

ORIGINAL

Decision No. 54371

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application
of CALIFORNIA INTERSTATE TELEPHONE
COMPANY for authority to issue and
sell \$1,500,000.00 principal amount
of its First Mortgage Bonds, 5-1/4%
Series due 1982.

Application No. 38639
(and Amendment)

O P I N I O N

California Interstate Telephone Company has filed this application for authorization to issue and sell \$1,500,000 principal amount of First Mortgage Bonds, 5-1/4% Series due 1982.

The company proposes to sell the bonds to five insurance companies at their face value plus accrued interest and to use the proceeds to pay short-term bank loans and to finance the cost of additions to properties. It reports that presently it has outstanding \$800,000 of short-term loans which represent borrowings used for construction purposes, that it intends to borrow an additional \$200,000 prior to the time the bond money will become available, and that it is proceeding with a construction program which will require the use of the remaining proceeds not needed to pay short-term borrowings. In the first amendment to its application, it reports that its construction program for the fiscal year ending March 31, 1957 will amount to \$1,761,200 and that its construction budget as adopted for the fiscal year ending March 31, 1958 is \$2,443,200.

It appears that applicant was organized in 1954 and commenced the operation in March of that year of a telephone system serving the public in portions of the Counties of San Bernardino, Kern, Inyo, Mono and Alpine in the State of California and in portions of the State of Nevada. Information filed with the Commission shows that applicant has been engaged in a continuing construction program to meet demands for service. A summary statement indicating its growth experience is as follows:

	<u>Telephone Plant</u>	<u>No. of Stations</u>	<u>Operating Revenues</u>	<u>Net Available for Interest</u>
1954 (Mar.-Dec.)	\$ 9,570,274	12,116	\$1,963,095	\$430,618
1955	11,252,506	13,811	2,756,792	612,097
1956 (Jan.-Oct.)	12,777,121	15,821	1,926,374	372,554

In financing the cost of its property applicant, among other things, has utilized proceeds from the sale of \$4,468,000 of 4-1/4% bonds, \$1,500,000 of 4-3/4% debentures, \$1,980,000 of 5-1/4% preferred stock and \$3,034,015 of common stock equity capital. Its capital ratios as of October 31, 1956, and as adjusted to give effect to the proposed financing, are as follows:

	<u>October 31, 1956</u>	<u>Pro Forma</u>
Bonds	40.7%	47.8%
Debentures	13.7	12.0
Preferred stock	18.0	15.9
Common stock equity	<u>27.6</u>	<u>24.3</u>
Total	<u>100.0%</u>	<u>100.0%</u>

In addition to its capital issues, applicant has met a portion of its requirements through the use of depreciation monies and current liabilities. As of the end of October, 1956, it reports current assets of \$1,007,496 and current liabilities of \$1,214,439.

It is clear that applicant does not have sufficient cash on hand to liquidate its short-term borrowings and to meet its construction program. A review of this proceeding indicates that applicant will have need for funds from external sources and that an order is warranted authorizing the issue of additional bonds at this time. In view of the relative magnitude of the budgeted 1957-58 construction expenditures, and the relatively high proportion of debt capital invested, it is strongly recommended that applicant endeavor to dispose of equity securities in the near future in substantial amount in order to improve its financial position.

The authorization herein granted for the issue and sale of bonds is not to be construed as indicative of amounts to be included in a future rate base for the purpose of determining just and reasonable rates.

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 of the bonds herein authorized is reasonably required for the purposes specified herein, and that such purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income; therefore,

IT IS HEREBY ORDERED as follows:

1. California Interstate Telephone Company may execute and deliver a First Supplemental Indenture dated February 1, 1957 and may issue and sell \$1,500,000 of its First Mortgage Bonds, 5-1/4% Series due 1982 at their principal amount plus accrued interest for the purposes specified in this proceeding.

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

3. The authority herein granted will become effective when California Interstate Telephone Company has paid the fee prescribed by Section 1904(b) of the Public Utilities Code, which fee is \$1,250.

Dated at San Francisco, California, this 15th day of January, 1957.

[Signature]
President

[Signature]

[Signature]

[Signature]

Commissioners

