

ORIGINAL

Decision No. 69975

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)	Application No. 48013
it to issue and sell an additional)	Filed October 28, 1965
1,750,000 shares of common stock.)	
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O P I N I O N

General Telephone Company of California has filed this application for authorization to issue 1,750,000 shares of its common stock, of the par value of \$20 each and of the aggregate par value of \$35,000,000, 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 and to various banks. The company estimates that as of December 31, 1965, approximately \$56,000,000 of its short-term notes will be outstanding. Exhibit B attached to the application, shows uncapitalized plant as of September 30, 1965, amounting to \$212,977,155, after deducting \$40,000,000 to be derived from bond proceeds.

A review of applicant's financial reports shows that for a number of 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 September 30, 1965, was reflected by current assets of \$40,754,140 and current and accrued liabilities of \$122,538,252. Its capital ratios as of September 30, 1965, and as adjusted to give effect to the issue of additional common stock proposed herein and that authorized by Decision No. 68947, dated April 27, 1965, in Application No. 47432, as well as a proposed bond issue of \$40,000,000, are as follows:

	<u>Sept. 30, 1965</u>	<u>Pro Forma</u>
Long-term debt	45.89%	46.11%
Short-term notes	10.46	6.58
Preferred stock	7.74	6.85
Common stock and surplus	<u>35.91</u>	<u>40.46</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 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 a finding of the value of applicant's stock or properties nor as indicative of amounts to be included in proceedings for the determination of just and reasonable rates.

O R D E R

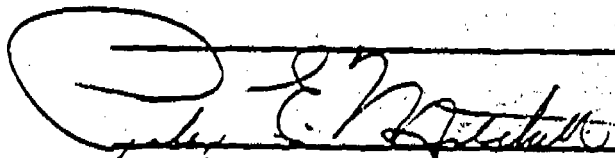

IT IS ORDERED that:

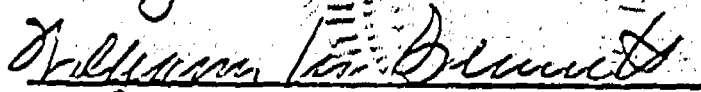
1. General Telephone Company of California, on or before December 31, 1966, may issue and sell to the holder of its presently outstanding common shares, at par, not to exceed 1,750,000 additional shares of its common stock for the purpose set forth in this proceeding.

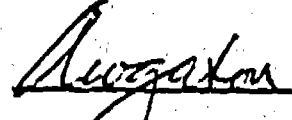
2. General Telephone Company of California shall file with the Commission a report, or reports, as required by General Order No. 24-B, which order, insofar as applicable, is hereby made a part of this order.

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

Dated at San Francisco, California,
this 23rd day of November, 1965.


 _____ President





 _____ Commissioners

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