

ORIGINAL

Decision No. 73174

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application)
of)
))
CALIFORNIA INTERSTATE TELEPHONE)
COMPANY, a California)
corporation,)
))
for an order authorizing it to)
issue and sell \$7,000,000)
Principal Amount of its First)
Mortgage Bonds, Series D due)
1992.)

Application No. 49679
Filed September 21, 1967

O P I N I O N

This is an application for an order of the Commission authorizing California Interstate Telephone Company to issue and sell \$7,000,000 aggregate principal amount of its bonds, and to execute and deliver a supplemental indenture.

Applicant is a California corporation furnishing local and toll telephone service in portions of California and Nevada. For the year 1966 the company reports total operating revenues and net income of \$17,793,366 and \$2,916,506, respectively. According to applicant's 1966 annual report on file with the Commission, 59,637 telephones were in service at the end of the year, of which 53,123 were located in California.

In its July 31, 1967 balance sheet the company reports net telephone plant of \$84,934,202. The corporation's capital ratios on said date, and as adjusted to give effect to the

recently authorized \$2,500,000 preferred stock issue and to the proposed bond issue, are computed as follows:

	<u>July 31,</u> <u>1967</u>	<u>Pro</u> <u>Forma</u>
Long-term debt	55%	57%
Preferred stock	10	12
Common stock equity	<u>35</u>	<u>31</u>
Total	<u>100%</u>	<u>100%</u>

The utility estimates that its construction program for the year 1967 will amount to \$15,373,000 segregated as follows:

Station equipment and apparatus	\$ 1,081,000
Outside plant	5,308,000
Central office equipment	8,624,200
Land, building and other telephone plant	<u>359,800</u>
Total	<u>\$15,373,000</u>

The application shows that the company has financed a portion of its construction program by means of short-term bank loans, of which \$10,531,000 are outstanding as of September 21, 1967, and are expected to be reduced to approximately \$7,000,000 with funds from applicant's parent corporation, Continental Telephone Corporation, although additional short-term borrowings may become necessary to supplement internally generated funds to complete the 1967 construction program.

In this proceeding applicant seeks authority to issue and sell \$7,000,000 aggregate principal amount of its new bonds to be designated First Mortgage Bonds, Series D due 1992. The company asserts that the proceeds from the sale will be applied toward discharging short-term bank loans incurred for construction

and any remaining funds will be used to finance, in part, the balance of its 1967 construction program.

Applicant reports that the new issue will be sold at competitive bidding, the successful bid to determine the interest rate. The bonds will mature November 1, 1992, and will carry a five-year restricted redemption provision similar to that frequently found in bond offerings at the present time. The bonds will be secured by an existing indenture as heretofore supplemented and as further supplemented by a proposed Eighth 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 Eighth 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 execute and deliver an Eighth Supplemental Indenture in the same form, or in substantially the same form, as that filed in this proceeding as Exhibit B.

2. California Interstate Telephone Company may invite the submission of written sealed bids for the purchase of not exceeding \$7,000,000 aggregate principal amount of its First Mortgage Bonds, Series D due 1992, such invitation for bids to be published at least five days prior to the date set for the opening of the bids.

3. California Interstate Telephone Company may issue and sell said bonds in the aggregate principal amount of not exceeding \$7,000,000 to the purchaser, or purchasers, offering to it the most favorable terms as disclosed by the bids received.

4. 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, if any, may be used for such purposes or for general corporate purposes.

5. 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 upon such price and interest rate.

6. 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.

7. 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.

8. 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 \$4,000.

Dated at San Francisco, California, this 10th day of OCTOBER, 1967.

[Signature]
President

[Signature]

[Signature]

[Signature]

[Signature]
Commissioners

