

**ORIGINAL**

Decision No. 57443

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 \$2,500,000.00 principal amount of its First Mortgage Bonds, 5-1/8% Series due 1983.

Application No. 40451

O P I N I O N

California Interstate Telephone Company has filed this application for authorization to execute a supplemental indenture and to issue and sell \$2,500,000 of first mortgage bonds.

The bonds will constitute a new series. They will be dated August 1, 1958, shall mature August 1, 1983 and shall bear interest at the rate of 5-1/8% per annum and shall be redeemable on and after August 1, 1965 and prior to August 1, 1966, at an initial premium of 5.1250% and thereafter at annually reducing premiums. Subject to receiving authorization from the Commission, the company proposes to sell the \$2,500,000 of first mortgage bonds to five institutional investors.

The purpose of the proposed financing is to provide applicant with funds to liquidate short-term borrowings and to meet the cost of additional facilities. The company reports that as of August 31, 1958, it was indebted to Bank of America National Trust and Savings Association in the amount of \$1,750,000 and that it proposes to make additional borrowings prior to November 1, 1958 of \$250,000, bringing its short-term borrowings

up to \$2,000,000. In addition it reports that it will be called upon to make substantial additions to its plant to meet the demands for service and that its construction program budget for the fiscal year ending March 31, 1959 is \$3,036,300 and for the fiscal year ending March 31, 1960, \$3,279,000.

Applicant commenced its operation in 1954 upon acquiring the properties of Interstate Telegraph Company. It thereupon undertook a program of expanding the utility plant and of extending its service to new subscribers. The following tabulation, indicative of its growth, shows its operating revenues and net income during the last three calendar years, the number of telephones in service and the recorded net investment in plant as of the end of each year:

	<u>Operating Revenues</u>	<u>Net Income</u>	<u>Telephones in Service</u>	<u>Net Telephone Plant</u>
1955	\$2,756,792	\$336,269	13,881	\$10,003,769
1956	3,189,286	314,870	16,086	11,563,232
1957	3,652,455	457,526	18,294	13,487,133

Since December 31, 1957, applicant has made further extensions and at the end of August of this year reports 20,168 telephones in service.

A summary statement of applicant's assets, liabilities and net worth, showing its financial position as of August 31, 1958, is as follows:

<u>Assets</u>		
Telephone plant	\$17,900,462	
Less - Depreciation reserve	<u>2,062,342</u>	
Net telephone plant		\$15,838,120
Current assets		1,014,748
Prepaid accounts and deferred charges		<u>169,574</u>
<b>Total</b>		<b><u>\$17,022,442</u></b>
<u>Liabilities and Net Worth</u>		
Long-term debt		\$ 7,281,500
Current liabilities		2,384,235
Deferred credits		680,095
Preferred stock		1,752,600
Net worth -		
Common stock	\$ 2,417,194	
Premium on stock	2,230,500	
Surplus	408,599	
Capital stock expense	<u>(132,281)</u>	
Total net worth		<u>4,924,012</u>
<b>Total</b>		<b><u>\$17,022,442</u></b>

An analysis of the company's financial reports shows that its practice is to meet its capital requirements temporarily with short-term borrowings and, from time to time, to refinance with permanent securities. Presently it has outstanding first mortgage bonds, debentures, and shares of preferred and common stock. Its capital ratios as of August 31, 1958, and as adjusted to give effect to the proposed financing, are as follows:

	As of <u>Aug. 31, 1958</u>	As <u>Adjusted</u>
Bonds	42%	50%
Debentures	10	9
Preferred stock	12	11
Common stock equity	<u>35</u>	<u>30</u>
<b>Total</b>	<b><u>100%</u></b>	<b><u>100%</u></b>

A review of the application indicates that the company will have need for funds from the sale of its bonds to liquidate its short-term borrowings, and thereby improve its financial position, and to meet, in part, its construction costs. We will enter our order approving its requests.

The approval indicated herein is for the issue and sale of first mortgage bonds 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 money, property or labor to be procured or paid for by the issue 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. California Interstate Telephone Company, on and after the effective date hereof and on or before February 28, 1959, may execute a second supplemental indenture and may issue and sell not to exceed \$2,500,000 of its First Mortgage Bonds, 5-1/8% Series, due 1983, at their principal amount plus accrued interest, for the purposes set forth in this application.

2. California Interstate 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 California Interstate Telephone Company has paid the fee prescribed by Section 1904(b) of the Public Utilities Code, which fee is \$1,750.

Dated at San Francisco, California, this 15<sup>th</sup> day of October, 1958.

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

