

ORIGINAL

Decision No. 40632

BEFORE THE PUBLIC UTILITIES 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)
 and sell \$100,000,000 principal amount)
 of forty year _____% Debentures due)
 October 1, 1937, and authorizing it to)
 execute and deliver an Indenture to be)
 dated October 1, 1947.)
 -----)


Application
No. 28635

Felix T. Smith and Arthur T. George, for applicant.
Roger Arneberg, Assistant City Attorney, City of
 Los Angeles, for the City of Los Angeles, interested
 party.
Frederick J. Lordan, Assistant Attorney General of
 the State of Washington, for the Department of
 Public Utilities of the State of Washington.

HULS, Commissioner

O P I N I O N

The Pacific Telephone and Telegraph Company asks the Commission to authorize it to issue and sell, by means of a public offering through competitive bidding, \$100,000,000 of forty year _____% debentures, due October 1, 1937, and use the proceeds for the purposes hereafter stated. Applicant also asks permission to execute and deliver an indenture defining the terms of the debentures. A copy of the indenture is on file in this application as Exhibit "C".

The Pacific Telephone and Telegraph Company is a corporation organized and existing under the laws of California. It owns and operates directly a general telephone system in the States of California, Oregon, Washington and part of Idaho, and through its wholly-owned subsidiary (Bell Telephone Company of Nevada) in the State of Nevada. As of June 30, 1947, Applicant and its subsidiary report assets and liabilities as follows: 

Assets

Plant and Other Investments:

Telephone plant in service	\$785,431,032.41
Telephone plant under construction	41,744,847.18
Property held for future telephone use	2,452,938.05
Telephone plant acquisition adjustment	<u>1,042,915.87</u>

Total telephone plant	830,671,733.51
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Miscellaneous physical property	629,459.33
Other investments	<u>649,261.38</u>

Total plant and other investments	<u>831,950,454.22</u>
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Current Assets:

Cash	4,684,063.05
Special cash deposits	324,754.35
Working funds	789,000.26
Notes receivable	1,163.97
Accounts receivable	31,938,229.27
Material and supplies	<u>20,939,618.89</u>

Total current assets	<u>58,666,829.79</u>
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Prepaid Accounts and Deferred Charges:

Prepayments	3,930,318.54
Discount on capital stock - net	4,817,811.12
Capital stock expense	88,652.47
Other deferred charges	<u>1,541,062.30</u>

Total prepaid accounts and deferred charges	<u>10,377,844.43</u>
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Total Assets	<u>\$900,995,128.44</u>
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LiabilitiesCapital Stock:

Common Stock - par value (\$100 per share)	\$278,757,700.00
Preferred Stock - par value (\$100 per share) 6% cumulative	<u>82,000,000.00</u>
Total capital stock	<u>360,757,700.00</u>

Funded Debt:

Forty Year 2-3/4% debentures due December 1, 1985	75,000,000.00
Forty Year 2-7/8% debentures due October 1, 1986	<u>75,000,000.00</u>
Total funded debt	<u>150,000,000.00</u>

Advances from American Telephone and Tele-
graph Company62,900,000.00Current and Accrued Liabilities:

Advance billing for service and customers' deposits	4,065,322.54
Accounts payable and other current liabilities	33,321,175.99
Accrued liabilities not due:	
Taxes	12,045,428.69
Interest	710,937.50
Dividend on preferred stock, payable 7/15/47	1,230,000.00
Rents	<u>18,241.01</u>
Total current and accrued liabilities	<u>51,391,105.73</u>

Deferred Credits:

Unamortized premium on funded debt	3,008,236.54
Other deferred credits	<u>138,569.14</u>
Total deferred credits	<u>3,146,805.68</u>

Depreciation and Amortization Reserves265,930,577.66Unappropriated Surplus6,868,939.37Total Liabilities \$900,995,128.44

It will be observed that as of June 30, 1947, Applicant owed the American Telephone and Telegraph Company \$62,900,000. This indebtedness is represented by notes due one day after date. They bear interest at the rate of 2.75% per annum. The testimony shows that on July 31 Applicant owed the American Telephone and

Telegraph Company \$72,100,000, and that by October 28, 1947, the date when it expects the proceeds from the debentures to be available, it may be indebted to the company in the amount of \$112,000,000.

