

RR/KLH/BW/WPSC

Decision 83 08 053 AUG 17 1983**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of General Telephone )	
Company of California to issue and )	Application 83-07-23
sell not exceeding 1,250,000 shares )	(Filed July 13, 1983)
of its common stock (\$20 par value )	
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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 1,250,000 shares of its Common Stock, \$20 par value, to its parent, General Telephone & Electronics Corporation (GTE), a New York Corporation.

Summary of Decision

This decision grants General the authority it requested in its application.

Notice of the filing of the application appeared on the Commission's Daily Calendar of July 15, 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 May 31, 1983, General reports it generated total operating revenues of \$1,897,489,000 and net income of \$85,318,000 as shown in the application as part of Exhibit A.

Also shown as part of Exhibit A is General's Balance Sheet as of May 31, 1983 summarized as follows:

<u>Assets</u>	<u>Amount</u>
Net Telephone Plant	\$4,028,433,000
Investments	4,230,000
Current Assets	273,236,000
Deferred Debits	<u>39,868,000</u>
Total	\$4,345,767,000
 <u>Liabilities and Equity</u>	
Common Equity	\$1,289,474,000
Preferred Stock	194,983,000
Long-Term Debt	1,695,429,000
Current and Accrued Liabilities	406,302,000
Deferred Credits and Reserves	<u>759,579,000</u>
Total	\$4,345,767,000

General proposes to issue and sell up to 1,250,000 shares of its Common Stock, \$20 par value, to its parent, GTE corporation, the holder of all of General's outstanding common stock. General intends to sell these shares on or before December 31, 1983.

Use of the Proceeds

General proposes to use the proceeds from the sale of its Common Stock, estimated to produce \$25,000,000, for the following purposes:

1. The acquisition of property;
2. The construction, completion, extension, or improvement of General's facilities;
3. The discharge, in whole or in part, of any of its obligations which may have been incurred for any of the above purposes; and
4. The reimbursement of moneys actually expended from income or from other money in General's treasury not secured by or obtained from the issuance of stocks or stock certificates or other evidence of interest or ownership, or bonds, notes, or other evidences of indebtedness of General, for any of the aforesaid purposes except maintenance of services and replacements.

General estimates gross construction expenditures for the year ending December 31, 1983 will be \$688,931,000 summarized from Exhibit B attached to the application as follows:

<u>Purpose</u>	<u>Amount</u>
Buildings	\$ 36,637,000
Central Office Equipment	409,322,000
Station Equipment	55,254,000
Outside Plant	171,757,000
Other (Land and General Equipment)	<u>15,961,000</u>
Total	\$688,931,000

General estimates that as of May 31, 1983 it had \$445,483,000 total telephone plant available for the issuance of additional securities (shown in the application as part of Exhibit B).

General's capital ratios reported as of May 31, 1983 are shown below as recorded and adjusted to December 31, 1983 to give proforma effect to the transactions that follow:

	<u>May 31, 1983</u>	<u>Pro Forma</u>
Long-Term Debt	52.0%	50.7%
Short-Term Debt	<u>2.5</u>	<u>2.5</u>
Total Debt	54.5	53.2
Preferred Stock	6.0	5.6
Common Equity	<u>39.5</u>	<u>41.2</u>
Total	100.0%	100.0%

1. General's proposed sale of 1,250,000 shares of its Common Stock, \$20 par value, to GTE corporation, General's parent and
2. The issuance and sale of up to \$225,000,000 aggregate principal amount of General's securities (Decision 83-02-041 dated February 16, 1983 in Application 82-11-11).

As of December 31, 1983, General anticipates its short-term indebtedness will be about \$88,000,000 all of which would have been spent for capital purposes.

The Commission's Revenue Requirements Division has reviewed General's construction budgets for 1983 and find that the sale of its common stock is necessary to fund the planned construction. The Division is not finding that the construction is necessary and reasonable or that the expenditures are reasonable in amount. These are issues normally tested in general rate or rate base offset proceedings.

General has requested that the authority to issue the common stock become effective upon payment of the fee prescribed by PU Code Section 1904.1.

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 security issue 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 it should be allowed to earn on its investment in plant. This authorization is not to be construed as a finding of the value of General's stock or property, nor as indicative of amounts to be included in rate setting proceedings.

The following order should be effective on the date of signature and payment of the fees set by PU Code Section 1904.1 to enable General to proceed with the sale of its common stock 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, for the purposes set forth in this proceeding, may issue, sell, and deliver at one time or

from time to time, to General Telephone & Electronics Corporation, at par for cash, up to 1,250,000 shares of General's Common Stock, \$20 par value.

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 be effective when General pays \$18,500, the fee set by PU Code Section 1904.1. In all other respects, this order is effective today.

Dated AUG 17 1983, at San Francisco, California.

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

Commissioner Leonard M. Grimes, Jr.,  
being necessarily absent, did not  
participate.

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

*Joseph E. Bodovitz*  
Joseph E. Bodovitz, Executive Director

