

ORIGINALDecision No. 60053

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 616,962
shares of its Common Stock.

Application No. 42153

O P I N I O N

On April 13, 1960, General Telephone Company of California filed the above-entitled matter for authorization to issue and sell 616,962 shares of its common stock of the par value of \$20 each and of the aggregate par value of \$12,339,240.

Applicant's authorized and outstanding shares of stock are reported as follows:

	<u>Authorized Shares</u>	<u>Outstanding Shares Number</u>	<u>Par Value</u>
Preferred (\$20 par value) -			
Cum. Pref. 4-1/2% Series, callable at \$23.50	280,312	280,312	\$ 5,606,240
4-1/2% Cum. Pref., callable at \$22	750,000	718,862	14,377,240
5% Cum. Pref., callable at \$22	1,000,000	1,000,000	20,000,000
5-1/2% Cum. Pref., callable at \$23 to Aug. 31, 1962, and thereafter at \$22	1,250,000	750,000	15,000,000
Unclassified	19,688	-	-
Total preferred	<u>3,300,000</u>	<u>2,749,174</u>	<u>54,983,480</u>
Common (\$20 par value)	<u>7,000,000</u>	<u>6,383,038</u>	<u>127,660,760</u>
Total	<u>10,300,000</u>	<u>9,132,212</u>	<u>\$182,644,240</u>

The presently outstanding common shares are carried on the company's balance sheet at \$127,660,755,^{1/} an amount that is \$5 less than the total par value. All these shares are owned by General Telephone & Electronics Corporation.

The company intends to offer the 616,962 shares of stock, which are covered by this application, for sale to General Telephone & Electronics Corporation 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. It proposes to sell 300,000 of the shares on or about May 20, 1960, for a cash consideration equal to the total par value of \$6,000,000, plus the sum of \$5 in order to bring the total stated value of the common shares up to the total par value, and to sell the remaining 316,962 shares at one time, or from time to time, on or before December 31, 1960, for a cash consideration equal to the total par value of such shares.

The purpose of the proposed stock offering is to provide applicant with funds to reimburse its treasury, to pay indebtedness and to finance the cost of additions,

^{1/} The \$5 difference between the stated value of the common shares and the total par value came about in 1945 when the company issued 298,854 shares of new \$20 par value common stock, of the total par value of \$5,977,080, in exchange for 240,000 shares without par value, then outstanding, which were carried on the books at \$5,977,075.

betterments and improvements to its plants and facilities. Applicant estimates its cash requirements during 1960 and its probable sources of funds as follows:

<u>Requirements</u>		
Gross construction	\$58,432,000	
Less - Salvage	<u>24,000</u>	\$58,408,000
Retirement of debt		600,000
Increase in working capital		<u>29,000</u>
Total		<u>\$59,037,000</u>
<u>Sources of Funds</u>		
Net income, after dividends		\$ 5,238,000
Depreciation and amortization		21,328,000
Other		152,000
Bank loans		20,000,000
Common stock sales	\$12,339,000	
Less - Expense	<u>20,000</u>	<u>12,319,000</u>
Total		<u>\$59,037,000</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 29, 1960, and as adjusted to give effect to the proposed financing, are as follows:

	<u>February 29, 1960</u>	<u>As Adjusted</u>
First mortgage bonds	42.79%	41.42%
Other indebtedness	4.66	4.51
Preferred stock	14.56	14.09
Common stock and surplus	<u>37.99</u>	<u>39.98</u>
Total	<u>100.00%</u>	<u>100.00%</u>

The company's balance sheet as of February 29, 1960, shows current and prepaid assets in the amount of \$33,273,280 and current and accrued liabilities in the amount of \$40,079,381. The earnings statement for the 12 months ended

February 29, 1960, shows net income of \$4,212,635 for the period, after making provision for depreciation in the amount of \$18,462,000 and after dividend appropriations of \$12,637,118 on the outstanding preferred and common shares.

From a review of this application, we are of the opinion, and so find, that applicant will have need for funds from external sources in order to reimburse its treasury and to pay short-term loans, and thereby improve its cash position, and to enable it to proceed with its construction activities, and that the issue of the stock, as proposed, is for a proper purpose and will not impair the ability of the utility to serve the public nor adversely affect the public interest.

In making the order in this proceeding, 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 has considered the above-entitled matter and is of the opinion, and so finds, 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 & Electronics Corporation, on or before December 31, 1960, not to exceed 616,962 shares of its common stock at the price set forth in this application. It shall use the proceeds to reimburse its treasury, to pay outstanding indebtedness and to finance the cost of additions, betterments and improvements.

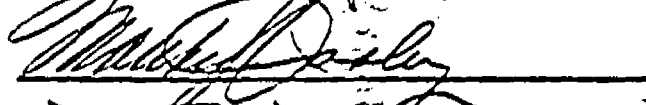
2. General Telephone Company of California shall file with the Commission a monthly report, or reports, as required by General Order No. 24-A, which order, insofar as applicable, is made a part of this order.

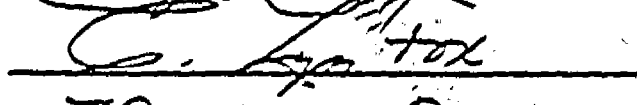
3. The authority herein granted shall become effective 20 days after the date hereof.

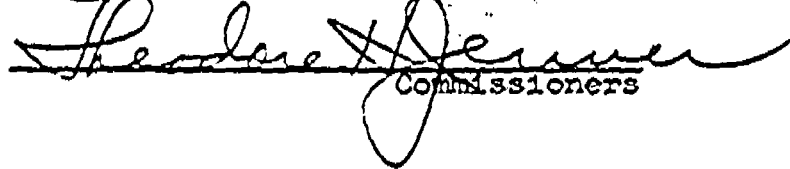
Dated at San Francisco, California,
this 9th day of Mass, 1960.



President








Commissioners