

**ORIGINAL**

Decision No. 71838

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 )  
3,000,000 shares of its Common )  
Stock )

Application No. 49028  
Filed December 14, 1966

O P I N I O N

In this application General Telephone Company of California seeks authorization from this Commission to issue 3,000,000 shares of its common stock, of the par value of \$20 each and of the aggregate par value of \$60,000,000, 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.

Applicant proposes to issue said shares for the purposes of (a) discharging, or providing funds for discharging, short-term notes, the proceeds of which have been, or will be, used for capital purposes, and/or (b) providing funds for the construction, completion, extension or improvement of its facilities. The company reports \$44,500,000 aggregate principal amount of short-term notes outstanding as of December 12, 1966.

The utility estimates its gross construction expenditures for 1966 and 1967 to be \$151,114,000 and \$158,242,000, respectively, and contemplates financing the latter, in part, by bond and debenture issues in amounts of \$50,000,000 each. Such estimates indicate a continuing program of expansion requiring the annual expenditure of relatively large sums of money.

Applicant's capital ratios as of October 31, 1966, and as adjusted to give effect to the issue of the additional common stock proposed in this proceeding, are shown in Exhibit B, attached to the application, as follows:

	<u>Oct. 31, 1966</u>	<u>Pro Forma</u>
Long-term debt	49.62%	48.14%
Short-term notes	4.82	-
Preferred stock	6.52	6.32
Common stock equity	39.04	45.54
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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 proper purposes; (2) the money, property or labor to be procured or paid for by the issue of the stock herein authorized is reasonably required for the purposes specified herein; and (3) such purposes are 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 after the effective date hereof and on or before December 31, 1967, for the purposes specified in this proceeding, may issue and sell, at par, to the holder of its presently outstanding common stock, not to exceed 3,000,000 additional shares of its common stock.

2. Within three months after the issue and sale of any of the common stock herein authorized, General Telephone Company of California shall file with the Commission a statement, in lieu of a report under General Order No. 24-B, disclosing the purposes for which the stock proceeds were used.

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

Dated at San Francisco, California,  
this 17<sup>th</sup> day of JANUARY, 1967.

*Robert E. Mitchell*  
President

*August*

*William W. Bennett*

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Commissioners