

ORIGINAL

Decision 92990 MAY 5 1981

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)  
ROSEVILLE TELEPHONE COMPANY for )  
Authorization pursuant to Public )  
Utilities Code Sections 816-830 to )  
Issue 456,042 Shares of Its Capital )  
Stock. )

Application 60396  
(Filed March 26, 1981)

O P I N I O N

Roseville Telephone Company (Roseville Telephone) seeks the following authority under Public Utilities (PU) Code Sections 816 - 830:

1. To issue 156,042 shares of no par value common stock as a 5% stock dividend.
2. To issue and sell 300,000 shares of no par value common stock for \$20 per share.

Notice of the filing of the application appeared on the Commission's Daily Calendar of March 31, 1981. No protests have been received.

Roseville Telephone is a California corporation furnishing local and long-distance telephone service in the City of Roseville and contiguous territory. For the year 1980, Roseville Telephone reported total operating revenues and net income in the respective amounts of \$21,094,040 and \$3,547,015. The utility's balance sheet as of December 31, 1980 is summarized as follows:

<u>Assets</u>	<u>Amount</u>
Telephone Plant, Less Accumulated Depreciation	\$57,359,383
Current Assets	3,578,494
Other Assets and Deferred Charges	573,495
Total	<u>\$61,511,372</u>

Liabilities and Capital

Common Equity	\$32,267,991
Long-Term Debt	21,910,000
Current Liabilities	3,222,429
Deferred Liabilities	4,110,952
Total	<u>\$61,511,372</u>

Roseville Telephone proposes to issue 456,042 shares of its authorized capital stock. Of the 456,042 shares, not more than 156,042 shares will be issued in payment of 5% stock dividend on the 3,120,850 shares of the utility's common stock issued and outstanding as of December 31, 1980. Stockholders will receive cash on an equivalent basis in place of fractional shares. For each share issued as a stock dividend, Roseville Telephone will credit \$20 to its Capital Stock account. Assuming a maximum dividend of 156,042 shares, Roseville Telephone will transfer \$3,120,840 from the Retained Earnings account to the Capital Stock account.

The balance of the 456,042 shares of stock remaining after payment of the 5% stock dividend will be sold for \$20 per share to (a) its present stockholders residing in California; (b) to residents of its service area and neighboring areas, including its officers, directors, and employees; and (c) to other residents of California,

thus assuring exemption from the requirements of the Securities Act of 1933.

Roseville Telephone has shown in the past that it has the ability, without having to employ an underwriter, to market its own stock at prices that are above book value.

Assuming the issuance for sale of 300,000 shares at a price of \$20 per share, the total proceeds to be received by Roseville Telephone would be \$6,000,000. Roseville Telephone would use these proceeds for the construction of outside plant, the purchase of central office equipment, or construction of buildings; otherwise, it would be used toward the discharge of intermediate-term bank debt which the utility has incurred to finance past capital expenditures. Budgeted capital additions for 1981 are as follows:

<u>Detail</u>	<u>Amount</u>
Outside Plant	\$3,703,000
Central Office Equipment	2,629,300
Construction of Buildings	<u>1,050,000</u>
Total Budget 1981	\$7,382,300

A pro forma statement of Roseville Telephone's capital structure as of March 15, 1981, and giving effect to the proposed issuance of the 5% stock dividend and the issuance and sale of the 300,000 shares of stock at \$20 per share for an aggregate of \$6,000,000, is as follows:

	<u>March 15, 1981</u>	<u>Pro Forma</u>
Short-Term Debt	4.94%	4.46%
Long-Term Debt	<u>36.26</u>	<u>32.68</u>
Total Debt	<u>41.20</u>	<u>37.14</u>
Capital Stock	51.95	61.81
Retained Earnings	<u>6.85</u>	<u>1.05</u>
Total Equity	<u>58.80</u>	<u>62.86</u>
Total Capitalization	100.00%	100.00%

The reasons given by the company to the Commission in support of its request for the proposed issuance of 456,042 shares of common stock are as follows:

1. To issue a dividend payable in the capital stock of Roseville Telephone consistent with historical dividend practice and to do so without effecting a distribution to stockholders entirely in cash.
2. To employ equity financing as a method of providing capital necessary for purposes of undertaking planned capital additions during 1981 and/or discharging intermediate-term bank debt incurred to finance past capital expenditures.
3. To increase the number of issued and outstanding shares of capital stock of Roseville Telephone in view of the growth of and wider public interest in the utility, thereby resulting in an increase in the number of stockholders and a wider distribution of shares increasing the availability of the capital stock for purchase and sale transactions.

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 stock are needed for the purposes specified in the application and have no objection to the proposed stock issue. The Divisions, however, reserve the right to reconsider the reasonableness of construction expenditures in future rate proceedings.

Findings of Fact

1. The proposed security issue is for lawful purposes and the money, property, or labor to be obtained by it is required for these purposes. Proceeds from the security issue may not be charged to operating expenses or income.

2. 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 number of shares outstanding, the total stated value of the shares, and the dividends paid do not determine the allowable return on plant investment. This authorization is not a finding of the value of the utility's stock or property, nor does it indicate the amounts to be included in ratesetting proceedings.

O R D E R

IT IS ORDERED that:

1. Roseville Telephone Company, on or after the effective date

of this order, but before December 31, 1982, for the purposes specified, may issue up to 456,042 shares of no par value common stock.

2. Roseville Telephone Company shall file the reports required by General Order Series 24.

3. The authority granted by this order to issue common stock will become effective when Roseville Telephone Company pays \$10,121, the fee set by PU Code Section 1904.1. In all other respects this order becomes effective 30 days from today.

Dated     MAY 5 1981    , at San Francisco, California.

*John S. Bryan*  
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President

*Robert W. Hoelke*  
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*Thomas M. Smith*  
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*Priscilla C. Grew*  
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Commissioners

