

ORIGINAL

Decision No. 67186

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 \$35,000,000 principal amount of First Mortgage Bonds, Series P, Due June 1, 1994, 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. 46582
Filed April 22, 1964
and Amendment
Filed May 5, 1964

O P I N I O N

General Telephone Company of California has filed this application for authorization to execute a supplemental trust indenture and to issue and sell \$35,000,000 of its First Mortgage Bonds, Series P, due June 1, 1994.

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 June 1, 1964, will mature June 1, 1994, and may not be redeemed prior to June 1, 1969, 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. Applicant asserts that the elimination of said

nonredemption provision would require a higher bond interest rate or other concessions resulting in a higher annual cost of money on said bonds and would tend to limit the market therefor among large institutional investors.

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 March 31, 1964, were \$175,211,263; that its short-term borrowings amounted to \$31,000,000 as of that date, but were expected to increase to \$37,000,000 by the time the bond money becomes available; and that its estimated construction expenditures during the year 1964 will aggregate \$83,787,000 of which less than half will be financed with internally generated funds.

It has been applicant's policy to finance its capital expenditures, in part, with bank borrowings and, at a later date, to refinance such borrowings with long-term debt and shares of stock. Its capital ratios as of March 31, 1964, and as adjusted to give effect to the proposed issue of bonds are as follows:

	<u>March 31, 1964</u>	<u>As Adjusted</u>
First mortgage bonds	39.81%	46.03%
Other long-term debt	2.86	2.84
Short-term notes	5.83	-
Preferred stock	12.23	12.13
Common stock and surplus	<u>39.27</u>	<u>39.00</u>
Total	<u>100.00%</u>	<u>100.00%</u>

Applicant's balance sheet as of March 31, 1964 shows current assets in the total amount of \$34,593,688 and current and accrued liabilities of \$78,850,168, including the \$31,000,000 of short-term notes.

The Commission has considered this matter and finds that: (1) applicant has need for additional funds to improve its current financial position and to meet construction costs; (2) applicant will be required to pay a lower interest rate than it would in the absence of a restricted redemption provision and the ensuing lower financial requirements will inure to the benefit of the ratepayers; (3) 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; and (4) such purposes, except as otherwise authorized, are not, in whole or in part, reasonably chargeable to operating expenses or to income. A public hearing is not necessary.

On the basis of the foregoing findings, we conclude that the application should be granted. The authorization thus granted is for the execution of a supplemental trust indenture and the issue and sale of bonds and is not to be construed as indicative of amounts to be included in proceedings for the determination of just and reasonable rates.

O R D E R

IT IS ORDERED that:

1. General Telephone Company of California may invite the submission of written sealed bids for the purchase of \$35,000,000 in aggregate principal amount of its First Mortgage Bonds, Series P, due June 1, 1994, 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 \$35,000,000 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 to reimburse its treasury, to pay indebtedness and to finance the cost of additions, extensions and improvements as set forth in this application. The accrued interest may be used for general corporate purposes.

4. Immediately upon awarding the contract for the sale of said \$35,000,000 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 bidder, 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 with the Commission three copies of its prospectus.

6. The effective date of this order shall be six days after the date hereof, provided General Telephone Company of California has paid the fee prescribed by Section 1904(b) of the Public Utilities Code, which fee is \$11,750.

Dated at San Francisco, California, this 12th day of May, 1964.

William L. Bennett

President

[Signature]

[Signature]

Commissioners

I concur in the order, but I do not concur in Finding (2).
George T. Grover

Commissioner Frederick B. Holeboff, being necessarily absent, did not participate in the disposition of this proceeding.

