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Decision No. 89671 NOV 28 1978

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BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of ROSEVILLE TELEPHONE COMPANY )  
for authority to issue and sell \$3,000,000 ) Application No: 58443  
aggregate principal amount of debentures, ) (Filed October 30, 1978)  
and to execute and deliver related documents )  
providing therefor. )

O P I N I O N

Roseville Telephone Company seeks authority (a) to issue and sell \$3,000,000 aggregate principal amount of its 9-1/8% Series K Debentures, (b) to execute and deliver a Debenture Purchase Agreement to the prospective purchaser, and (c) to execute and deliver a Fourth Supplemental Indenture.

Roseville Telephone Company is a California corporation furnishing local and long-distance telephone service to the City of Roseville and contiguous territory. Operating revenue and net income for the nine-month period ending September 30, 1978 amounted to \$9,309,290 and \$1,401,153, respectively. The company's balance sheet as of September 30, 1978 is summarized below:

<u>Assets</u>	<u>Amount</u>
Fixed assets less reserve for depreciation	\$39,471,280
Current assets	1,861,022
Other assets	337,006
Total	<u>\$41,669,308</u>
<u>Liabilities and Equity</u>	
Capital stock	\$ 5,850,000
Premium on capital stock	10,946,545
Retained earnings	3,149,567
Long-term debt	16,345,000
Notes payable - bank	840,000
Current liabilities	2,059,712
Deferred credits	2,478,484
Total	<u>\$41,669,308</u>

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The proposed Series K Debentures would bear interest at the rate of 9-1/8% per annum and would mature December 1, 2003. They would not be redeemable prior to December 1, 1988 with funds obtained at a lower effective cost or having a shorter life to maturity than the Series K Debentures. Commencing in 1979 and continuing through 2002, the sinking fund payments for the bonds would be \$120,000 annually. The utility proposes to enter into a Debenture Purchase Agreement with Union Mutual Life Insurance Company, the prospective purchaser of all the Series K Debentures.

Roseville Telephone Company is a party to an indenture dated April 1, 1973 with Crocker National Bank, trustee. The original indenture was amended and restated in full on January 1, 1976, pursuant to a first supplemental indenture. Since then, there have been two additional supplemental indentures to provide for the applicant's Series I and Series J Debentures. To provide for the Series K Debentures, the utility proposes to execute and deliver a Fourth Supplemental Indenture dated as of December 1, 1978.

The utility's recorded and pro forma capital ratios are shown below. The pro forma figures give effect to the issuance of the Series K Debentures and to the sale of 130,000 shares of capital stock over the next two years, as proposed by Application No. 58355 filed on September 14, 1978.

<u>Component</u>	<u>Recorded September 30, 1978</u>	<u>Pro Forma</u>
Debt	46.28%	44.79%
Common stock equity	53.72	55.21
Total Capitalization	<u>100.00%</u>	<u>100.00%</u>

Roseville Telephone Company has budgeted \$6,851,000 for the construction, extension and improvement of its facilities in 1979, such capital expenditures being comprised of \$740,000 for the construction of buildings, \$4,081,000 for central office equipment and \$2,030,000 for outside plant. The application states that the capital expenditures made and proposed to be made are reasonable and necessary to provide for the modernization, improvement and growth of the utility's telephone system so as to meet the rapidly increasing demands for telephone services it furnishes.

The proceeds from the issuance and sale of the Series K Debentures will be applied to the capital expenditures described above, or to the discharge of short-term bank debt incurred to finance such capital expenditures prior to the conclusion of arrangements for permanent financing.

The Communications Division has reviewed the application and agrees with the conclusion of the Finance Division that the proposed financing is on favorable terms and is necessary to implement the utility's construction program.

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 is reasonable.
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 March 31, 1979, for the purposes specified in the application, may issue and sell its 9-1/8% Series K Debentures in an aggregate principal amount not exceeding \$3,000,000 in accordance with a Debenture Purchase Agreement substantially in the form attached to the application as Exhibit C.
2. Roseville Telephone Company may execute and deliver to the prospective purchaser of the Series K 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 Fourth 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 28th day of NOVEMBER, 1978.

Commissioner Vernon L. Sturgeon, being necessarily absent, did not participate in the disposition of this proceeding.

Robert Bateman  
President

William Brown, Jr.

Charles D. Goble

Clair T. DeWick  
Commissioners

