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Decision No. 10381.

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF THE
STATE OF CALIFORNIA

* * *

In the Matter of the Application of)
THE PACIFIC TELEPHONE AND TELEGRAPH)
COMPANY, a corporation, for an order)
authorizing it to issue, sell and)
deliver \$25,000,000.00 par value of)
its bonds.)

Application No. 7792

Pillsbury, Madison & Sutro, by E.D. Pillsbury,
for Applicant.

BRUNDIGE, Commissioner.

O P I N I O N

THE PACIFIC TELEPHONE AND TELEGRAPH COMPANY asks permission to issue and sell at 91 per cent. of their face value and accrued interest \$25,000,000.00 of refunding mortgage 30-year 5 per cent. bonds due May 1, 1952, and use the proceeds to reimburse its treasury, refund indebtedness and acquire and construct new properties.

The Railroad Commission by Decision No. 10334, dated April 20, 1922, authorized applicant to issue and sell at not less than 85 per cent. of its par value \$25,000,000.00 of 6 per cent. cumulative preferred stock and use the proceeds to pay indebtedness due the American Telephone and Telegraph Company, the Crocker National Bank of San Francisco and other obligations. In Decision No. 10334, the Commission called attention, among other things, to applicant's authorized and outstanding stock, to its assets and liabilities as of December 31, 1921 and to its revenues and disbursements during 1920 and 1921. Reference is here made to such statements.

As of December 31, 1921, applicant reports \$38,546,000.00 of bonds outstanding. Its bonded debt consists of \$32,030,000.00 of The Pacific Telephone and Telegraph Company first mortgage and collateral trust 5 per cent. sinking fund gold bonds due January 2, 1937 and \$6,616,000.00 of Home Long Distance Telephone and Telegraph Company first mortgage 5 per cent. sinking fund gold bonds due January 2, 1932. It appears of record that applicant's stockholders at a meeting held on April 19, 1922, approved the proposition of creating a new bonded debt in the amount of \$25,000,000.00. It is bonds representing this debt which applicant asks permission to issue and sell. From the sale of the bonds herein authorized, applicant will realize \$22,750,000.00, while from the sale of the \$25,000,000.00 of stock it should realize at least \$21,250,000.00, making a total of \$44,000,000.00. As of March 31, 1922, applicant reports outstanding notes of \$26,490,000.00, all of which except \$130,000.00 is payable to the American Telephone and Telegraph Company. It further reports current indebtedness of \$2,306,029.64 and accrued liabilities not due of \$1,710,977.96. The proceeds realized from the sale of the \$25,000,000.00 of preferred stock will not be sufficient to pay applicant's outstanding notes and other obligations. Applicant requests permission to use the proceeds from the sale of the bonds to pay such part of its indebtedness as may not be paid through the sale of its stock and use the remainder of the proceeds to reimburse its treasury and acquire and construct new properties. In Exhibit "AA" filed in this proceeding, applicant reports the major items of its immediate construction program for 1922 and 1923, the estimated cost of which aggregates \$25,580,000.00. The record shows that applicant has need of the moneys which it will realize from the sale of the \$25,000,000.00 of bonds.

Applicant has not yet filed with the Commission a copy of its deed of trust securing the payment of the \$25,000,000.00 of bonds. Counsel for applicant realizes that the Commission

cannot make a final order in this proceeding until such instrument has been filed and its execution authorized by the Commission. The order herein will permit the issue and sale of the bonds subject to the condition that the proceeds be deposited with a bank or banks, or with a trust company or trust companies and not expended until such time as the Commission may by supplemental order or orders authorize the execution of a deed of trust securing the payment of the bonds, and define the purposes for which the proceeds from the sale of the bonds may be used.

I herewith submit the following form of Order:

O R D E R

THE PACIFIC TELEPHONE AND TELEGRAPH COMPANY having applied to the Railroad Commission for permission to issue and sell \$25,000,000.00 of bonds, a public hearing having been held and the Railroad Commission being of the opinion that the money, property or labor to be procured or paid for by such issue is reasonably required by applicant and that this application should be granted subject to the conditions of this order;

IT IS HEREBY ORDERED, that THE PACIFIC TELEPHONE AND TELEGRAPH COMPANY be, and it is hereby, authorized to issue and sell, for cash, on or before October 1, 1922, at not less than 91 per cent. of their face value and accrued interest \$25,000,000.00 of general refunding mortgage 30-year 5 per cent. bonds due May 1, 1952; provided --

1.--THAT, The Pacific Telephone and Telegraph Company will deposit with a bank or banks, or with a trust company or trust companies, all of the proceeds realized from the sale of the bonds and keep such proceeds deposited until such time as the Commission by supplemental order or orders defines the purposes for which the proceeds may

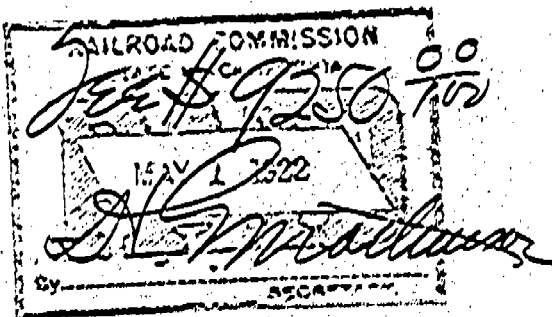
be used and authorizes applicant to execute a deed of trust securing the payment of the bonds.

- 2.--THAT, The Pacific Telephone and Telegraph^{Company} will keep such record of the issue and sale of the bonds 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 in so far as applicable is made a part of this order.
- 3.--THAT, the authority herein granted will not become effective until The Pacific Telephone and Telegraph Company has paid the fee prescribed by Section 57 of the Public Utilities Act.

The foregoing Opinion and Order are hereby approved and ordered filed as the Opinion and Order of the Railroad Commission of the State of California.

DATED at San Francisco, California, this 29th day of April, 1922.

H. A. Rundigg



Charles N. Rowell

J. P. [Signature]

Commissioners.