

ORIGINAL

Decision No. 74267

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 authoriz-
ing it to issue and sell 3,500,000
shares of its Common Stock.

Application No. 50200
(Filed April 29, 1968)

O P I N I O N

General Telephone Company of California has filed this application for authorization to issue 3,500,000 shares of its common stock, of the par value of \$20 each and of the aggregate par value of \$70,000,000, and to sell such shares, at par, to the holder of its presently outstanding common shares, namely, General Telephone & Electronics Corporation, pursuant to the preemptive right to subscribe for additional common shares which is granted by applicant's Articles of Incorporation.

Applicant proposes to issue said shares for the purpose of discharging short-term notes issued and to be issued to General Telephone & Electronics Corporation and/or to various banks and/or in the form of commercial paper, the proceeds of which have been or will be used for capital purposes; and/or for the purpose of providing funds to be used to discharge such short-term notes. Applicant reports that, as of the date of the application, \$47,550,000 principal amount of such short-term notes are outstanding. Exhibit B attached to the application shows net estimated construction expenditures of \$147,909,000 for 1968 which have not been provided by issues of securities. The company estimates its capital requirements during 1968 and its sources of funds as follows (000 omitted):

Expenditures

| | |
|---|-------------------|
| Construction expenditures, less salvage | \$ 175,920 |
| Retirement of serial notes and debentures | 550 |
| Dividends | 41,549 |
| Decrease in short-term loans | 12,000 |
| Total | <u>\$ 230,019</u> |

Sources of Funds

| | |
|--|-------------------|
| Depreciation and amortization of plant | \$ 59,330 |
| Sale of bonds, less expenses | 48,920 |
| Sale of common stock, less expenses | 70,000 |
| Net income | 34,138 |
| Decrease in working capital | 17,631 |
| Total | <u>\$ 230,019</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 March 31, 1968, was reflected by current assets of \$53,182,527 and current and accrued liabilities of \$100,715,413, including \$13,379,072 of intercompany accounts, notes, and interest payable, and that its capital ratios as of March 31, 1968, and as adjusted to give effect to the proposed financing, were as follows:

| | <u>March 31, 1968</u> | <u>Pro Forma</u> |
|--------------------------|-----------------------|------------------|
| Long-term debt | 51.30% | 49.59% |
| Short-term notes | 3.17 | - |
| Preferred stock | 4.73 | 4.57 |
| Common stock and surplus | <u>40.80</u> | <u>45.84</u> |
| Total | 100.00% | 100.00% |

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 shares of common 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 indicative of amounts to be included in proceedings for the determination of just and reasonable rates.

O R D E R

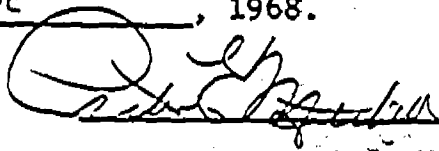
IT IS ORDERED that:

1. General Telephone Company of California may issue and sell to the holder of its presently outstanding common shares, on or before April 1, 1969, at par, not exceeding 3,500,000 additional shares of its common stock for the purposes set forth in this proceeding.


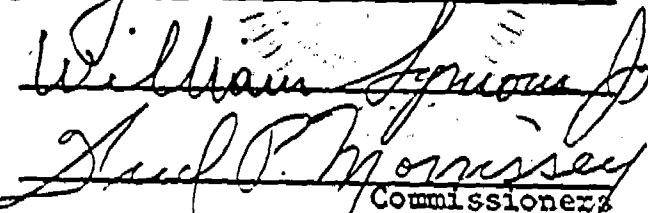
2. General Telephone Company of California shall file with the Commission a report, or reports, as required by General Order No. 24-B, which order, insofar as applicable, is made a part of this order.

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

Dated at San Francisco, California, this 18th day of " JUNE ", 1968.



President

Commissioners

-3- Commissioner William M. Bennett, being necessarily absent, did not participate in the disposition of this proceeding.