

Decision No. 86832

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of THE PACIFIC TELEPHONE)
 AND TELEGRAPH COMPANY to issue on a)
 negotiated basis a promissory note or)
 notes due February 1, 1979 in an)
 aggregate principal amount of not)
 exceeding \$75,000,000.)

Application No. 56955
 (Filed December 22, 1976)

O P I N I O N

The Pacific Telephone and Telegraph Company seeks authority to issue on a negotiated basis a promissory note or notes due February 1, 1979 in an aggregate principal amount of not exceeding \$75,000,000.

Applicant proposes to use the note proceeds for the purpose of redeeming its \$75,000,000 principal amount of Seven-Year 6-5/8% Notes due February 1, 1979.

The application states that interest rates in the short-term money market are currently less than the 6-5/8% which applies to said seven-year notes, and that the utility should be able to realize savings in annual fixed charges by refinancing the notes through the issuance of a lower interest bearing note or notes.

The fourth exception set forth in the order in Decision 38614, dated January 15, 1946 in Case 4761 (46 C.R.C. 281, 289) excludes from the Commission's competitive bidding rule "Any note or conditional sale contract issued by a public utility and payable within five years after date provided no fee or remuneration is to be paid for negotiating the loan represented by said note or conditional sale contract."

After consideration of the verified application the Commission finds that:

1. The proposed note or notes would be for a proper purpose.
2. Applicant has need for external funds for the purpose set forth in this proceeding.
3. The money, property or labor to be procured or paid for by the note or notes 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.
4. Applicant would exercise the requested authority only to the extent that market conditions make it economic to do so.
5. The Commission's competitive bidding rule does not apply to the proposed note or notes.
6. 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. To the extent that market conditions make it economic to do so, The Pacific Telephone and Telegraph Company may issue on a negotiated basis a promissory note or notes due February 1, 1979 in an aggregate principal amount of not exceeding \$75,000,000.

2. The Pacific Telephone and Telegraph Company shall use the proceeds of the issue of said note or notes due February 1, 1979 for the redemption of its Seven-Year 6-5/8% Notes due February 1, 1979, and may place said proceeds in temporary cash investments during the period between the receipt thereof and the date redemption is made.

3. 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.

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

Dated at San Francisco, California, this 5th day of January, 1977.

Robert B. Arnold
President
William J. Quinn-Jones
Thomas L. Sturgeon
Alan

Commissioners