

ORIGINAL

Decision No. 46599

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)	
Associated Telephone Company, Ltd.	:	
for an Order authorizing it to issue)	Application
and sell 350,000 shares of its Common	:	No. 32971
Stock, \$20 par value.)	
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O P I N I O N

In this application, Associated Telephone Company, Ltd. seeks authorization to issue and sell 350,000 shares (\$7,000,000 par value) of its common stock, \$20 par value, to the holder of its presently outstanding shares of common stock for a cash consideration equal to their par value. If authorized to issue and sell its shares of stock, it plans to dispose of 150,000 of them on or before January 31, 1952, and to dispose of the remaining 200,000 on or before March 31, 1952.

Applicant reports that it will have need for the proceeds from the sale of its shares to finance construction costs or to reimburse its treasury for moneys used for such purposes or to pay short-term bank loans representing moneys borrowed for capital additions. In exhibits attached to its application it shows its estimated gross expenditures for additions to its plant during 1952 in excess of \$30,000,000 and its estimated sources of funds to meet these and other requirements as follows:

Funds required -		
Gross additions to plant	\$30,132,400	
Less-salvage recoveries, contributions and other items	<u>3,671,700</u>	
Net additions		\$26,460,700
Payment of bank loans		1,500,000
Increase in working capital		<u>1,262,829</u>
Total		<u>\$29,223,529</u>
Funds provided -		
From operations (including depreciation charges)	\$ 9,266,518	
Less-dividends on stock	<u>3,598,589</u>	
Net from operations		\$ 5,667,929
From issue of securities -		
Common stock	7,000,000	
Preferred stock	7,000,000	
Bonds	<u>10,000,000</u>	
	24,000,000	
Less-discount and expenses	<u>487,500</u>	
Net from securities		23,512,500
From sale of land		<u>43,100</u>
Total		<u>\$29,223,529</u>

Presently, applicant has outstanding first mortgage bonds in the principal amount of \$49,618,000 which were issued in series with interest ranging from 2-7/8% to 3-5/8% per annum, preferred stock of the aggregate par value of \$23,358,520 divided into two series, one with cumulative dividends at the rate of 4-1/2% and the other at 5% per annum, and 1,183,038 shares of common stock of the par value of \$20 each, all of which are reported held by General Telephone Corporation. Applicant for some years has paid dividends on its outstanding shares of common stock at the rate of \$1.60 annually. In Exhibit B, it reports its capital structure as of October 31, 1951, and after giving effect to the proposed issue of shares of common stock, as follows:

	<u>Oct. 31, 1951</u>	<u>Pro Forma</u>
Bonds	51.35%	47.88%
Preferred stock	24.17	22.54
Common stock	<u>24.48</u>	<u>29.58</u>
Total	<u>100.00%</u>	<u>100.00%</u>

From a review of the application it clearly appears that an order authorizing applicant to issue and sell shares of common stock at this time is warranted. In making this order, however, the Commission wishes to place applicant upon notice that it will not regard the price at which applicant intends to dispose of its stock, or the dividends paid on such stock, as representing the cost of money or as determining the rate of return which applicant should be allowed to earn on its investment in its plant and properties.

O R D E R

The Commission having considered the above entitled matter, and being of the opinion that a public hearing thereon is not necessary; that the application should be granted, as herein provided; that the money, property or labor to be procured or paid for through the issue and sale of the shares of stock herein authorized is reasonably required by applicant for the purposes specified herein; and that such purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income; therefore,

IT IS HEREBY ORDERED as follows:

1. Associated Telephone Company, Ltd., after the effective date hereof and on or before June 30, 1952, may issue and sell not exceeding 350,000 shares of its common stock, at par for cash, to the holder of its presently outstanding shares of common stock for the purposes set forth in this application.

2. Associated Telephone Company, Ltd., shall file with the Commission monthly reports as required by General Order No. 24-A,

which order, insofar as applicable, is made a part of this order.

3. The authority herein granted will become effective twenty (20) days after the date hereof.

Dated at San Francisco, California, this 3rd day of January, 1952.

A. J. [Signature]
President

James D. [Signature]
Harold [Signature]

[Signature]
[Signature]
Commissioners