

Decision No. 79275

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,)

for an order authorizing it to)
issue and sell 200,000 shares)
of its 8-3/4% Cumulative)
Preferred Stock, Series _____,)
\$20 par value, and 115,555)
shares of its Common Stock,)
\$5 par value.)

Application No. 52898
Filed September 30, 1971

O P I N I O N

Continental Telephone Company of California seeks an order of the Commission authorizing it to issue and sell 200,000 shares of its \$20 par value preferred stock at a price equal to the par value thereof, and 115,555 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 Arizona, California and Nevada. Including the recent acquisition of the public utility properties and business of Golden West Telephone Company, its estimated expenditures for the 1971 construction program aggregate \$25,513,800.

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 \$9,200,000 for discharging, in part, borrowings for construction, applicant proposes to issue and sell 200,000 shares of its \$20 par value 8-3/4% Cumulative Preferred Stock, at par, and 115,555 shares of its \$5 par value common stock at a price of \$45 per share. The \$45 price is the same as the Commission has been authorizing for sales of shares of applicant's common stock.

The utility plans to sell said 115,555 shares of common stock to its parent company, Continental Telephone Corporation. The application shows that applicant has negotiated with two institutional investors for the purchase of the 200,000 shares of preferred stock.

The company's reported capitalization ratios as of May 31, 1971 (giving retroactive effect to said Golden West Telephone Company transaction) and as adjusted to give effect to the proposed stock issues and to the proposed \$12,000,000 bond issue involved in Application No. 52872, are as follows:

	<u>As of</u> <u>May 31, 1971</u>	<u>As</u> <u>adjusted</u>
Long-term debt	53%	54%
Preferred stock	8	9
Common stock equity	<u>39</u>	<u>37</u>
Total	<u>100%</u>	<u>100%</u>

After consideration the Commission finds that:

1. The proposed stock issues are for a proper purpose.
2. Applicant has need for external funds for the purpose set forth in the application.
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 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:

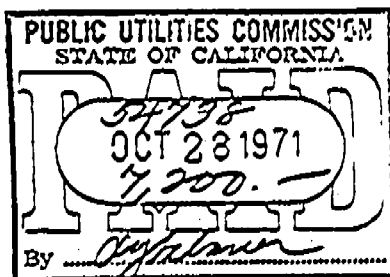
1. Continental Telephone Company of California, on or after the effective date hereof and on or before December 31, 1971, for the purpose specified in the application, may issue

and sell not exceeding 200,000 shares of its 8-3/4% Cumulative Preferred Stock, \$20 par value, at a price equal to the par value thereof, and otherwise substantially upon the terms and conditions set forth in the application, and not exceeding 115,555 shares of its common stock, \$5 par value, at a price of \$45 per share.

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 \$7,200.

Dated at San Francisco, California,
this 27th day of OCTOBER, 1971.



[Signature] Chairman
William J. [Signature]
[Signature]
[Signature] Commissioners

Commissioner Vernon L. Sturgeon, being necessarily absent, did not participate in the disposition of this proceeding.