

CACD/BVC \*

Decision 89-03-046 March 22, 1989

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of PACIFIC BELL )  
(U 1001 C), to issue and sell not )  
to exceed \$1,100,000,000 aggregate )  
principal amount of Debentures and/ )  
or Notes and for an exemption from )  
the Commission's Competitive Bidding )  
Rule. )

Application 86-01-049  
(Filed January 29, 1986)

OPINION ON PETITION FOR MODIFICATION  
OF DECISION D.88-02-040

Pacific Bell ("Pacific") filed a Petition for Modification of Decision (D.) 88-02-040, February 24, 1988, and requests authority to extend the effectiveness of the authorization granted therein as to \$350 million aggregate principal amount of debentures and/or notes (hereinafter referred to as "Debt Securities") until December 31, 1989.

D. 88-02-040 extended the effectiveness of D. 86-03-025 to December 31, 1988. In D. 86-03-025, dated March 5, 1986, the Commission authorized Pacific, among other things, to issue, sell and deliver, in one or more series, up to \$1.1 billion aggregate principal amount of debentures and/or notes (collectively referred to as "Debt Securities"). The Debt Securities would be used for the purposes of refunding maturing debt and preferred issues as well as repurchasing and retiring high cost debt issues.

During 1987 interest rates rose substantially which caused Pacific to suspend its refinancing activity. During 1988 interest rates have remained above the rate needed for the

economic refinancing of the high cost debt issues thus not permitting Pacific to resume its refinancing activity.<sup>1</sup> As a result, \$350 million of the \$1.1 billion authorized Debt Securities remain unissued at this time.

Pacific anticipates using the remaining \$350 million within the next year for the purposes specified in Application 86-01-049 if interest rates trend adequately downward, and therefore seeks an extension of the effectiveness of the Commission's order in D. 88-02-040 to December 31, 1989.

We did not intend to limit Pacific's ability to issue the Debt Securities authorized by D. 86-03-025 as modified by D. 88-02-040 during a reasonable period of time and the upward movement in interest rates was unforeseen at the time of our decisions. We expect Pacific to use its best judgement in determining when and if to issue Debt Securities. We will extend the effectiveness of Decision 88-02-040 to December 31, 1989 and note that all of the conditions set forth in that decision as well as D. 86-03-025 remain.

#### Findings of Fact

1. Pacific, a California corporation, operates as a public utility under the jurisdiction of this Commission.

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<sup>1</sup>The yield for long term Treasury bonds, based on the New York closing price ranged from a low of 8.35% in February, 1988 to a high of 9.46% in August, 1988.

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2. The proposed one-year extension of time to December 31, 1989, during which Pacific may issue the remaining \$350,000,000 aggregate principal amount of authorized but unissued Debt Securities under D. 86-03-025 as modified by D. 88-02-040, would be for proper purposes and would not be adverse to the public interest.

3. There is no known opposition to the proceeding and no reason to delay granting the authority requested.

Conclusions of Law

1. A public hearing is not necessary.

2. The Petition for Modification should be granted to the extent set forth below.

3. The following order should be effective on the date of issuance to enable Pacific to proceed with its financing expeditiously. No fee is due or payable under Public Utilities Code Section 1904(b).

ORDER

IT IS ORDERED that:

1. Ordering paragraph 1 of D. 88-02-040 is modified as follows:

"1. Pacific Bell (Pacific), on or after the effective date of this order and on or before December 31, 1989, may issue, sell and deliver, in one or more series, up to \$1,100,000,000 aggregate principal amount of its debentures and/or notes (Debt Securities) with a term or terms each which would generally be expected not to exceed 40 years, with maturity dates, if any, related to the actual sale dates, and with redemption features and other terms and conditions substantially consistent with those set forth or contemplated in the application."

2. The Petition for Modification is granted as set forth above.

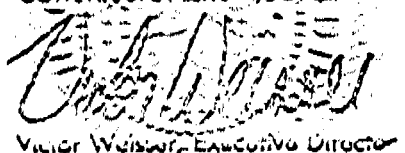
This order is effective today.

Dated March 22, 1989, at San Francisco, California.

G. MITCHELL WILK  
President  
FREDERICK R. DUDA  
STANLEY W. HULETT  
JOHN B. OHANIAN  
Commissioners

Commissioner Patricia Eckert,  
present but not participating

I CERTIFY THAT THIS DECISION  
WAS APPROVED BY THE ABOVE  
COMMISSIONERS TODAY.



Victor Weisler, Executive Director

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