

Decision No. 87028**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 ROSEVILLE TELEPHONE COMPANY to issue)
 not exceeding 170,000 shares of its)
 Capital Stock.)

Application No. 57057
 (Filed February 7, 1977)

O P I N I O N

Roseville Telephone Company seeks authority to issue not exceeding 170,000 shares of its \$5 par value capital stock on the basis of \$25 per share.

Applicant is a California corporation furnishing local and long distance telephone service in the City of Roseville and contiguous territory. Its reported number of telephones in service at December 31, 1975 and 1976 amounted to 41,944 and 47,341, respectively.

Of the 170,000 additional shares of capital stock which the utility proposes to issue, not exceeding 50,000 would be in payment of a 5% stock dividend. Shareholders would receive cash on an equivalent basis in lieu of fractional shares. For each share issued as a dividend, the company would credit \$5 to capital stock and \$20 to premium on capital stock. Assuming a maximum dividend of 50,000 shares, applicant would transfer \$1,250,000 from retained earnings and credit \$250,000 to capital stock and \$1,000,000 to premium on capital stock.

Applicant proposes to offer and to issue and sell the balance of said 170,000 shares (remaining after the dividend of not exceeding 50,000 shares) at a price of \$25 per share to (1) its present stockholders residing in California, (2) residents of its service area and neighboring areas, including its officers,

directors and employees, and (3) other residents of the State of California.

The market price of \$25 per share is substantially above book value, and reflects (a) the facility with which the company was able to sell, prior to December 31, 1976 at \$20 per share, the 94,276 shares offered pursuant to Decision 84855, dated September 3, 1975, in Application 55855, and (b) the rapidly increasing demand for telephone service in applicant's service area and consequent improvement in projected cash flow.

Assuming the issuance of 120,000 shares at a price of \$25 per share, the proceeds would amount to \$3,000,000 which applicant would use for construction of buildings and for central office equipment and outside plant, and to discharge bank debt which it might incur to finance such capital expenditures.

A pro forma statement of applicant's long-term debt and equity, giving effect to the proposed stock issues, as summarized from Exhibit B attached to the application, is as follows:

	<u>Amount</u>	<u>Ratio</u>
Long-term debt	<u>\$11,695,000</u>	40%
Equity -		
Capital stock	\$ 5,850,000	
Premium on capital stock	10,946,545	
Retained earnings	906,168*	
Total equity	<u>\$17,702,713</u>	60%
Total capitalization	<u>\$29,397,713</u>	<u>100%</u>

*After deducting \$1,250,000 proposed stock dividend from November 30, 1976 balance of \$2,156,168.

After consideration the Commission finds that:

1. The proposed stock issues would be for proper purposes.
2. Applicant's retained earnings from operations exceed the proposed stock dividend to the extent that it may properly issue the stock dividend against such earnings.
3. The money, property or labor to be procured or paid for by the stock 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.
4. There is no known opposition and there is no reason to delay granting the relief requested.

On the basis of the foregoing findings we conclude that the application should be granted. A public hearing is not necessary. In issuing our order herein, we place applicant and its shareholders on notice that we do not regard the number of shares outstanding, the total par value of the shares nor the dividends paid as measuring the return it should be allowed to earn on its investment in plant, and that the authorization herein granted is not to be construed as a finding of the value of the company's stock or properties, nor as indicative of amounts to be included in proceedings for the determination of just and reasonable rates.

O R D E R

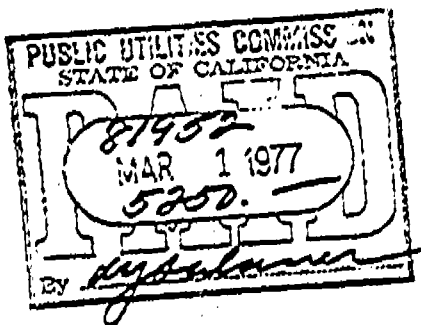
IT IS ORDERED that:

1. Roseville Telephone Company, on or after the effective date hereof and on or before December 31, 1979, may issue not exceeding 170,000 shares of its \$5 par value capital stock, of which it may issue and distribute as a stock dividend not exceeding 50,000 shares and may offer the balance for sale at a price of \$25 per share, all in the manner and for the purposes set forth in this proceeding.

2. Roseville Telephone Company shall file with the Commission the reports required by General Order 24-B, which order, insofar as applicable, is hereby made a part of this order.

3. This order shall become effective when Roseville Telephone Company has paid the fee prescribed by Section 1904.1 of the Public Utilities Code, which fee is \$5,250.

Dated at San Francisco, California, this 15th day of MARCH, 1977.



Robert Belmont
President
William S. Quinn
James J. Sturgeon
Robert D. Swalle
Commissioners