

ORIGINAL

Decision No. 41127

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 \$75,000,000 principal amount)
of Thirty Year _____% Debentures due)
March 1, 1978, and authorizing it to)
execute and deliver an Indenture to)
be dated March 1, 1948.)
-----)

Application
No. 28994

O P I N I O N

This is an application by The Pacific Telephone and Telegraph Company for an order of the Public Utilities Commission of the State of California authorizing it to issue and sell \$75,000,000 of Thirty Year _____% Debentures due March 1, 1978, by means of a public offering through competitive bidding, and to execute and deliver an indenture defining the terms of the debentures.

The application sets forth that The Pacific Telephone and Telegraph Company owns and operates a general telephone system in the States of California, Oregon, Washington and part of Idaho, and, through a subsidiary corporation, in the State of Nevada. As of November 30, 1947, it and its subsidiary, Bell Telephone Company of Nevada, report their assets and liabilities as follows:

Assets

Telephone plant		\$915,951,575.60
Miscellaneous physical property		330,059.66
Other investments		597,147.88
Current assets -		
Cash and working funds	\$ 6,724,758.79	
Accounts receivable	34,098,647.23	
Materials and supplies	<u>24,377,942.16</u>	
Total current assets		65,201,348.18
Prepayments		5,012,623.11
Discount on capital stock		4,817,811.12
Capital stock expense		88,652.47
Other deferred charges		<u>1,706,026.18</u>
	Total	<u>\$993,705,244.20</u>

Liabilities

Common stock		\$278,757,700.00
Preferred stock		82,000,000.00
Funded debt		250,000,000.00
Advances from American Telephone and Telegraph Company		33,500,000.00
Current and accrued liabilities -		
Advance billing	\$ 4,487,984.59	
Accounts payable	43,327,415.64	
Accrued liabilities	<u>18,158,081.69</u>	
Total current and accrued liabilities		65,973,481.92
Unamortized premium on funded debt		3,392,044.07
Other deferred credits		117,718.63
Depreciation and amortization reserves		271,431,569.66
Surplus		<u>8,532,729.92</u>
	Total	<u>\$993,705,244.20</u>

The advances from American Telephone and Telegraph Company, shown in the foregoing balance sheet in the amount of \$33,500,000, are represented by unsecured 2.75% promissory notes each due one day after issue. The funded debt of \$250,000,000 is reported to consist of the following:

Forty year 2-3/4% debentures, due December 1, 1985	\$ 75,000,000
Forty year 2-7/8% debentures, due October 1, 1986	75,000,000
Forty year 3-1/8% debentures, due October 1, 1987	100,000,000

The company now proposes to create a new issue of debentures in the amount of \$75,000,000 to be dated March 1, 1948,

to mature March 1, 1978, and to bear interest at a rate to be specified by the bidders for such debentures. The debentures will be subject to redemption at prices expressed in percentages of the principal amount determined as follows:

The redemption price to and including February 28, 1953 will be three points (3% of the principal amount) above the public offering price. The redemption price for each 12 months' period beginning on March 1, 1953 and each March 1 thereafter to and including March 1, 1972 will be determined by reducing the initial redemption price by $1/21$ of the amount by which such price exceeds 100% multiplied by the number of 12 months' periods which have elapsed since February 29, 1952, and will be specified to the nearest .01 (1/100) of 1% (or if there is no nearest .01 of 1%, then to the next higher .01 of 1%). The redemption price on and after March 1, 1973 will be 100%.

It is the company's intention to sell the \$75,000,000 of debentures by means of a public offering through competitive bidding. It proposes to invite bids on or about March 5, 1948, and to open the same on or about March 16, 1948, reserving the right to reject any or all bids.

The company requests permission to use the proceeds to be received through the issue and sale of its debentures to reimburse its treasury, to the extent that such proceeds are sufficient, for moneys actually expended since October 31, 1922, from income and other treasury funds of applicant and its subsidiaries, which expenditures on November 30, 1947, are reported in the amount of \$252,580,374.40. This figure, according to Exhibit "E" attached to the application, represents the total expenditures made between October 31, 1922, and November 30, 1947, for additions to telephone plant and other investments less the proceeds received through the sale of securities and through the advances from American Telephone and Telegraph

Company. Applicant alleges that the \$252,580,374.40 has been expended for the acquisition of property and for the construction, completion, extension and improvement of its facilities and of those of its subsidiaries.

After reimbursing the treasury, the company proposes to use the proceeds to pay its then outstanding advances from American Telephone and Telegraph Company. It estimates that the amount of such advances will approximate \$97,000,000 as of February 29, 1948, and that said advances have been or will be used for extensions, additions and improvements to its telephone plant and for other corporate purposes.

The order herein will authorize the company to issue said \$75,000,000 of debentures subject to the condition that such authority will not become effective until the company has paid the fee prescribed by Section 57 of the Public Utilities Act, and when the Commission, by supplemental order, has fixed the price at which the company may sell the debentures.

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 \$75,000,000 of debentures, and the Commission having considered the matter and being of the opinion that a public hearing is not necessary, that the application should be granted, as herein provided, that the money, property or labor to be procured or paid for through said issue is reasonably required for the purpose specified herein, and that the

expenditures for such purpose, other than the use of accrued interest, are not, in whole or in part, reasonably chargeable to operating expenses or to income, therefore,

IT IS HEREBY ORDERED as follows:

1. The Pacific Telephone and Telegraph Company, after the effective date hereof and on or before April 30, 1948, may issue and sell, at a price to be fixed by a supplemental order, \$75,000,000 of Thirty Year _____% Debentures due March 1, 1978. 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 proceeding 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 those of its subsidiary, and thereafter shall apply said proceeds to pay indebtedness due 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.

Dated at San Francisco, California, this 19th day of January, 1948.

R. J. [Signature]
Justin F. [Signature]
Charles F. [Signature]
Harold D. [Signature]
Benjamin [Signature]
Commissioners