

ORIGINALDecision No. 71837

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application)	
of General Telephone Company of)	
California for an Order)	Application No. 47706
authorizing it to issue and)	and Amendment
sell not to exceed \$30,000,000)	Petition for Modification
principal amount of Sinking)	Filed December 21, 1966
Fund Debentures, Due September 1,)	
1990, and to execute and)	
deliver an Indenture pursuant)	
to which said Debentures are)	
to be issued.)	

FIRST SUPPLEMENTAL OPINION

By Decision No. 69433, dated July 27, 1965, in the above-entitled matter, the Commission authorized General Telephone Company of California to execute and deliver an Indenture, and to issue, sell and deliver \$30,000,000 aggregate principal amount of its debentures at competitive bidding.

In view of adverse conditions prevailing at the time applicant had intended to issue the debentures in 1965, it deferred the proposed debenture offering. Subsequently, the company sold \$40,000,000 aggregate principal amount of its Series R bonds, and expended a portion of the proceeds for purposes contemplated by the proposed debenture issue.

By Ordering Paragraph No. 3 of Decision No. 70043, dated December 7, 1965, in Application No. 48009, the Commission indicated that the authority pertaining to the Series R bonds was alternative to the unexercised authority pertaining to the debentures. Applicant now believes that the appropriate time is arriving for offering its debentures with the amount increased to \$50,000,000 and, therefore, has filed the Petition for Modification.

Under and pursuant to the terms of an Indenture, applicant proposes to offer and sell \$50,000,000 principal amount of its Sinking Fund Debentures, Due March 1, 1992, at competitive bidding, the price and interest rate to be determined by the successful bid.

The petition indicates that the debentures will be subject to a five-year restricted redemption provision similar to that applicable to each of the company's issues of debt securities since 1957. Applicant asserts that elimination of such restriction would require a higher interest rate or other concessions resulting in a higher annual cost of money on said debentures and would tend to limit the market therefor among institutional investors.

The company proposes to issue said debentures for the purposes of providing funds for (a) discharging short-term notes,

the proceeds of which have been, or will be, used for capital purposes, and/or (b) the construction, completion, extension or improvement of its facilities. Exhibit B, attached to the petition, discloses that gross construction requirements during 1966 and 1967 will total approximately \$309,356,000, and that unreimbursed capital expenditures as of October 31, 1966, amounted to \$204,826,111 after giving effect to a contemplated \$60,000,000 common stock issue in connection with Application No. 49028.

Reported capital ratios of applicant as of October 31, 1966, and as adjusted to reflect said common stock and the debentures proposed herein, are as follows:

	<u>October 31, 1966</u>	<u>Pro Forma</u>
Long-term debt	49.62%	51.22%
Short-term notes	4.82	-
Preferred stock	6.52	5.95
Common stock and surplus	<u>39.04</u>	<u>42.83</u>
Total	<u>100.00%</u>	<u>100.00%</u>

The balance sheet, attached to the petition as part of Exhibit A, shows that the company's net investment in telephone plant as of October 31, 1966, was \$779,912,550. Applicant's current assets on said date amounted to \$40,599,409 and its current and accrued liabilities totaled \$96,312,265, including \$37,000,000 of short-term notes.

The Commission has considered the Petition for Modification and finds that: (1) the proposed issue of debentures is for proper purposes; (2) applicant has need for funds from external sources for the purposes set forth in the petition; (3) applicant will be required to pay interest at a lower effective rate than it would in the absence of a restricted redemption provision; (4) the proposed 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 debentures 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 Petition for Modification should be granted. The action taken herein 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.

FIRST SUPPLEMENTAL ORDER

IT IS ORDERED that:

1. General Telephone Company of California may execute and deliver an Indenture in the same form, or in substantially the same form, as that attached to the petition as Exhibit G.
2. General Telephone Company of California may invite the submission of written sealed bids for the purchase of not to exceed \$50,000,000 aggregate principal amount of its Sinking Fund Debentures, Due March 1, 1992, such invitation for bids 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 debentures in the aggregate principal amount of not to exceed \$50,000,000 at the price offered in said bids which will result in the lowest annual cost of money to applicant calculated in the manner provided in the Statement of Terms and Conditions Relating to Bids attached to the petition as Exhibit D.
4. General Telephone Company of California shall use the proceeds from the issue and sale of said debentures for the purposes specified in this proceeding. 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 debentures, 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 cost of money to applicant based on such price and interest rate.

6. Within thirty days after the issue and sale of the debentures herein authorized, General Telephone Company of California shall file with the Commission three copies of its prospectus pertaining to said debentures.

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 debenture proceeds were used.

8. Decision No. 69433, dated July 27, 1965, in this proceeding and Ordering Paragraph No. 3 of Decision No. 70043, dated December 7, 1965, in Application No. 48009, are hereby modified to the extent that they are inconsistent with this decision.

9. This First Supplemental Order shall become effective on the day of payment by General Telephone Company of California of the additional fee prescribed by Section 1904(b) of the Public Utilities Code, which fee is \$5,000, or on the tenth day after the date hereof, whichever day is later.

Dated at San Francisco, California,
this 17th day of JANUARY, 1967.

Robert E. Mitchell
President

George J. ...

William M. ...

Commissioners

