

ORIGINAL

Decision No. 59213

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 \$3,000,000 principal
amount of its First Mortgage
Bonds, 5-1/2% Series due 1984.

Application No. 41555

O P I N I O N

California Interstate Telephone Company has filed this application for authorization to issue and sell \$3,000,000 of bonds.

The bonds will constitute a new series. They will be designated as First Mortgage Bonds 5-1/2% Series due 1984, will be dated as of August 1, 1959, will be payable August 1, 1984, and will be subject to redemption on or after August 1, 1966 and prior to August 1, 1967 at a premium of 5.500% and thereafter at annually reducing premiums. Applicant proposes to sell the \$3,000,000 issue, at face value plus accrued interest, to Connecticut Mutual Life Insurance Company, Teachers Insurance and Annuity Association of America, Pacific Mutual Life Insurance Company, Modern Woodmen of America and Bankers Life Insurance Company of Nebraska.

The purpose of the proposed financing is to provide applicant with funds to pay promissory notes, which have been, or will be, issued for capital purposes, and to make extensions, improvements and additions to its facilities. Applicant reports

that its proposed cash requirements to meet its construction budget for the two fiscal years ending March 31, 1961, will amount to \$7,897,000. ^{1/} It asserts that its business has been expanding rapidly and it reports, for example, that at the end of 1954 it had 12,192 telephones attached to its lines, at the end of 1958, 20,817 telephones, and at August 31, 1959, 23,134 telephones.

It has been applicant's practice to finance temporarily with bank borrowings and from time to time to refinance with bonds, debentures and shares of preferred and common stock. Its capital ratios as of August 31, 1959, and as adjusted to give effect to the proposed borrowing, are as follows:

| | <u>August 31, 1959</u> | <u>Pro Forma</u> |
|--------------------------|----------------------------|----------------------|
| Bonds | 44.21% | 51.96% |
| Other long-term debt | 7.66 | 6.60 |
| Preferred stock | 8.19 | 7.05 |
| Common stock and surplus | <u>39.94</u> | <u>34.39</u> |
| Total | <u>100.00%</u> | <u>100.00%</u> |

Applicant's financial statement shows that as of August 31, 1959, its current assets aggregated \$1,264,031 and its current liabilities, \$2,010,655, including short-term bank borrowings of \$1,250,000 which it is proposed to liquidate with bond money. Applicant reports that it intends to make additional bank borrowings of \$950,000 prior to December 1, 1959.

^{1/} Under authorization granted by Decision No. 58337, dated May 5, 1959, as amended, the Commission authorized applicant to sell 150,000 common shares at \$14.57 each to meet, in part, these capital requirements.

We have considered this application and are of the opinion, and so find, (1) that applicant has need for additional funds to improve its current financial position and to meet construction costs; (2) that applicant will be required to pay a lower interest rate than it would in the absence of a restricted redemption provision and that the ensuing lower financial requirements will inure to the benefit of the consumers; and (3) 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, which purposes, except as otherwise authorized, are not, in whole or in part, reasonably chargeable to operating expenses or to income.

On the basis of the foregoing findings we will enter our order granting the application. The authorization thus granted is for the issue and sale of 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 and that the application should be granted, therefore,

IT IS HEREBY ORDERED as follows:

1. California Interstate Telephone Company, on or after the effective date hereof and on or before February 29, 1960, may execute a third supplemental indenture and may issue and sell not to exceed \$3,000,000 of its First Mortgage Bonds 5-1/2% Series due 1984, at their principal amount plus accrued interest, for purposes of paying indebtedness and of financing the cost of extensions, improvements and additions to its facilities. The accrued interest may be used for such purposes or for general corporate purposes.

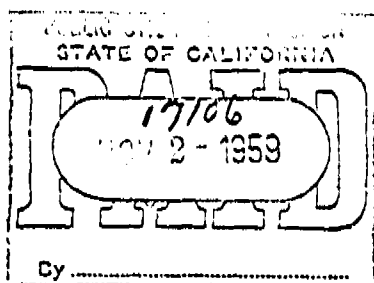
2. California Interstate Telephone Company shall file with the Commission a report, or reports, as required by General Order No. 24-A, which order, insofar as applicable, is made a part of this order, and two copies of said third supplemental indenture as executed.

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 \$2,000.

Dated at San Francisco, California,
this 2nd day of November, 1959.

[Handwritten signature]

President



Commissioners