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Decision No. 90707 AUG 28 1979

**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of General Telephone Company of California to issue and sell 1,000,000 shares of its Common Stock (\$20 par value).	)	Application No. 58953 (Filed June 22, 1979)
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	)	

O P I N I O N

General Telepone Company of California (General), pursuant to Sections 817 and 818 of the Public Utilities Code, requests authority to issue and sell \$20,000,000 aggregate par value of its common stock to its parent corporation, General Telephone & Electronics Corporation, a New York corporation.<sup>1/</sup>

Notice of the filing of the application appeared on the Commission's Daily Calendar of June 26, 1979.

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 April 30, 1979, General has reported total operating revenues of \$1,012,632,000 and net income of \$110,743,000.

General proposes to issue an additional 1,000,000 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 April 30, 1979 there is \$506,282,000 of plant available for the issuance of additional securities, as set forth in the following summary of Exhibit B, attached to the Application:

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<sup>1/</sup>General Telephone & Electronics Corporation owns all of the common stock of General Telephone Company of California.

<u>Item</u>	<u>Amount</u> (Thousands of Dollars)	
Telephone plant, net of depreciation		\$2,489,437
Less: Deferred taxes	\$241,704	
Unamortized investment credit	<u>99,974</u>	<u>341,678</u>
Total telephone plant available for the issuance of securities		\$2,147,759
<u>Less securities outstanding:</u>		
Proceeds from sale of common stock	\$623,764	
Proceeds from sale of preferred stock	99,113	
Principal amount of long-term debt	<u>918,600</u>	<u>1,641,477</u>
Total telephone plant available for the issuance of additional securities		<u>\$ 506,282</u>

General estimates that, as of September 30, 1979, its short-term indebtedness would be approximately \$130,000,000, and that all of the proceeds from such indebtedness would have been spent for capital purposes.

The Revenue Requirements Division of the Commission staff has evaluated the recorded construction expenditures of General for the two years ending December 31, 1978. The gross construction expenditures for those years, 1977 and 1978, totaled \$795,733,000. Review by the Revenue Requirements Division staff of General's current two-year future estimates confirms the need for gross construction expenditure requirements in excess of \$1,000,000,000. 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 Revenue Requirements Division reserves the right, however, to reconsider the reasonableness of any construction expenditures in future proceedings.

General proposes to issue and sell the 1,000,000 shares of common stock at its par value of \$20,000,000, on or before September 30, 1979.

General's reported capitalization ratios as of April 30, 1979, adjusted to reflect the proposed issue of stock, and also including the 650,000 shares of cumulative preferred stock authorized by Decision No. 90218, dated April 24, 1979, in Application No. 58718, and the \$75,000,000 principal amount of first mortgage bonds authorized by Decision No. 90263, dated May 8, 1979, in Application No. 58747, are summarized from Exhibit B, attached to the application, as follows:

	<u>April 30, 1979</u>	<u>Pro Forma</u>
Long-term Debt	48.3%	47.8%
Preferred Stock	5.3	8.0
Common Equity	<u>46.4</u>	<u>44.2</u>
Total	<u>100.0%</u>	<u>100.0%</u>

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

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

Findings of Fact

1. General is a California corporation and a telephone utility subject to 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 money, property or labor to be procured or paid for by the issuance of the common 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.
5. There is no known opposition and there is no reason to delay granting the authority requested.

Conclusions of Law

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

2. A public hearing is not necessary.

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 not 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 December 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 1,000,000 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.

4. This order shall become effective when General Telephone Company of California has paid the fee prescribed by Sections 1904 (b) and 1904.1 of the Public Utilities Code, which fee is \$16,000.

Dated at San Francisco, California, this 28<sup>th</sup> day of AUGUST, 1979.

*John E. Sarna*  
President  
*Richard D. Cavale*  
*Commissioners*

Commissioner Claire T. Dedrick, being necessarily absent, did not participate in the disposition of this proceeding.

PUBLIC UTILITIES COMMISSION  
STATE OF CALIFORNIA  
95322  
AUG 29 1979  
By *[Signature]*