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Decision No. 89722 DEC 12 1978

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BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of General Telephone Company of California to issue and sell 1,188,190 shares of its Common Stock (\$20 par value).)	Application No. 58460
)	(Filed November 9, 1978)
)	

O P I N I O N

General Telephone Company of California (General) requests authority to issue and sell \$23,763,800 aggregate par value of its Common Stock to its parent corporation, General Telephone & Electronics Corporation, a New York corporation.^{1/}

General is a California corporation engaged in the business of providing telephone service to customers in portions of 20 California counties. For the twelve months ended September 30, 1978, General has reported total operating revenues of \$941,610,000 and net income of \$106,636,000.

General proposes to issue an additional 1,188,190 shares of Common Stock for the purpose of reimbursing its treasury for monies actually expended for capital purposes but not obtained from external sources. The utility reports that as of September 30, 1978 there is \$382,759,000 of plant available for the issuance of additional securities, as set forth in the following summary of Exhibit B, attached to the application:

^{1/} General Telephone & Electronics Corporation owns all of the Common Stock of General Telephone Company of California.

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<u>Item</u>	<u>Amount</u> (Thousands of Dollars)	
Telephone Plant, Net of Depreciation		\$2,267,469
Less: Deferred Taxes	\$210,639	
Unamortized Investment Credit	<u>81,149</u>	<u>291,788</u>
Total Telephone Plant Available For The Issuance of Securities		\$1,975,681
<u>Less Securities Outstanding:</u>		
Proceeds From Sale of Common Stock	\$558,764	
Proceeds From Sale of Preferred Stock	99,113	
Principal Amount of Long-Term Debt	<u>935,045</u>	<u>1,592,922</u>
Total Telephone Plant Available For The Issuance of Additional Securities		<u>\$ 382,759</u>

General estimates that, as of December 29, 1978, its short-term indebtedness would be approximately \$160,000,000, and that all of the proceeds from such indebtedness would have been spent for capital purposes.

The Operations Division of the Commission staff has evaluated the recorded construction expenditures of General for the two years ending December 31, 1977. The gross construction expenditures for those years, 1976 and 1977, totaled \$551,000,000. Review by the Operations Division staff of General's current two-year future estimates confirms the need for gross construction expenditure requirements in excess of \$930,000,000. These estimated construction expenditures are consistent with inflationary trends and past and projected increases in the number of main stations. The estimated expenditures are required to provide planned additions to buildings, central office equipment, station equipment, outside plant, and other plant and equipment necessary to meet customer growth and movement, and for modernization and plant replacement. The Operations Division reserves the right, however, to reconsider the reasonableness of any construction expenditures in future proceedings.

General proposes to issue and sell the 1,188,190 shares of Common Stock at its par value of \$23,763,800, on or before December 29, 1978.

General's reported capitalization ratios as of September 30, 1978, and as adjusted to reflect the proposed issue of stock, including the 1,311,810 shares of Common Stock authorized by Decision No. 89193, dated August 8, 1978, in Application No. 58216, are summarized from Exhibit B, attached to the application, as follows:

	<u>September 30, 1978</u>	<u>Pro Forma</u>
Long-term debt	51.28%	49.90%
Preferred stock	5.48	5.34
Common equity	<u>43.24</u>	<u>44.76</u>
Total	<u>100.00%</u>	<u>100.00%</u>

The Finance Division has reviewed the application and has concluded that the proposed financing is necessary to implement the company's construction budget.

After consideration the Commission finds that:

1. The proposed issue and sale of stock would be for proper purposes.
2. General has need for external funds for the purposes set forth in the application.
3. The money, property or labor to be procured or paid for by the issuance of the stock herein authorized is reasonably required for the purposes specified herein, which purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income.

There is no known opposition and there is no reason to delay granting General's request. On the basis of the foregoing findings we conclude that the application should be granted. A public hearing is not necessary. Because of time commitments

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related to the issuance of the Common Stock, and having paid a fee of \$17,882, prescribed by Sections 1904(b) and 1904.1 of the Public Utilities Code, General requests that the order become effective on the date hereof.

In issuing our order herein, we place General 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, on or after the effective date hereof and on or before March 31, 1979, may issue, sell and deliver, at one time or from time to time, to General Telephone & Electronics Corporation, at par for cash, not exceeding 1,188,190 additional shares of its \$20 par value Common Stock.
2. General Telephone Company of California shall apply the proceeds from the sale of stock to the purposes set forth in the application.
3. General Telephone Company of California shall file with the Commission a report, or reports, as required by General Order No. 24-B, which order, insofar as applicable, is hereby made a part of this order.

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The effective date of this order is the date hereof.

Dated at San Francisco, California, this 17th day
of DECEMBER, 1978.

~~John~~

Robert Bateman

President

William Lyons Jr.
Leslie L. Strigman
Robert D. Small
Clair T. Deitch

Commissioners