

Decision No. 87025**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of (a) General Telephone)
 Company of California (General) to)
 issue 688,190 shares of its \$20 par)
 value common stock in exchange for)
 345,259 of the 345,269 outstanding)
 shares of capital stock of Western)
 California Telephone Company (Western);)
 (b) Western to merge into General;)
 (c) General to execute an Indenture)
 of Assumption.)

Application No. 57031
 (Filed January 25, 1977)

O P I N I O N

General Telephone Company of California seeks authority to execute and deliver a Sixth Supplemental Indenture and Indenture of Assumption, and to issue 688,190 shares of its \$20 par value common stock to General Telephone & Electronics Corporation in exchange for 345,259 shares of \$10 par value common stock of Western California Telephone Company, and the latter seeks authority to merge into General Telephone Company of California.

Western California Telephone Company is a California corporation which owns and operates telephone systems in portions of Marin, Santa Clara, Santa Cruz and Sonoma Counties. All except 10 of its 345,269 shares of outstanding capital stock are owned by General Telephone & Electronics Corporation, a New York corporation.

General Telephone Company of California is a California corporation which owns and operates telephone systems in portions of Fresno, Imperial, Kern, Los Angeles, Orange, Riverside, Sacramento, San Bernardino, San Diego, San Joaquin, San Luis Obispo, Santa Barbara, Solano, Tulare, Ventura and Yolo Counties. All of its outstanding common stock is owned by said General Telephone & Electronics Corporation.

For the twelve-month period ended November 30, 1976 applicants reported total operating revenues and net income, as follows:

	<u>General Telephone Company of California</u>	<u>Western California Telephone Company</u>	<u>Combined</u>
Operating revenues	\$737,025,206	\$14,428,085	\$751,453,291
Net income	83,938,197	2,094,742	86,032,939

Balance sheets at November 30, 1976 showing the effect of the proposed merger, based upon Exhibit F attached to the application, are as follows:

	<u>General Telephone Company of California</u>	<u>Western California Telephone Company</u>	<u>Adjustments</u>	<u>Pro Forma</u>
<u>Assets</u>				
Fixed capital- net	\$1,829,268,520	\$45,196,393		\$1,874,464,913
Current assets	116,300,782	2,787,139	\$ (184,322)	118,903,599
Other assets	18,906,412	677,071		19,583,483
Totals	<u>\$1,964,475,714</u>	<u>\$48,660,603</u>	<u>\$ (184,322)</u>	<u>\$2,012,951,995</u>
<u>Liabilities</u>				
Common stock	\$ 490,000,000	\$ 3,452,690	\$10,311,110	\$ 503,763,800
Preferred stock	99,983,480			99,983,480
Surplus	162,750,748	16,012,438	(10,312,566)	168,450,620
Long-term debt	788,542,000	4,625,000		793,167,000
Other liabilities	423,199,486	24,570,475	(182,866)	447,587,095
Totals	<u>\$1,964,475,714</u>	<u>\$48,660,603</u>	<u>\$ (184,322)</u>	<u>\$2,012,951,995</u>

For the purpose of mortgaging and pledging property to secure its bonds Western California Telephone Company entered into a Trust Indenture which has been supplemented by five Supplemental Indentures. The \$4,625,000 long-term debt shown in the foregoing tabulation is represented by such bonds. The proposed Sixth Supplemental Indenture and Indenture of Assumption would enable General Telephone Company of California to assume such long-term debt.

According to the application, the proposed merger would benefit the public service by (a) reducing presently existing duplications in corporate overhead and administrative expenses, (b) further centralizing purchasing and warehousing of applicants' inventories, (c) further centralizing training of employees, and (d) combining accounting functions and regulatory obligations of the two companies.

After consideration the Commission finds that:

1. The proposed transactions would not be adverse to the public interest.
2. The proposed stock issue would be for a proper purpose.
3. The money, property or labor to be procured or paid for by the issuance of the shares of common 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.
4. The matter is noncontroversial 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 General Telephone Company of California 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 the company 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 issue 688,190 shares of its \$20 par value common stock in exchange for 345,259 shares of \$10 par value common stock of Western California Telephone Company.
2. Western California Telephone Company may merge into General Telephone Company of California.
3. General Telephone Company of California may assume all of the liabilities of Western California Telephone Company.
4. General Telephone Company of California may execute and deliver a Sixth Supplemental Indenture and Indenture of Assumption in substantially the same form as Exhibit E attached to the application.
5. General Telephone Company of California may enter and provide telephone service in the territory now served by Western California Telephone Company, whereupon the latter may withdraw therefrom.
6. General Telephone Company of California shall adopt or reissue in its name the tariffs on file with this Commission for Western California Telephone Company at the same rates and charges.

The tariff filings shall be made effective not earlier than five days after the effective date of this order on not less than five days' notice to the Commission and the public, and the effective date of the tariff filings shall be concurrent with the merger herein authorized. The tariff filings made pursuant to this order shall comply in all respects with the regulations governing the construction and filing of tariffs set forth in the Commission's General Order 96-A.

7. General Telephone Company of California shall maintain its accounting records in such form as to enable it to make available in any subsequent proceeding before this Commission on a separate basis, the investment in properties, operating revenues and operating expenses for which Western California Telephone Company presently maintains records.

8. Within thirty days after the merger herein authorized, General Telephone Company of California shall file with the Commission a certified copy of the certificate filed with the Secretary of State effectuating the merger.

9. Within sixty days after the merger herein authorized, General Telephone Company of California shall file with the Commission a copy of each journal entry used to record the merger on its books of account.

10. General Telephone Company of California shall file with the Commission a report as required by General Order 24-B, which order, insofar as applicable, is hereby made a part of this order.

11. On or before the end of the third month after the merger herein authorized, General Telephone Company of California shall cause to be filed with the Commission, in such form as the Commission may prescribe, an annual report related to the

operations of Western California Telephone Company for the period commencing with the first day of the current year to and including the effective date for accounting purposes of the merger.

12. 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 \$11,022.

Dated at San Francisco, California, this 15th day of MARCH, 1977.

Robert Betts
President
William J. ...
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Commissioners

