

79449

ORIGINAL

Decision No. \_\_\_\_\_

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 (a) )  
to issue and sell \$175,000,000 )  
principal amount of Thirty-Six )  
Year Debentures due February 1, )  
2008, (b) to issue and sell )  
\$75,000,000 principal amount of )  
Seven Year Notes due February 1, )  
1979, and (c) to execute and )  
deliver Indentures to be dated )  
as of February 1, 1972. )

Application No. 53024  
Filed November 24, 1971

O P I N I O N

The Pacific Telephone and Telegraph Company seeks an order of the Commission authorizing it to execute and deliver two indentures and to issue and sell, at competitive bidding, \$175,000,000 principal amount of debentures and \$75,000,000 principal amount of notes.

Applicant intends to use the debenture and note proceeds for partial reimbursement of its treasury for capital expenditures. The utility reports that on October 31, 1971, its unreimbursed expenditures amounted to \$1,841,945,042. Upon reimbursement of the company's treasury, applicant contemplates applying \$250,000,000 to reducing the amount

of its then outstanding short-term borrowings to an estimated balance of approximately \$50,000,000. Its estimated capital ratios as of February 29, 1972, before and after giving effect to the proposed debenture and note issues, are computed as follows:

	<u>February 29, 1972</u>	<u>Pro forma</u>
Common equity	54.0%	54.0%
Preferred stock	1.5	1.5
Debentures	38.9	42.2
Seven-year notes	-	1.4
Short-term notes	<u>5.6</u>	<u>.9</u>
Total	<u>100.0%</u>	<u>100.0%</u>

The company proposes to sell said debentures and notes by means of separate public offerings through competitive bidding, the successful bids to determine the respective interest rates. The debentures and notes would be issued under separate indentures to be dated as of February 1, 1972. The debentures would mature February 1, 2003, and the notes would mature February 1, 1979. Each issue would be subject to a restricted redemption provision until February 1, 1977.

After consideration the Commission finds that:

1. The proposed debenture and note issues are for proper purposes.
2. Applicant has need for external funds for the purposes set forth in this proceeding.
3. The proposed restricted redemption provisions are reasonable.

4. The proposed indentures would not be adverse to the public interest.
5. The money, property or labor to be procured or paid for by the issues of the debentures and notes herein authorized is reasonably required for the purposes specified herein, which purposes, except as otherwise authorized for accrued interest, are not, in whole or in part, reasonably chargeable to operating expenses or to income.

On the basis of the foregoing findings we conclude that the application should be granted. A public hearing is not necessary. The authorization herein granted is for the purpose of this proceeding only and is not to be construed as indicative of amounts to be included in proceedings for the determination of just and reasonable rates.

O R D E R

IT IS ORDERED that:

1. The Pacific Telephone and Telegraph Company may execute and deliver indentures in substantially the same forms as Exhibits C and D, attached to the application.

2. The Pacific Telephone and Telegraph Company may invite the submission of separate written sealed bids for the purchase of not exceeding \$175,000,000 aggregate principal amount of its Thirty-Six Year Debentures due February 1, 2008 and \$75,000,000 aggregate principal amount of its Seven Year Notes due February 1, 1979.

3. The Pacific Telephone and Telegraph Company may issue and sell said debentures and notes in the aggregate principal amounts of not exceeding \$175,000,000 and \$75,000,000,

respectively, at the prices offered in said bids which would result in the lowest cost of money to applicant calculated in the manner provided in the Statements of Terms and Conditions Relating to Bids filed in this proceeding as parts of Exhibits E and F.

4. The Pacific Telephone and Telegraph Company shall use the proceeds to be derived from the issuance and sale of said debentures and notes, other than accrued interest, to reimburse, so far as possible, its treasury for funds expended as set forth in the application. The accrued interest may be used for such purpose or for general corporate purposes.

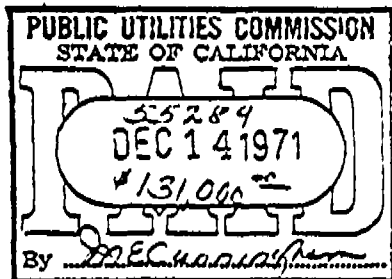
5. Promptly after awarding the contracts for the sale of said debentures and notes, The Pacific Telephone and Telegraph Company shall file with the Commission a written report for each issue showing, as to each bid received, the name of the bidder, the price, the interest rate, and the cost of money to applicant based upon said price and interest rate.

6. As soon as available, The Pacific Telephone and Telegraph Company shall file with the Commission three copies of each prospectus pertaining to said debentures and notes.

7. Within one month after selling the debentures and notes herein authorized, The Pacific Telephone and Telegraph Company shall file with the Commission a statement, in lieu of a report under General Order No. 24-B, disclosing the purposes for which it used the debenture and note proceeds.

8. 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 \$131,000.

Dated at Los Angeles, California,  
this 14<sup>th</sup> day of DECEMBER, 1971.



[Signature]  
Chairman  
William J. ...  
[Signature]  
Vernon L. Stinson  
[Signature]  
Commissioners