In Exhibit "1" Applicant and its subsidiary report their gross and net construction expenditures for 1947 and their gross and net expenditures for the seven months ended July 31, 1947, (in thousands of dollars) as follows:

	:Estimated expenditures:		:Expenditures to	
	: for 1947		: July 31, 1947	
	: Gross	: Net	: Gross	: Net
Right of way	\$ 539	\$ 473	\$ 303	\$ 247
Land and buildings	30,933	30,032	11,409	11,065
Central office equipment	65,596	60,367	29,533	28,126
Station equipment	50,116	22,425	24,261	10,371
Exchange lines	33,209	29,396	16,876	15,450
Toll lines	20,222	18,748	7,277	6,757
General equipment	11,319	9,401	6,140	5,623
Total	211,934	170,842	95,799	77,639

Applicant proposed to use the proceeds realized from the sale of its debentures for the reimbursement of its treasury to the extent that such proceeds are sufficient therefor; for moneys actually expended since October 31, 1922, from income and other treasury funds of Applicant and its subsidiary, which expenditures Applicant reports in Exhibit "E" at \$238,252,045.48. After the reimbursement of Applicant's treasury, Applicant will use the proceeds to pay indebtedness due the American Telephone and Telegraph Company, or to pay for extensions, additions and improvements to its telephone plant or that of its subsidiary.

As stated, Applicant proposes to sell the \$100,000,000 of debentures by means of a public offering through competitive bidding. The debentures are to be dated October 1, 1947, and mature October 1, 1987. The bidders for the debentures will specify the interest rate. The schedule of redemption prices will be fixed in accordance with the statement of terms and conditions relating to bids, filed in this application as Exhibit "D". Applicant intends to publish invitations for bids by October 10, 1947, and open the bids by October 21, 1947. It is expected that the proceeds from the sale of the debentures will become available to Applicant by October 23, 1947.

We find that Applicant has need for the funds it will realize through the issue of the \$100,000,000 of debentures. The order herein will authorize Applicant to issue said \$100,000,000 of debentures subject to the condition that such authority will not become effective until Applicant has paid the fee required by Section 57 of the Public Utilities Act, and subject to the further condition that such authority will not become effective until the Commission, by supplemental order, has fixed the price at which Applicant may sell said debentures.

I herewith submit the following form of order:

O R D E R

The Pacific Telephone and Telegraph Company having applied to the Public Utilities Commission of the State of California for permission to issue and sell \$100,000,000 of

forty year debentures, due October 1, 1987, a public hearing having been held on such application and the Commission having considered the evidence submitted at such hearing and it being of the opinion that the money, property or labor to be procured or paid for through the issue of said debentures is reasonably required by Applicant for the purposes herein stated, that the expenditures for such purposes, other than the use of accrued interest, are not, in whole or in part, reasonably chargeable to operating expenses or to income, and that this application should be granted, subject to the provisions of this order, therefore,

IT IS HEREBY ORDERED as follows:

1. The Pacific Telephone and Telegraph Company may, after the effective date hereof and on or before November 30, 1947, issue and sell, at the price to be fixed by a supplemental order, \$100,000,000 principal amount of forty (40) year debentures, due October 1, 1987. Pending the preparation and delivery of definitive debentures, The Pacific Telephone and Telegraph Company may execute and deliver, in lieu of such definitive debentures, temporary debentures, such temporary debentures to be issued and sold under the same terms and conditions as Applicant is herein authorized to issue definitive debentures.
2. The Pacific Telephone and Telegraph Company may execute and deliver an indenture in, or substantially in, the same form as the indenture filed in this application as Exhibit "C".
3. The Pacific Telephone and Telegraph Company shall use the proceeds, other than the accrued interest, realized through

the issue and sale of said debentures to reimburse its treasury on account of income expended for additions, betterments and improvements to its properties and to properties of its subsidiary, and thereafter shall apply said proceeds to pay indebtedness due the American Telephone and Telegraph Company or to pay for extensions, additions and improvements to its telephone plant and that of its subsidiary, the cost of which is chargeable to telephone plant accounts. The accrued interest may be used for general corporate purposes.

4. The authority herein granted to issue and sell said debentures will become effective when the Public Utilities Commission of the State of California has entered a supplemental order fixing the price at which The Pacific Telephone and Telegraph Company may sell said debentures, and when The Pacific Telephone and Telegraph Company has paid the fee required by Section 57 of the Public Utilities Act. All other authority granted by this order is effective as of the date hereof.

5. The Pacific Telephone and Telegraph Company shall file with the Public Utilities Commission of the State of California, within thirty (30) days after the issue and sale of said debentures, a complete copy of its registration statement filed with the Securities and Exchange Commission, including all exhibits, except those previously filed in a registration statement, referred to therein covering the issue of said debentures; also, two (2) copies of the indenture executed under the authority herein granted.

6. The Pacific Telephone and Telegraph Company shall file with the Public Utilities Commission of the State of

California a report, or reports, as required by the Commission's General Order No. 24-A, which order, insofar as applicable, is made a part of this order.

7. The Pacific Telephone and Telegraph Company, within six (6) months after the issue and sale of said debentures, shall file with the Public Utilities Commission of the State of California a statement showing in detail the expenses incurred because of the issue and sale of said debentures.

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

Dated at San Francisco, California, this 26th day of August, 1947.

Harold P. Keels
Justus D. Calver
W. H. Powell
A. J. ...
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 Commissioners