

EC/KLE

Decision 87 10 025

OCT 16 1987

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application)
of ROSEVILLE TELEPHONE COMPANY for)
Authorization pursuant to Public)
Utilities Code Sections 816-830 to)
issue Certificates Evidencing Not)
More Than 433,992 Shares of Its)
Capital Stock. (U 1015 C))

Application 87-08-052
(Filed August 28, 1987)

ORIGINAL

OPINION

Summary of Decision

This decision grants Roseville Telephone Company (Roseville) the authority requested in the application.

Roseville requests authority, under Public Utilities (PU) Code Sections 816 through 830, to issue stock certificates evidencing up to 433,992 shares of Roseville's common stock in payment of a 5% stock dividend to its stockholders of record at the close of business on December 1, 1987.

Notice of the filing of the application appeared on the Commission's Daily Calendar of September 1, 1987. No protests have been received.

Roseville, a California corporation, operates as a public utility under the jurisdiction of this Commission. Roseville provides local and long-distance telephone service in the City of Roseville and contiguous areas in that vicinity.

For the calendar year 1986, Roseville reported it generated total operating revenues of \$43,343,000 and net income of \$9,432,000 as shown in its Consolidated Income Statement attached as part of Exhibit A-1 to the application. Also, for the 7-month

period ending July 31, 1987, Roseville reported total operating revenues of \$26,332,938 and net income of \$6,457,535 as shown in its Income Statement attached as part of Exhibit A-2 to the application.

Roseville's Balance Sheet as of July 31, 1987, also attached as part of Exhibit A-2, is summarized as follows:

| <u>Assets</u> | <u>Amount</u> |
|-----------------------------------|-------------------|
| Net Telephone Plant | \$70,433,935 |
| Investments-Affiliated Companies | 4,615,726 |
| Current Assets | 16,983,856 |
| Other Assets and Deferred Charges | <u>1,071,606</u> |
| Total | \$93,105,123 |
| <u>Liabilities and Equity</u> | |
| Common Equity | \$63,584,951 |
| Long-Term Debt | 8,950,000 |
| Current and Accrued Liabilities | 5,990,800 |
| Reserves and Deferred Credits | <u>14,579,372</u> |
| Total | \$93,105,123 |

As of August 31, 1987, Roseville's common equity consisted of 20,000,000 authorized shares of Common Stock, without par value, of which 8,679,833 shares were issued and outstanding. No other shares are expected to be issued through November 30, 1987.

Roseville proposes to issue up to 433,992 shares of its authorized but unissued common stock in payment of a 5% stock dividend on its 8,679,833 shares issued and outstanding as of December 1, 1987. Each shareholder will receive one share for each 20 shares such shareholder holds as of December 1, 1987, and

the shareholder will receive cash on an equivalent basis in place of fractional shares. On August 26, 1987, Roseville's board of directors determined that these shares will have an estimated fair market value of \$10 per share as of December 15, 1987. The \$10 fair market value of Roseville's common stock, as determined by the utility's board of directors, reflects the known sales of Roseville's shares during 1987 by parties other than Roseville.

Roseville estimates that a 5% stock dividend will result in a transfer of \$4,339,920 from the retained earnings account to the capital account. These amounts will be recorded in the accounting records of Roseville.

Capitalization Ratios

Roseville's capital ratios recorded and adjusted as of July 31, 1987 to give pro forma effect to the proposed distribution of 433,992 shares of common stock as a stock dividend at \$10 per share or \$4,339,920 result in no change in the capital ratios. The long-term debt ratio is 12.34% and the common equity is 87.66%.

The Commission's Evaluation and Compliance Division (E&C Division) has reviewed the application and has no objection to Roseville's distribution of 433,992 shares of common stock as a 5% stock dividend on its issued and outstanding shares as of December 1, 1987 to stockholders of record.

Findings of Fact

1. Roseville, a California corporation, operates as a public utility under the jurisdiction of this Commission.

2. The issuance of the proposed stock certificates evidencing a 5% stock dividend on the issued and outstanding common stock as of December 1, 1987 would be for a proper purpose and would not be adverse to the public interest.

3. There is no known opposition to the proceeding and no reason to delay granting the authority requested.

Conclusions of Law

1. A public hearing is not necessary.

2. The authority requested in the application should be granted to the extent set forth in the order which follows.

In issuing our order, we place Roseville and its stockholders on notice that we do not regard the number of shares outstanding, the total book value of these shares or the dividends paid as measuring the return Roseville should be permitted to earn on its investment in plant. This authorization is not to be construed as a finding of the value of Roseville's stock or properties nor as indicative of the amounts to be included in proceedings for the determination of just and reasonable rates.

The following order should be effective on the date of signature and payment of the fee set by PU Code Section 1904.1 to enable Roseville to proceed with the issuance of its 5% stock dividend expeditiously.

O R D E R

IT IS ORDERED that:

1. Roseville Telephone Company (Roseville), on or after the effective date of this order, may issue stock certificates evidencing up to 433,992 shares of its Common Stock, without par value, in payment of a 5% stock dividend to stockholders of record as of December 1, 1987.

2. Roseville shall file the reports required by General Order Series 24.

3. The application is granted as set forth above.

The authority granted by this order to issue common stock will become effective when Roseville pays \$5,340, the fee set by Public Utilities Code Section 1904.1. In all other respects, this order is effective today.

Dated OCT 16 1987, at San Francisco, California.

STANLEY W. HULETT
President
DONALD VIAL
FREDERICK R. DUDA
G. MITCHELL WILK
Commissioners

PUBLIC UTILITIES COMMISSION
STATE OF CALIFORNIA
PAID
28012
OCT 21 1987
By *[Signature]*

PUBLIC UTILITIES COMMISSION
STATE OF CALIFORNIA
PAID
27495
AUG 5 1987
\$ 5,339.92
By *[Signature]*

Commissioner John B. Ohanian, being necessarily absent, did not participate.

I CERTIFY THAT THIS DECISION
WAS APPROVED BY THE ABOVE
COMMISSIONERS TODAY.

[Signature]
Victor Weissler, Executive Director

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