

**ORIGINAL**

Decision No. 59832

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of  
CALIFORNIA WATER & TELEPHONE COMPANY

To issue and sell 42,850 shares of  
its Common Stock

Application No. 41928

O P I N I O N

California Water & Telephone Company, by application filed on February 8, 1960, requests authorization to issue and sell not to exceed 42,850 shares of its common stock of the aggregate par value of \$535,625, under the terms of a restricted stock option plan and to use the proceeds to finance capital costs.

According to the verified application, the company's directors and stockholders have adopted a Stock Option Plan for Executives and Key Employees. Under the provisions of the plan, the company will grant to certain of its employees, including officers, the option to purchase shares of common stock up to an aggregate amount not to exceed 42,850 shares at a purchase price under each option granted as determined by the Board of Directors or the Stock Option Committee of the company, which price shall be not less than 95% of the average between the closing bid and asked prices as shown by quotations on the day the option is granted, if such stock is not listed upon an exchange. If the stock is listed upon an exchange, the

price shall be not less than 95% of the average between the higher and lower prices for the common stock on such day as shown by the quotations of the exchange.

In each case, the option will run for a period of seven years from the date of the granting of the option. The plan contains the customary provisions with respect to the nontransferability of the options, the termination in event of termination of employment, and the adjustments upon changes in capitalization. According to the application, the plan is intended to afford selected employees, including officers, an opportunity to acquire a substantial stock ownership in the company on favorable terms and thus encourage them to acquire the interest and outlook of an owner with respect to the company which will inure to the benefit of the operations.

Available information indicates that there are currently outstanding 1,877,678 shares of applicant's common stock so that the proposed issue constitutes approximately 2.28 per cent of the outstanding shares. While the stock is not listed, we are informed that recently it has been quoted over-the-counter at 26-3/8 bid, 26-3/4 asked.

The application further shows that pursuant to the stock option plan, on December 16, 1959, options to purchase shares of common stock were granted to officers and directors of applicant, as a group, as to 11,250 shares, and to other employees as to 31,600 shares at a price per share equal to 100% of the average of the closing bid and asked price of the market on December 16, 1959, this being \$28.375 per share.

The offering of common shares to key employees and officers under a restricted stock option plan is not uncommon in corporate financing. The present plan appears to follow along conventional lines and, if the directors of the utility in the exercise of the managerial judgment conclude to adopt an option plan and if the present shareholders have approved the same, there appears to be no reason for the Commission to withhold its approval. Information filed with the Commission indicates the company will have need for additional funds from time to time.

In entering our order granting this application, however, we place applicant on notice that we will not regard the dividends it pays on its common stock in determining the rate of return which it should be allowed to earn nor the price at which it sells its shares as measuring the value of such shares or of its properties. The authorization herein granted is for the issue of stock only and is not to be construed as indicative of amounts to be included in a future rate base for the purpose of determining just and reasonable rates.

O R D E R

The Commission having considered the above-entitled matter and being of the opinion that a public hearing is not necessary, that the money, property or labor to be procured or paid for by the issue of the stock 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, and that the application should be granted; therefore,

IT IS HEREBY ORDERED as follows:

1. California Water & Telephone Company may issue and sell not to exceed 42,850 shares of its common stock, or such number of shares as may be required upon adjustments of capitalization, under and pursuant to the terms of its Stock Option Plan for Executives and Key Employees, a copy of which is on file in this proceeding as Exhibit A.

2. California Water & Telephone Company shall use the proceeds from the sale of such shares to pay the expenses of issue, estimated at \$2,720, and to finance its program for the construction, completion, extension and improvement of its facilities and for the reimbursement of its treasury for moneys expended for the construction, completion, extension and improvement of its facilities which were not obtained from the sale of evidences of ownership or indebtedness.

3. California Water & Telephone Company shall file reports with this Commission as required by General Order No. 24-A, which order, insofar as applicable, is made a part of this order.

4. This order shall become effective 20 days after the date hereof.

Dated at San Francisco, California,  
this 29<sup>th</sup> day of March, 1960.

[Signature]  
President  
[Signature]  
[Signature]  
[Signature]  
Theodore Jenner  
Commissioners