

A.59524 RR/mcm

Decision No. 91745 MAY 6 1980**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application )	
of ROSEVILLE TELEPHONE COMPANY )	
for Authorization Pursuant to )	Application No. 59524
Public Utilities Code Sections )	(Filed March 19, 1980)
816-830 to Issue Evidence of )	
Indebtedness in an Amount Not to )	
Exceed \$4,500,000 )	

O P I N I O N

Roseville Telephone Company (Roseville Telephone) seeks authority pursuant to Sections 816 - 830 of the Public Utilities Code, to issue an unsecured note in a principal amount not exceeding \$4,500,000. Notice of the filing of the Application appeared on the Commission's Daily Calendar of March 20, 1980.

Roseville Telephone is a California corporation furnishing local and long-distance telephone service in the City of Roseville and the contiguous territory. For the year 1979, the Applicant reported total operating revenues and net income in the respective amounts of \$16,590,400 and \$3,123,264. The utility's balance sheet as of December 31, 1979 is summarized as follows:

<u>Assets</u>	<u>Amount</u>
Telephone plant, less accumulated depreciation	\$49,122,596
Current assets	2,737,397
Other assets and deferred charges	<u>515,819</u>
Total	<u>\$52,375,812</u>
 <u>Liabilities and Capital</u>	
Common equity	\$25,996,303
Long-term debt	20,685,000
Current liabilities	2,482,145
Deferred credits	<u>3,211,364</u>
Total	<u>\$52,375,812</u>

The Application indicates that on December 31, 1979, Roseville Telephone was indebted to the Bank of America National Trust and Savings Association (Bank of America) in the amount of \$2,700,000 under a revolving line of credit up to a maximum of \$4,500,000 at any one time outstanding (Revolving Credit Line). The utility's indebtedness to Bank of America under the Revolving Credit Line was anticipated to increase by April 30, 1980, the expiration date of the Revolving Credit Line. The proceeds from the borrowings by Roseville Telephone under the Revolving Credit Line have been utilized by the utility for certain capital expenditures, including the construction, extension and improvement of its facilities. Such capital expenditures were for the construction of buildings, for central office equipment and for outside plant.

In its Application, Roseville Telephone reports the need for additional buildings, central office equipment, and outside plant is due to rapidly increasing demand for telephone service in the area in which it provides such service. The increasing demand for Roseville Telephone's service is indicated by the number of telephones in service at the end of the years 1970 through 1979, as follows:

1970 - 23,567	1975 - 41,944
1971 - 26,040	1976 - 47,341
1972 - 29,346	1977 - 54,955
1973 - 33,247	1978 - 63,025
1974 - 37,150	1979 - 70,583

Roseville Telephone attributes such growth to the rapid development and population growth in the area served by it. Roseville Telephone reports that its service area still includes large rural and semi-rural areas in which, according to all indicia available to Roseville Telephone, development and population growth are continuing. Approval of the application would enable Roseville Telephone to finance the purchase of the additional central office equipment and outside plant necessary for it to meet the increasing demands for its telephone service which are concomitant with the aforementioned development and population growth in its service area.

Roseville Telephone proposes to issue a term note in a principal amount not exceeding \$4,500,000 for a term of three years, to April 30, 1983, with principal repayable in eight equal quarterly installments commencing July 31, 1981. The proceeds received by the utility from such borrowing would be used for the purpose of refunding the short-term indebtedness of the utility to Bank of America under the Revolving Credit Line.

The term note executed by Roseville Telephone would be in favor of Bank of America, and it would bear interest on the outstanding principal amount at Bank of America's prime rate from May 1, 1980 to April 30, 1981, at Bank of America's prime rate plus one-fourth of one percent per annum from May 1, 1981 to April 30, 1982, and at Bank of America's prime rate plus one-half of one percent per annum from May 1, 1982 to April 30, 1983.

A pro forma statement of Roseville Telephone's capital structure giving effect to the stock split, stock dividend and stock sale proposed in Application No. 59516, filed March 13, 1980,

also currently before this Commission, and the issuance of the term note herein proposed as summarized from Exhibit C, attached to the application, as follows:

	<u>December 31, 1979</u>	<u>Pro Forma</u>
Short-Term Debt	5.73%	0.00%
Long-Term Debt	<u>38.17%</u>	<u>42.47%</u>
Total Debt	<u>43.90%</u>	<u>42.47%</u>
Capital Stock	14.41%	53.85%
Premium on Capital Stock	33.23%	0.00%
Retained Earnings	<u>8.46%</u>	<u>3.68%</u>
Total Equity	<u>56.10%</u>	<u>57.53%</u>
Total Capitalization	<u><u>100.00%</u></u>	<u><u>100.00%</u></u>

The Revenue Requirements Division and the Communications Division of the Commission's staff have reviewed the application and have concluded that the proceeds from the proposed issuance and sale of the term note is needed for the purpose specified in the application and have no objection to the proposed issue of a term note. The Divisions, however, reserve the right to reconsider the reasonableness of construction expenditures in future rate proceedings.

#### Findings of Fact

1. The proposed issuance of the term note is for a proper purpose.
2. The money, property or labor to be procured or paid for by the issue of the note herein authorized is reasonably required for the purpose specified herein.
3. Such purpose is 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.

Conclusions of Law

1. A public hearing is not necessary.
2. The application should be granted to the extent set forth in the order which follows.

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:

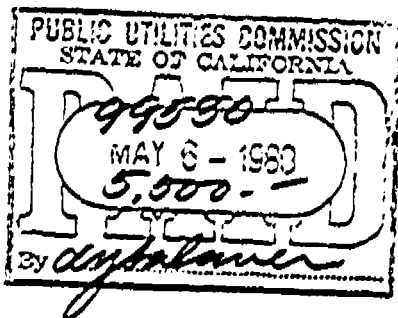
1. Roseville Telephone Company, on or after the effective date hereof, and for the purposes specified in the application, may issue its term note in a principal amount not exceeding \$4,500,000 in favor of the Bank of America National Trust and Savings Association, on the terms and conditions set forth in the application.

2. Roseville Telephone Company shall file with the Commission the reports required by General Order No. 24-B, which order, insofar as applicable, is hereby made a part of this order.

3. This order shall become effective on the later of the date hereof, or the date upon which Roseville Telephone Company has paid the fee prescribed by Section 1904.1 of the Public Utilities Code, which fee is \$5,500<sup>500</sup>.

Km

Dated MAY 6 1980 at San Francisco, California.



[Signature] President  
[Signature]  
[Signature]  
[Signature] Commissioners