

ORIGINALDecision No. 84783

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application)
 of The Volcano Telephone Company)
 for authority to issue 4,710)
 shares of its \$25.00 par value)
 preferred stock.)

Application No. 55817
 (Filed July 18, 1975)

O P I N I O N

The Volcano Telephone Company seeks authority to issue 4,710 shares of its \$25 par value 7% preferred stock, as a stock dividend.

Applicant is a California corporation owning and operating a telephone system serving portions of Amador and Calaveras Counties. Its balance sheet at March 31, 1975, as summarized from Exhibit A attached to the application, is as follows:

<u>Assets</u>	
Net telephone plant	\$3,718,800
Other assets	<u>252,649</u>
Total	<u>\$3,971,449</u>
<u>Liabilities</u>	
Capital stock	\$ 58,875
Other capital	2,359
Unappropriated retained earnings	1,125,024
Long-term debt	2,782,553
Other liabilities	<u>2,638</u>
Total	<u>\$3,971,449</u>

The company reports that its capital stock consists of 2,355 outstanding common shares having a par value of \$25 per share. The utility proposes to issue 4,710 shares of its \$25 par value 7% preferred stock as a stock dividend on the basis of two shares of preferred for each share of common stock outstanding. The accounting for the transaction would be accomplished by transferring \$117,750 from the Unappropriated Retained Earnings Account to the Capital Stock Account. Holders of the preferred stock would be entitled to one vote per share.

The utility is a closely held two-family corporation, and the application indicates that the proposal would achieve family objectives in contemplated estate planning. In this connection applicant states: "The control of the corporation will be retained with its present management which will assure Applicant's telephone users of continuation of the excellent and improving service that they have received through the years as a result of local control and operation and will enable the present owners to make gifts to their children of Common stock in order to reduce potential estate taxes reasonably, and to pass on to them the burden of increased value of the Common stock as the company expands and improves."

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 amount of 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.

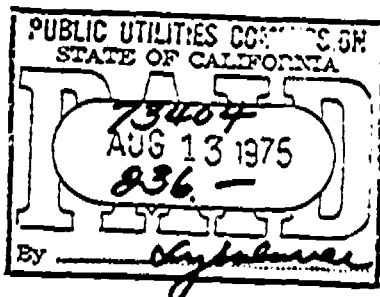
On the basis of the foregoing findings we conclude that the application should be granted. A public hearing is not necessary. In issuing our order herein, we place applicant and its shareholders on notice that we do not regard the number of shares outstanding, the total par value of the shares, nor the 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.

O R D E R

IT IS ORDERED that:

1. The Volcano Telephone Company, on or after the effective date hereof, may issue and distribute as a stock dividend not exceeding 4,710 shares of its \$25 par value 7% preferred stock, in the manner and for the purpose set forth in this proceeding.
2. The Volcano 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 Volcano Telephone Company has paid the fee prescribed by Section 1904.1 of the Public Utilities Code, which fee is \$236.

Dated at San Francisco, California, this 12th day of August, 1975.



[Signature] President
William J. [Signature]
Thomas L. [Signature]
[Signature]
[Signature] Commissioners