

ORIGINAL

Decision No. 58336

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 750,000 shares
of its Common Stock.

Application No. 41037

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 750,000 shares of its common stock of the par value of \$20 each and of the aggregate par value of \$15,000,000.

Applicant proposes to offer the 750,000 shares, at par, to General Telephone Corporation, of New York, the holder of its presently outstanding common shares, pursuant to the pre-emptive right to subscribe for additional common shares which is granted to the present shareholder by applicant's articles of incorporation. If authorized to issue and sell such shares, applicant intends to apply the proceeds to reimburse its treasury, to pay outstanding indebtedness, and to finance the cost of additions, betterments and improvements to its plants and facilities. It has reported its unreimbursed capital expenditures, as of February 28, 1959, in the amount of \$82,992,114, its outstanding short-term loans at \$6,000,000 and its estimated gross expenditures for plant during 1959, at \$58,588,000. A summary statement of applicant's estimated sources and applications of funds, for 1959, prepared from Exhibit B, is as follows:

Application of funds -		
Gross construction	\$58,588,000	
Less - salvage and miscellaneous	<u>2,245,000</u>	\$56,343,000
Payment of indebtedness		<u>9,600,000</u>
Total		<u>\$65,943,000</u>
Funds provided -		
Net income	\$ 4,029,000	
Depreciation	18,900,000	
Decrease in working capital	3,511,000	
Miscellaneous	147,000	
Sales of securities	<u>39,356,000</u>	
Total		<u>\$65,943,000</u>

It has been applicant's practice to finance itself, in part, with bonds and other indebtedness, with preferred stock and with common stock and retained earnings. Its capital ratios as of February 28, 1959, and as adjusted to give effect to the proposed financing, are as follows:

	<u>February 28, 1959</u>	<u>As Adjusted</u>
First mortgage bonds	39.14%	37.88%
Other indebtedness	7.19	5.82
Preferred stock	16.35	15.82
Common stock and surplus	<u>37.32</u>	<u>40.48</u>
Total	<u>100.00%</u>	<u>100.00%</u>

The company's balance sheet as of February 28, 1959, shows current assets in the amount of \$26,531,188 and current and accrued liabilities in the amount of \$36,277,409, including the \$6,000,000 of short-term loans.

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 pay short-term loans, and thereby improve its cash position, and to enable it to proceed with its construction activities. An order is warranted granting applicant's request to issue and sell the 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, 1959, not to exceed 750,000 shares of its common stock, and use the proceeds to reimburse its treasury, to pay outstanding indebtedness and to finance the cost of additions, betterments and improvements, all as set forth in this application.

2. General Telephone Company of California shall file with the Commission a monthly 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 5th day of

May, 1959.

E. L. Fox
President
W. E. B. Smith
W. E. B. Smith
Theodore J. Smith