

ORIGINAL

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Decision No. \_\_\_\_\_

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application

of

CAPITOL ACCOMMODATIONS, INC., a  
California Utility Corporation,

For an Order Authorizing Applicant  
to Issue Shares of Stock.

Application No. 43811  
Filed October 4, 1961  
and  
Amendment  
Filed October 13, 1961

O P I N I O N

Capitol Accommodations, Inc., applicant herein, is a California corporation which is engaged in the public utility water business in a portion of Sacramento County. It has filed this application for authorization to issue 600 shares of its common stock, of no par value, at \$10 a share to three individuals pursuant to a restricted stock option plan.

According to the information before the Commission in this proceeding, the company's directors and shareholders have approved a plan whereby three officers and employees, who have been employed by applicant for ten years, have been granted options, for a period of three years from February 28, 1961, to purchase not to exceed 200 shares each at a price of \$10 a share. Assertedly, the purpose of granting the options is to induce the three individuals to become more closely identified with applicant and to permit them to participate in applicant's growth and operations and, also, to provide applicant with \$6,000 of capital.

Presently, applicant has 13,400 shares of common stock outstanding which are held by twenty shareholders. Such shares have no par value and were issued and are carried on the books at a stated value of \$10 each. We are informed that there have been no market transactions in the outstanding shares and that the price was fixed after deliberations by applicant's directors. It has been applicant's practice not to pay dividends on its outstanding shares but, instead, to retain in its business the net earnings it has realized from its operations.

It appears that the option holders intend to exercise their options and to subscribe for the shares. Applicant asserts that it will have need for the proceeds to make improvements to the water works facilities at a cost estimated at \$6,000.

The company's financial reports filed with the Commission show that it has been conducting its water operations since 1951, that it has increased its net investment in utility plant to \$261,950 as of December 31, 1961, and that it has financed itself primarily with common stock and surplus in the amount of \$175,546 and advances of \$79,945, and that at the close of 1961 its current liabilities amounted to \$20,479 as compared with current assets of \$19,362.

Upon reviewing this matter we find and conclude that applicant will have need for additional capital in its operations. As to the stock option plan, it appears that it follows along conventional lines and since the directors and shareholders, in the exercise of their judgment, have approved the plan we

see no reason to withhold our approval for the issue and sale of the shares under the terms and conditions set forth in the plan. We place applicant on notice, however, that we will not regard the price at which it sells its shares as measuring the value of its shares or of its properties nor will we regard the dividends applicant may pay on its shares as fixing or determining the rate of return. The authorization herein granted is only for the issue and sale of stock 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 through the issue of the stock herein authorized is reasonably required for the purpose specified herein, and that such purpose is not, in whole or in part, reasonably chargeable to operating expenses or to income; therefore,

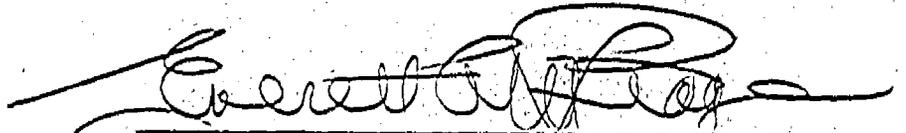
IT IS ORDERED that -

1. Capitol Accommodations, Inc., may issue and sell not to exceed 600 shares of its common stock at not less than \$10 a share, under the terms and for the purpose set forth in this proceeding.

2. Capitol Accommodations, Inc., shall file with the Commission a report, or reports, as required by General Order No. 24-A, which order, insofar as applicable, is made a part of this order.

3. The authority herein granted shall become effective twenty days after the date hereof.

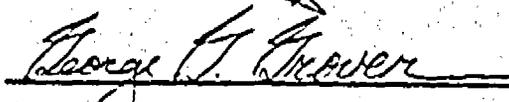
Dated at San Francisco, California,  
this 11th day of MAY, 1962.

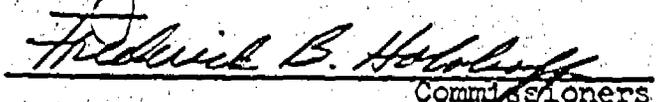


President









Commissioners