

CACD/RAX

Decision 92 09 052

SEP - 2 1992

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
ROSEVILLE TELEPHONE COMPANY (U-1015-C)
for Authorization Pursuant to Public
Utilities Code Sections 816-830 to Issue
Certificates Evidencing Not More Than
608,063 Shares of Its Capital Stock

Application 92-07-011
(Filed July 10, 1992)

O P I N I O N

Summary of Decision

This decision grants the Roseville Telephone Company (Roseville) the authority requested in Application 92-07-011 (Application).

Roseville requests authority under §§ 816-830 and § 851 of the California Public Utilities Code (PU Code) to issue stock certificates evidencing up to 608,063 shares of Roseville's common stock in payment of a 5% stock dividend to the stockholders of record at the close of business on December 1, 1992.

Notice of the filing of the Application appeared on the Commission's Daily Calendar of July 10, 1992. 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 1991, Roseville reported that it generated total operating revenues of \$88,461,000 and net income of \$19,940,000 as shown in Exhibit A-1 of the Application.

Also shown as a part of Exhibit A-1 is Roseville's consolidated balance sheet as of December 31, 1991, summarized as follows:

<u>Assets</u>	<u>Amount</u>
Net Telephone Plant	\$134,129,000
Investments-Affiliated Companies	13,984,000
Current Assets	11,939,000
Other Assets and Deferred Charges	<u>516,000</u>
Total	\$160,568,000
<u>Liabilities and Equity</u>	<u>Amount</u>
Common Equity and Stockholders' Eq.	\$113,730,000
Long-Term Debt	13,270,000
Current and Accrued Liabilities	14,138,000
Other Liabilities/Deferred Credits	<u>19,430,000</u>
Total	\$160,568,000

As of June 30, 1992, Roseville's capital stock consisted of 20,000,000 authorized shares of common stock, without par value, of which 12,161,251 shares were issued and outstanding. No other shares are expected to be issued prior to the date of this decision.

Proposed Financing

Roseville proposes to issue up to 608,063 shares of its authorized but unissued common stock in payment of a 5% stock dividend on its 12,161,251 shares issued and outstanding as of June 30, 1992. Each shareholder will receive one share for each 20 shares such shareholder holds as of December 1, 1992, and the shareholder will receive cash on an equivalent basis in place of fractional shares. On June 26, 1992, Roseville's board of directors determined that these shares will have an estimated fair market value of \$22 per share as of December 15, 1992. The \$22 fair market value of Roseville's common stock, as determined

by the board of directors, reflects recent known sales of Roseville's shares.

Roseville estimates that a 5% stock dividend will result in a transfer of \$13,377,000 from the retained earnings account to the capital stock account. These amounts will be recorded in the accounting records of Roseville.

Capitalization Ratios

After giving pro forma effect to the proposed distribution of 603,063 shares of common stock as a stock dividend at \$22 per share or \$13,377,000, Roseville's capitalization ratios as of March 31, 1992, as presented in Exhibit B attached to the Application, are as follows:

<u>Component</u>	<u>March 31, 1992</u>	<u>Pro Forma</u>
<u>Debt</u>		
Long-Term Debt	<u>17.6%</u>	<u>17.6%</u>
Total Debt	17.6%	17.6%
<u>Equity</u>		
Capital Stock	72.1%	81.5%
Retained Earnings	<u>10.3%</u>	<u>0.9%</u>
Total Equity	82.4%	82.4%
Total Debt and Equity	100.0%	100.0%

The Commission Advisory and Compliance Division has reviewed the application and has no objection to Roseville's distribution of 608,063 shares of common stock as a 5% stock dividend on its issued and outstanding shares.

Roseville is placed on notice by this decision that the Commission does not find that Roseville's capital ratios are necessary or reasonable for ratemaking purposes. These are issues normally tested in general rate cases or cost of capital proceedings.

Roseville is placed on notice, by this decision, that the Commission does not find that 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.

Findings of Fact

1. Roseville, a California Corporation, operates as a public utility subject to the jurisdiction of this Commission.
2. The issuance of the proposed common stock certificates evidencing a 5% stock dividend on the issued and outstanding common stock as of December 15, 1992 would be for a proper purpose and would not be adverse to the public interest.
3. By this decision the Commission does not find that the number of shares outstanding, the total book value of these shares, or the dividends paid measure 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.
4. There is no known opposition to this Application and there is 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.
3. The following order should be effective upon payment of the fee set by PU Code § 1904.1, to enable Roseville to proceed with the issuance of its 5% stock dividend expeditiously.

ORDER

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 608,063 shares of its common stock, without par value, in payment of a 5% stock dividend to stockholders of record as of December 1, 1992.
2. Roseville shall file the reports required by General Order Series 24.
3. The Application is granted as set forth above.
4. The authority granted by this order to issue common stock will become effective when Roseville pays \$12,688.50, the fee set forth by Public Utilities Code § 1904.1.

Dated SEP-2 1992 at San Francisco, California.

DANIEL Wm. FESSLER
President
JOHN B. OHANIAN
NORMAN D. SHUMWAY
Commissioners

Commissioner Patricia M. Eokert,
being necessarily absent, shall
participate. **CERTIFY THAT THIS DECISION**

**WAS APPROVED BY THE ABOVE
COMMISSIONERS TODAY**

Neal J. Sulman
NEAL J. SULMAN, Executive Director

R 35715 - \$ 12,688.50

