

ORIGINAL

Decision No. 76477

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,)
)
 for an order authorizing it to)
 issue and sell \$10,000,000)
 Principal Amount of its First)
 Mortgage Bonds, Series G)
 due 1994)
 _____)

Application No. 51472
 Filed November 10, 1969

O P I N I O N

Continental Telephone Company of California requests an order of the Commission authorizing it to issue and sell \$10,000,000 principal amount of its bonds, and to execute and deliver a supplemental indenture.

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 applicant, the estimated expenditures for the 1969 construction program aggregate \$26,733,000.

The new bonds will be designated as First Mortgage Bonds, Series G due 1994. They will be sold at competitive bidding with the successful bid determining the interest rate. The bonds will mature December 1, 1994, and will be subject to a five-year restrictive redemption provision similar to that frequently found in bond offerings at the present time. They will be secured by an existing indenture as heretofore supplemented and as further supplemented by a proposed Eleventh Supplemental Indenture.

The net proceeds to be derived from the sale of the new bonds will be used to the extent necessary to discharge or reduce short-term bank loans for construction. If said proceeds should exceed the outstanding bank loans, the excess will be applied toward paying, in part, the cost of additional facilities under said 1969 construction program.

The utility's capitalization ratios as of September 30, 1969, adjusted to give effect to the common and preferred stock authorized by Decision No. 76301, dated October 21, 1969, in Application No. 51381, and to the proposed bonds, are reported as follows:

Long-term debt	53.90%
Preferred stock	9.57
Common stock equity	<u>36.53</u>
Total	<u>100.00%</u>

After consideration the Commission finds that:

1. The proposed bond issue is for proper purposes.
2. Applicant has need for funds from external sources for the purposes set forth in the application.
3. Applicant will be required to pay interest at a lower effective rate than it would in the absence of the proposed restrictive redemption provision.
4. The proposed Eleventh Supplemental Indenture will not be adverse to the public interest.
5. The money, property or labor to be procured or paid for by the issue of the bonds herein authorized is reasonably required for the purposes specified herein, which purposes, except as otherwise authorized for accrued interest, are 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 application should be granted. 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. Continental Telephone Company of California may execute and deliver an Eleventh Supplemental Indenture in the same form, or in substantially the same form, as that attached to the application as Exhibit B.

2. Continental Telephone Company of California may invite the submission of written sealed bids for the purchase of not exceeding \$10,000,000 aggregate principal amount of its First Mortgage Bonds, Series G due 1994.

3. Continental Telephone Company of California may issue and sell not exceeding \$10,000,000 aggregate principal amount of its First Mortgage Bonds, Series G due 1994, at competitive bidding to the purchaser, or purchasers, offering to it the most favorable terms as disclosed by the bids received.

4. Continental Telephone Company of California shall use the net proceeds to be derived through the issue and sale of said bonds, exclusive of accrued interest, for the purposes specified in the application. The accrued interest, if any, may be used for such purposes or for general corporate purposes.

5. Immediately upon awarding the contract for the sale of said bonds, Continental Telephone Company of California shall file with the Commission a written report showing, as to each bid

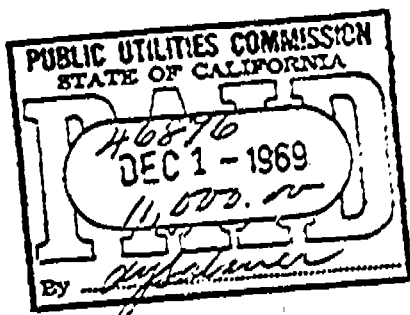
received, the name of the bidder, the price, the interest rate and the cost of money to applicant based upon such price and interest rate.

6. Within thirty days after issuing and selling the bonds herein authorized, Continental Telephone Company of California shall file with the Commission three copies of its prospectus pertaining to the bonds.

7. Continental Telephone Company of California shall file with the Commission a statement, in lieu of a report under General Order No. 24-B, disclosing the purposes for which it used the bond proceeds.

8. This order will become effective when Continental Telephone Company of California has paid the fee prescribed by Section 1904 (b) of the Public Utilities Code, which fee is \$11,000.

Dated at San Francisco, California,
this 25th day of NOVEMBER, 1969.



William Squares
President

Augustine

[Signature]

[Signature]

Yves L. Stenger
Commissioners