

ORIGINAL

58739

Decision No. _____

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 \$1,000,000 principal amount of First Mortgage Bonds, Series E, 5-1/2%, Due July 1, 1984; (b) to execute and deliver a Fourth Supplemental Indenture, dated as of July 1, 1959, setting forth the special terms and provisions relative to said series of bonds and to secure said bonds; and (c) to apply the proceeds of sale of said bonds to the payment of outstanding unsecured promissory notes.

Application No. 41240

O P I N I O N

Western California Telephone Company has filed this application for authorization to execute a supplemental indenture and to issue and sell \$1,000,000 of bonds.

It appears that the company serves approximately 16,000 subscribers in and about Kenwood, Los Gatos, Morgan Hill and Novato and that it has financed its plant requirements, in part, with bonds, short-term loans, shares of preferred and common stock and retained earnings in amounts, as of March 31, 1959, as follows:

First mortgage bonds -		
Series A, 4-1/4's due 1979	\$1,100,000	
Series B, 4-1/4's due 1980	350,000	
Series C, 5's due 1982	550,000	
Series D, 5-1/2's due 1983	<u>375,000</u>	
Total first mortgage bonds		\$2,375,000
Short-term bank loans		1,160,000
Preferred stock, 5%		774,710
Common stock and surplus		<u>1,547,859</u>
Total		<u>\$5,857,569</u>

By Decision No. 58582, dated June 16, 1959, the company was authorized to issue and sell 44,729 shares of common stock, at not less than \$17.50 a share, to pay accounts payable and \$160,000 of its short-term bank loans. It now proposes to sell the \$1,000,000 of additional bonds to complete the liquidation of the short-term borrowings. Applicant's capital ratios at present and giving effect to the proposed common stock and bond financing are as follows:

	<u>At Present</u>	<u>Pro Forma</u>
Debt capital	61%	52%
Preferred stock	13	12
Common stock and surplus	<u>26</u>	<u>36</u>
Total	<u>100%</u>	<u>100%</u>

The new bonds will be designated Series E, will bear interest at the rate of 5-1/2% per annum, will mature July 1, 1984, and will be redeemable at 105-1/2 if redeemed prior to July 1, 1969, at 103-3/4 on July 1, 1969, and thereafter at prices reduced 1/4 of 1% per annum in each of the years 1970 through 1983, provided, however, that said Series E bonds may not be redeemed prior to July 1, 1969, with cash obtained from the sale of additional debt securities or from bank borrowings. Applicant proposes to sell the \$1,000,000 of Series E bonds to Occidental Life Insurance Company and to Pacific Mutual Life Insurance Company at their face value plus accrued interest.

The company's balance sheet filed with its application shows its net investment in telephone plant as of March 31, 1959, at \$5,844,812 and its current assets at \$351,523, as compared with current liabilities of \$1,475,283, including amounts to be liquidated through the presently proposed stock and bond offerings. It appears, from information filed with the Commission, that applicant's construction program is a continuing one and that upon discharge of the present bank borrowings it will be necessary for applicant again to negotiate additional short-term loans in meeting expected expenditures of \$587,000 during the last six months of 1959 and of \$195,000 during the first three months of 1960.

From a review of the application, we are of the opinion that the additional financing, as proposed, is necessary to enable applicant to reduce its current obligations and to place itself in a position to go forward with its program of plant expansion. Under the circumstances, as disclosed in the application, we will authorize the issue and sale of the bonds.

The authorization herein granted is for the issue of securities and is not to be construed as indicative of amounts to be included in a future rate proceeding in the determination of 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 for the purpose specified herein and that such purpose, except as otherwise authorized, is not, in whole or in part, reasonably chargeable to operating expenses or to income; therefore,

IT IS HEREBY ORDERED as follows:

1. Western California Telephone Company, on and after the effective date hereof and on or before October 31, 1959, may execute and deliver a Fourth Supplemental Indenture, dated as of July 1, 1959, in, or substantially in, the same form as the indenture filed in this proceeding as Exhibit A, and may issue and sell not to exceed \$1,000,000 principal amount of First Mortgage Bonds, 5-1/2%, Series E, Due July 1, 1984, at not less than their principal amount, plus accrued interest, in accordance with the terms of the Bond Purchase Agreement filed as Exhibit B.

2. Western California Telephone Company shall use the proceeds from the sale of the bonds herein authorized to pay outstanding indebtedness. The accrued interest may be used for such purposes or for general corporate purposes.

3. 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.

4. 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 \$1,000.

Dated at San Francisco, California, this
14th day of July, 1959.

Robert W. Bage
President
W. E. Mitchell
Matthew D. Cole
S. L. Fox
Theodore D. Deiner
Commissioners

Decision No. 58766

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 \$1,000,000 principal amount of First Mortgage Bonds, Series E, 5-1/2%, Due July 1, 1984; (b) to execute and deliver a Fourth Supplemental Indenture, dated as of July 1, 1959, setting forth the special terms and provisions relative to said series of bonds and to secure said bonds; and (c) to apply the proceeds of sale of said bonds to the payment of outstanding unsecured promissory notes.

Application No. 41240

FIRST SUPPLEMENTAL ORDER

Good cause appearing,

IT IS HEREBY ORDERED that:

1. Ordering Paragraph 4 of the Order in Decision No. 58739, dated July 14, 1959, hereby is revised to read as follows:

"4. 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 \$330."

2. This first supplemental order shall become effective on the date hereof.

Dated at San Francisco, California, this

21st day of July, 1959.

EVERETT C. McKEAGE
President
PETER E. MITCHELL
MATTHEW J. DOOLEY
THEODORE H. JENNER
Commissioners

Certified as a True Copy

Naile Coleman
ASST. SECRETARY, PUBLIC UTILITIES COMMISSION
STATE OF CALIFORNIA

