

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

THE APPLICATION OF GENERAL )  
TELEPHONE COMPANY OF )  
KENTUCKY FOR AN ORDER )  
AUTHORIZING THE ISSUANCE ) CASE NO. 9279  
AND SALE OF 40,000 SHARES )  
OF ITS COMMON CAPITAL STOCK )  
TO GTE CORPORATION FOR )  
\$10,000,000 )

O R D E R

On February 19, 1985, General Telephone Company of Kentucky ("General") filed an application seeking authority to issue and sell 40,000 shares of its no par common stock to its parent, GTE Corporation ("GTE"), for \$10,000,000. The proceeds from the sale are to be used to repay \$10,000,000 in short-term loans. The short-term loans were used to finance additions and replacements to General's telephone plant.

The issuance and sale of \$10,000,000 of common equity will increase the common equity ratio of General's already conservative capital structure. Based on exhibit 1, page 2, of General's application, shareholder's equity exceeds the combined totals of preferred stock and long-term debt even before the proposed common equity sale. The Commission will take this into consideration when determining future rates of return on equity.

The Commission, after consideration of the application and all evidence of record and being advised, is of the opinion and finds that General's proposed issuance and sale of 40,000 shares of its no par common stock to its parent, GTE, for \$10,000,000 is for lawful objects within the corporate purposes of its utility operations, is necessary and appropriate for and consistent with the proper performance of its service to the public and will not impair its ability to perform that service, and is reasonably necessary and appropriate for such purposes.

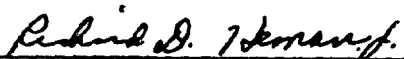
IT IS THEREFORE ORDERED that General be and it hereby is authorized to issue and sell 40,000 shares of its no par common stock to its parent, GTE, for \$10,000,000, during the second quarter of 1985.

IT IS FURTHER ORDERED that the proceeds from the sale of the securities authorized herein shall be used only for the lawful purposes as set out in the application.

Nothing contained herein shall be construed as a finding of value for any purpose or as a warranty on the Commonwealth of Kentucky or any agency thereof as to the securities authorized herein.

Done at Frankfort, Kentucky, this 4th day of March, 1985.

PUBLIC SERVICE COMMISSION

  
Chairman

  
Vice Chairman

  
Commissioner

ATTEST:

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Secretary