

LEM

Decision No. 17702.

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of CALIFORNIA TELEPHONE AND LIGHT COMPANY, a corporation, for an order of the Railroad Commission of the State of California authorizing applicant to issue, sell and deliver its first mortgage six percent gold bonds maturing April 1, 1943, to the face amount of \$190,500.00.

**ORIGINAL**

Application No. 13257

C. P. Cutten and R. W. Duval,  
by R.W.Duval, for applicant.

BY THE COMMISSION:

O P I N I O N

California Telephone and Light Company in this proceeding has applied to the Railroad Commission for permission to issue, sell and deliver \$190,500.00 face amount of its first mortgage six percent gold bonds due April 1, 1943.

The company reports the necessity of issuing the bonds to finance construction expenditures. In a former proceeding, Application No. 11766, filed on October 3, 1925, it reported unreimbursed capital expenditures at August 31, 1925, as shown in Exhibit "C" filed in that proceeding, at \$471,617.60. The Commission, by its Decision No. 15545, dated October 21, 1925, authorized the issue of \$350,000.00 of bonds on that account. These bonds, it is now reported, were sold thereafter for \$351,785.00 which, deducted from the \$471,617.60 left an unreimbursed balance at August 31, 1925, of \$119,832.60. In the present proceeding the company reports construction expenditures from September 1, 1925 to and including August 31, 1926 at \$392,859.82, as shown in some detail in Exhibit "C"

filed at the hearing held in this matter. Adding the \$392,859.82 to the unreimbursed balance of \$119,832.60 results in a total of \$512,692.42 which is said to represent uncapitalized construction expenditures on August 31, 1925 and against which applicant now asks to issue the \$190,500.00 of bonds.

In the application now before us permission is requested to use the proceeds from the sale of the bonds to reimburse its treasury, in part, on account of the construction expenditures of \$512,692.42. Testimony adduced at the hearing, however, indicates that the greater amount of such expenditures were temporarily financed with moneys advanced by Pacific Gas and Electric Company and that it is the intention of applicant, if this petition is granted, to use the proceeds from the sale of its bonds to pay, in part, such advances. The order herein accordingly will direct the use of the proceeds to pay outstanding indebtedness incurred for construction purposes rather than to reimburse the treasury.

The bonds applicant proposes to issue are part of a total authorized amount of \$5,000,000.00 secured by deed of trust, dated April 1, 1913, to Mercantile Trust Company of San Francisco, trustee. The bonds are dated as of April 1, 1913, bear interest at the rate of six percent per annum, mature April 1, 1943 and are callable at 107.5 percent of face value plus accrued interest on any interest payment date prior to maturity. According to the application, \$1,326,000.00 of bonds have been issued, of which \$226,000.00 are reported held alive in sinking funds of Pacific Gas and Electric Company, which company owns substantially all of applicant's outstanding stock, \$305,000.00 are held alive in the treasury of Pacific Gas and Electric Company, \$737,600.00 are in the hands of the public and \$57,400.00 have been cancelled through sinking fund operations. Applicant reports that it believes it can sell the bonds at not less than the face value thereof and accrued interest.

O R D E R

California Telephone and Light Company, having applied to the Railroad Commission for permission to issue and sell \$190,500.00 of bonds, a public hearing having been held before Examiner Fankhauser, and the Railroad Commission being of the opinion that the money, property or labor to be procured or paid for through such issue and sale is reasonably required for the purpose specified herein, and that the expenditures for such purpose are not in whole or in part reasonably chargeable to operating expenses or to income,

IT IS HEREBY ORDERED that California Telephone and Light Company be, and it hereby is, authorized to issue and sell, on or before January 31, 1927, at not less than their face value plus accrued interest, \$190,500.00 of its first mortgage six percent gold bonds due April 1, 1943, and to use the proceeds, other than accrued interest, to pay in part indebtedness incurred in paying for the construction expenditures of \$512,692.42 to which reference is made in the foregoing opinion. The accrued interest may be used for general corporate purposes.

The authority herein granted is subject to the following conditions:-

1. Applicant shall keep such record of the issue and sale of the bonds herein authorized and of the disposition of the proceeds, as will enable it to file, on or before the 25th day of each month, a verified report, as required by the Railroad Commission's General Order No. 24, which order, insofar as applicable, is made a part of this order.

2. The authority herein granted will become effective when applicant has paid the fee prescribed by Section 57 of the Public Utilities Act, which fee is \$191.00.

DATED at San Francisco, California, this 3<sup>rd</sup> day of December, 1926.

W. B. ...  
C. S. ...  
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Leon ...  
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Commissioners.

Fee \$191.00  
DEC 6 1926  
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Fee # 23591