

ORIGINAL

Decision No. 69974

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 \$40,000,000)
principal amount of First Mortgage)
Bonds, Series R, Due December 1,)
1995, 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. 48009
Filed October 28, 1965
and Amendment
Filed November 3, 1965

O P I N I O N

In this application, General Telephone Company of California seeks authorization to execute and deliver a Supplemental Indenture, and to issue, sell and deliver \$40,000,000 principal amount of its First Mortgage Bonds, Series R, Due December 1, 1995.

Applicant is a California corporation owning and operating telephone systems in various cities and areas in the Counties of Fresno, Los Angeles, Orange, Sacramento, San Bernardino, Santa Barbara, Tulare, Ventura and Yolo.

Applicant proposes to offer for sale at competitive bidding \$40,000,000 principal amount of its First Mortgage Bonds, Series R, Due December 1, 1995, the price and interest rate to be specified in the accepted bid. The bonds will constitute a new series which will mature December 1, 1995 and will be subject to a five-year restricted redemption provision similar to that frequently employed in bond offerings at the present time.

The purposes of the proposed bond financing are to provide applicant with funds to reimburse its treasury, to repay short-term indebtedness and to finance the cost of additions, betterments and improvements to its plants and facilities. The company reports uncapitalized plant expenditures, as of September 30, 1965, amounting to \$192,977,155 after deducting \$60,000,000 to be derived from proposed common stock issues and that its short-term notes amounted to \$67,500,000 on said date. Applicant estimates that at the time of the sale of its Series R bonds it will be indebted to banks and to General Telephone & Electronics Corporation in the aggregate amount of \$74,000,000 on short-term notes then outstanding, and will have spent the proceeds of such borrowings for capital purposes.

It has been applicant's policy to finance its capital expenditures, in part, with short-term borrowings and, at a later date, to refinance such borrowings with the proceeds from the issue and sale of shares of stock and long-term debt. Its capital ratios as of September 30, 1965, and as adjusted to give effect to the proposed bond issue and to proposed issues of common stock having an aggregate par value of \$60,000,000, are obtained from Exhibit B attached to the application, as follows:

	<u>September 30, 1965</u>	<u>Pro Forma</u>
Long-term debt	45.39%	46.11%
Short-term notes	10.46	6.58
Preferred stock	7.74	6.85
Common stock and surplus	<u>35.91</u>	<u>40.46</u>
Total	<u>100.00%</u>	<u>100.00%</u>

Applicant's balance sheet as of September 30, 1965, shows current assets in the total amount of \$40,754,140 and current and accrued liabilities of \$122,538,252, including the \$67,500,000 of short-term notes.

The Commission has considered this matter and finds that: (1) the proposed bond issue is for proper purposes; (2) applicant has need for additional funds from external sources to improve its current financial position and to meet construction costs; (3) the inclusion of the 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 bonds herein authorized is reasonably required for the purposes specified herein; (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; and (6) the proposed Supplemental Indenture will not be adverse to the public interest. A public hearing is not necessary.

On the basis of the foregoing findings we conclude that the application should be granted. The authorization herein given 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 purpose of determining just and reasonable rates.

O R D E R

IT IS ORDERED that:

1. General Telephone Company of California may execute and deliver a Supplemental Indenture dated as of December 1, 1965, in the same form, or in substantially the same form, as that filed in this proceeding as Exhibit C.

2. General Telephone Company of California may invite the submission of written sealed bids for the purchase of not to exceed \$40,000,000 aggregate principal amount of its First Mortgage Bonds, Series R, Due December 1, 1995, such invitation to be published at least five days prior to the date set for the opening of the bids.

3. General Telephone Company of California may issue, sell and deliver said bonds in the aggregate principal amount of not to exceed \$40,000,000 at the price offered in said bids which will result in the lowest annual cost of money to applicant determined in the manner referred to in the application.

4. General Telephone Company of California shall use the proceeds from the sale of said bonds exclusive of accrued interest, for the purposes set forth in the application. The accrued interest may be used for such purposes or for general corporate purposes.

5. Immediately upon awarding the contract for the sale of said 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.

6. 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 pertaining to said bonds.

7. Within six months after such issue and sale, General Telephone Company of California shall file with the Commission a statement, in lieu of a report under General Order No. 24-B, disclosing the purposes for which the bond proceeds were used.

8. This order shall become effective on the day of payment by General Telephone Company of California of the fee prescribed by Section 1904(b) of the Public Utilities Code, which fee is \$13,000, or on the seventh day after the date hereof, whichever day is later.

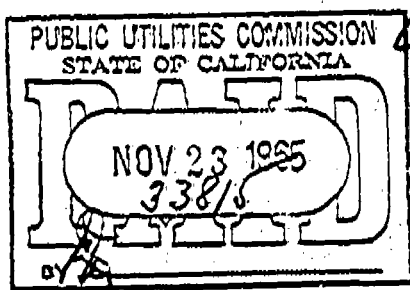
Dated at San Francisco, California, this 23rd day of NOVEMBER, 1965.

[Signature] President

[Signature]

[Signature]

[Signature] Commissioners



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