

**ORIGINAL**

Decision No. 59263

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 not to exceed \$30,000,000 principal amount of First Mortgage Bonds, Series M, due December 1, 1989, and to execute and deliver to Security First National Bank, as Trustee, an Indenture supplemental to the existing Indenture, as amended, securing said Company's bonded indebtedness.

Application No. 41615  
(and First Amendment)

O P I N I O N

General Telephone Company of California has filed this application, as amended, for authorization to execute a supplemental trust indenture and to issue and sell \$30,000,000 of its First Mortgage Bonds, Series M, due December 1, 1989.

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. The bonds will constitute a new series which will be dated December 1, 1959, will mature December 1, 1989, and may not be redeemed prior to December 1, 1964, if such redemption is for the purpose or in anticipation of refunding such bonds by the application, directly or indirectly, of funds borrowed by the company at an interest rate less than the rate of interest stated on the bonds.

The purpose of the proposed financing is to provide applicant with funds to reimburse its treasury, to pay indebtedness and to finance the cost of additions, betterments and improvements

to its plants and facilities. In presenting this matter to the Commission, applicant reports that its uncapitalized expenditures up to September 30, 1959, aggregated \$101,814,637, that its short-term borrowings aggregated \$16,000,000 as of September 30, 1959, but were expected to increase to \$18,000,000 by the time the bond money becomes available, and that its estimated construction expenditures during the year 1960 will aggregate \$57,545,000.

It has been applicant's policy to finance its capital expenditures, in part, through the issue of first mortgage bonds and shares of preferred and common stock. Its capital ratios as of September 30, 1959, and as adjusted to give effect to the proposed issue of bonds are as follows:

	<u>Sept. 30, 1959</u>	<u>As Adjusted</u>
Bonds	36.07%	42.65%
Other long-term debt	4.98	4.80
Short-term bank loans	4.39	-
Preferred stock	15.07	14.51
Common stock and surplus	<u>39.49</u>	<u>38.04</u>
Total	<u>100.00%</u>	<u>100.00%</u>

Applicant's balance sheet as of September 30, 1959, shows its current assets in the total amount of \$31,205,752 and its current and accrued liabilities at \$51,023,459, including the \$16,000,000 of short-term bank loans presently outstanding.

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. General Telephone Company of California may invite the submission of written sealed bids for the purchase of \$30,000,000 in aggregate principal amount of its First Mortgage Bonds, Series M, due December 1, 1989, such invitation for bids to be published at least five 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 \$30,000,000 of bonds at the price offered in said bids which will result in the lowest annual cost of money calculated as set forth in this application.

3. General Telephone Company of California shall use the proceeds from the issue and sale of such bonds for the construction, completion, extension and/or improvement of the facilities of applicant and/or for the improvement and/or maintenance of its service and/or for the purpose of discharging, in whole or in part, any indebtedness which may have been incurred for any of said purposes and/or for the reimbursement of moneys heretofore or hereafter actually expended from income or from other moneys in the treasury of applicant not secured by or obtained from the issuance of stocks, or other evidence of interest or ownership, or bonds or notes or other evidences of indebtedness, for any one or more of the purposes hereinabove specified, except maintenance of service and replacements. The accrued interest may be used for general corporate purposes.

4. Immediately upon awarding the contract for the sale of said \$30,000,000 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 buyer, the price, the interest rate and the cost of money to applicant based on such price and interest rate.

5. Within thirty 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 said bonds were sold, the names of those to whom sold, 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 \$10,500.

Dated at San Francisco, California,  
this 17<sup>th</sup> day of November, 1959.

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

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Commissioners

PUBLIC UTILITIES COMMISSION  
STATE OF CALIFORNIA  
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