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Decision No. 10677.

BEFORE THE RAILROAD COMMISSION OF THE
STATE OF CALIFORNIA

ORIGINAL

In the Matter of the Application of THE PACIFIC TELEPHONE AND TELEGRAPH COMPANY, a corporation, for an order authorizing the issuance of preferred capital stock of the par value of $25,000,000.	Application No. 7657
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. par value of its bonds.	Application No. 7792

BY THE COMMISSION:

First Supplemental Order, Application No. 7657

Third Supplemental Order, Application No. 7792

The Railroad Commission by Decision No. 10334, dated April 20, 1922, authorized THE PACIFIC TELEPHONE AND TELEGRAPH COMPANY to issue and sell, at not less than $85.00 per share, 250,000 shares ($25,000,000.00) of its 6 per cent. cumulative preferred stock and to apply the proceeds to the payment of indebtedness due the American Telephone and Telegraph Company, the Crocker National Bank of San Francisco and other obligations, and through the payment of such indebtedness, finance in part the cost of acquiring property on or before December 31, 1921.

By Decision No. 10381, dated April 29, 1922, as amended, the Commission authorized The Pacific Telephone and Telegraph Company to execute a mortgage, to issue and sell, at not less than 91 per cent. of face value, plus accrued interest, $25.000,000. of general refunding mortgage 30 year 5 per cent. bonds due May 1, 1952, and to use the proceeds to reimburse its treasury and to refund its outstanding obligations to the extent that its treasury was not reimbursed and its outstanding obligations were not met through the sale of the preferred stock authorized by Decision No. 10334, and to finance in part the cost of additions and extensions to its plants and systems described in Exhibit "AA" filed in Application No. 7792.

Applicant reports that it realized or will realize from the sale of the $25,000,000.00 of stock, the sum of $21,250,000.00 and from the sale of the $25,000,000.00 of bonds the sum of $22,750,000.00, making a total of $44,000,000.00.

The Commission by its orders in the above entitled matters has authorized applicant to use moneys obtained from the sale of its stock and bonds to pay indebtedness in the sum of $22,340,000.00, which deducted from the $44,000,000.00, leaves a balance of $21,660,000.00.

Applicant has filed statements showing that it has expended from January 1, 1922 to May 31, 1922, for plant and equipment, the sum of $7,450,593.55, and that during the same time it has advanced to Southern California Telephone Company for similar purposes, the sum of $4,192,264.93, making a total expenditure of $11,642,857.51. This expenditure is said to include no interest during construction and represents the gross expenditure ($12,972,349.09) less salvage ($1,329,491.58). To finance temporarily part of the cost of its plant and equipment and the advances to Southern California Telephone Company, applicant borrowed from January 1 to May 31, 1922, the sum of $8,150,000.00. Deducting the $8,150,000.00 from the $11,642,857.51, leaves a balance of $3,492,857.51. Applicant requests permission to use the proceeds obtained from the sale of its stock and bonds to pay $22,340,000.00 of indebtedness outstanding on December 31, 1921, to pay indebtedness in the amount of $8,150,000.00 incurred from January 1 to May 31, 1922, to finance to the extent of $3,492,857.51 the acquisition and construction of its properties and advances to Southern California Telephone Company for construction purposes from January 1 to May 31, 1922, and to use $10,017,142.49 of the proceeds to finance to the extent that they are sufficient the cost of extensions and additions to its plants and its systems and advances to the Southern California Telephone Company for additions and extensions to its system made on or after June 1, 1922.

As said, the Commission already has by orders in the above entitled matter authorized the payment of $22,340,000.00 of indebtedness outstanding on December 31, 1921. The matter before the Commission at this time is the payment of indebtedness incurred since January 1, 1922, and the financing of the acquisition and construction of applicant's properties and advances by applicant to Southern California Telephone Company to enable that company to construct and acquire properties.

The Commission has considered applicant's requests and believes that they should be granted as herein provided;

IT IS THEREFORE ORDERED, that the order in Decision No.10381, dated April 29, 1922, as amended, be, and it is hereby, modified so as to permit THE PACIFIC TELEPHONE AND TELEGRAPH COMPANY to use part of the proceeds from the sale of the $25,000,000.00 of bonds authorized by the said decision to pay indebtedness incurred between December 31. 1921 and May 31, 1922, such indebtedness amounting to $8,150,000.00; to finance to the extent of $3,492,857.51 the acquisition and construction of applicant's properties and advances by applicant to Southern California Telephone Company for the acquisition and construction of properties from January 1 to May 31. 1922, and to use the remainder of the proceeds ($10,017,142.49) obtained from the sale of said bonds to finance to the extent that they are sufficient therefor the cost of additions and extensions to applicant's plants and systems and advances to Southern California Telephone Company for additions and extensions to its plant and system made on and after June 1, 1922, provided:-

(a).--That only such expenditures as are properly chargeable to capital accounts under the uniform system of accounts for telephone companies prescribed by the Interstate Commerce Commission and adopted by this Commission may be paid by the use of proceeds obtained from the sale of bonds;

and provided:-

(b).--That applicant file with the Commission as part of the General Order No. 24 monthly reports and statements showing the purposes for which the $10,017,142.49 is being expended.

IT IS HEREBY FURTHER ORDERED, that the order in Decision No. 10381, dated April 29, 1922, as amended, shall remain in full force and effect, except as modified by this Third Supplemental Order in Application No. 7792.

DATED at San Francisco, California, this 7th day of July, 1922.

Commissioners.