

ORIGINALDecision No. 55125

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application
of General Telephone Company of
California for an Order authorizing
it to issue and sell 500,000 shares
of its Common Stock.

Application No. 39112

O P I N I O N

This is an application for an order of the Commission authorizing General Telephone Company of California to issue and sell 500,000 shares of its common stock of the par value of \$20 each and of the aggregate par value of \$10,000,000.

Applicant's authorized capital stock consists of 7,800,000 shares of the par value of \$20 each, divided into shares of preferred and common stock. The authorized shares and the par value thereof, together with the total par value outstanding as of April 30, 1957, are shown in the following tabulation:

	<u>Shares</u>	<u>Authorized Amount</u>	<u>Amount Outstanding</u>
Preferred -			
Cum. pref. 4 $\frac{1}{2}$ % series	280,312	\$ 5,606,240	\$ 5,606,240
4 $\frac{1}{2}$ % cum. pref.	1,000,000	20,000,000	14,377,240
5% cum. pref.	1,000,000	20,000,000	10,000,000
Unclassified	19,688	393,760	-
Total preferred	<u>2,300,000</u>	<u>46,000,000</u>	<u>29,983,480</u>
Common	<u>5,500,000</u>	<u>110,000,000</u>	<u>92,660,760</u>
Total	<u><u>7,800,000</u></u>	<u><u>\$156,000,000</u></u>	<u><u>\$122,644,240</u></u>

The outstanding shares of common stock are held by General Telephone Corporation of New York. During the last five years, according to Exhibit A attached to the application, applicant has paid annual dividends at the rate of \$1.60 a share.

At this time, applicant proposes to offer the 500,000 additional shares covered by this application, at par, to the holder of the presently outstanding shares pursuant to the preemptive right to subscribe for additional common shares which is granted by applicant's articles of incorporation and to apply the proceeds to reimburse the treasury, to pay the indebtedness, and to finance the cost of additions, betterments and improvements to applicant's plants and facilities. In exhibits filed in this proceeding, applicant reports its outstanding bank loans in the amount of \$11,000,000 as of April 30, 1957, and its unreimbursed capital expenditures in the amount of \$38,900,543. Applicant reports its cash requirements and sources of funds during 1957 as follows:

Requirements -		
Gross construction		\$72,015,000
Payment on debt		<u>12,600,000</u>
Total		<u>\$84,615,000</u>
Sources -		
Net proceeds from securities		
Bonds	\$19,920,000	
Preferred stock	18,900,000	
Common stock	<u>24,970,000</u>	\$63,790,000
Salvage, etc.		1,988,000
Working capital and misc.		2,433,000
Operations		<u>16,404,000</u>
Total		<u>\$84,615,000</u>

Under authorization heretofore granted by the Commission, the company, during the earlier part of this year, sold \$20,000,000 of first mortgage 5% bonds at 99.275, \$10,000,000 of 5% preferred stock at \$19 per share and \$15,000,000 of common stock at par. Presently, applicant has on file an application to issue and sell an additional \$10,000,000 of preferred stock. The company's capital ratios, as of April 30, 1957, and as adjusted to give effect to the recent and proposed issues, are as follows:

	<u>April 30,</u> <u>1957</u>	<u>As Adjusted</u>
First mortgage bonds	35.85%	39.16%
Other long-term debt	7.36	6.59
Short-term bank loans	4.31	-
Preferred stock	11.73	14.03
Common stock and surplus	<u>40.75</u>	<u>40.22</u>
Total	<u>100.00%</u>	<u>100.00%</u>

The company's balance sheet indicates that it has need for additional funds to replenish its treasury and to improve its current position. At the end of April of this year, its current and accrued liabilities aggregated \$29,514,322, including the bank loans, as compared with current assets of \$21,763,944.

Upon a full review of this matter, we are of the opinion that an order is warranted granting applicant's request. In making this order we place applicant on notice that we will not regard the price at which it sells its shares of common stock or the dividends which it pays as representing the value of such shares or as measuring or determining the cost of equity capital

or the rate of return which applicant should be allowed to earn on its investment in its plants and properties. The authorization herein granted is for the issue of securities only and should not be construed as indicative of amounts to be included in a future rate base for the purpose of determining just and reasonable rates.

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 common 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,

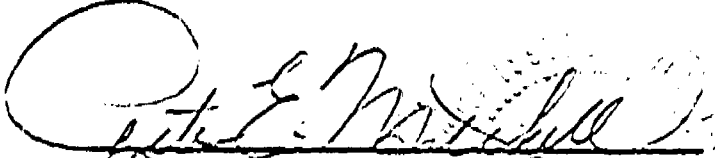
IT IS HEREBY ORDERED as follows:

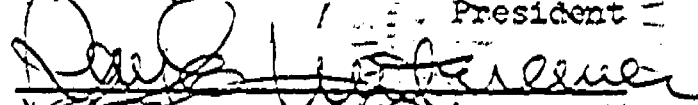
1. General Telephone Company of California may issue and sell to General Telephone Corporation, at not less than par, on or before December 31, 1957, not to exceed 500,000 shares of its common stock, and use the proceeds for the purposes set forth in this application.


2. General Telephone Company of California shall file with the Commission a report, or 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 18th day of June, 1957.



President




Commissioners