

ORIGINAL

Decision No. 66912

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
605,321 shares of its Common
Stock.

Application No. 46205
Filed February 17, 1964

O P I N I O N

General Telephone Company of California has filed this application for authorization to issue 605,321 shares of its common stock, of the par value of \$20 each and of the aggregate par value of \$12,106,420, 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 to discharge, in part, short-term notes issued to General Telephone & Electronics Corporation for capital purposes. Applicant reports that, as of the date of the application, \$14,000,000 principal amount of such short-term notes are outstanding. Exhibit B attached to the application shows capital expenditures of \$194,825,755 as of December 31, 1963, which have not been provided by issues of

securities. The company estimates its capital requirements during 1964 and its sources of funds as follows:

Expenditures

Construction expenditures, less salvage	\$83,045,000
Retirement of serial notes and debentures	<u>600,000</u>
Total	<u>\$83,645,000</u>

Sources of Funds

Depreciation and amortization of plant	\$32,279,000
Sale of bonds, less expenses	29,800,000
Sale of common stock, less expenses	12,086,000
Net income, after dividends	6,321,000
Decrease in working capital	3,103,000
Depreciation reserve acquired	<u>56,000</u>
Total	<u>\$83,645,000</u>

A review of applicant's financial reports shows that for some years the company 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 as of December 31, 1963, was reflected by current assets of \$36,158,039 and current and accrued liabilities of \$76,321,641, including \$14,000,000 of notes payable to General Telephone and Electronics Corporation, and that its capital ratios as of the end of 1963, and as adjusted to give effect to the proposed financing, were as follows:

	<u>Dec. 31, 1963</u>	<u>Pro Forma</u>
Long-term debt	43.78%	42.78%
Short-term notes	6.16	6.02
Preferred stock	12.51	12.22
Common stock and surplus	<u>37.55</u>	<u>38.98</u>
Total	<u>100.00%</u>	<u>100.00%</u>

The Commission has considered this matter and finds that: (1) the proposed issue of shares of common stock is for a proper purpose; (2) applicant has need for funds from the sale of securities to enable it to discharge, in part, short-term notes; (3) the money, property or labor to be procured or paid for by the issue of the shares of common stock herein authorized is reasonably required for the purpose specified herein; and (4) such purpose is not, in whole or in part, reasonably chargeable to operating expenses or to income. A public hearing is not necessary.

On the basis of the foregoing findings, we conclude that the application should be granted. In issuing our order herein, we place applicant and its shareholders on notice that we do not regard the number of shares outstanding, the total par value of the shares nor the dividends paid as measuring the return applicant should be allowed to earn on its investment in plant and that the authorization herein given is not to be construed as indicative of amounts to be included in proceedings for the determination of just and reasonable rates.

O R D E R

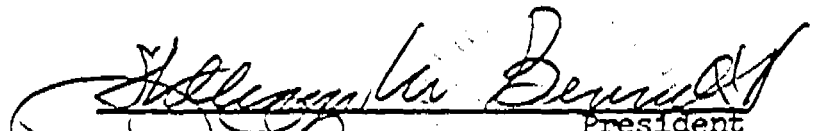
IT IS ORDERED that:

1. General Telephone Company of California may issue and sell to the holder of its presently outstanding common shares, on or before June 30, 1964, at not less than par, not to exceed 605,321 additional shares of its common stock for the purpose set forth in this proceeding.

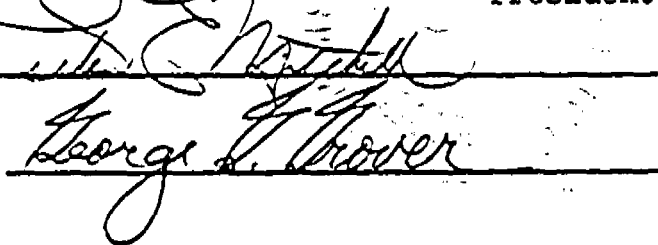
2. General Telephone Company of California shall file with the Commission a report, or reports, as required by General Order No. 24-A, which order, insofar as applicable, is made a part of this order.

3. The effective date of this order shall be ten days after the date hereof.

Dated at San Francisco, California, this 10th day of MARCH, 1964.



President



George J. Hoover

Commissioners

Commissioner Everett C. McKeage, being necessarily absent, did not participate in the disposition of this proceeding.

Commissioner Frederick B. Holoboff, being necessarily absent, did not participate in the disposition of this proceeding.