

Decision No. 86788**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA.

Application of THE PACIFIC TELEPHONE)
 AND TELEGRAPH COMPANY to issue and)
 sell through competitive bidding not)
 to exceed \$325,000,000 principal)
 amount of Forty-Year Debentures due)
 February 1, 2017, and to execute and)
 deliver an Indenture.)

Application No. 56932
 (Filed December 10, 1976)

O P I N I O N

The Pacific Telephone and Telegraph Company seeks authority to execute and deliver an indenture containing a five-year restricted redemption provision, and to issue and sell, through competitive bidding, not exceeding \$325,000,000 principal amount of its Forty-Year Debentures due February 1, 2017.

Applicant proposes to use the debenture proceeds for the purpose of redeeming either or both of its \$150,000,000 principal amount of Thirty-Five Year 9-1/8% Debentures due December 1, 2004, and its \$175,000,000 principal amount of Thirty-Six Year 8-3/4% Debentures due October 1, 2006.

The application shows that interest rates have declined since the utility issued and sold said 9-1/8% and 8-3/4% debentures, and that it should be able to realize savings in annual fixed charges by refunding either or both of such issues through the issue and sale of lower interest bearing Forty-Year Debentures due February 1, 2017.

After consideration of the verified application the Commission finds that:

1. The proposed debentures would be for a proper purpose.
2. Applicant has need for external funds for the purpose 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 purpose specified herein, which purpose is not, in whole or in part, reasonably chargeable to operating expenses or to income.
6. Applicant would exercise the requested authority only to the extent that market conditions make it economic to do so.
7. The matter is noncontroversial and there is no reason to delay granting the requested authority.

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 that attached to the application as Exhibit B with appropriate changes applicable to Forty-Year Debentures due February 1, 2017.

2. To the extent that market conditions make it economic to do so, The Pacific Telephone and Telegraph Company may issue and sell not exceeding \$325,000,000 principal amount of Forty-Year Debentures due February 1, 2017, by means of a public offering through competitive bidding, substantially as provided for in the Standard Statement of Terms and Conditions Relating to Bids, a copy of which is attached to the application as a part of Exhibit C.

3. The Pacific Telephone and Telegraph Company shall use the proceeds of the issue and sale of not exceeding \$325,000,000 of its Forty-Year Debentures due February 1, 2017, for the redemption of either or both of its Thirty-Five Year 9-1/8% Debentures due December 1, 2004, or its Thirty-Six Year 8-3/4% Debentures due October 1, 2006, and may place said proceeds in temporary cash investments during the period between the receipt thereof and the date redemption is made.


4. Promptly after awarding the contract for the sale of the debentures herein authorized, 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.

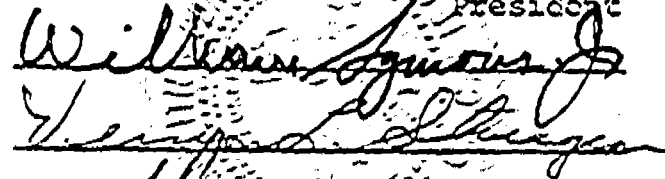
5. As soon as available, The Pacific Telephone and Telegraph Company shall file with the Commission three copies of its final prospectus pertaining to the debentures herein authorized.

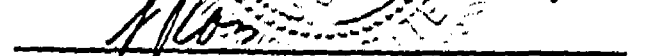
6. Within one month after selling the debentures herein authorized, in lieu of a report under General Order 24-B, The Pacific Telephone and Telegraph Company shall file with the Commission a letter reporting the use of said proceeds substantially in the format set forth in Appendix C of Decision 85287, dated December 30, 1975, in Application 55214 and Case 9832.

7. The effective date of this order is the date hereof.

Dated at San Francisco, California, this 21st day
of DECEMBER, 1976.



President




Commissioners

Commissioner Robert Batinevich, being necessarily absent, did not participate in the disposition of this proceeding.