

ORIGINAL

Decision No. 76069

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
)
 CALIFORNIA INTERSTATE TELEPHONE)
 COMPANY and GOLDEN STATE TELEPHONE)
 COMPANY)
)
 for an order or orders authorizing)
 (i) the merger of Golden State)
 Telephone Company into California)
 Interstate Telephone Company and)
 (ii) California Interstate)
 Telephone Company to issue its)
 securities.)

) Application No. 51136
) Petition for Modification
) Filed July 30, 1969

FIRST SUPPLEMENTAL OPINION

By Decision No. 75833, dated June 24, 1969, in the above-entitled matter, the Commission authorized the merger of Golden State Telephone Company into California Interstate Telephone Company, whereupon the name of the latter would become Continental Telephone Company of California. The surviving corporation now seeks authority (a) to issue not exceeding 324,832 shares of its common stock in exchange for all the outstanding common stock of the merged corporation, and (b) to execute and deliver a supplemental indenture providing for the assumption of outstanding

debentures and the elimination of their non-cumulative and income features. In addition, the surviving corporation desires confirmation of its interpretation of the record-keeping requirement of Ordering Paragraph No. 5 of said Decision No. 75333.

California Interstate Telephone Company proposes to issue 324,832 shares of its common stock in exchange for all the outstanding 150,000 shares of common stock of Golden State Telephone Company. The number of additional shares is computed in Exhibit A, attached to the petition, on the basis of the relative net income of the two companies for the twelve months ended May 31, 1969. The petition shows that the exchange would not affect the earnings per share of common stock of the surviving corporation.

Exhibit B, attached to the petition, consists of a proposed Third Supplemental Indenture pertaining to the assumption by the surviving corporation of outstanding debentures of Golden State Telephone Company (successor by merger to San Joaquin Telephone Company). The supplemental indenture would convert the securities from non-cumulative income to ordinary debentures.

The Commission requires the surviving corporation to "maintain its records in such form as to show separately the investment in properties, operating revenues and operating expenses for each of the areas for which applicants presently maintain records, including a segregation of such items between California and Nevada." The company interprets the requirement as meaning that "its underlying records must be capable of making available the information indicated if such information should be required in a subsequent proceeding."

After consideration of the Petition for Modification filed in the above-entitled matter on July 30, 1969, the Commission finds that:

1. The method of computing the number of shares of common stock to be issued in exchange is fair to both the majority and minority stockholders of the surviving corporation.
2. The proposed Third Supplemental Indenture will not be adverse to the public interest.
3. The petition contains a correct interpretation of the accounting requirement resulting from the merger.

4. The money, property or labor to be procured or paid for by the issue of the stock 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.

On the basis of the foregoing findings we conclude that the petition should be granted. A public hearing is not necessary. In issuing our order herein, we place the surviving corporation and its shareholders on notice that we do not regard the number of shares outstanding, the total par value of the shares nor the dividends paid as measuring the return the company should be allowed to earn on its investment in plant, and that the authorization herein granted is not to be construed as a finding of the value of its stock or properties nor as indicative of amounts to be included in proceedings for the determination of just and reasonable rates.

FIRST SUPPLEMENTAL ORDER

IT IS ORDERED that:

1. Continental Telephone Company of California may issue not exceeding 324,032 shares of its common stock, \$5 par value, to Continental Telephone Corporation in exchange for all of the outstanding common stock of Golden State Telephone Company.

2. Continental Telephone Company of California may execute and deliver a Third Supplemental Indenture in the same form, or in substantially the same form, as Exhibit B attached to the Petition for Modification filed in this proceeding on July 30, 1969.

3. Continental Telephone Company of California shall file with the Commission a report, or reports, as required by General Order No. 24-B, which order, insofar as applicable, is hereby made a part of this order.

4. California Interstate Telephone Company and Continental Telephone Company of California, being two names for the same corporation, may be used interchangeably whenever either name appears in this decision or in Decision No. 75833, dated June 24, 1969.

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

Dated at San Francisco, California,
this 26th day of AUGUST, 1969.

William Squares Jr.
President
August 26, 1969
Robert J. Ross
W. Brown
Thomas M. Moran
Commissioners