

ORIGINAL

Decision No. 54675

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
WESTERN CALIFORNIA TELEPHONE COMPANY,
a California corporation, for an order
authorizing it (a) to issue and sell
\$550,000 principal amount of First
Mortgage Bonds, Series C, 5%, Due
February 1, 1982, (b) to execute and
deliver a Second Supplemental
Indenture as of February 1, 1957,
amending the Original and First
Supplemental Indenture and setting
forth the special terms and
provisions in respect of said
series of Bonds and to secure
said bonds, and (c) to apply the
proceeds of sale of said Bonds
toward the payment of outstanding
unsecured notes.

Application No. 38861

O P I N I O N

Western California Telephone Company has filed this application for authorization to issue and sell \$550,000 principal amount of First Mortgage Bonds, Series C, 5%, Due February 1, 1982, and to execute a supplemental indenture setting forth the terms and provisions of said bonds.

Applicant, formerly named Los Gatos Telephone Company, is engaged in furnishing local and toll telephone service in portions of the Counties of Santa Clara, Santa Cruz, Sonoma and Marin. According to its financial statement of November 30, 1956, its net investment in plant amounted to \$3,917,037 and its sources of funds included the following:

First mortgage bonds	\$1,450,000	37%
Short-term bank borrowings	475,000	12
Preferred stock	774,710	20
Common stock equity -		
Common stock	700,700	
Premium on common stock	351,120	
Earned surplus	163,599	
Total common stock equity	<u>1,215,419</u>	<u>31</u>
Total	<u>\$3,915,129</u>	<u>100%</u>

The outstanding bonds consist of two series, each bearing interest at the rate of 4-1/4 per cent per annum, one maturing in 1979 and the other in 1980. The preferred stock is divided into shares of the par value of \$10 each and carries cumulative dividends at the rate of 5 per cent per annum. The common stock also is divided into \$10 shares. It has been the practice of the company to dispose of its common shares in its service area at \$16 each and to pay regular annual dividends which have been at the rate of 90 cents during 1955 and 1956 and at 80 cents prior to 1955.

As to the short-term bank borrowings, the application shows that the company has increased the outstanding amount from \$475,000 at November 30, 1956, to \$605,000 for the purpose of financing, temporarily, construction costs. The borrowings are represented by notes in favor of Bank of America National Trust and Savings Association which are due on or before March 31, 1957, and carry interest at the rate of 3-3/4 per cent per annum for \$450,000 of said notes and at the rate of 4-1/4 per cent for the remaining \$155,000.

Applicant now reports that it is in need of funds to discharge these past due obligations. Accordingly, it has made arrangements to sell \$550,000 of bonds, Series C, to Occidental

Life Insurance Company of California. The bonds will have an interest rate of 5 per cent per annum, will mature February 1, 1982, and will be redeemable at 105 per cent if redeemed prior to February 1, 1967 and thereafter at reducing premiums, provided said bonds may not be redeemed prior to February 1, 1967 with cash obtained from the sale of additional debt securities or bank borrowings.

A review of the information before the Commission shows that the utility has utilized its net earnings in extending its plant and that its available cash at November 30, 1956, was \$61,453 and its current assets, including its cash, amounted to \$342,639 as compared with current liabilities of \$934,046, including its short-term bank borrowings. It appears to us that applicant has need for the funds to be obtained through the issue and sale of bonds herein proposed and we are of the opinion that the money, property or labor to be procured or paid for by the issue of said bonds is reasonably required for the purpose specified herein and that such purpose is not, in whole or in part, reasonably chargeable to operating expenses or to income.

The approval herein indicated is for the issue of the bonds only and 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 and that the application should be granted, as herein provided; therefore,

IT IS HEREBY ORDERED as follows:

1. Western California Telephone Company may execute and deliver a supplemental indenture in, or substantially in, the same form as that filed in this proceeding, and on or before September 30, 1957, may issue and sell not to exceed \$550,000 of First Mortgage Bonds, Series C, 5%, Due February 1, 1982 at not less than their face value, plus accrued interest, and use the proceeds, exclusive of the accrued interest, for the purpose of refinancing outstanding indebtedness. The accrued interest may be used for said purpose or for general corporate purposes.

2. Western California Telephone Company shall file with the Commission a report, or reports, 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 Western California Telephone Company has paid the fee prescribed by Section 1904(b) of the Public Utilities Code, which fee is \$550.

Dated at San Francisco, California, this 19th day of March, 1957

[Signature]
President

[Signature]

[Signature]

[Signature]

Commissioners

PUBLIC UTILITIES COMMISSION
STATE OF CALIFORNIA
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MAR 19 1957
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BY [Signature]