



Decision No. 65800

**ORIGINAL**

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 Thirty-Five Year % Debentures  
due April 1, 1999 and authorizing it  
to execute and deliver an Indenture  
to be dated April 1, 1964.

Application No. 46148  
Filed January 24, 1964

O P I N I O N

This is an application for an order of the Commission authorizing The Pacific Telephone and Telegraph Company to execute and deliver an indenture, and to issue and sell \$100,000,000 principal amount of debentures.

Applicant proposes to use the proceeds to be received from issuing said debentures for the purpose of reimbursing its treasury, to the extent such proceeds are sufficient, for moneys actually expended since October 31, 1922, from income and other treasury funds of the company and its subsidiary for the acquisition of property and for the construction, completion, extension and improvement of facilities. Applicant reports that as of December 31, 1963, such unreimbursed expenditures amounted to \$849,260,374.01. The application shows that, as and when the company's treasury is reimbursed with funds from

the proposed issue of debentures, applicant intends to use said treasury funds for the purpose of reducing the amount of its temporary borrowings from American Telephone and Telegraph Company from approximately \$146,000,000 to \$46,000,000. on the basis of an estimate as of April 29, 1964.

The company proposes to invite bids for the purchase of the \$100,000,000 of debentures, the winning bid to determine the interest rate. The debentures are to be issued under a new indenture to be dated April 1, 1964 between applicant and The Bank of California, National Association, as trustee. They will mature April 1, 1999 and will not be redeemable prior to April 1, 1969, on which date the initial redemption price will be four points above the public offering price. Applicant indicates that it has endeavored to maintain over the years a debt ratio averaging in the range of 35%, and that following the issuance and sale of the proposed debentures its estimated debt ratio at April 30, 1964 will be 34.9%.

The Commission has considered this matter and finds that: (1) the proposed debenture issue is for proper purposes; (2) applicant will have need for funds from external sources for the purposes set forth in this proceeding; (3) the inclusion of a five-year restricted redemption provision in the terms of the debentures will enable applicant to obtain funds at a lower annual cost than it otherwise could; (4) the money, property or labor to be procured or paid for by the issue of the debentures herein authorized is reasonably

required for the purposes specified herein; and (5) such purposes, except as otherwise authorized, are not, in whole or in part, reasonably chargeable to operating expenses or to income. A public hearing is not necessary.

On the basis of the foregoing findings, we conclude that the application should be granted. The action taken herein is for the purpose of this proceeding only and is not to be considered as indicative of amounts to be included in pending or future proceedings for the purpose of determining just and reasonable rates.

O R D E R

IT IS ORDERED that:

1. The Pacific Telephone and Telegraph Company, on or after the effective date hereof and on or before July 31, 1964, may execute and deliver an indenture to be dated April 1, 1964, in the same form, or in substantially the same form, as that filed in this proceeding as Exhibit C, and may issue and sell not to exceed \$100,000,000 aggregate principal amount of its Thirty-Five Year Debentures due April 1, 1999, at competitive bidding to the purchaser, or purchasers, offering to it the most favorable terms as disclosed by the bids received.

2. The Pacific Telephone and Telegraph Company shall use the proceeds from the sale of said debentures, exclusive of accrued interest, for the purpose set forth in this application. The accrued interest to be received may be used for said purpose or for general corporate purposes.

3. Immediately upon awarding the contract for the sale of said debentures, The Pacific Telephone and Telegraph Company shall file a written report with the Commission showing, as to each bid received, the name of the bidder, the price, the interest rate and the cost of money to applicant based upon such price and interest rate, together with the name of the bidder to whom the contract for the sale of the debentures was awarded.

4. Within thirty days after the issue and sale of the debentures herein authorized, The Pacific Telephone and Telegraph Company shall file with the Commission three copies of its prospectus.

5. This order shall become effective when The Pacific Telephone and Telegraph Company has paid the fee

prescribed by Section 1904(b) of the Public Utilities Code,  
which fee is \$28,000.

Dated at San Francisco, California, this 18th  
day of February, 1964.

William L. Bennett  
President  
W. E. Ditchell  
Wesley B. Rags  
George G. Grover  
Fredrick B. Holshoff  
Commissioners

