

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF GENERAL )  
TELEPHONE COMPANY OF THE )  
SOUTH FOR AN ORDER AUTHORIZING ) CASE NO. 9573  
THE ISSUANCE AND SALE OF )  
SECURITIES )

O R D E R

On May 5, 1986, General Telephone Company of the South ("General") filed an application for authority to issue and sell First Mortgage Bonds and/or promissory notes over a two-year period. General will file a shelf registration for \$175 million of First Mortgage Bonds and/or promissory notes with the Securities and Exchange Commission ("SEC") pursuant to SEC Rule 415.

General also requested approval to recover the call premium expenses and the unamortized cost of issuance expenses associated with the 13-3/4 percent First Mortgage Bonds and Series AA First Mortgage Bonds over the life of the First Mortgage Bonds and/or promissory notes issued in which the series is redeemed.

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 up to \$175,000,000 of First Mortgage Bonds and/or promissory notes 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. In its application, General states that the interest rate on any securities issued under this shelf financing will not exceed 150 percent of the yield to maturity on comparable U.S. Treasury securities. This interest rate ceiling provides ample flexibility for General. In future rate cases, the Commission will examine the interest rates on any securities issued under this shelf financing to insure reasonableness, given market conditions at the time of issuance.

IT IS THEREFORE ORDERED that:

(1) General be and it is hereby authorized to issue and sell up to \$175,000,000 of the aggregate principal amount of its First Mortgage Bonds and/or promissory notes over the next two years.

(2) The interest rate on any series so issued shall not exceed 150 percent of the yield to maturity on comparable U.S. Treasury securities on the date the First Mortgage Bond and/or promissory notes are issued as set out in the application.

(3) The proceeds from the sale of the securities authorized herein shall be used only for the lawful purposes as set out in the application.

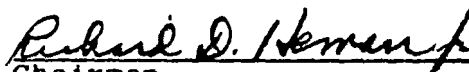
(4) General be and it hereby is authorized to recover the call premium expenses and the unamortized cost of issuance expenses associated with the 13-3/4 percent First Mortgage Bonds

and Series AA First Mortgage Bonds over the life of the First Mortgage Bonds and/or promissory notes issued in which the series is redeemed.

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

Done at Frankfort, Kentucky, this 20th day of May, 1986.

PUBLIC SERVICE COMMISSION

  
Chairman

  
Vice Chairman

  
Commissioner

ATTEST:

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Secretary