

Decision No. 76301

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of )

CONTINENTAL TELEPHONE COMPANY )  
OF CALIFORNIA, a California )  
corporation, )Application No. 51381  
Filed September 19, 1969for an order authorizing it to issue )  
and sell 150,000 shares of its 8-1/4% )  
Cumulative Preferred Stock, Series E, )  
\$20 par value, and 66,666 shares of )  
its Common Stock, \$5 par value. )O P I N I O N

Continental Telephone Company of California requests an order of the Commission authorizing it to issue and sell 66,666 shares of its \$5 par value common stock at a price of \$45 per share, and 150,000 shares of its \$20 par value preferred stock at a price equal to the par value thereof.

Applicant is a California corporation known until recently as California Interstate Telephone Company. It furnishes local and toll telephone service in portions of California and Nevada. Giving effect to the recent merger of Golden State Telephone Company into itself, the estimated expenditures for applicant's 1969 construction program aggregate \$26,783,000.

It is the company's practice to finance portions of its construction program temporarily by means of short-term borrowings. In order to obtain approximately \$6,000,000 for discharging, in part, outstanding borrowings for construction, applicant proposes to issue and sell, at par, 150,000 shares of its 8-1/4% Cumulative Preferred Stock, Series E, \$20 par value, and 66,666 shares of its common stock at a price of \$45 per share. The \$45 price is the same as the Commission authorized for the sale of 44,445 shares of applicant's common stock by Decision No. 75669, dated May 20, 1969, in Application No. 51020.

The utility plans to sell said 66,666 shares of common stock to its parent company, Continental Telephone Corporation. Regarding the 150,000 shares of preferred stock, the application shows that applicant has negotiated with a group of institutional investors for the purchase of all of said stock, although a portion would be issued on an interim basis to other than the ultimate purchasers due to a delay in the availability of funds on the part of the latter.

The capitalization ratios as of July 31, 1969, as computed from Exhibit D, attached to the application, giving effect to the proposed stock issues and assuming that the company will apply the proceeds toward reducing interim loans which it regards as long-term debt, are as follows:

Common stock equity	39%
Preferred stock	10
Long-term debt	<u>51</u>
Total	<u>100%</u>

After consideration the Commission finds that:

1. The proposed stock issues are for a proper purpose.
2. Applicant has need for funds from external sources for the purpose set forth in this proceeding.
3. 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.
4. The terms and conditions pertaining to the proposed stock issues are reasonable.

On the basis of the foregoing findings we conclude that the application should be granted. A public hearing is not necessary.

In issuing our order herein, we place applicant 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 it should be allowed to earn on its investment in plant, and that the authorization herein given is not to be construed as a finding of the value of the company's stock or properties nor 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. Continental Telephone Company of California, on or after the date hereof and on or before March 31, 1970, for the purpose specified in this proceeding, may issue and sell not exceeding 66,666 shares of its common stock at a price of \$45 per share, and 150,000 shares of its 8-1/4% Cumulative Preferred Stock, Series B, \$20 par value, at a price equal to the par value thereof.

2. 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.

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

Dated at Los Angeles, California,  
this 21<sup>st</sup> day of OCTOBER, 1969.

William Symons, Jr.  
President

Augustine  
Philip  
John  
Vernon L. Stanger  
Commissioners