

ORIGINALDecision No. 71429

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application
ofCALIFORNIA INTERSTATE TELEPHONE
COMPANY, a California
corporation,for an order authorizing it to
issue and sell \$10,000,000
Principal Amount of its First
Mortgage Bonds, Series C,
due 1991Application No. 48325
Filed September 27, 1966O 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 furnishing local and toll telephone service in portions of California and Nevada. For the year 1965 the company reports total operating revenues and net income of \$15,646,987 and \$2,716,825, respectively. According to applicant's 1965 annual report on file with the Commission, 54,232 telephones were in service at the end of the year, of which 48,356 were located in California.

In its August 31, 1966 balance sheet the company reports net telephone plant of \$70,683,598. Applicant's capital ratios on said date, adjusted to give effect to the

recent sale of 70,000 shares of its common stock at \$42 per share and the \$10,000,000 bond issue proposed in this proceeding, are computed as follows:

Long-term debt	56%
Preferred stock	10
Common stock equity	<u>34</u>
Total	<u>100%</u>

The utility estimates that its cash requirements for construction during the year 1966 will aggregate \$19,700,000, segregated as follows:

Central office equipment	\$ 9,260,500
Local exchange and toll lines	6,160,200
Land and buildings	2,254,200
Station equipment and apparatus	1,860,600
Furniture and work equipment	<u>164,500</u>
Total	<u>\$19,700,000</u>

The application shows that recently authorized sales of the company's common stock and debentures, together with internally generated funds and the bond issue proposed in this proceeding, will enable applicant to meet such cash requirements, including the repayment of temporary bank borrowings for construction.

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 C due 1991. The utility asserts that the net proceeds from the sale will be applied toward discharging short-term bank loans incurred for construction, and that the balance, if any, will be used to finance a portion of its 1966 construction program.

Applicant reports the new issue will be sold at competitive bidding, the successful bid to determine the interest rate. The bonds will mature November 1, 1991 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 the proposed Seventh 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 for the purposes set forth in the application; (3) applicant will be required to pay interest at a lower effective rate than it would in the absence of the proposed restricted redemption provision; (4) the proposed Seventh Supplemental Indenture will not be adverse to the public interest; (5) 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 (6) 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 aggregate principal amount of its First Mortgage Bonds, Series C due 1991.

2. California Interstate Telephone Company may execute and deliver a Seventh Supplemental Indenture in the same form, or in substantially the same form, as that filed in this proceeding as Exhibit A, 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 Exhibit B.

3. California Interstate Telephone Company shall use the proceeds from the issue and sale of said bonds, exclusive of accrued interest, 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 said 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 statement, in lieu of a report under General Order No. 24-B, disclosing the purposes for which the bond proceeds were used.

7. This order shall become effective when California Interstate Telephone Company has paid the fee prescribed by Section 1904(b) of the Public Utilities Code, which fee is \$5,500.

Dated at San Francisco, California,
this 18th day of OCTOBER, 1966.

[Signature]
President

George L. Crover

Fredrick B. Holdhoff

[Signature]

[Signature]
Commissioners

