ORIGINAL

Decision No. 54959

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 $20,000,000 principal amount of First Mortgage Bonds, Series K, due June 1, 1987, and to execute and deliver 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. 39002

OPINION

In this application, General Telephone Company of California seeks authorization to execute a supplemental trust indenture and to issue and sell $20,000,000 of its First Mortgage Bonds, Series K, due June 1, 1987.

Applicant intends to offer its bonds for sale at competitive bidding, the price and the interest rate to be specified in the bid to be accepted by it. In view of present market conditions, applicant desires to be in a position, after publicly offering the bonds for bidding, to accept or reject bids within a reasonably short time and it has requested the Commission to specify in its order that the time of publication of the invitation for bids be not more than six days prior to the date set for opening of the bids.

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 K bonds will have been issued and sold its bank loans will amount to approximately $15,000,000, which will represent borrowings used for capital purposes, and it reports its unreimbursed expenditures, as of February 28, 1957, at $51,975,316, and its total estimated gross additions to its plants and properties during 1957 in the amount of $72,015,000, as shown in some detail in Exhibit B filed in this proceeding. Applicant reports its requirements and sources of funds as follows:

Requirements -		
Gross construction		$72,015,000
Payment of loans		12,600,000
Total		$84,615,000
Sources -		
Securities -		
Bonds	$19,920,000	
Preferred stock	18,900,000	
Common stock	24,970,000	$63,790,000
Salvage, etc.		1,988,000
Operations		16,404,000
Miscellaneous		2,433,000
Total		$84,615,000

It has been applicant's practice to finance itself, in part, with temporary bank borrowings and from time to time to refinance with long-term debt and shares of preferred and common stock. Its capital ratios, as of February 28, 1957, and as adjusted to give effect to the proposed bond financing, are shown as follows:

	At Present	As Adjusted
Long-term debt	49%	53%
Preferred stock	13	12
Common stock equity	38	35
Total	100%	100%

With the sale of additional preferred shares, now under contemplation, the bond ratio will be reduced below 50%.

The company's balance sheet, as of February 28, 1957, shows current and accrued assets in the amount of $22,123,945 and current and accrued liabilities in the amount of $37,482,490, including the short-term bank borrowings.

A review of the application indicates that the company will have need for funds from the sale of permanent securities to liquidate its indebtedness, to improve its cash position and to enable it to proceed with its construction activities. Accordingly, we will enter an order approving this application. Such approval, however, is for the issue and sale of securities 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, 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 $20,000,000 in aggregate principal amount of its First Mortgage Bonds, Series K, due June 1, 1987, 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 execute a supplemental indenture and may issue and sell said $20,000,000 of bonds at the price offered in said bids which will result in the lowest annual cost of money to applicant.

3. 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.

4. Immediately upon awarding the contract for the sale of said $20,000,000 of bonds, General Telephone Company of California shall file a written 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.

5. Within 30 days after the issue and sale of the bonds herein authorized, General Telephone Company of California shall file a report with the Commission showing the date on which such bonds were sold, the names of those to whom sold, the amount sold to each and the consideration received, together with three copies of its prospectus.

6. 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 $8,000.

Dated at San Francisco, California, this 14th day of May, 1957.

President

Commissioners

PUBLIC UTILITIES COMMISSION
STATE OF CALIFORNIA
MAY 14 1957