

LAM

ORIGINAL

Decision No. 83333

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)
enter into an agreement to lease)
and a lease pertaining to)
certain property known as 1010)
Wilshire Boulevard, and)
related parking facilities,)
Los Angeles, California.)

Application No. 55095
(Filed August 7, 1974)

O P I N I O N

The Pacific Telephone and Telegraph Company requests an order of the Commission either (a) authorizing it to enter into a proposed Agreement to Lease and a proposed Lease, or (b) dismissing this application for lack of jurisdiction.

The property to be leased would consist of land, a sixteen-story office building and related parking facilities, all located in the City of Los Angeles. Such property would be used, among other things, as the headquarters for applicant's Southern California Region.

The Lease would be for a term of 30-1/2 years at a quarterly net rental of \$461,902, subject to applicant's option to extend the term for two additional ten-year periods with payments adjusted to the fair market rental value. Except in the event of condemnation or destruction, applicant would have the option to purchase the property (a) for \$15,500,000 during the period from the 19th anniversary of the second quarterly

rental payment to the expiration of the initial term, and (b) for the lesser of \$15,500,000 or the fair market value of the property during any extension of the term.

Part of the transaction involving the lease of property is the obtaining by the lessor of a loan to finance the construction of the property to be leased. It is apparent that the lessor will rely to a material extent on the rental or lease payments to repay the loan. It is also apparent that the rental or lease payments are separate and distinct from the loan, and therefore do not bind applicant or cause it to be considered as a guarantor of the loan.

After consideration of the verified application the Commission finds that:

1. Under the terms of the Lease, applicant would have no equity or reversionary interest in the property.
2. Applicant would not be able to obtain title to the property without exercising an option to purchase it.
3. Applicant could not credit any prior rental payments against the purchase option prices.
4. Under the terms of the transaction no obligation is placed upon the applicant to guarantee payment of the loan to be obtained by the lessor.

On the basis of the foregoing findings we conclude that (a) the Lease would be a true lease as distinguished from a contract for the purchase of real property or a commitment as a guarantor of indebtedness under Sections 818 and 830 of the Public Utilities Code, and (b) the application should be dismissed for lack of jurisdiction. A public hearing is not necessary.


A.55095 LAM/LSC

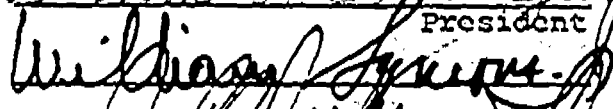
O R D E R


IT IS ORDERED that Application No. 55095 is hereby dismissed.


The effective date of this order is the date hereof.

Dated at San Francisco, California, this 20th day
of AUGUST 1, 1974.



President






Commissioners