

CACD/BVC

Decision 89 04 068 APR 26 1989

CA-12

**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 \$2 billion aggregate )  
principal amount of Debentures and/ )  
or Notes and for an exemption from )  
the Commission's Competitive Bidding )  
Rule. )

Application 86-12-056  
(Filed December 23, 1986)

OPINION ON PETITION FOR MODIFICATION  
OF DECISION D.87-03-070

Pacific Bell ("Pacific") filed a petition for Modification of Decision (D.) 87-03-070, March 25, 1987, and requests authority to extend the effectiveness of the authorization granted therein as to \$2 billion aggregate principal amount of debentures and/or notes (hereinafter referred to as "Debt Securities") until December 31, 1990.

D. 87-03-070 granted Pacific the authority under Public Utilities Code (Code) Sections 816-830 to issue up to \$2 billion aggregate principal amount of Debt Securities, the proceeds of which were to be used to refund maturing debt and preferred issues as well as repurchase and retire high cost debt securities. At the time of the application and resulting decision interest rates were such that we assumed Pacific would use the entire \$2 billion prior to December 31, 1988. Interest rates, however, rose substantially immediately after D. 87-03-070

was issued causing Pacific to suspend its refinancing activity.<sup>1</sup> As a result, the full \$2 billion remains unused at this time.

Pacific anticipates using the \$2 billion within the next two years for the purposes specified in Application 86-12-056 if interest rates trend adequately downward, and therefore seeks an extension of the effectiveness of the Commission's order in D. 87-03-070 to December 31, 1990.

We did not intend to limit Pacific's ability to issue the Debt Securities authorized by D. 87-03-070 during a reasonable period of time and the upward movement in interest rates was unforeseen at the time of our decision. We expect Pacific to use its best judgement in determining when and if to issue Debt Securities. We will extend the effectiveness of Decision 87-03-070 to December 31, 1990 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.
2. The proposed two-year extension of time to December 31, 1990, during which Pacific may issue the remaining \$2 billion

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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 7.29% in January, 1987, to a high of 9.46% in August, 1988.

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aggregate principal amount of authorized but unissued Debt Securities under D. 87-03-070 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 Code Section 1904(b).

ORDER

IT IS ORDERED that:

1. Ordering paragraph 1 of D. 87-03-070 is modified as follows:

"1. Pacific Bell (Pacific), on or after the effective date of this order and on or before December 31, 1990, may issue, sell and deliver, in one or more series, up to \$2 billion 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 (but in excess thereof if the authorized officers deem it advantageous), 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 APR 26 1989, at San Francisco, California.

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

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

*Victor Weisner*  
Victor Weisner, Executive Director  
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