

ORIGINAL

Decision No. 77283

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 \$70,000,000)
principal amount of Sinking Fund)
Debentures, Due June 1, 1995, and)
to execute and deliver to United)
California Bank, as Trustee, an)
Indenture supplemental to an exist-)
ing Indenture, and for exemption)
from competitive bidding.)

Application No. 51788
Petition for Modification
Filed May 14, 1970

FIRST SUPPLEMENTAL OPINION

By Decision No. 77170, dated May 5, 1970, in the above-entitled matter, the Commission authorized General Telephone Company of California to issue, sell and deliver, exempt from competitive bidding, not exceeding \$70,000,000 aggregate principal amount of its Sinking Fund Debentures, Due June 1, 1995, and to execute and deliver a related Supplemental Indenture.

In petitioner's judgment, it will be significantly less costly under present market conditions to issue First Mortgage Bonds instead of Sinking Fund Debentures. Therefore, the utility requests this Commission to modify said decision so as to authorize the company to issue, sell and deliver not exceeding \$70,000,000 aggregate principal amount of its First Mortgage Bonds, Series W, Due June 15, 2000, and to execute and deliver a Supplemental Indenture pertaining thereto.

Petitioner proposes to apply the bond proceeds, other than accrued interest, to discharging a portion of its short-term notes (estimated to aggregate \$120,000,000) issued and to be issued to provide funds for capital purposes. Accrued interest included in the purchase price of said bonds will be used for general corporate purposes.

The company contemplates selling the new bonds on a negotiated basis to a group of investment banking firms. The bonds will be issued in accordance with an Indenture dated December 1, 1939, as previously supplemented and as further supplemented by a proposed Supplemental Indenture to be dated as of June 15, 1970. The securities will be subject to a five-year restricted redemption provision similar to that frequently employed in bond offerings at the present time.

After consideration of the petition, together with the record previously developed in this proceeding, we find that:

1. The proposed bond issue is for proper purposes.
2. Petitioner has need for funds from external sources for the purposes set forth in this proceeding.
3. Petitioner 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 Supplemental Indenture would 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, which purposes, except as otherwise authorized for accrued interest, are not, in whole or in part, reasonably chargeable to operating expenses or to income.
6. The issue and sale of the proposed bonds should not be required to be at competitive bidding.

On the basis of the foregoing findings we conclude that the petition should be granted. A further public hearing is not necessary. 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.

Petitioner is hereby placed on notice that, if the Commission believes that the negotiated price or interest rate pertaining to the proposed bond issue will result in an excessive effective interest cost, it will take into consideration in future rate proceedings only that which it deems reasonable.

FIRST SUPPLEMENTAL ORDER

IT IS ORDERED that:

1. The issue and sale by General Telephone Company of California of not exceeding \$70,000,000 aggregate principal amount of its First Mortgage Bonds, Series W, Due June 15, 2000 are hereby exempted from the Commission's competitive bidding rule set forth in Decision No. 38614, dated January 15, 1946, as amended, in Case No. 4761.

2. General Telephone Company of California may execute and deliver a Supplemental Indenture in the same form, or in substantially the same form, as that attached to the Petition for Modification as Exhibit C.

3. General Telephone Company of California may issue, sell and deliver not exceeding \$70,000,000 aggregate principal amount of its First Mortgage Bonds, Series W, Due June 15, 2000, in accordance with the petition herein and the terms and conditions of an Underwriting Agreement in the same form, or in substantially the same form, as that attached to the Petition for Modification as Exhibit A of Exhibit B.

4. General Telephone Company of California shall apply the proceeds from the sale of said bonds to the purposes set forth in this proceeding.

5. On the date General Telephone Company of California determines the price and interest rate pertaining to the bonds herein authorized, it shall notify the Commission thereof by telegram.

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, together with a statement, in lieu of a report under General Order No. 24-B, disclosing the purposes for which the bond proceeds were used.

7. Decision No. 77170, dated May 5, 1970, in this proceeding, is hereby modified to the extent that it is inconsistent with this decision.

8. The effective date of this order is the date hereof.

Dated at San Francisco, California,
this 3rd day of JUNE 1, 1970.

William S. Brown, Jr.
President

August

[Signature]

Vernon L. Sturgeon
Commissioners

Commissioner J. P. Vukasin, Jr., being necessarily absent, did not participate in the disposition of this proceeding.