

Decision No. 80872

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 \$10,000,000
Principal Amount of its First
Mortgage Bonds, Series J due
1997, at competitive bidding.

Application No. 53729
(Filed December 6, 1972)

O P I N I O N

Continental Telephone Company of California seeks authority to execute and deliver a supplemental indenture and to issue and sell, at competitive bidding, \$10,000,000 principal amount of its bonds.

Applicant is a California corporation furnishing local and toll telephone service in portions of Arizona, California and Nevada. It is a subsidiary of Continental Telephone Corporation, a Delaware corporation. For the 12 months ended September 30, 1972, its reported total operating revenues and net income amounted to \$57,798,257 and \$8,971,586, respectively.

The utility's construction program for the year 1972 amounts to approximately \$25,000,000. Applicant proposes to finance permanently \$5,000,000 of such program with a capital contribution from its parent corporation. At the time of filing

this application, reported outstanding short-term bank loans incurred to finance temporarily a portion of the construction program amounted to \$11,500,000.

In order to obtain funds for repaying bank borrowings, the utility proposes to invite bids for the purchase of \$10,000,000 principal amount of its First Mortgage Bonds, Series J due 1997, the successful bid to determine the interest rate. Any excess proceeds over outstanding bank loans would be used to pay the cost of additional facilities under the 1972 construction program. The bonds would be subject to a restricted redemption provision until January 1, 1978, and would be secured by an existing indenture as heretofore amended and supplemented and as further amended and supplemented by a proposed Fourteenth Supplemental Indenture.

Applicant's capitalization ratios as of September 30, 1972, and as adjusted to give effect to the proposed bond issue, are reported as follows:

	<u>September 30, 1972</u>	<u>Pro forma</u>
Long-term debt	52.7%	55.0%
Preferred stock	8.5	8.1
Common stock equity	<u>38.8</u>	<u>36.9</u>
Total	<u>100.0%</u>	<u>100.0%</u>

After consideration the Commission finds that:

1. The proposed bond issue is for proper purposes.
2. Applicant has need for external funds for the purposes set forth in the application.
3. The proposed restricted redemption provision is reasonable.
4. The proposed Fourteenth Supplemental Indenture would 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 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. A public hearing is not necessary. 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:

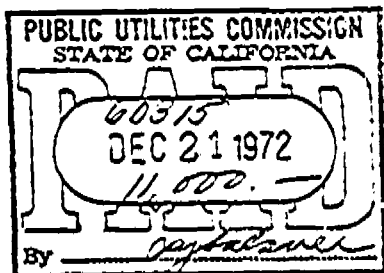
1. Continental Telephone Company of California may execute and deliver a Fourteenth Supplemental Indenture in substantially the same form as Exhibit A attached to the application.
2. Continental Telephone Company of California may invite the submission of written sealed bids for the purchase of not exceeding \$10,000,000 principal amount of its First Mortgage Bonds, Series J due 1997, the invitation for bids to be published at least five days prior to the opening of the bids.
3. Continental Telephone Company of California may issue and sell not exceeding \$10,000,000 principal amount of its First Mortgage Bonds, Series J due 1997, 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 apply the proceeds from the sale of said bonds to the purposes set forth in the application.
5. Promptly after awarding the contract for the sale of said bonds, Continental Telephone Company of California shall file a written report with the Commission showing, as to each bid received, the name of the bidder, the price, the interest rate and cost of money to applicant based upon such price and interest rate.
6. As soon as available, Continental Telephone Company of California shall file with the Commission three copies of its prospectus relating to said bonds.

7. Within thirty days after such issue and sale, 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 the bond proceeds were used.

8. This order shall 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.

San Francisco

Dated at _____, California, this
19th day of DECEMBER, 1972.



Vernon L. Sturgeon
President
William J. ...
...
...
Commissioners