

Decision No. 28268

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 de-  
liver \$25,000,000 principal amount  
of its bonds to be known as "Refund-  
ing Mortgage 3½% Bonds, Series C,"  
and authorizing it to execute and  
deliver a Second Supplemental Inden-  
ture to its Refunding Mortgage dated  
May 1, 1922.

ORIGINAL

Application No. 20856

Pillsbury, Madison & Sutro, for applicant.

BY THE COMMISSION:

O P I N I O N

This is an application by The Pacific Telephone and Telegraph Company for an order authorizing it to execute a supplemental indenture and to issue, sell and deliver \$25,000,000. of Refunding Mortgage 3½% Bonds, Series C, due December 1, 1966, at not less than their face value for the purpose of paying its outstanding First Mortgage and Collateral Trust 5% bonds due January 2, 1937 or of reimbursing its treasury for earnings heretofore used in acquiring First Mortgage and Collateral Trust bonds for sinking fund purposes.

The application shows that The Pacific Telephone and Telegraph Company as of January 2, 1907 executed a mortgage or deed of trust to secure the payment of a total authorized issue of \$35,000,000 of 5% bonds due January 2, 1937. Of the authorized amount the company reports it issued \$32,000,000. during the years 1907 to 1912 for a total price of \$29,537,840., and \$3,000,000. in 1913, pursuant to authority granted by Decision No. 1034, dated October 21, 1913, in Application No. 763, at 96.3% of their face value. It further reports that of the \$3,000,000. of bonds, \$2,138,000. are now outstanding. It further reports that of the \$35,000,000. of bonds, \$10,758,000.

have been retired by purchases for the sinking fund established for the benefit of said bonds, leaving \$24,242,000. face amount now outstanding. These will mature and become payable on January 2, 1937.

In order to obtain the funds to pay and discharge the aforesaid bonds upon maturity, the company proposes to issue and sell new bonds of an aggregate principal amount of \$25,000,000. which will be dated December 1, 1936, will mature on December 1, 1966, will bear interest at the rate of  $3\frac{1}{2}\%$  per annum and will be subject to redemption at the option of the company on any interest payment date, in whole or in part, at 108% of face value and accrued interest up to and including June 1, 1941; at 107% of face value and accrued interest thereafter and up to and including June 1, 1946; at 106% of face value and accrued interest thereafter and up to and including June 1, 1951; at  $104\frac{1}{2}\%$  of face value and accrued interest thereafter and up to and including June 1, 1956; at 103% of face value and accrued interest thereafter and up to and including June 1, 1962; and thereafter at 100% of face value and accrued interest. The new bonds will be designated as Refunding Mortgage  $3\frac{1}{2}\%$  Bonds, Series C, and will be secured by applicant's refunding mortgage of May 1, 1922, an indenture supplemental thereto dated as of April 1, 1936 and by a second supplemental indenture to be dated as of December 1, 1936. A copy of the proposed second supplemental indenture has been filed with the present application as Exhibit B.

The company asks permission to sell its  $3\frac{1}{2}\%$  bonds at not less than the face value thereof. It proposes to use \$24,242,000. of the proceeds to pay the \$24,242,000. of 5% bonds due January 2, 1937 and to use \$758,000. to reimburse its treasury, to that extent, for earnings heretofore expended from income in acquiring 5% bonds for sinking fund purposes.

At the conclusion of the proposed financing applicant will have outstanding/<sup>a</sup> bonded debt of \$55,000,000. consisting of \$30,000,000. of refunding mortgage 3 $\frac{1}{2}$ % bonds, Series B, due April 1, 1966, authorized by Decision No. 28567, dated February 10, 1936, and the \$25,000,000. of refunding mortgage 3 $\frac{1}{2}$ % Bonds, Series C, due December 1, 1966, authorized by this decision.

O R D E R

The Pacific Telephone and Telegraph Company having applied to the Railroad Commission for permission to execute a supplemental indenture and to issue and sell \$25,000,000. of bonds, and the Commission being of the opinion that this is not a matter in which a public hearing is necessary, that the application should be granted, as herein provided, that the money, property or labor to be procured or paid for through the issue and sale of such bonds is reasonably required for the purposes specified herein, and that the expenditures for such purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income,

IT IS HEREBY ORDERED as follows:-

1. The Pacific Telephone and Telegraph Company may execute a supplemental indenture in or substantially in the same form as that filed with the application herein, as Exhibit B, provided that this authority is for the purpose of this proceeding only and is given only insofar as this Commission has jurisdiction under the terms of the Public Utilities Act, and is not intended as an approval of said supplemental indenture as to such other legal requirements to which it may be subject.

2. The Pacific Telephone and Telegraph Company may issue, sell and deliver, on or before January 31, 1937, at not less than their face value plus accrued interest, \$25,000,000. face amount of its

Refunding Mortgage 3 $\frac{1}{2}$ % bonds, Series C, due December 1, 1966, and may use the proceeds, other than accrued interest which may be used for general corporate purposes, to pay on or before maturity its outstanding \$24,242,000 of First Mortgage and Collateral Trust 5% bonds and to reimburse its treasury for earnings expended from income, or from other moneys in its treasury, in acquiring First Mortgage and Collateral Trust 5% Bonds for sinking fund purposes.

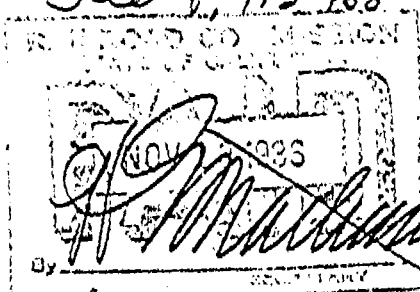
3. The Pacific Telephone and Telegraph Company shall file within thirty(30) days after the issue of the bonds hereinauthorized (1) a report of such issue and of the disposition of the proceeds as required by the Commission's General Order No. 24-A, which order insofar as applicable is made a part of this order; (2) a complete copy of its Series C bond registration statement filed with the Securities and Exchange Commission; and (3) two certified copies of the said second supplemental indenture.

4. The Pacific Telephone and Telegraph Company shall file on or before June 30, 1937 a statement showing in detail the expenses incurred by it because of the issue and sale of said \$25,000,000. of Series C bonds and the accounts to which such expenses were charged and the amount charged to each account.

5. 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 Eight Thousand Seven Hundred and Fifteen Dollars (\$8,715.50) and Fifty Cents.

DATED at San Francisco, California, this 10<sup>th</sup> day of

November, 1936.



Fee # 33024

M. B. Lewis  
Leon S. ...  
Walter ...  
Frank ...  
Commissioners