

Decision No. 80959

**ORIGINAL**

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 to exceed )  
 500,000 shares of \_\_\_\_\_% )  
 Cumulative Preferred Stock. )

Application No. 53753  
 (Filed December 14, 1972)

O P I N I O N

General Telephone Company of California seeks authority to issue, sell and deliver, at competitive bidding, 500,000 shares of \$100 par value preferred stock.

Applicant is a California corporation owning and operating telephone systems in portions of California. It proposes to invite bids for the purchase of 500,000 shares of its \$100 par value Cumulative Preferred Stock, the successful bid to determine the dividend rate. The preferred stock would be subject to a restricted redemption provision until February 15, 1978.

The company proposes to apply the proceeds from the sale of the preferred stock toward discharging a portion of its outstanding obligations incurred for capital purposes. Its capitalization ratios as of October 31, 1972, and as adjusted to give effect to the proposed preferred stock issue, are summarized from Exhibit B, attached to the application, as follows:

	<u>October 31, 1972</u>	<u>Pro forma</u>
Long-term debt	57.43%	55.46%
Preferred stock	3.53	6.82
Common stock equity	<u>39.04</u>	<u>37.72</u>
Total	<u>100.00%</u>	<u>100.00%</u>

After consideration the Commission finds that:

1. The proposed preferred stock issue is for a proper purpose.
2. Applicant has need for external funds for the purpose set forth in this proceeding.
3. The proposed restricted redemption provision is reasonable.
4. The money, property or labor to be procured or paid for by the issue of the preferred stock herein authorized is reasonably required for the purpose specified herein, which purpose is 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 it 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 the company'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 invite the submission of written sealed bids for the purchase of not exceeding 500,000 shares of its \$100 par value \_\_\_\_\_% Cumulative Preferred Stock, the invitation to be published at least five days prior to the date set for the opening of the bids.

2. General Telephone Company of California may issue, sell and deliver not exceeding 500,000 shares of said preferred stock at a price and bearing a dividend rate which will result in the lowest effective cost to it, which cost shall be calculated in the manner provided in the Invitation for Bids, a copy of which is attached to the application as Exhibit D.

3. General Telephone Company of California shall apply the proceeds from the sale of said preferred stock to the purpose referred to in the application.

4. Promptly after awarding the contract for the sale of said preferred stock, 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 dividend rate and cost of money to applicant based upon such price and dividend rate.

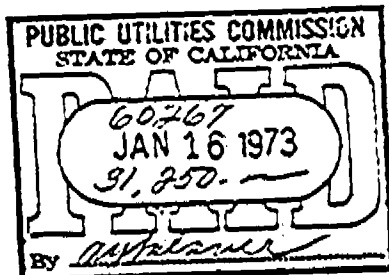
5. As soon as available, General Telephone Company of California shall file with the Commission three copies of its prospectus relating to the preferred stock, and a certified copy of the Certificate of Amendment of Articles of Incorporation as filed with the California Secretary of State, which document shall be in substantially the same form as Exhibit C, attached to the application, with the dividend rate and redemption prices appropriately inserted.

6. Within thirty days after selling the preferred 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 purpose for which the preferred stock proceeds were used.

7. This order shall become effective when General Telephone Company of California has paid the fee prescribed by Section 1904.1 of the Public Utilities Code, which fee is \$31,250.

Dated at San Francisco, California, this 16<sup>th</sup> day of JANUARY, 1973.

Vernon L. Sturgeon  
President  
J. R. [illegible]  
[illegible]  
[illegible]  
Commissioners



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