

**ORIGINAL**

Decision No. 63646

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 600,000 shares  
of its Common Stock.

Application No. 44353  
Filed April 13, 1962

O P I N I O N

General Telephone Company of California has filed this application for authorization to issue 600,000 shares of its common stock, of the par value of \$20 each and of the aggregate par value of \$12,000,000, and to sell such shares, at par, to the holder of its presently outstanding common shares, namely, General Telephone & Electronics Corporation, pursuant to the pre-emptive right to subscribe for additional common shares which is granted by applicant's Articles of Incorporation.

The purpose of the proposed financing is to provide applicant with funds for the acquisition of property, for the construction, completion, extension and/or improvement of facilities, and/or for the improvement and/or maintenance of service, and/or the discharge, in whole or in part, of indebtedness which may have been incurred for said purposes and/or for the reimbursement of the treasury. Applicant reports, in Exhibit B, capital expenditures of \$131,073,536

as of February 28, 1962, which have not been provided by issues of securities and it estimates its capital requirements during 1962 and its sources of funds, as follows:

Expenditures

Construction expenditures, less salvage	\$62,755,000
Retirement of notes and debentures	<u>501,000</u>
Total	<u>\$63,256,000</u>

Sources of Funds

Net income, after dividends	\$ 3,607,000
Depreciation	26,584,000
Miscellaneous	781,000
Decrease in working capital	4,304,000
Bank loans	16,000,000
Sale of stock, less expenses	<u>11,980,000</u>
Total	<u>\$63,256,000</u>

A review of applicant's financial reports shows that for some years it has been engaged in a substantial and continuing program of expansion requiring the annual expenditure of large sums of money, that its working capital position, according to its balance sheet of February 28, 1962, was reflected by current assets of \$36,064,747 and current and accrued liabilities of \$49,014,398, and that its capital ratios as of the end of February 1962, and as adjusted to give effect to the proposed financing, were as follows:

	<u>Feb. 28, 1962</u>	<u>Pro Forma</u>
Long-term debt	47.42%	46.13%
Preferred stock	15.18	14.76
Common stock and surplus	<u>37.40</u>	<u>39.11</u>
Total	<u>100.00%</u>	<u>100.00%</u>

From a review of this application, we find and conclude that applicant in 1962 will have need for funds from the sale of securities and that an order is warranted granting its request to issue and sell additional shares of common stock at this time. In making our 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 having determined that a public hearing is not necessary, and being of the opinion 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 the holder of its presently outstanding common shares, on or before December 31, 1962, not to exceed 600,000 additional shares of its common stock for the purposes and in accordance with the terms 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 shall become effective twenty days after the date hereof.

Dated at San Francisco, California,  
this 8th day of May, 1962.

Geoffrey B. Page  
President

[Signature]

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Commissioners