

ORIGINAL

Decision No. 78310

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application	)	
of General Telephone Company of	)	
California for authority to issue	)	
and sell not exceeding \$50,000,000	)	
principal amount of Sinking Fund	)	
Debentures, Due May 15, 1996, and	)	Application No. 52425
to execute and deliver to United	)	Filed January 29, 1971
California Bank, as Trustee, an	)	
Indenture supplemental to an	)	
existing Indenture, and for	)	
authority to issue and sell	)	
2,925,000 shares of its Common	)	
Stock.	)	

O P I N I O N

General Telephone Company of California requests an order of the Commission authorizing it (1) to execute and deliver a Supplemental Indenture; (2) to issue, sell and deliver not exceeding \$50,000,000 principal amount of Sinking Fund Debentures, Due May 15, 1996; and (3) to issue and sell 2,925,000 additional shares of its \$20 par value common stock.

The utility proposes to invite bids for the purchase of said debentures, the winning bid to determine the interest rate. The debentures would be subject to a five-year restrictive redemption provision, and would be issued in accordance with the terms and conditions as set forth in an existing Indenture and a proposed Supplemental Indenture.

The company also proposes to issue and sell 2,925,000 shares of its \$20 par value common stock, at par, to the holder of its presently outstanding shares of common stock.

Applicant proposes to issue and sell said debentures and shares of common stock for the purpose of discharging a portion of its outstanding obligations incurred for capital purposes. Short-term notes outstanding as of the date of the application aggregated \$113,402,000. Accrued interest included in the purchase price of the debentures would be used for general corporate purposes.

The company's capitalization ratios as of December 31, 1970, and as adjusted to give effect to the proposed debenture and common stock issues, are summarized from Exhibit B, attached to the application, as follows:

	<u>December 31, 1970</u>	<u>Pro Forma</u>
Long-term debt	57.48%	56.59%
Preferred stock	3.95	3.64
Common stock equity	<u>38.57</u>	<u>39.77</u>
Total	<u>100.00%</u>	<u>100.00%</u>

After consideration the Commission finds that:

1. The proposed debenture and common stock issues are for proper purposes.
2. Applicant has need for external funds for the purposes set forth in this proceeding.
3. Applicant will be required to pay interest at a lower effective rate than it would in the absence of the proposed restrictive redemption provision.
4. The proposed Supplemental Indenture would not be adverse to the public interest.

5. The money, property or labor to be procured or paid for by the issue of the debentures and common stock herein authorized is reasonably required for the purposes specified herein, which purposes, except as otherwise authorized for accrued interest, are not, in whole or in part, reasonably chargeable to operating expenses or to income.

On the basis of the foregoing findings we conclude that the application should be granted. A public hearing is not necessary.

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 granted 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 may execute and deliver a Supplemental Indenture in the same form, or in substantially the same form, as Exhibit C attached to the application.

2. General Telephone Company of California may invite the submission of written sealed bids for the purchase of not exceeding \$50,000,000 aggregate principal amount of its Sinking Fund Debentures, Due May 15, 1996, the Invitation for Bids to be published at least five days prior to the date set for the opening of the bids.

3. General Telephone Company of California may issue, sell and deliver said debentures in the aggregate principal amount of not exceeding \$50,000,000 at the price offered in the bid which will result in the lowest cost of money to applicant calculated in the manner provided in the Invitation for Bids, a copy of which is attached to the application as Exhibit D.

4. Promptly after awarding the contract for the sale of said debentures, General Telephone Company of California shall file a written report with the Commission showing, as to each bid received, the name of the bidder, the price, the interest rate and the cost of money to applicant based upon such price and interest rate.

5. Within thirty days after the issue and sale of the debentures herein authorized, General Telephone Company of California shall file with the Commission three copies of its prospectus pertaining to said debentures.

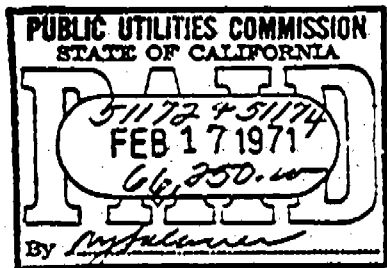
6. General Telephone Company of California, on or after the effective date hereof and on or before September 30, 1971, may issue and sell, at one time or from time to time, at par, to the holder of its presently outstanding common stock, not exceeding 2,925,000 additional shares of its common stock.

7. General Telephone Company of California shall apply the proceeds from the sale of said debentures and shares of common stock to the purposes set forth in the application.

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

9. This order shall become effective when General Telephone Company of California has paid the fees prescribed by Sections 1904(b) and 1904.1 of the Public Utilities Code, which fees are \$31,000 and \$35,250, respectively, amounting to a total of \$66,250.

Dated at San Francisco, California, this 17<sup>th</sup> day of FEBRUARY 1971.



Handwritten signatures of the Chairman and Commissioners.

Commissioner William Symons, Jr., being necessarily absent, did not participate in the disposition of this proceeding.