

Decision No. 51435**ORIGINAL**

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  
to issue and sell 700,000 shares of  
its Common Stock, \$20 Par Value.

Application  
No. 36906

O P I N I O N

In this application, General Telephone Company of California seeks authorization to issue and sell 700,000 shares of its common stock of the par value of \$20 each and of the aggregate par value of \$14,000,000.

Applicant was organized under the laws of California on or about March 18, 1929. Its authorized capital stock consists of 6,000,000 shares of the par value of \$20 each, divided into shares of preferred and common stock. The following tabulation shows the number of authorized shares and the par value thereof and the total par value outstanding as of February 28, 1955:

	<u>Authorized</u>		<u>Amount</u>
	<u>Shares</u>	<u>Amount</u>	<u>Outstanding</u>
Preferred -			
4½% series	280,312	\$ 5,606,240	\$ 5,606,240
5% series	2,000,000	40,000,000	28,754,480
Unclassified	219,688	4,393,760	-
Total preferred	2,500,000	50,000,000	34,360,720
Common	3,500,000	70,000,000	48,660,755
Totals	<u>6,000,000</u>	<u>\$120,000,000</u>	<u>\$83,021,475</u>

All the outstanding shares of common stock are held by General Telephone Corporation, whose address is New York. The application shows that during the last five years dividends have been paid at the rate of \$1.60 a year.

At this time applicant proposes to issue 700,000 shares of common stock and to sell the same, at par, to the holder of the presently outstanding shares of common stock pursuant to the preemptive right to subscribe for additional shares of common stock which is granted such holder by applicant's articles of incorporation. In the present proceeding applicant reports that it will have need for the funds from the sale of such shares to pay outstanding bank loans, to reimburse its treasury, and to finance the cost of additions to its plants and properties.

Information filed with the Commission shows that during 1953 applicant's net additions to plant amounted to \$22,817,612 and during 1954 to \$28,587,495. The present application shows that during 1955 applicant will be called upon to expend further sums for additions and improvements to its facilities. In Exhibit B it reports its estimated expenditures and its sources of funds to meet such expenditures as follows:

Expenditures -			
Net additions to plant		\$30,496,600	
Payment of bank loans		5,000,000	
Increase in working capital		<u>1,159,840</u>	
Total			\$36,656,440
Sources of funds -			
From operations	\$16,946,003		
Less-dividends	<u>5,987,863</u>		
Balance from income		10,958,140	
From securities -			
Common stock	14,000,000		
Bonds	12,000,000		
Expenses of issue	<u>(301,700)</u>		
Total from securities		<u>25,698,300</u>	
Total			<u>\$36,656,440</u>

In February of this year applicant sold \$12,000,000 in principal amount of first mortgage 3-3/8% bonds under authorization granted by Decision No. 51002, dated January 25, 1955.

It has been applicant's practice in meeting its capital requirements to issue and sell bonds and shares of preferred stock in addition to shares of common stock. Its capital ratios as of February 28, 1955, and as adjusted to give effect to the proposed issue of shares of common stock, are as follows:

	<u>Actual</u>	<u>Pro Forma</u>
First mortgage bonds	44.2%	40.3%
Preferred stock	21.2	19.4
Common stock equity	<u>34.6</u>	<u>40.3</u>
Totals	<u>100.0%</u>	<u>100.0%</u>

From a review of the application it clearly appears that applicant will have need for funds from external sources for capital purposes and that an order authorizing the issue of shares of common stock at this time is warranted.

#### 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 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. General Telephone Company of California may issue and sell not exceeding 700,000 shares of its common stock, at par for cash, on or before December 31, 1955, to the holder of its 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 on the date hereof.

Dated at San Francisco, California, this 10<sup>th</sup> day of May, 1955.

*W. E. Mitchell*  
President

*James J. Quinn*

*Paul L. Winter*

*William D. ...*

Commissioners