

ORIGINAL

Decision No. 69416

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 \$10,000,000)
Principal Amount of its First)
Mortgage Bonds, Series B due)
1990.)

Application No. 47688
Filed June 21, 1965
and Amendment
Filed July 12, 1965

O P I N I O N

California Interstate Telephone Company has filed this application requesting authorization to issue and sell First Mortgage Bonds in the principal amount of \$10,000,000, and to execute a supplemental indenture.

Applicant is a California corporation engaged as a public utility in the business of providing telephone service in various cities and areas located in the Counties of Alpine, Inyo, Kern, Los Angeles, Madera, Mono, San Bernardino and Tulare in the State of California. It also serves in portions of the State of Nevada. For the year 1964, the company's annual report shows gross operating revenues and net income of \$12,157,792 and \$1,534,890, respectively, and a total of 45,600 telephones in service as of December 31, 1964, including 42,512 located in the State of California.

The balance sheet, attached to the application as part of Exhibit A, indicates that the utility's net investment in telephone plant as of April 30, 1965 was \$52,949,532. The following summary shows applicant's reported capital ratios on said date, together with adjustments to give effect to the sale of \$3,000,000 of preferred stock recently authorized by this Commission and the \$10,000,000 bond issue proposed in this proceeding:

	<u>April 30, 1965</u>	<u>Pro Forma</u>
Long-term debt	43.7%	50.9%
Preferred stock	11.7	14.1
Common stock equity	<u>44.6</u>	<u>35.0</u>
Total	<u>100.0%</u>	<u>100.0%</u>

Applicant asserts that its business continues to increase at a rapid rate and that long-term capital is needed to finance the cost of its substantial construction program for the year 1965. The company's estimated cash requirements for construction during the year ending December 31, 1965, total \$16,986,700, segregated as follows:

Telephone and other exchange equipment	\$ 5,380,100
Toll and local exchange lines	1,541,900
Central office equipment	6,781,800
Land and buildings	1,195,200
Other telephone plant	<u>2,087,700</u>
Total	<u>\$16,986,700</u>

The utility advises that it proposes to meet said cash requirements through the recently authorized sale of its preferred stock and from the sale of its proposed bond issue, as well as from funds provided by short-term bank borrowings and internal sources. The application shows that interim construction is being financed by short-term loans from Bank of America National Trust and Savings Association. Applicant reports \$3,000,000 of such loans were repaid on May 13, 1965 out of proceeds received from the sale of its Cumulative Preferred Stock, Series A (4.75%), \$20 par value, and the aggregate balance of said bank loans remaining outstanding as of June 21, 1965 was \$6,600,000. The company anticipates additional temporary borrowings for capital purposes during the interim will cause the amount of short-term notes outstanding to increase to \$9,150,000 by July 31, 1965.

In this proceeding, applicant seeks authority to issue and sell \$10,000,000 principal amount of its new bonds to be designated First Mortgage Bonds, Series B. The utility asserts that the proceeds from the sale will be applied toward discharging short-term bank loans described herein and financing capital costs.

Applicant reports the new issue will be sold at competitive bidding, the successful bid to determine the interest rate. The bonds will mature August 1, 1990, and will be subject to redemption at an initial redemption price

equivalent to the initial public offering price or the principal amount, whichever is greater, plus the annual interest rate specified in the successful bid, plus accrued and unpaid interest, and thereafter at reducing premiums. Redemption privileges will be subject to the five-year restriction frequently found in such offerings at the present time. The bonds will be secured by an existing indenture as heretofore supplemented and as further supplemented by a proposed Sixth Supplemental Indenture.

The Commission has considered this matter and finds that: (1) the proposed bond issue is for proper purposes; (2) applicant has need for funds from external sources to meet its capital requirements; (3) the inclusion of a five-year restricted redemption provision in the terms of the bonds will enable applicant to obtain funds at a lower annual cost than it otherwise could; (4) 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 (5) such purposes, except as otherwise authorized for accrued interest, 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 herein granted is for the purpose of this proceeding only 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. California Interstate Telephone Company may invite the submission of written sealed bids for the purchase of \$10,000,000 in aggregate principal amount of its First Mortgage Bonds, Series B due 1990, such invitation for bids to be published at least five days prior to the date set for the opening of the bids.

2. California Interstate Telephone Company may execute and deliver a Sixth Supplemental Indenture in the same form, or in substantially the same form, as that filed in this proceeding as Amended Exhibit C, and may issue and sell said \$10,000,000 of bonds at the price offered in said bids which will result in the lowest annual cost of money determined in accordance with the bidding papers filed in this proceeding as Amended Exhibit D.

3. California Interstate Telephone Company shall use the proceeds from the issue and sale of said bonds for the purposes specified in the application. The accrued interest may be used for such purposes or for general corporate purposes.

4. Immediately upon awarding the contract for the sale of \$10,000,000 of its new Series B bonds, California Interstate Telephone Company 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, California Interstate Telephone Company shall file with the Commission three copies of its prospectus relating to said bonds.

6. California Interstate Telephone Company shall file with the Commission a report, or reports, as required by General Order No. 24-B, which order, insofar as applicable, is hereby made a part of this order.

7. This order shall become effective on the day of payment by California Interstate Telephone Company of the fee prescribed by Section 1904(b) of the Public Utilities Code, which fee is \$5,500, or on the fifth day after the date hereof, whichever day is later.

Dated at San Francisco, California, this 21st day of July, 1965.

[Signature]
President
[Signature]
[Signature]

Commissioners

Commissioner Frederick B. Holoboff, being necessarily absent, did not participate in the disposition of this proceeding.
Commissioner A. W. Gatov, being necessarily absent, did not participate in the disposition of this proceeding.

