

ORIGINALDecision No. 56701

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. 40047

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 10,300,000 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 March 31, 1958, are shown in the following tabulation:

	<u>Authorized</u>		<u>Amount</u>
	<u>Shares</u>	<u>Amount</u>	<u>Outstanding</u>
Preferred -			
4-1/2%	1,280,312	\$ 25,606,240	\$ 19,983,480
5%	500,000	10,000,000	10,000,000
5-1/2%	1,500,000	30,000,000	17,000,000
Unclassified	19,688	393,760	-
Total preferred	3,300,000	66,000,000	46,983,480
Common	7,000,000	140,000,000	102,660,760
Total	<u>10,300,000</u>	<u>\$206,000,000</u>	<u>\$149,644,240</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 outstanding indebtedness, and to finance the cost of additions, betterments and improvements to applicant's plants and facilities. It has reported its unreimbursed capital expenditures, as of March 31, 1958, in the amount of \$55,898,500 and its estimated gross expenditures, during 1958, at \$72,685,000.

According to information filed with the Commission applicant estimates approximately \$16,000,000 of its requirements will be provided by internal sources and the remainder will be obtained through the issue of shares of preferred and common stock and bonds. Its capital ratios as of March 31, 1958, and as adjusted to give effect to the issue of shares of stock covered by this application and to the \$20,000,000 of 4-1/8% bonds which were sold earlier this year under authorization granted by Decision No. 56237, are shown in the following tabulation:

	<u>March 31,</u> <u>1958</u>	<u>As</u> <u>Adjusted</u>
First mortgage bonds	37.11%	41.12%
Other indebtedness	9.91	5.87
Preferred stock	14.95	14.06
Common stock and surplus	<u>38.03</u>	<u>38.95</u>
Total	<u>100.00%</u>	<u>100.00%</u>

The company's balance sheet as of March 31, 1958, shows current assets in the amount of \$21,591,870 and current and accrued liabilities in the amount of \$30,821,034 including, however, \$11,000,000 of notes which were paid through the issue of the bonds authorized by Decision No. 56237.

From a review of this application, we are of the opinion that applicant will have need for funds from the sale of its securities to reimburse its treasury and thereby to improve its cash position and to enable it to proceed with its construction activities and that an order is warranted granting applicant's request to issue and sell additional shares of common stock. 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, 1958, 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 Los Angeles, California, this 20th day of May, 1958.

John E. Mitchell
President
Ray L. Lawrence
William J. Doolittle
Theodore Jensen
Commissioners