

ORIGINAL

Decision No. 74862

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 U, Due December 1,)
1998, to execute and deliver to)
Security Pacific National Bank,)
as Trustee, an Indenture supple-)
mental to the existing Indenture,)
as amended, securing said Company's)
bonded indebtedness.)

Application No. 50587
Filed October 3, 1968
and Amendment ✓
Filed October 22, 1968

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 not exceeding \$60,000,000 aggregate principal amount of its First Mortgage Bonds, Series U, Due December 1, 1998.

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 not exceeding \$60,000,000 aggregate principal amount of its First Mortgage Bonds, Series U, Due December 1, 1998, the winning bid to

determine the interest rate. The bonds will be subject to a five-year restrictive redemption provision similar to that frequently employed in bond offerings at the present time.

Applicant proposes to issue and sell said Series U Bonds for the purpose of discharging a portion of its outstanding obligations incurred for capital purposes. Accrued interest included in the purchase price of said bonds will be used for general corporate purposes. In this connection the company estimates that at the time of the sale of its Series U Bonds it will be indebted to banks and to affiliates in an aggregate amount of \$78,000,000 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. The company's capital ratios as of August 31, 1968, 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 Decision No. 74267, dated June 18, 1968, in Application No. 50200, are obtained from Exhibit B, filed in this proceeding, as follows:

	<u>Aug. 31,</u> <u>1968</u>	<u>Pro</u> <u>Forma</u>
Long-term debt	49.62%	52.44%
Short-term notes	3.16	-
Preferred stock	4.58	4.36
Common stock equity	<u>42.64</u>	<u>43.20</u>
Total	<u>100.00%</u>	<u>100.00%</u>

After consideration the Commission 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 restrictive 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, as amended, 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 with the amendment 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 U, Due December 1, 1998, the Notice of 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 the bid which will result in the lowest cost of money to applicant calculated in the manner provided in the Invitation for Bids attached to the application as Exhibit D.
4. General Telephone Company of California shall use the net proceeds from the sale of said bonds for 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.

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 29th day of OCTOBER, 1968.

Commissioner Fred P. Morrissey, being necessarily absent, did not participate in the disposition of this proceeding.

William J. Moore
President
Fred E. ...
William ...
Augustan

Commissioners

