

ORIGINAL

Decision No. 48501

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)	
General Telephone Company Of Cali-	:	
fornia for an Order authorizing it)	Application
to issue and sell 600,000 shares of	:	No. 34231
its Common Stock, \$20 par value.)	
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O P I N I O N

General Telephone Company Of California has filed this application for authorization to issue and sell 600,000 shares of its common stock of the par value of \$20 each and of the aggregate par value of \$12,000,000. It proposes to offer said shares to the holder of its presently outstanding shares of common stock, pursuant to preemptive rights granted by its articles of incorporation, at par for cash, at one time or from time to time throughout the year.

The purpose of the proposed issue is to finance the acquisition of property, or the construction, completion, extension or improvement of facilities, or to provide for the improvement or maintenance of service, reimbursement of the treasury, and the payment of any indebtedness to banks which may have been incurred at the time of the sale of said shares. In Exhibit B filed in this proceeding, applicant reports its estimated construction expenditures during the twelve months ending February 28, 1954, as follows:

Buildings	\$ 1,414,923
Central office equipment	11,674,583
Station equipment	9,022,975
Outside plant	12,627,568
Other (right of way, land and general equipment)	880,516
Construction work in progress	(1,598,146)
Plant held for future use	44,300
Wiring gain and loss	<u>1,411,783</u>
Total plant	<u>\$35,478,502</u>

It appears that a portion of the proposed expenditures will be financed by applicant with depreciation accruals and earnings from operations but that the greater part must be met with proceeds from the sale of securities. The following tabulation shows the net funds required for additions to plant and the estimated sources of such funds:

<u>Funds Required -</u>	
Gross additions to plant	\$35,478,502
Less-salvage recoveries, contributions and other items	<u>5,769,167</u>
Balance - net requirements	<u>\$29,709,335</u>
<u>Funds Provided -</u>	
From income (including depreciation and amortization accruals)	\$12,747,271
Less - dividends	<u>4,602,865</u>
Net from operations	\$ 8,144,406
From working capital	1,728,739
From issue of securities -	
Common stock	12,000,000
Preferred stock	2,000,000
Bonds	6,000,000
Less-discount and expense	<u>(163,810)</u>
Net from securities	<u>19,836,190</u>
Total	<u>\$29,709,335</u>

Presently, applicant has outstanding first mortgage bonds in the aggregate principal amount of \$59,618,000 which were issued in series with interest ranging from 2-7/8% to 3-3/4% per annum, preferred stock in the aggregate par value of \$30,360,720 divided into two series, one with cumulative dividends at the rate of 4-1/2% per annum and the other at 5%, and 1,533,038 shares of common stock of the par value of \$20 each, all of which shares of common stock are reported held by General Telephone Corporation. For some years applicant has paid dividends on its outstanding shares of common

stock at the rate of \$1.60 annually.

The application shows applicant's capital ratios as of the present time and after giving effect to the issue of the additional shares of common stock, as follows:

	<u>At Present</u>	<u>Pro Forma</u>
Bonds	49.42%	44.95%
Preferred stock	25.17	22.89
Common stock	<u>25.41</u>	<u>32.16</u>
Total	<u>100.00%</u>	<u>100.00%</u>

Applicant has been before the Commission on numerous occasions with applications involving requests to increase rates and to issue securities. It appears that applicant is, and for many years has been, faced with a continuing program of expansion to meet demands for additional service and for improvements. The Commission is of the opinion that applicant will have need for the funds to be received through the issue of the shares of stock covered by this application and that an order authorizing such issue 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 plants and properties.

O R D E R

The Commission having considered the above entitled matter, and being of the opinion that a public hearing is not necessary; that the application should be granted, as herein provided; that the money, property or labor to be procured or paid for by the issue 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. General Telephone Company Of California, on and after the effective date hereof and on or before December 31, 1953, may issue and sell not exceeding 600,000 shares of its common stock, at par for cash, to the holder of the presently outstanding shares of common stock, and use the proceeds for the purposes set forth in this application.

2. Applicant 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 20 days after the date hereof.

Dated at San Francisco, California, this 21st day of April, 1953.

President

Harold A. Hula

Peter E. Mitchell
Commissioners