

Decision No. 84855

## BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of )	
ROSEVILLE TELEPHONE COMPANY, a )	
California corporation, for )	Application No. 55855
Authorization pursuant to California )	(Filed August 8, 1975)
Public Utilities Code Sections )	
816-830 to issue not more than )	
136,406 shares of its Capital Stock. )	

O P I N I O N

Roseville Telephone Company seeks authority to issue not exceeding 136,406 shares of its \$5 par value capital stock, of which it would issue not exceeding 43,180 shares as a stock dividend and offer the balance for sale at a price of \$20 per share.

Applicant is a California corporation furnishing local and long distance telephone service in the City of Roseville and contiguous territory. For the year 1974, it reported total operating revenues and net income in the respective amounts of \$7,571,343 and \$1,308,518. The company's reported assets and liabilities at May 31, 1975, are summarized as follows:

Assets

Fixed assets less reserves	
for depreciation	\$22,755,381
Other assets	<u>2,084,518</u>
Total	<u>\$24,839,899</u>

Liabilities

Capital stock outstanding	
and subscribed	\$ 4,335,985
Premium on capital stock	5,482,440
Retained earnings	1,855,273
Long-term debt	7,162,500
Notes payable - bank	3,900,000
Other liabilities	<u>2,103,701</u>
Total	<u>\$24,839,899</u>

The maximum amount of capital stock which applicant's Articles of Incorporation permit is 1,000,000 shares having a par value of \$5 each. According to the application, the number of such shares issued and outstanding at September 1, 1975 amounts to 863,594, and applicant now seeks authority to issue the remaining 136,406 shares permitted by its Articles of Incorporation.

Of the 136,406 additional shares of capital stock which the utility proposes to issue, not exceeding 43,180 would be in payment of a 5% stock dividend. Shareholders would receive cash on an equivalent basis in lieu of fractional shares. For each share issued as a dividend, the company would credit \$5 to capital stock and \$15 to premium on capital stock. Assuming a maximum dividend of 43,180 shares, applicant would transfer \$863,600 from retained earnings and credit \$215,900 to capital stock and \$647,700 to premium on capital stock.

Applicant proposes to offer and to issue and sell the balance of said 136,406 shares (remaining after the dividend of not exceeding 43,180 shares) to residents of the State of California, including its present stockholders and residents of its service area and neighboring areas, at a price of \$20 per share. In this connection the company reports a current market price of \$20 per share for its capital stock, which price is substantially above book value. Assuming the issuance of 93,226 shares, the proceeds would amount to \$1,864,520, which applicant would apply toward repaying indebtedness to Bank of America National Trust and Savings Association incurred for the utility's continuing construction program.

After consideration the Commission finds that:

1. The proposed stock issues would be for proper purposes.
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 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. 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. Roseville Telephone Company, on or after the effective date hereof and on or before December 31, 1976, may issue not exceeding 136,406 shares of its \$5 par value capital stock, of which it may issue and distribute as a stock dividend not exceeding 43,180 shares and may offer the balance for sale at a price of \$20 per share, all in the manner and for the purposes set forth in this proceeding.

2. 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.

3. This order shall become effective when Roseville Telephone Company has paid the fee prescribed by Section 1904.1 of the Public Utilities Code, which fee is \$3,729.

Dated at San Francisco, California, this 3rd day of SEPTEMBER, 1975.

William J. Quinn  
President  
Vernon L. Sturgeon  
Ross  
Colin Sturges  
Commissioners

