

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF GTE SOUTH INCORPORATED)	
FOR AN ORDER AUTHORIZING THE ISSUANCE)	CASE NO. 95-352
AND SALE OF SECURITIES)	

O R D E R

On August 30, 1995, GTE South Incorporated ("GTE") filed an application for authority to issue and sell up to \$450,000,000 of new debentures. GTE will register the new securities with the Securities and Exchange Commission ("SEC") as a "shelf filing." The debentures will be sold in one or more series and from time to time, such sale to begin no earlier than the first day the debentures are approved by all regulatory authorities and registered and authorized by the SEC and no later than two years after the registration becomes effective with the SEC.

The proceeds from the sale of the securities will be used to pay short-term borrowings of approximately \$280,000,000 incurred to finance construction activities and to redeem certain outstanding debt issues up to \$314,900,000 in principal amount to reduce GTE's overall cost of capital. The exact amount and specific bond issues to be redeemed will depend on interest rate conditions.

The Commission, having considered the evidence of record and being otherwise sufficiently advised, finds that the issuance and sale by GTE of up to \$450,000,000 of new debentures are for lawful

objects within its corporate purposes, are necessary and appropriate for and consistent with the proper performance of its service to the public, are reasonably necessary and appropriate for such purposes, and should therefore be approved.

IT IS THEREFORE ORDERED that:

1. GTE be and it hereby is authorized to issue, sell, and deliver up to \$450,000,000 in new debentures in one or more transactions over a two year period through underwriters to the public through competitive bidding, negotiated sale, or private placement at a negotiated price. The termination date of this authority shall be not later than two years after the new registration statement becomes effective with the SEC.

2. If the proceeds are used to refinance existing bonds, as set forth herein, GTE shall file a report showing that the effective overall embedded cost of GTE has been reduced as a result of such financing.

3. GTE shall agree only to such terms and prices that are consistent with parameters set out in its application.

4. GTE shall, within 30 days after the issuance of the securities referred to herein, file with the Commission a statement setting forth their date or dates of issuance, the purchase price, the interest rate, the purchasers, and all fees and expenses, including underwriting, discounts or commission, or other compensation involved in the issuance and distribution and the use

of the proceeds. GTE shall also provide actual journal entries used to record these transactions.

5. The proceeds from the transactions authorized herein shall be used only for the lawful purposes set out in the application.

6. GTE shall, for Kentucky Intrastate reporting purposes, conform to the Order in Case No. 89-201¹ and record as expenses any call premiums and unamortized discounts and expenses associated with the redeemed securities.

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


¹ Case No. 89-201, Application of GTE South Incorporated for a Waiver and Authority to Amortize the Call Premium Expenses and the Unamortized Cost of Issuance Expenses in Connection With Previous Authority Granted to Sell First Mortgage Bonds and/or Promissory Notes in an Amount up to \$150,000,000.

Done at Frankfort, Kentucky, this 26th day of October, 1993.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director