

ORIGINAL

Decision No. 74958

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)	
)	
CALIFORNIA INTERSTATE TELEPHONE)	Application No. 50648
COMPANY, a California corporation,)	Filed October 25, 1968
)	
for an order authorizing it to)	
issue and sell \$10,000,000 Principal)	
Amount of its First Mortgage Bonds,)	
Series E due 1993)	
)	

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 \$10,000,000 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 1967 the company reports total operating revenues and net income of \$20,504,341 and \$3,333,380, respectively. According to applicant's 1967 annual report on file with the Commission, 64,128 telephones were in service at the end of the year, of which 57,132 were located in California.

In its September 30, 1968 balance sheet the company reports net telephone plant of \$98,662,539. The corporation's capitalization percentages on said date, adjusted to give effect to the recently authorized common stock issue of 66,666 shares at a price of \$45 per share aggregating approximately \$3,000,000, and to the proposed \$10,000,000 bond issue, are computed as follows:

Long-term debt	57%
Preferred stock	9
Common stock equity	<u>34</u>
Total	<u>100%</u>

The utility estimates that its construction program for the year 1968 will amount to \$20,768,000 segregated as follows:

Station equipment and apparatus	\$ 2,280,000
Outside plant	5,634,000
Central office equipment	11,391,000
Land, buildings and other telephone plant	<u>1,463,000</u>
Total	<u>\$20,768,000</u>

The company reports that it has financed a portion of its construction program by means of short-term bank loans, and that it might make additional short-term borrowings before receiving the proceeds of the proposed bond issue. The application shows that as of October 25, 1968, applicant's outstanding short-term bank loans amounted to \$7,300,000. It appears that all of said short-term borrowings were made, or will be made, to pay a portion of

the 1968 construction program, with the exception of approximately \$1,000,000 used for refunding outstanding long-term indebtedness of Henderson Telephone Company, Inc. in connection with the merger of the latter into applicant. According to the application, the net proceeds of the sale of the new bonds will be applied toward reducing short-term indebtedness, and paying the cost of additional facilities under the 1968 construction program.

The new bonds are to be designated First Mortgage Bonds, Series E due 1993. They will be sold at competitive bidding, the successful bid to determine the interest rate. The bonds will mature December 1, 1993, and will carry a five-year restrictive redemption provision similar to that frequently found in bond offerings at the present time. They will be secured by an existing indenture as heretofore supplemented and as further supplemented by a proposed Ninth Supplemental Indenture.

After consideration the Commission 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 restrictive redemption provision; (4) the proposed Ninth 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 a Ninth Supplemental Indenture in the same form, or in substantially the same form, as that attached to the application as Exhibit A.

2. California Interstate Telephone Company may invite the submission of written sealed bids for the purchase of not exceeding \$10,000,000 aggregate principal amount of its First Mortgage Bonds, Series E due 1993, the 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 \$10,000,000 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 \$5,500.

Dated at San Francisco, California, this 19th day of NOVEMBER, 1968.

William Sproull, Jr.
President
William U. Deen

Augusta

Paul P. Morrison
Commissioners

Commissioner Peter E. Mitchell, being necessarily absent, did not participate in the disposition of this proceeding.

