

Decision No. 73253

**ORIGINAL**

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 )  
\$60,000,000 principal amount of )  
First Mortgage Bonds, Series T, )  
Due December 1, 1997, 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. 49717  
Filed October 9, 1967

O P I N I O N

This is an application for an order of the Commission authorizing General Telephone Company of California to execute and deliver a Supplemental Indenture, and to issue, sell and deliver \$60,000,000 aggregate principal amount of its First Mortgage Bonds, Series T, Due December 1, 1997.

Applicant is a California corporation owning and operating telephone systems in various portions of the State of California.

The utility proposes to invite bids for the purchase of \$60,000,000 aggregate principal amount of its First Mortgage Bonds, Series T, Due December 1, 1997, the winning bid to determine the interest rate. The bonds will be subject to a five-year restricted redemption provision similar to that frequently employed in bond offerings at the present time.

The purposes for which applicant contemplates applying the net proceeds to be derived from the sale of said bonds consist of one or more of the following: (a) the acquisition of property; (b) the construction, completion, extension or improvement of its facilities; (c) the improvement or maintenance of its service; (d) the discharge, in whole or in part, of any of its obligations which may have been incurred for any of said purposes; and (e) the reimbursement of moneys heretofore or hereafter actually expended from income or from other moneys in its treasury, not secured by or obtained from the issuance of securities, for any one or more of the foregoing purposes, except maintenance of service and replacements. Accrued interest included in the purchase price of the bonds will be used for general corporate purposes, which may include any of the above specified purposes.

As of August 31, 1967, the company reports net plant expenditures of \$276,177,153 available for issuance of securities in addition to the unissued portion of common stock authorized by Decision No. 71838, dated January 17, 1967, in Application No. 49028. Applicant estimates that at the time of the sale of its Series T bonds it will be indebted to banks and to affiliates in an aggregate amount of \$72,000,000 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 August 31, 1967, and as adjusted to give effect to the proposed bond issue and to the remaining \$30,000,000 aggregate par value of common stock authorized by said Decision No. 71838, are obtained from Exhibit B, attached to the application, as follows:

	<u>Aug. 31, 1967</u>	<u>Pro Forma</u>
Long-term debt	49.75%	53.04%
Short-term notes	4.83	.90
Preferred stock	5.10	4.84
Common stock and surplus	<u>40.32</u>	<u>41.22</u>
Total	<u>100.00%</u>	<u>100.00%</u>

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 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 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; (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 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. General Telephone Company of California may execute and deliver a Supplemental Indenture 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 exceeding \$60,000,000 aggregate principal amount of its First Mortgage Bonds, Series T, Due December 1, 1997, 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 exceeding \$60,000,000 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 application as Exhibit E.

4. General Telephone Company of California shall use the net proceeds from the sale of said bonds for any or all of the purposes set forth in the application.

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 three 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 \$18,000, or on the seventh day after the date hereof, whichever day is later.

Dated at San Francisco, California,  
this 27<sup>th</sup> day of OCTOBER, 1967.

*Paul E. Mitchell* President  
*William L. Bennett*  
*Augustus*  
*Paul P. Monahan* Commissioners

Commissioner William Symons, Jr., being necessarily absent, did not participate in the disposition of this proceeding.

