

ORIGINAL

Decision No. 46150

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 Associated Telephone Company, Ltd. for)
 an Order authorizing it to issue and)
 sell \$10,000,000 principal amount of)
 First Mortgage Bonds, Series G, Due)
 October 1, 1981, and to issue and de-)
 liver to Security-First National Bank)
 of Los Angeles, as Trustee, an Indenture)
 supplemental to the existing Indenture,)
 as amended, securing said Company's)
 bonded indebtedness.)
 -----)
 Application)
 No. 32702)

O P I N I O N

In this proceeding, Associated Telephone Company, Ltd. reports that it intends to invite bids for the purchase of \$10,000,000 of First Mortgage Bonds, Series G, Due October 1, 1981. It asks the Commission to authorize it to publish its invitation for such bids at least six days prior to the date to be set for the opening of the same and thereafter to issue and sell its bonds at a price to be fixed or approved by the Commission. It also asks authority to execute a new supplemental indenture to be dated October 1, 1951.

If authorized to issue and sell its bonds, applicant proposes to use the proceeds to pay indebtedness, to finance the cost of property, and to reimburse its treasury. In Exhibit B filed in this proceeding it reports, among other things, gross additions to plant during the first seven months of 1951 in the amount of \$17,404,738 and its estimated expenditures for the last five months of the year at \$9,943,762, a total of \$27,348,500 for the twelve months. (1)

(1) The application also shows estimated construction expenditures for the first six months of 1952 at \$14,452,600.

Earlier this year, by Decision No. 45846, dated June 19, 1951, as amended, the Commission authorized applicant to issue and sell \$7,000,000 of common stock at par, and \$7,000,000 of Cumulative Preferred Stock, \$20 Par Value, 5% 1947 Series, at \$18.95 a share, for the purpose, in general, of financing in part its 1951 construction costs, leaving a balance of approximately \$13,000,000 of expenditures for plant to be paid or provided through the issue and sale of the bonds herein authorized and through the use of earnings from operations and other funds. Applicant reports that it has, or will have, borrowed approximately \$7,600,000 on short-term notes to meet its capital requirements and that it will repay such notes with the proceeds from the sale of the bonds referred to in this application.

In Exhibit A, applicant has submitted a statement of its assets and liabilities as of July 31, 1951, which shows, among other things, current assets in the amount of \$9,046,429 and current liabilities of \$16,341,518. The statement shows total investment in telephone plant and equipment in the amount of \$109,212,629, with reserves for depreciation and amortization of \$20,029,415, leaving net investment of \$89,183,214 which has been financed, in general, through the issue of bonds, preferred and common stock, and earnings from operations. Applicant heretofore has reported its capital ratios as of March 31, 1951, and it now shows its pro forma ratios giving effect to the issue of the bonds requested herein and the issue of the shares of stock heretofore authorized, as follows:

	<u>March 31, 1951</u>	<u>Pro Forma</u>
Bonds	54.54%	50.66%
Preferred stock	22.52	23.85
Equity capital	<u>22.94</u>	<u>25.49</u>
Total	<u>100.00%</u>	<u>100.00%</u>

It clearly appears that applicant has need for additional funds to improve its cash position and to enable it to proceed with its construction program, and that it should be authorized to issue and sell bonds at this time. In this connection, applicant reports

that prospective bidders have knowledge of the proposed offering, and it therefore requests that the time between the publication of the invitation for bids and the date set for opening them be shortened to not to exceed six days.

Upon a review of this matter, the Commission is of the opinion that applicant's requests should be granted.

O R D E R

The Commission having considered the above entitled matter, and being of the opinion that a public hearing thereon is not necessary; that the application should be granted, as herein provided; that the money, property or labor to be procured or paid for through the issue and sale of the bonds herein authorized is reasonably required by applicant for the purposes specified herein; and that such purposes, except as otherwise authorized, are not, in whole or in part, reasonably chargeable to operating expenses or to income; therefore,

IT IS HEREBY ORDERED as follows:

1. Associated Telephone Company, Ltd., after the effective date hereof and on or before November 30, 1951, may publish an invitation for bids for the purchase of \$10,000,000 of its First Mortgage Bonds, Series G, Due October 1, 1981, not less than six (6) days prior to the date fixed for the opening of said bids.
2. Associated Telephone Company, Ltd., after the effective date hereof and on or before November 30, 1951, may issue and sell, at a price to be fixed by the Commission in a supplemental order, said \$10,000,000 principal amount of bonds.
3. The authority herein granted to issue and sell said \$10,000,000 of bonds will become effective when the Commission by a

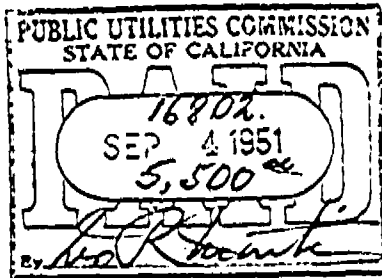
supplemental order, or orders, has authorized applicant to execute a supplemental indenture and has fixed the price at which applicant may sell said bonds, and when applicant has paid the fee prescribed by Section 57 of the Public Utilities Act, which fee is five thousand five hundred (\$5,500.00) dollars. The authority herein granted to publish an invitation for bids is effective upon the date hereof.

4. Applicant shall use the proceeds, exclusive of accrued interest, to be obtained through the issue and sale of said \$10,000,000 of bonds for the purposes set forth in this application. The accrued interest may be used for general corporate purposes.

5. Within sixty (60) days after the issue and sale of the bonds herein authorized, applicant shall file with the Commission two (2) copies of its prospectus, and a report showing the names of those to whom said bonds were sold, the amount sold to each, and the consideration received.

6. Within six (6) months after the issue and sale of said bonds, applicant shall file with the Commission a statement showing in detail the expenses incurred by it in connection with such issue and sale, and the account, or accounts, to which such expenses were charged.

Dated at San Francisco, California, this 4th day of September, 1951.



[Signature]
President
[Signature]
[Signature]
[Signature]
Commissioners