

RR/CFF/FS/WPSC

ORIGINAL

Decision S4 02 007

FEB 1 1984

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of General Telephone	)	
Company of California to issue and	)	Application 83-11-55
sell 6,250,000 shares of its	)	(Filed November 23, 1983)
Common Stock (\$20 par value).	)	

O P I N I O N

General Telephone Company of California (General) requests authority under Public Utilities (PU) Code Sections 816 through 818, to issue, sell and deliver up to 6,250,000 shares of its Common Stock, \$20 par value (Common Shares), to its parent, GTE Corporation, a New York corporation.

Summary of Decision

This decision grants General the authority requested in the application.

Notice of the filing of the application appeared on the Commission's Daily Calendar of November 29, 1983. No protests have been received.

General, a California Corporation, operates as a public utility under the jurisdiction of this Commission. General provides telephone service to customers in portions of 20 counties in California.

For the 12 months ended September 30, 1983, General reported total operating revenues of \$1,957,146,000 and net income of \$146,806,000, as shown in the application as part of Exhibit A.

Also shown as part of Exhibit A is General's Balance Sheet as of September 30, 1983 summarized as follows:

<u>Assets</u>	<u>Amount</u>
Net Telephone Plant	\$4,089,319,000
Investments	8,610,000
Current Assets	244,753,000
Deferred Debits	57,284,000
Total	<u>\$4,399,966,000</u>
 <u>Liabilities and Equity</u>	
Common Equity	\$1,418,691,000
Preferred Stock	194,983,000
Long-Term Debt	1,657,400,000
Current and Accrued Liabilities	388,740,000
Deferred Credits and Reserves	740,152,000
Total	<u>\$4,399,966,000</u>

General proposes to issue and sell up to 6,250,000 of its Common Shares to its parent, GTE Corporation, the holder of all of General's outstanding common stock. Also, General proposes to sell these Common Shares at their par value, in one or more issuances, on or before December 31, 1984.

Use of the Proceeds

General proposes to use the proceeds from the sale of its Common Shares, in the aggregate amount of \$125,000,000, for the following purposes:

1. The acquisition of property;
2. The construction, completion, extension or improvement of General's facilities;
3. The improvement or maintenance of General's service;
4. The discharge, in whole or in part, of any obligations which may have been incurred for any of the above purposes; and
5. The reimbursement to General for moneys actually expended for capital purposes, but not obtained from external sources.

General estimates gross construction expenditures for the year ending December 31, 1984 will be \$720,237,000 summarized as follows, as shown in the application as part of Exhibit B:

<u>Purpose</u>	<u>Amount</u>
Buildings	\$ 36,018,000
Central Office Equipment	424,169,000
Station Equipment	54,448,000
Outside Plant	189,787,000
Other (Land and General Equipment)	<u>15,815,000</u>
Total	\$720,237,000

General's capital ratios reported as of September 30, 1983 are shown as recorded and adjusted to December 31, 1984 to give pro forma effect to the transactions that follow:

	<u>September 30, 1983</u>	<u>Pro Forma</u>
Long-Term Debt	49.7%	48.7%
Short-Term Debt	<u>1.8</u>	<u>.6</u>
Total Debt	51.5	49.3
Preferred Stock	5.9	5.5
Common Equity	<u>42.6</u>	<u>45.2</u>
Total	100.0%	100.0%

1. General's proposed sale of 6,250,000 shares of its Common Stock, \$20 Par Value, to GTE Corporation, General's parent;
2. The issuance and sale of up to \$225,000,000 aggregate principal amount of General's Common Stock, \$20 Par Value, Preferred Stock and Long-Term Debt (Decision (D.) 83-02-041 dated February 16, 1983 in Application (A.) 82-11-11, as modified by D.83-11-058 dated November 22, 1983 in A.83-09-48); and
3. The issuance and sale of 1,250,000 shares of General's Common Stock, \$20 Par Value, to GTE Corporation, General's parent (D.83-08-053 dated August 17, 1983 in A.83-07-23).

As of December 31, 1984, General estimates that after the issuance of the proposed Common Shares, the utility will have short-term indebtedness in the amount of \$21,000,000.

The Commission's Revenue Requirements Division has reviewed General's construction budget for 1984 and finds that the sale of its Common Shares is necessary to fund the planned construction. The Division is not finding that the construction is necessary and reasonable nor that the expenditures are reasonable in amount. These are issues normally tested in general rate or rate base offset proceedings.

Findings of Fact

1. General, a California corporation, operates as a public telephone utility under the jurisdiction of this Commission.
2. The proposed issue and sale of common stock would be for proper purposes.
3. General has need for external funds for the purposes set forth in the application.
4. The proposed security issue is for lawful purposes and the money, property or labor to be obtained by it is required for these purposes. Proceeds from the Common Shares may not be charged to operating expenses or income.
5. There is no known opposition and there is no reason to delay granting the authority requested.

Conclusions of Law

1. A public hearing is not necessary.

2. The application should be granted to the extent set forth in the order which follows.

In issuing our order, we place General and its stockholder 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 General should be allowed to earn on its investment in plant. This authorization is not a finding of the value of General's stock or property, nor does it indicate the amounts to be included in rate setting proceedings.

The following order should be effective on the date of signature and payment of the fee set by PU Code Section 1904.1, to enable General to issue its Common Shares expeditiously.

O R D E R

IT IS ORDERED that:

1. General Telephone Company of California (General), on or after the effective date of this order and on or before December 31, 1984, may issue, sell and deliver, at one time or from time to time, to GTE Corporation, at par for cash, up to but not exceeding 6,250,000 additional shares of its \$20 par value, Common Stock.

2. General shall apply the proceeds from the sale of its common stock for the purposes set forth in the application.

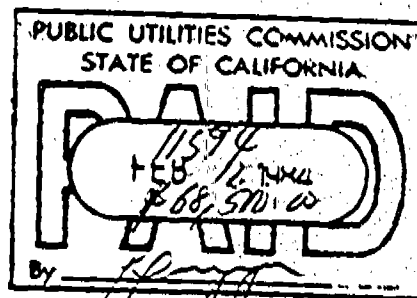
3. General shall file the reports required by General Order Series 24.

4. The authority granted by this order to issue common stock will become effective when General pays \$68,500, the fee set by PU Code Section 1904.1. In all other respects, this order is effective today.

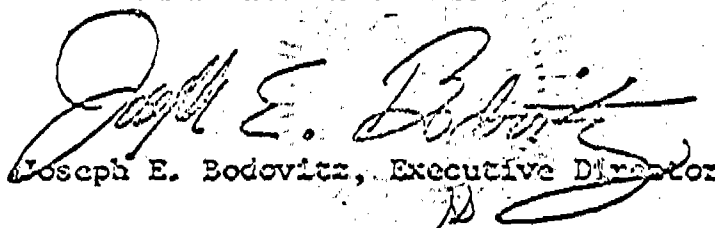
Dated FEB 1 1984, at San Francisco, California.

LEONARD M. GRIMES, JR.  
President

VICTOR CALVO  
PRISCILLA C. GREW  
DONALD VIAL  
WILLIAM T. BAGLEY  
Commissioners



I CERTIFY THAT THIS DECISION  
WAS APPROVED BY THE ABOVE  
COMMISSIONERS TODAY.

  
Joseph E. Bodovitz, Executive Director