

ORIGINALDecision No. 81183

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. 53865
(Filed February 27, 1973)for an order authorizing it to)
issue and sell 100,000 shares of)
its 7.50% Cumulative Preferred)
Stock, Series I, \$20 par value.)O P I N I O N

Continental Telephone Company of California seeks authority to issue and sell 100,000 shares of its 7.50% Cumulative Preferred Stock, Series I, \$20 par value, at a price equal to the par value thereof.

Applicant is a California corporation furnishing local and toll telephone service in portions of Arizona, California and Nevada. The company reports that its 1972 construction program amounted to approximately \$25,000,000, and that its 1973 construction expenditures are estimated to be in excess of \$30,000,000.

It is applicant's practice to finance portions of its construction program temporarily by means of short-term borrowings. In order to obtain \$2,000,000 for discharging, in part, borrowings for construction, the utility has negotiated with Investors Syndicate of America, Inc. for the purchase of 100,000 shares of its \$20 par value 7.50% Cumulative Preferred Stock, Series I, at par. The preferred stock would be subject to a five-year restricted redemption provision.

The company's capitalization ratios as of December 31, 1972, and as adjusted to give effect to the \$10,000,000 bond issue authorized by Decision No. 80872, dated December 19, 1972, in Application No. 53729, and to the proposed preferred stock issue, are computed from information filed with the Commission as follows:

	December 31, 1972	Pro forma
Long-term debt	51.0%	52.8%
Preferred stock	3.1	8.6
Common stock equity	40.9	38.6
Total	<u>100.0%</u>	<u>100.0%</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 the application.
3. The terms and conditions pertaining to the proposed stock issue are reasonable.
4. 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.

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:

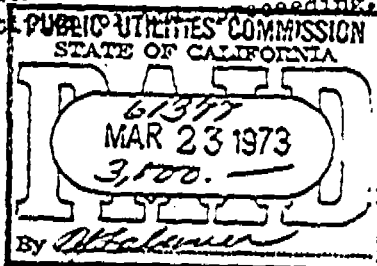
1. Continental Telephone Company of California, on or after the effective date hereof and on or before June 30, 1973, in order to obtain funds for the purpose specified in the application, may issue and sell not exceeding 100,000 shares of its 7.50% Cumulative Preferred Stock, Series I, \$20 par value, at a price equal to the par value thereof, and otherwise substantially upon the terms and conditions set forth in the application.

2. Continental Telephone Company of California shall file with the Commission the report 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 \$3,000.

Dated at San Francisco, California,
this 20th day of MARCH, 1973.

Commissioner Thomas Moran, being necessarily absent, did not participate in the disposition of this proceeding.



Vernon L. Sturgis
President
William J. Moran Jr.
John J. Moran
Commissioners