

ORIGINAL

Decision No. 68947

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)
1,250,000 shares of its Common)
Stock)

Application No. 47482
Filed April 7, 1965

O P I N I O N

General Telephone Company of California has filed this application for authorization to issue 1,250,000 shares of its common stock, of the par value of \$20 each and of the aggregate par value of \$25,000,000, and to sell such shares, at par, to the holder of all 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 short-term notes issued to General Telephone & Electronics Corporation for capital purposes. Applicant reports that as of the date of the application, \$11,000,000 principal amount of such short-term notes are outstanding and that as of June 15, 1965, approximately \$25,000,000 of such short-term notes will be outstanding. Exhibit B, attached to the application, shows capital expenditures of \$196,525,868 as of February 28, 1965, which have not been provided by issues

of securities. The company estimates its capital requirements during 1965 and its sources of funds as follows:

Application of Funds

Construction expenditures, less salvage	\$114,836,000
Retirement of serial notes and debentures	600,000
Dividends	22,024,000
Decrease in short-term loans	<u>40,000,000</u>
Total	<u>\$177,460,000</u>

Sources of Funds

Net income	\$ 26,639,000
Depreciation and amortization	37,477,000
Sale of bonds, less expenses	69,600,000
Sale of common stock, less expenses	38,940,000
Decrease in working capital	4,352,000
Depreciation reserve acquired	<u>452,000</u>
Total	<u>\$177,460,000</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, and that its working capital position, according to its balance sheet as of February 28, 1965, was reflected by current assets of \$40,302,574 and current and accrued liabilities of \$106,865,783, including \$13,980,080 of notes payable to General Telephone & Electronics Corporation. Its capital ratios as of February 28, 1965, and as adjusted to give effect to the issue of additional common stock proposed herein as well as the sale in March, 1965 of \$35,000,000 principal amount of bonds and \$13,980,080 aggregate

par value of common stock authorized by this Commission in January, 1965, are shown in said Exhibit B as follows:

	<u>Feb. 28, 1965</u>	<u>Pro Forma</u>
Long-term debt	44.38%	48.15%
Short-term notes	8.15	-
Preferred stock	11.04	10.56
Common stock and surplus	<u>36.43</u>	<u>41.29</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 short-term notes; (3) the money, property or labor to be procured or paid for by the issue of the 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 December 31, 1965, at not less than par, not to exceed 1,250,000 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-B, which order, insofar as applicable, is hereby 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 27th day of April, 1965.

Fredrick B. Halsloff
President

Arthur E. Mitchell

George T. Hoover

Augustus

William L. ...
Commissioners