

Decision 88 10 G11

OCT 14 1988

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CA-7

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Mailed

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 910,987 Shares of Its )  
 Capital Stock. )

Application 88-09-014  
 (Filed September 7, 1988)

OCT 15 1988

(U 1015 C)

## O P I N I O N

Summary of Decision

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

Roseville requests authority, under Public Utilities  
 Code (Code) Sections 816 through 830, to issue stock certificates  
 evidencing up to 910,987 shares of Roseville's common stock in  
 payment of a 10% stock dividend to the stockholders of record at  
 the close of business on December 1, 1988.

Notice of the filing of the application appeared on the  
 Commission's Daily Calendar of September 13, 1988. 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 service in the City  
 of Roseville and contiguous areas in that vicinity.

For the calendar year 1987, Roseville reported total  
 operating revenues of \$46,044,000 and net income of \$11,551,000 as  
 shown in its Consolidated Income Statement attached as a part of  
 Exhibit B-1 to the application. For the 7-month period ended

July 31, 1988, Roseville reported total operating revenues of \$26,588,323 and net income of \$6,795,266 as shown in its Income Statement attached as part of Exhibit B-2 to the application.

Roseville's Balance Sheet as of July 31, 1988 also attached as part of Exhibit B-2 is summarized as follows:

<u>Assets</u>	<u>Amount</u>
Net Telephone Plant	\$ 77,482,065
Investments-Affiliated Companies	4,044,985
Current Assets	32,213,099
Other Assets and Deferred Charges	<u>420,047</u>
Total	\$114,160,196

Liabilities and Equity

Common Equity	\$ 71,875,573
Long-Term Debt	8,444,895
Current and Accrued Liabilities	19,398,541
Other Liabilities and Deferred Credits	<u>14,441,187</u>
Total	\$114,160,196

As of August 31, 1988, Roseville's capital stock consisted of 20,000,000 authorized shares of Common Stock, without par value, of which 9,109,873 shares were issued and outstanding. No other shares are expected to be issued through November 30, 1988.

Roseville proposes to issue up to 910,987 shares of its authorized but unissued common stock in payment of a 10% stock dividend on its 9,108,873 shares issued and outstanding as of December 1, 1988. Each shareholder will receive one share for each 10 shares such shareholder holds as of December 1, 1988, and the shareholder will receive cash on an equivalent basis in place

of fractional shares. On September 6, 1988, Roseville's board of directors determined that these shares will have an estimated fair market value of \$10 per share as of December 15, 1988. The \$10 fair market value of Roseville's common stock, as determined by the board of directors, reflects the known sales of Roseville's shares during 1988 by parties other than Roseville.

Roseville estimates that a 10% stock dividend will result in a transfer of \$9,109,870 from the retained earnings account to the capital stock account. These amounts will be recorded in the accounting records of Roseville.

#### Capital Ratios

Roseville's capital ratios as recorded and adjusted as of July 31, 1988 to give pro forma effect to the proposed distribution of 910,987 shares of common stock as a stock dividend at \$10 per share or \$9,109,870 result in no change in the capital ratios. The long-term debt ratio is 10.52% and the common equity ratio is 89.48%

The Commission Advisory and Compliance Division has reviewed the application and has no objection to Roseville's distribution of 910,987 shares of common stock as a 10% stock dividend on its issued and outstanding shares.

#### 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 common stock certificates evidencing a 10% stock dividend on the issued and outstanding common stock as of December 1, 1988 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 Code Section 1904.1 to enable Roseville to proceed with the issuance of its 10% 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 910,987 shares of its Common Stock, without par value, in payment of a 10% stock dividend to stockholders of record as of December 1, 1988.

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

3. The application is granted as set forth above.

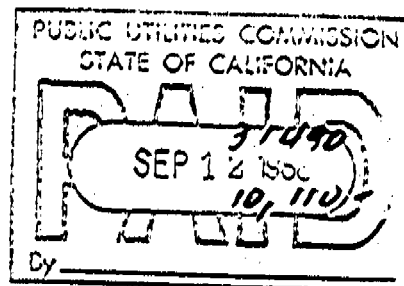
The authority granted by this order to issue common stock will become effective when Roseville pays \$10,110, the fee

set by Public Utilities Code Section 1904.1. In all other respects, this order is effective today.

Dated OCT 14 1988, at San Francisco, California.

STANLEY W. HULETT  
President

DONALD VIAL  
FREDERICK R. DUDA  
G. MITCHELL WILK  
JOHN B. OHANIAN  
Commissioners



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

*Victor Weiss*

Victor Weiss, Executive Director