

L/ltq

Decision 91-12-066 December 18, 1991

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of )  
Contel of California, Inc., )  
(U 1003 C) for Review of Its )  
Cost of Capital and Capital )  
Structure for 1991. )

**ORIGINAL**  
Application 90-10-006  
(Filed October 1, 1990)

In the Matter of the Application )  
of Roseville Telephone Company )  
(U 1015 C) for Review of Its )  
Cost of Capital and Capital )  
Structures. )

Application 90-10-007  
(Filed October 1, 1990)

In the Matter of the Application of )  
Citizens Utilities Company of )  
California (U 87 C), Constituting )  
its Compliance Filing for Financial )  
Attrition Review. )

Application 90-10-047  
(Filed October 22, 1990)

**ORDER DENYING REHEARING**

Roseville Telephone Company (Roseville) has applied for rehearing of D-91-09-066, contending essentially that Finding of Fact 19 in that decision is contrary to the weight of evidence presented by Roseville; that the decision ignores the quantitative cost of capital analyses presented by Roseville; that the decision adopts a cost of equity for Roseville unsupported in the record; and that the decision fails to address the relationship of subscriber density and business risk.

Roseville's contentions are arguments addressed to the weight to be accorded the evidence. Finding of Fact 19 is supported by the previous findings and the evidence presented by DRA. As stated in Finding of Fact 21, financial models offer guidance only in the determination of rate of return, not an absolute answer. Roseville's financial models are discussed at length in the decision. The decision adopts a 10.75% rate of return for Roseville which is within the range of recommendations

in the record. Using a pro forma capital structure for Roseville, an 11.20% return on equity is produced, based on the 10.75% overall return. No error appears. The decision concludes for reasons set forth therein that a common return should be set for Roseville and the other applicants. Differences in subscriber density, therefore, do not compel a separate return for Roseville.

Having fully considered the contentions raised by Roseville, the application for rehearing should be denied.

WHEREFORE,

IT IS ORDERED that Roseville's application for rehearing of D.91-09-066 is denied.

This order is effective today.

Dated December 18, 1991, at San Francisco, California.

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

PATRICIA M. ECKERT  
President  
JOHN B. OHANIAN  
NORMAN D. SHUMWAY  
DANIEL WM. FESSLER  
Commissioners

  
NEAL J. SHULMAN, Executive Director