

ORIGINAL

Decision No. 85721

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of THE PACIFIC TELEPHONE)
AND TELEGRAPH COMPANY, a Corporation,)
to issue and sell \$300,000,000)
principal amount of Thirty-Nine Year)
Debentures due July 1, 2015, and to)
execute and deliver an Indenture.)

Application No. 56369
(Filed March 31, 1976)

O P I N I O N

The Pacific Telephone and Telegraph Company seeks authority to execute and deliver an Indenture and to issue and sell, at competitive bidding, not exceeding \$300,000,000 aggregate principal amount of its Thirty-Nine Year Debentures due July 1, 2015.

Applicant proposes to use the net proceeds (other than accrued interest which would be used for general corporate purposes) to be received from the issuance and sale of the debentures for partial reimbursement of its treasury for capital expenditures. The utility then intends to apply an equivalent amount toward the repayment of a portion of its outstanding short-term promissory notes, of which it reports \$444,527,000 outstanding on February 29, 1976, and estimates would amount to approximately \$580,000,000 by July 31, 1976 in the absence of financing.

The company's capital ratios as of February 29, 1976, and as adjusted to give effect to the proposed debenture issue, are summarized from the application, as follows:

| | <u>February 29, 1976</u> | <u>Pro Forma</u> |
|------------------|--------------------------|------------------|
| Common equity | 47.8% | 47.8% |
| Preferred stock | 1.2 | 1.2 |
| Funded debt | 44.8 | 48.9 |
| Promissory notes | <u>6.2</u> | <u>2.1</u> |
| Total | <u>100.0%</u> | <u>100.0%</u> |

Applicant proposes to sell the debentures through competitive bidding with the successful bid determining the interest rate. The debentures would be issued under an indenture containing a five-year restriction on redemption.

After consideration the Commission finds that:

1. The proposed debentures would be for proper purposes.
2. Applicant has need for external funds for the purposes set forth in this proceeding.
3. The proposed indenture would not be adverse to the public interest.
4. The proposed restricted redemption provision is reasonable.
5. The money, property or labor to be procured or paid for by the debentures 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.
6. There is no known opposition and there is no reason to delay granting the authority requested.

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:

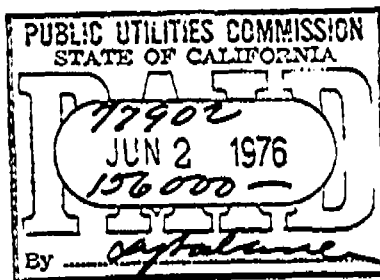
1. The Pacific Telephone and Telegraph Company may execute and deliver an Indenture in substantially the same form as Exhibit B attached to the application.
2. The Pacific Telephone and Telegraph Company, on or after the effective date hereof and on or before September 30, 1976, may issue and sell not exceeding \$300,000,000 aggregate principal amount of Thirty-Nine Year Debentures due July 1, 2015, by means of a public offering through competitive bidding substantially in accordance with the Statement of Terms and Conditions Relating to Bids, a copy of which is attached to the application as a part of Exhibit C.
3. Promptly after awarding the contract for the sale of said debentures, The Pacific Telephone and Telegraph Company shall file with the Commission a written report 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.
4. As soon as available, The Pacific Telephone and Telegraph Company shall file with the Commission three copies of its final prospectus pertaining to said debentures.

5. The Pacific Telephone and Telegraph Company shall use the net proceeds of the issuance and sale of said debentures for the purposes set forth in the application.

6. Within one month after selling the debentures herein authorized, in lieu of a report under General Order No. 24-B, The Pacific Telephone and Telegraph Company shall file with the Commission a letter reporting the use of said proceeds substantially in the format set forth in Appendix C of Decision No. 85287, dated December 30, 1975, in Application No. 55214 and Case No. 9832.

7. 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 \$156,000.

Dated at San Francisco, California, this 20th day of APRIL, 1976.



President
William J. ...

Vernon L. ...

Ukon

Robert Bateman
Commissioners

Commissioner D. W. Holmes, being necessarily absent, did not participate in the disposition of this proceeding.