

ORIGINAL

Decision No. 49843

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)	
General Telephone Company of Cali-)	
formia for an Order authorizing it)	Application
to issue and sell 600,000 shares of)	No. 35263
its Common Stock, \$20 Par Value.)	
-----)	

O P I N I O N

This is an application for an order authorizing General Telephone Company of California 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.

The purpose of the proposed financing is to provide applicant with funds for the acquisition of property, for the construction, completion, extension or improvement of its facilities, for the improvement or maintenance of its service, for the discharge of any indebtedness to banks which may have been incurred at the date of sale of the shares of stock, or for the reimbursement of its treasury. In Exhibit C filed in this proceeding applicant reports its estimated gross construction for the year 1954 in the aggregate amount of \$41,496,200, as follows:

Buildings	\$ 3,514,800
Central office equipment	10,340,700
Station equipment	8,990,800
Outside plant	10,057,500
Other (right of way, land and general equipment)	1,251,900
Construction work in progress	6,274,800
Plant held for future use	(288,700)
Wiring gain and loss	<u>1,354,400</u>
Total plant	<u>\$41,496,200</u>

The application indicates that the proposed expenditures will be financed in part with internal funds and in part through the issue and sale of securities. At this time applicant proposes to sell the \$12,000,000 of stock, which is the subject of this application, at par for cash to General Telephone Corporation, the holder of all its presently outstanding shares of common stock, pursuant to preemptive rights granted by its articles of incorporation. At a later date, according to Exhibit C, applicant intends to issue and sell \$8,000,000 of bonds.

Presently, applicant has outstanding first mortgage bonds in the aggregate amount of \$59,618,000, which were issued in series with interest ranging from 2-7/8% to 3-3/4%, preferred stock of the aggregate par value of \$34,360,720, divided into two series, one with cumulative dividends at the rate of 4-1/2% and the other at 5%, and common stock consisting of 2,133,038 shares. The application indicates that for some years applicant has paid dividends on its outstanding shares of common stock at the rate of \$1.60 annually. Applicant's capital ratios as of the present time and after giving effect to the the issue of the additional shares of common stock are reported as follows:

	<u>Present</u>	<u>Pro Forma</u>
Bonds	43.63%	40.11%
Preferred stock	25.15	23.12
Common	<u>31.22</u>	<u>36.77</u>
Totals	<u>100.00%</u>	<u>100.00%</u>

From information on file with the Commission in this and in earlier proceedings, 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 shares of common 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, 1954, 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. General Telephone Company of California 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 30th day of March, 1954.

R. J. [Signature]
President

James J. [Signature]

Samuel [Signature]

Robert [Signature]

Warne [Signature]
Commissioners