

**ORIGINAL**

Decision No. 61574

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 \$1,250,000 principal amount of First Mortgage Bonds, Series F, 5-5/8%, Due January 1, 1991; (b) to execute and deliver a Fifth Supplemental Indenture, dated as of January 1, 1961, 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. 43102  
Filed January 26, 1961

O P I N I O N

Western California Telephone Company has filed this application for authorization to execute and deliver a supplemental trust indenture and to issue and sell \$1,250,000 of First Mortgage Bonds.

The company proposes to sell the bonds by means of negotiated arrangements to Occidental Life Insurance Company of California and Pacific Mutual Life Insurance Company at their face value, plus accrued interest. The bonds will be designated as First Mortgage Bonds, Series F, 5-5/8%, Due January 1, 1991. They will be redeemable at 110 if redeemed prior to January 1, 1969, and thereafter at 105-5/8, to be reduced ratably in each of the years 1970 through 1990, provided, however, that the

Series F bonds may not be redeemed prior to January 1, 1966, with cash obtained directly or indirectly from the sale of additional debt securities or from bank borrowing. The indenture securing the payment of the bonds requires the company annually, commencing on or before May 31, 1962, to pay the sum of \$18,750 into a sinking fund and provides that the company may satisfy its sinking fund obligation by depositing cash, or by delivering and certifying bonds of Series F, or by funding net property additions.

The purpose of the financing is to provide applicant with funds to liquidate outstanding indebtedness. The company reports that its indebtedness to Bank of America National Trust and Savings Association in the aggregate principal amount of \$1,250,000 is evidenced by unsecured short-term notes which were issued to pay for plant additions and betterments, as more fully described in Exhibit F, which were required to meet demands for service. Applicant asserts that it is in need of funds from external sources to liquidate these obligations.

It appears that it has been applicant's practice, in part, to finance its capital costs with short-term borrowings and, from time to time, to refinance such borrowings with permanent capital. As of November 30, 1960, it reports its net investment in telephone plant at \$8,013,418, its outstanding mortgage bonds at \$3,375,000, its preferred stock at \$774,710 and its common stock and surplus at \$2,482,587. Its balance sheet shows current assets of \$506,085 and its current liabilities at \$1,872,740, including the bank borrowings. The earnings

statement for the 11 months ended November 30, 1960 shows operating revenues of \$1,887,480 and net operating income of \$413,544, after payment of federal income taxes and provision for depreciation. Interest on long-term debt and other income charges aggregated \$179,069, leaving net income available for stock and surplus of \$234,475.

From a review of the application, it clearly appears that applicant will have need for additional funds to enable it to liquidate its current obligations and to improve its cash position and that the assets and earnings should be ample to support and service the proposed bonds. We are of the opinion, and so find and conclude, that the issue of the bonds is for a proper purpose; that in view of the initial redemption premium there is no necessity for the proposed five-year restricted redemption provision; and that the money, property or labor to be procured or paid for through the issue of the bonds herein authorized is reasonably required for the purpose specified herein, which purpose, except as otherwise authorized, is 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 in this proceeding. The authorization herein 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,

IT IS HEREBY ORDERED as follows:

1. Western California Telephone Company, on or after the effective date hereof and on or before June 30, 1961, may execute and deliver a Fifth Supplemental Trust Indenture, dated as of January 1, 1961, substantially in the form attached to the application as Exhibit A, and may issue and sell not to exceed \$1,250,000 of First Mortgage Bonds, Series F, 5-5/8%, Due January 1, 1991, at not less than their face value, plus accrued interest, provided that the form of said indenture and said bonds first be modified by deleting therefrom the following language:

" . . . provided, however, that the Bonds of Series F may not be redeemed during the period January 1, 1961 through December 31, 1965 with cash obtained from the sale of additional debt securities or from bank borrowings."

2. Western California Telephone Company shall use the proceeds from the sale of said bonds for the purpose of paying outstanding indebtedness of like amount. The accrued interest may be used for said 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 \$1,125, and when it has filed with the Commission a copy of its proposed Fifth Supplemental Trust Indenture modified as indicated herein.

Dated at San Francisco, California,  
this 24<sup>th</sup> day of FEBRUARY, 1961.

*Ernest W. Beane*  
President

*John E. [unclear]*

*C. [unclear]*

*George J. Hoover*

*Fredrick B. Holaboff*  
Commissioners

