

ORIGINAL

Decision No. 51002

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 General Telephone Company of California)
 for authority to issue and sell \$12,000,000)
 principal amount of First Mortgage Bonds,)
 Series I, due February 1, 1985, and to issue) Application
 and deliver to Security-First National Bank) No. 36611
 of Los Angeles, as Trustee, an Indenture)
 supplemental to the existing Indenture, as)
 amended, securing said Company's bonded in-)
 debtedness.)
 -----)

O P I N I O N

General Telephone Company of California has filed this application for authorization to execute a supplemental trust indenture and to issue and sell \$12,000,000 in principal amount of first mortgage bonds.

Applicant owns and operates telephone systems in portions of the counties of Los Angeles, San Bernardino, Santa Barbara, Ventura, Orange, Tulare and Fresno. Heretofore, in financing itself, it has executed an indenture of mortgage, together with subsequent indentures supplemental thereto, and has issued and sold first mortgage bonds of several series, of which there remain outstanding the following:

Series B, 3-1/4%, dated 1939, due 1969	\$ 1,368,000
Series C, 3-1/4%, dated 1944, due 1974	10,300,000
Series D, 3-1/8%, dated 1947, due 1977	6,950,000
Series E, 3-3/8%, dated 1948, due 1978	6,000,000
Series F, 2-7/8%, dated 1949, due 1979	15,000,000
Series G, 3-5/8%, dated 1951, due 1981	10,000,000
Series H, 3-3/4%, dated 1952, due 1982	<u>10,000,000</u>
Total	<u>\$59,618,000</u>

In the present proceeding applicant reports that it has need for additional moneys and that it is taking steps to execute a new supplemental indenture creating a new series of bonds, which will be designated as Series I, will be dated February 1, 1955, and will mature February 1, 1985. It proposes, upon receiving authorization from the Commission, to offer \$12,000,000 of such new bonds for sale at competitive bidding, the interest rate to be specified in the successful bid.

The purpose of the proposed financing is to provide applicant with funds to retire and discharge bank loans, to reimburse its treasury for moneys actually expended from income, and to meet the cost of constructing, completing, extending and improving its facilities. Applicant estimates that by the time the Series I bonds will have been issued and sold its bank loans will amount to approximately \$10,000,000, which will represent borrowings used for capital purposes, and it reports its total estimated gross additions to its plants and properties during 1955 in the amount of \$37,797,800, as shown in some detail in Exhibit B filed in this proceeding.

In presenting this matter to the Commission applicant has filed its financial statement dated November 30, 1954, as an exhibit in the proceeding. A summary of its statement of assets, liabilities and capital as of that date is as follows.

Assets

Fixed capital -		
Plant and equipment, less reserve		\$156,997,179
Other investments		134,174
Current assets -		
Cash and deposits	\$3,162,918	
Accounts receivable	6,755,888	
Materials and supplies	3,817,120	
Prepaid expenses	<u>1,986,231</u>	
Total current assets		15,722,157
Deferred charges		<u>525,119</u>
	Total	<u>\$173,378,629</u>

Liabilities and Capital

Funded debt		\$ 59,618,000
Current and accrued liabilities -		
Notes payable	\$3,573,850	
Accounts payable	7,432,883	
Customers' deposits	28,831	
Advance billings	1,151,279	
Accrued liabilities	9,789,082	
Other current liabilities	<u>15,619</u>	
Total current and accrued liabilities		21,991,544
Intercompany accounts		873,257
Deferred credits and contributions		1,920,459
Preferred stock		34,360,720
Common stock and surplus -		
Common stock	48,660,755	
Surplus	<u>6,822,152</u>	
Total common stock and surplus		<u>55,482,907</u>
	Total	<u>\$173,378,629</u>

The statement further shows that during the eleven months ended November 30, 1954, applicant's operating revenues amounted to \$52,743,830 and its income available for fixed charges to \$9,534,230, after payment of operating expenses, taxes, and provision for depreciation. In a separate exhibit applicant estimates its operating revenues during the year 1955 in the amount of \$56,238,200 and its income available for interest charges at \$10,757,000. It estimates the interest requirements on its funded debt during the year at approximately \$2,271,000.

The foregoing balance sheet indicates that it has been applicant's practice to finance itself in part through the issue of bonds and preferred stock and the use of equity capital. Its capital ratios as of November 30, 1954, and as adjusted to give effect to the proposed issue of bonds are as follows:

	<u>November 30, 1954</u>	<u>Pro Forma</u>
Long-term debt	41.50%	44.32%
Preferred stock	22.59	21.26
Common stock equity	<u>35.91</u>	<u>34.42</u>
Totals	<u>100.00%</u>	<u>100.00%</u>

From a review of this application we are of the opinion that applicant will have need for additional funds from external sources to improve its current position and to enable it to meet its capital requirements, and that we are warranted in making an order authorizing the issue and sale of additional bonds at this time.

O R D E R

The Commission having considered the above entitled matter and being of the opinion that a public hearing is not necessary, that the application should be granted, as herein provided, that the money, property or labor to be procured or paid for by 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. General Telephone Company of California may invite the submission of written sealed bids for the purchase of \$12,000,000 in principal amount of first mortgage bonds, such invitation for bids to be published at least six days prior to the date set for the opening of the bids.

2. General Telephone Company of California may issue, sell and deliver, at competitive bidding, \$12,000,000 in principal amount of its first mortgage bonds at the price offered in bids which will result in the lowest annual cost of money to applicant.

3. General Telephone Company of California may execute a supplemental indenture to secure said new issue of bonds and to confirm the lien of its original trust indenture, as supplemented and amended, which supplemental indenture shall be in, or substantially in, the same form as that filed in this proceeding.

4. General Telephone Company of California shall use the proceeds to be received from the issue and sale of said bonds for the purposes set forth in this application. The accrued interest to be received may be used for said purposes or for general corporate purposes.

5. Immediately upon awarding the contract for the sale of said \$12,000,000 of bonds, General Telephone Company of California shall file a report with the Commission showing, as to each bid received, the name of the bidder, the price, the interest rate, and the cost of money to applicant based on such price and interest rate.

6. General Telephone Company of California shall file with the Commission monthly reports as required by General Order No. 24-A, which order, insofar as applicable, is made a part of this order.

7. The authority herein granted will become effective when General Telephone Company of California has paid the fee prescribed by Section 1904(b) of the Public Utilities Code, which fee is \$6,000.00.

Dated at Los Angeles, California, this 25th day of January, 1955.

Robert E. Mitchell
President

Justin S. Gammel

Paul Winterman

Mark D. Cook

Commissioners

