

Decision No. 88341 JAN 17 1978**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of ROSEVILLE TELEPHONE )  
 COMPANY for authority to issue and )  
 sell \$3,000,000 aggregate principal )  
 amount of debentures and to execute )  
 and deliver related documents )  
 providing therefor. )

Application No. 57720  
 (Filed December 2, 1977)

O P I N I O N

Roseville Telephone Company requests authorization (a) to issue and sell \$3,000,000 aggregate principal amount of its 8-1/2% Series J Debentures, (b) to execute and deliver a Debenture Purchase Agreement to each of the prospective purchasers, and (c) to execute and deliver a Third Supplemental Indenture.

Roseville Telephone Company is a California corporation furnishing local and long-distance telephone service in the City of Roseville and contiguous territory. The most recent operating statement and balance sheet are attached to the application as Exhibit A-2. The exhibit indicates that for the twelve months ended October 31, 1977, the utility's total operating revenues and net income amounted to \$9,632,076 and \$1,813,630, respectively. The balance sheet on October 31, 1977 is summarized as follows:

<u>Assets</u>	<u>Amount</u>
Telephone plant less reserve for depreciation	\$34,474,607
Other assets	<u>3,406,375</u>
Total	<u>\$37,880,982</u>
<u>Liabilities</u>	
Capital stock	\$ 5,531,275
Premium on capital stock	9,540,145
Retained earnings	2,091,904
Long-term debt	14,080,000
Notes payable - bank	2,350,000
Deferred income tax reserve	1,901,000
Other liabilities	<u>2,386,657</u>
Total	<u>\$37,880,982</u>

By Decision No. 87028 dated March 1, 1977 in Application No. 57057, the Commission authorized Roseville Telephone Company to issue additional shares of its common stock and to use \$3,000,000 of the proceeds for financing new construction and discharging bank debt which it might incur to finance such capital expenditures. Budget estimates totaling \$7,680,000 for the year 1977 were set forth in Exhibit C attached to Application No. 57057 and are as follows:

CAPITAL ADDITIONS SCHEDULE

-1977-

BUILDINGS

Warehouse-Tahoe Street	\$ 26,000	
Storage Yard-Tahoe Street	85,000	
Start Sunset Toll Office	<u>1,543,000</u>	
Total		\$1,654,000

CENTRAL OFFICE EQUIPMENT

Carrier Additions	\$ 305,000	
EAX Retrofit	200,000	
#2 EAX Folsom Lake	1,080,000	
7000 Line Addition #1 EAX	2,178,000	
Other Additions	<u>232,000</u>	
Total		3,995,000

OUTSIDE PLANT

Station Apparatus	\$ 383,000	
Cable, Poles, Conduit	1,448,000	
Furniture and Fixtures	78,000	
Major Tools	6,000	
Vehicles and Rolling Stock	<u>116,000</u>	
Total		<u>2,031,000</u>
Grand Total		<u>\$7,680,000</u>

By Decision No. 87513 dated June 28, 1977 in Application No. 57367, the Commission authorized Roseville Telephone Company to issue and sell \$3,000,000 aggregate principal amount of its Series I Debentures and to apply the proceeds directly toward

construction during 1977 or the repayment of short-term bank debt incurred to finance such capital expenditure.

In the present application, Roseville Telephone Company proposes to issue and sell \$3,000,000 aggregate principal amount of its Series J Debentures and to apply the proceeds directly toward construction during 1978 or the repayment of short-term bank debt incurred to finance such capital expenditure.

The proposed Series J Debentures would bear interest at the rate of 8-1/2% per annum, would mature January 1, 2003, and would be subject to a ten-year restricted redemption provision. Commencing in 1979 through 2002, the sinking fund payments for the Series J Debentures would be \$120,000 per year. The utility would enter into a Debenture Purchase Agreement with each of the prospective purchasers which consist of two life insurance companies as follows:

<u>Prospective Purchaser</u>	<u>Principal Amount to be Purchased</u>
Bankers Life Company	\$2,000,000
The Minnesota Life Insurance Company	<u>1,000,000</u>
Total	<u>\$3,000,000</u>

Roseville Telephone Company is a party to an indenture dated as of April 1, 1973 with Crocker National Bank, trustee, which provides that said indenture may be amended by entering into a supplemental indenture with the trustee. Pursuant to authority previously granted by this Commission, the original indenture was amended and restated in full as of January 1, 1976, by the First Supplemental Indenture. The indenture was subsequently amended

on June 1, 1977 by the Second Supplemental Indenture to provide for the Series I Debentures. To provide for the Series J Debentures, the utility proposes to execute and deliver a Third Supplemental Indenture dated as of January 1, 1977.

Following is a pro forma statement of the utility's capital structure as of October 31, 1977 after giving effect to the previously authorized security issues and the Series J Debentures proposed herein:

<u>Component</u>	<u>Amount</u>	<u>Percent</u>
Debt	\$17,080,000	47.5%
Common stock equity	<u>18,888,449</u>	<u>52.5</u>
Total Capitalization	<u>\$35,968,449</u>	<u>100.0%</u>

The Communications Division has reviewed the application and concurs with the Finance Division's conclusion that the proposed financing is necessary to implement the utility's construction program. The Communications Division, however, recommends that the applicant be put on notice that authorization of the financing herein should not be construed as passing on the reasonableness of construction expenditures in any future rate proceeding.

After consideration the Commission finds that:

1. The proposed sale of debentures is for proper purposes.
2. Applicant has need for external funds for the purposes set forth in the application.
3. The proposed ten-year restriction on redemption of the proposed debentures results in a lower interest cost than would otherwise be incurred by the applicant in the absence of such a provision.
4. The proposed documents would not be adverse to the public interest.
5. The money, property or labor to be procured or paid for by the debentures 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.

There is no known opposition and there is no reason to delay granting the authority requested. On the basis of the foregoing findings we conclude that the application should be granted. A public hearing is not necessary. The authorization herein granted is for the purpose of this proceeding only and is not to be construed 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 April 30, 1978, for the purposes specified in the application, may issue and sell its 8-1/2% Series J Debentures in an aggregate principal amount not exceeding \$3,000,000 in accordance with Debenture Purchase Agreements substantially in the form attached to the application as Exhibit C.
2. Roseville Telephone Company may execute and deliver to each of the prospective purchasers of the Series J Debentures a Debenture Purchase Agreement substantially in the form attached to the application as Exhibit C.
3. Roseville Telephone Company may execute and deliver a Third Supplemental Indenture substantially in the form attached to the application as Exhibit E.
4. Roseville Telephone Company shall file with the Commission a report, or reports, as required by General Order No. 24-B, which order, insofar as applicable, is hereby made a part of this order.

5. This order shall become effective when Roseville Telephone Company has paid the fee prescribed by Section 1904(b) of the Public Utilities Code, which fee is \$4,000.

Dated at San Francisco, California, this 17th day of JANUARY, 1978.

President  
William Symons  
Vernon L. Stiggson  
Richard B. Howell  
David J. DeWitt  
Commissioners

Commissioner Robert Batinovich, being necessarily absent, did not participate in the disposition of this proceeding.

