

Decision No. 78037

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
)
 CONTINENTAL TELEPHONE COMPANY)
 OF CALIFORNIA)
 for an order or orders authorizing)
 applicant to issue shares of its)
 common stock, \$5 par value, for)
 cash or in cancellation of)
 indebtedness.)
 _____)

Application No. 52288
Filed November 9, 1970

O P I N I O N

Continental Telephone Company of California requests an order of the Commission authorizing it to issue and sell 88,890 shares of its \$5 par value common stock at a price of \$45 per share.

Applicant is a California corporation furnishing local and toll telephone service in portions of California and Nevada. For the year 1970 the company estimates that expenditures for its construction program will aggregate \$22,000,000.

In order to finance temporarily portions of its construction program the company utilizes short-term borrowings. Applicant proposes to issue and sell 88,890 shares of its common stock to its parent company, Continental Telephone Corporation, at a price of \$45 per share to obtain approximately \$4,000,000 for discharging, in part,

outstanding borrowings for construction. The \$45 price is the same as the Commission authorized for the sale of 66,666 shares of applicant's common stock by Decision No. 76301, dated October 21, 1969, in Application No. 51381.

The capitalization ratios as of September 30, 1970, as computed from Exhibit A, attached to the application, giving effect to the proposed stock issue and assuming that the company will apply the proceeds toward reducing interim loans which it regards as long-term debt, are as follows:

Long-term debt	53%
Preferred stock	9
Common stock equity	<u>38</u>
Total	<u>100%</u>

After consideration the Commission finds that:

1. The proposed stock issue is 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 issue of the stock herein authorized is reasonably required for the purpose specified herein.
4. Such 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 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 granted 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 effective date hereof and on or before March 31, 1971, for the purpose specified in this proceeding, may issue and sell not exceeding 88,890 shares of its common stock at a price of \$45 per share payable in cash or by cancellation of indebtedness to Continental Telephone Corporation.

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. This order shall become effective when Continental Telephone Company of California has paid the fee prescribed by Section 1904.1 of the Public Utilities Code, which fee is \$5,001.

Dated at San Francisco, California,
this 8th day of DECEMBER, 1970.

Chairman

August
William Symons Jr
Tom
James L. Sturgeon
Commissioners

Commissioner J. P. Vokasin, Jr., being necessarily absent, did not participate in the disposition of this proceeding.

