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Decision No. 87779 AUG 30 1977

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of General Telephone)
 Company of California to issue)
 and sell, at competitive bidding)
 not exceeding \$60,000,000 principal)
 amount of First Mortgage Bonds,)
 Series Z, and to execute and deliver)
 a Supplemental Indenture.)

Application No. 57466
(Filed July 19, 1977)

O P I N I O N

General Telephone Company of California (General) requests an order from the Commission authorizing General to execute and deliver a Supplemental Indenture, and to issue and sell, at competitive bidding, not exceeding \$60,000,000 principal amount of First Mortgage Bonds, Series Z.

To the extent that market conditions make it economically advantageous to do so, General proposes to redeem on or before December 31, 1977, its \$60,000,000 principal amount of 9-1/2% First Mortgage Bonds, Series V, due December 1, 1999, which General issued and sold on December 23, 1969. Such bonds are presently redeemable at 107.78% of their principal amount, plus accrued interest.

General proposes to issue and sell Series Z bonds in order to obtain funds to redeem the Series V bonds, which were issued for the purpose of reimbursing the treasury of General for monies actually expended for the acquisition of property and for the construction, completion, extension, and improvements of the facilities of General.

The holders of Series V bonds must receive not less than 30 days notice of General's election to exercise its redemption option.

General proposes to withhold notification to the holders of the Series V bonds until after completion of the sale of the new Series Z bonds. General proposes to place the proceeds of the Series Z bonds in temporary cash investments during the period of approximately 30 days before those proceeds are used to redeem the Series V bonds.

The Series Z bonds would bear interest payable semi-annually and the successful bid would determine the interest rate per year. The new bonds would be issued only in the form of registered bonds without coupons. General reserves the right to reject all bids submitted for the bonds.

The Series Z bonds would have a maturity not exceeding 30 years and redemption would be restricted for a period not exceeding five years. The exact terms of the restricted refunding features would be determined by General, based on market conditions which exist at or just prior to publication of the public invitation for bids. General believes that the elimination of the nonredemption provision would require a higher interest rate or other concessions resulting in a higher annual cost of money on the new Series Z bonds and would tend to limit the market for the bonds among large institutional investors.

The Supplemental Indenture is required for the purpose of setting forth the form and substance, and terms, provisions and conditions of the new Series Z bonds; and to specifically describe real properties acquired by General subsequent to the execution of the Original Indenture.

General's capital ratios as of May 31, 1977 attached to the Application as page 3 of Exhibit B, are set forth in the following tabulation. No change will occur as a result of the sale of Series Z bonds and the redemption of Series V bonds.

	<u>May 31, 1977</u>
First Mortgage Bonds	45.3%
Sinking Fund Debentures	5.8
Preferred Stock	6.0
Common Equity	<u>42.9</u>
	<u>100.0%</u>

General intends to account for the call premium and unamortized cost of the redeemed issue by amortizing the amount to Account No. 338, Amortization of Discount on Long-Term Debt, over the life of the new issue. The Finance Division has reviewed the proposal and has concluded that such accounting treatment would be appropriate and consistent with prescribed accounting procedures.

After consideration the Commission finds that:

1. The proposed bonds would be for proper purposes.
2. General has need for external funds for the purposes set forth in the application.
3. The proposed Supplemental Indenture would not be adverse to the public interest.
4. The money, property or labor to be procured or paid for by the issuance of 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.
5. The proposed amortization would not be adverse to the public interest.

The matter is noncontroversial and there is no reason to delay granting the requested authority. On the basis of the foregoing findings we conclude that the application should be granted. A public hearing is not necessary. The authorization granted in this decision is for the purpose of this proceeding only and is not to be construed as indicative of the 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 substantially the same form as that attached to the application as Exhibit D, with appropriate changes applicable to First Mortgage Bonds, Series Z.

2. General Telephone Company of California may issue, sell and deliver, at competitive bidding, not exceeding \$60,000,000 in the aggregate principal amount of First Mortgage Bonds, Series Z, on or before December 31, 1977, at the price offered in the bid which will result in the lowest annual cost of money to it, calculated in the manner provided in the bidding papers as shown in Exhibit E attached to the application.

3. General Telephone Company of California shall apply the proceeds from the issue and sale of not exceeding \$60,000,000 of First Mortgage Bonds Series Z for the redemption of \$60,000,000 principal amount of First Mortgage Bonds, 9- $\frac{1}{2}$ % Series V, due December 1, 1999, and may place said proceeds in temporary cash investments during the period between the receipt thereof and the date redemption is made.

4. General Telephone Company of California may account for the call premium and unamortized cost of the redeemed Series V bonds by amortizing said amount to Account No. 338, Amortization of Discount on Long-Term Debt, over the life of the Series Z bonds.

5. Promptly after awarding the contract for the sale of Series Z 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 cost of money to it based upon such price and interest rate.

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6. As soon as available, General Telephone Company of California shall file with the Commission three copies of its final prospectus relating to Series Z bonds.

7. Within one month after selling its Series Z bonds, 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 purpose for which the proceeds were used.

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

Dated at San Francisco, California, this 30th day of AUGUST, 1977.

William S. Gurnee, Jr. President
Yusuf I. Shergar
Richard D. Howell

Commissioners

Commissioner Robert Batinovich, being necessarily absent, did not participate in the disposition of this proceeding.

Commissioner Claire T. Dedrick, being necessarily absent, did not participate in the disposition of this proceeding.