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Decision No. 92519 **DEC 16 1980****ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of General Telephone
Company of California to issue and
sell 1,250,000 shares of its
Common Stock (\$20 par value).

Application No. 60042
(Filed October 29, 1980)

O P I N I O N

General Telephone Company of California (General), pursuant to Sections 817 and 818 of the Public Utilities Code, requests authority to issue and sell \$25,000,000 aggregate par value of its Common Stock to its parent corporation, General Telephone & Electronics Corporation, a New York corporation.

Notice of the filing of the application appeared on the Commission's Daily Calendar of November 4, 1980. No protests have been received.

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, 1980, General has reported total operating revenues of \$1,194,173,000 and net income of \$66,935,000.

General proposes to issue an additional 1,250,000 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 September 30, 1980, there is \$469,714,000 of plant available for the issuance of additional

securities, as set forth in the following summary of Exhibit B, attached to the application:

<u>Item</u>	<u>Amount</u> (Thousands of Dollars)	
Telephone Plant, Net of Depreciation		\$3,022,583
Less: Deferred Taxes	\$ 283,553	
Unamortized Investment Credit	<u>150,464</u>	<u>434,017</u>
Total Telephone Plant Available for the Issuance of Securities		\$2,588,566
Less Securities Outstanding:		
Proceeds from Sale of Common Stock	\$ 703,764	
Proceeds from Sale of Preferred Stock	193,622	
Principal Amount of Long-Term Debt	<u>1,221,466</u>	<u>2,118,852</u>
Total Telephone Plant Available for the Issuance of Additional Securities		<u>\$ 469,714</u>

General estimates that, as of December 31, 1980, its short-term indebtedness would be approximately \$131,000,000, 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. Review by the Revenue Requirements Division staff of General's current 1980 estimate confirms the need for gross construction expenditure requirements in excess of \$650,000,000. This estimated construction expenditure is 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 1,250,000 shares of common stock at its par value of \$25,000,000 on or before December 31, 1980.

General's reported capitalization ratios as of September 30, 1980, adjusted to reflect the proposed issue of stock, and also to include \$150,000,000 principal amount of First Mortgage Bonds, authority granted by Decision No. 92416, dated November 18, 1980, in Application No. 59919, are summarized from Exhibit B, attached to the application, as follows:

	<u>September 30, 1980</u>	<u>Pro Forma</u> <u>at December 31, 1980</u>
Long-Term Debt	50.8%	52.8%
Preferred Stock	8.1	7.6
Common Equity	<u>41.1</u>	<u>39.6</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 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, 1981, may issue, sell and deliver, at one time or from time-to-time, to General Telephone & Electronics Corporation, at par for cash, not exceeding 1,250,000 additional shares of its \$20 par value Common Stock.

2. General Telephone Company of California shall apply the proceeds from the sale of stock for 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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4. 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 \$18,500.

Dated DEC 16 1980, at San Francisco, California.

John E. Bryan
President

Richard D. Howell

Alvin J. Deedrich

Commissioners

Commissioner Vernon L. Sturgeon, being necessarily absent, did not participate in the disposition of this proceeding.

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

