

Decision No. 85381**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 ROSEVILLE TELEPHONE COMPANY for)
 authority to issue and sell \$5,000,000)
 aggregate principal amount of)
 debentures, and to execute and)
 deliver related documents providing)
 therefor and for the modification of)
 the terms of outstanding debentures.)

Application No. 56166
 (Filed December 31, 1975)

O P I N I O N

Roseville Telephone Company seeks authority to issue and sell \$5,000,000 aggregate principal amount of its 10% Series H Debentures, and to execute and deliver a First Supplemental Indenture and an Amended and Restated Indenture.

Applicant is a California corporation furnishing local and long-distance telephone service in the City of Roseville and contiguous territory. For the first ten months of 1975, it reported total operating revenues and net income in the respective amounts of \$6,907,130 and \$1,142,047. The company's reported assets and liabilities at October 31, 1975, are summarized as follows:

Assets

Fixed assets less reserves for depreciation	\$24,002,361
Other assets	<u>2,088,645</u>
Total	<u>\$26,091,006</u>

Liabilities

Capital stock outstanding and subscribed	\$ 4,616,280
Premium on capital stock	6,322,845
Retained earnings	1,437,223
Long-term debt	7,162,500
Notes payable - bank	4,400,000
Other liabilities	<u>2,152,158</u>
Total	<u>\$26,091,006</u>

Under authority previously granted by this Commission, the telephone corporation may issue not exceeding \$7,500,000 aggregate principal amount of short-term notes in favor of Bank of America National Trust and Savings Association. Applicant intends to use at least \$3,000,000 of the \$5,000,000 proceeds from its Series H debentures to repay a portion of its borrowings from said bank for construction of telephone plant or purchases of telephone equipment; any remaining proceeds would be applied directly to the purchase of telephone plant or equipment.

The Series H debentures would bear interest at the rate of 10% per annum, would mature January 1, 1996, and would be subject to a ten-year restricted redemption provision. The prospective purchasers consist of four life insurance companies.

In order to provide for the Series H debentures and to amend its present indenture in other respects, applicant proposes to execute and deliver a First Supplemental Indenture pursuant to which said indenture would be amended and restated in its entirety. In addition to providing for reasonable increases in annual sinking fund payments, the amended and restated indenture would make a number of minor changes affecting applicant's debentures. In this connection the application discusses the California Usury Law by stating, in part, the following:

"Because of the lack of any definitive ruling directly on point, there is a possibility that the issuance and sale to the holders of the presently outstanding debentures, among others, of the Series H Debentures bearing interest at the annual rate of 10%, and the above-mentioned sinking fund increases and other changes in the Present Indenture's provisions applicable to Applicant's presently outstanding debentures together might be found to violate the California Usury Law."

After consideration the Commission finds that:

1. The proposed debentures are for proper purposes.
2. Applicant has need for external funds for the purposes set forth in the application.
3. The proposed restricted redemption provision is reasonable.
4. The proposed documents would not be adverse to the public interest.
5. The money, property or labor to be procured or paid for by the debentures 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.

Certain decisions (commencing with Decision No. 83411, dated September 4, 1974, in Application No. 55080, relating to Southern California Gas Company's First Mortgage Bonds, Series J, and most recently Decision No. 85126, dated November 18, 1975, in Application No. 55975, relating to Southwest Gas Corporation's ten-year, 11-7/8%, unsecured promissory notes) hold that this Commission in exercising its authority to regulate public utility debt securities is not restricted by the California Usury Law and its ramifications. We reaffirm this holding and further conclude that even if the sinking fund and other indenture provisions were construed as causing applicant's 10% Series H Debentures to exceed the interest limits of the California Usury Law, said debentures are to bear interest at the most favorable rate applicant can obtain under present market conditions, and the public interest requires this Commission to authorize the issuance and sale of the debentures irrespective of limitations of the California Usury Law.

The action taken herein 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.

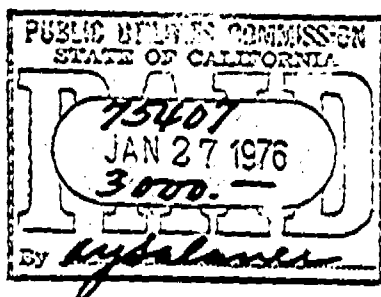
O R D E R

IT IS ORDERED that:

1. Roseville Telephone Company, on or after the effective date hereof and on or before April 30, 1976, for the purposes specified in the application, may issue and sell not exceeding \$5,000,000 aggregate principal amount of its 10% Series H Debentures in accordance with Debenture Purchase Agreements substantially in the form attached to the application as Exhibit B.
2. Roseville Telephone Company may execute and deliver a First Supplemental Indenture and an Amended and Restated Indenture substantially in the forms attached to the application as Exhibits C and D, respectively.
3. Neither Roseville Telephone Company, nor anyone acting or purporting to act on its behalf, shall at any time assert in any manner, or attempt to raise as a claim or defense in any proceeding, that the interest on the Series H debentures exceeds the maximum permitted to be charged under the California Usury Law or any similar law establishing the maximum rate of interest that can be charged or received from a borrower.
4. Roseville Telephone Company shall file with the Commission a report, or reports, as 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 \$3,000.

Dated at San Francisco, California, this 27th day of January, 1976.



[Signature] President
William Synovis A.
Samuel L. Shugart
Flora
Robert [Signature] Commissioners