at San Francisco, California, this 19th day of November, 1974.



William J. Simon President
[Signature]
[Signature]
Robert E. Merland Commissioners

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