

Decision No. 86641**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of General Telephone)
 Company of California to issue and)
 sell 1,500,000 shares of its Common)
 Stock (\$20 par value); to issue)
 and sell, at competitive bidding,)
 not exceeding \$50,000,000 principal)
 amount of First Mortgage Bonds,)
 Series Y, Due April 1, 2007, and to)
 execute and deliver a Supplemental)
 Indenture.)

Application No. 56330
 (Filed October 26, 1976)

O P I N I O N

General Telephone Company of California, a California corporation, seeks authority (a) to issue and sell \$30,000,000 aggregate par value of its common stock to its parent corporation, General Telephone & Electronics Corporation, a New York corporation, (b) to issue and sell, at competitive bidding, not exceeding \$50,000,000 of its bonds, and (c) to execute and deliver a Supplemental Indenture.

For the purpose of obtaining funds to reimburse its treasury for capital expenditures, the utility proposes (a) to issue and sell, at par for \$30,000,000 cash, 1,500,000 shares of its \$20 par value common stock to General Telephone & Electronics Corporation, the holder of all of applicant's presently outstanding common stock, and (b) to invite bids for the purchase of \$50,000,000 aggregate principal amount of its First Mortgage Bonds, Series Y, Due April 1, 2007. Accrued interest included in the purchase of said bonds would be used for general corporate purposes.

The bonds would be subject to a restricted redemption provision until April 1, 1982, and would be secured by an existing Indenture as heretofore supplemented and as further supplemented by a proposed Supplemental Indenture.

Applicant's reported capitalization ratios as of August 31, 1976, and as adjusted to give effect to the proposed stock and bond issues, are summarized from Exhibit B attached to the application, as follows:

	<u>August 31, 1976</u>	<u>Pro Forma</u>
Long-term debt	51.36%	51.91%
Preferred stock	6.51	6.19
Common equity	<u>42.13</u>	<u>41.90</u>
Total	<u>100.00%</u>	<u>100.00%</u>

After consideration the Commission finds that:

1. The proposed stock and bonds would be for proper purposes.
2. Applicant has need for external funds for the purposes set forth in the application.
3. The proposed restricted redemption provision is reasonable.
4. The money, property or labor to be procured or paid for by the issuance of the stock and bonds 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.
5. The proposed Supplemental Indenture would not be adverse to the public interest.
6. There is no known opposition and there is no reason to delay granting the relief requested.

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 execute and deliver a Supplemental Indenture in substantially the form of Exhibit D 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 First Mortgage Bonds, Series Y, Due April 1, 2007.
3. General Telephone Company of California may issue, sell and deliver said bonds in the aggregate principal amount of not exceeding \$50,000,000 at the price offered in a bid which would result in the lowest annual cost of money to it calculated in the manner provided in the Invitation for Bids, a copy of which is attached to the application as a part of Exhibit E.

4. Promptly after awarding the contract for the sale of said bonds, 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 cost of money to it based upon such price and interest rate.

5. As soon as available, General Telephone Company of California shall file with the Commission three copies of its final prospectus relating to said bonds.

6. General Telephone Company of California, on or after the effective date hereof and on or before June 30, 1977, may issue, sell and deliver, at one time or from time to time, to General Telephone & Electronics Corporation, at par for cash, not exceeding 1,500,000 additional shares of its \$20 par value common stock.

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

8. Within thirty days after issuing, selling and delivering any of the stock or bonds 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 purposes for which the 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 \$21,000, respectively, or a total of \$52,000.

Dated at San Francisco, California, this 16th day of NOVEMBER, 1976.

[Signature]

 President

[Signature]

[Signature]

 Commissioners

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

