

provisions of the Act except section 9(a)(2), for a holding company ("Newco") that will result from a planned reorganization of SCWC's operations.¹

SCWC is engaged in the business of providing water service to approximately 241,000 consumers in 75 California communities, and providing electric service to approximately 20,500 consumers (most of whom are residential customers) in one California community.² The California Public Utilities Commission ("CPUC") regulates both the water and the electric distribution business of SCWC.³ SCWC states that it has one subsidiary, California Cities Water Company, that engages in unregulated businesses and generated a nominal amount of revenues in 1996.

SCWC provides its electric service through its Bear Valley Electric District ("Bear Valley"), which owns no generating capacity and purchases its energy supply from various suppliers. Bulk power is delivered to Bear Valley's distribution system through two transmission lines owned by Southern California Edison Company.

SCWC states that it plans to reorganize into a holding company structure to facilitate its expansion into a variety of unregulated businesses related to its current activities as a regulated water utility while protecting the interests of its ratepayers. After the planned reorganization, Newco will be a holding company with at least two subsidiaries: one subsidiary will engage in the water and electric distribution businesses that are regulated by the CPUC ("Regulated Subsidiary"), and one or more other subsidiaries will engage in unregulated businesses, including businesses related to the regulated water business.

SCWC states that Newco and the Regulated Subsidiary will be incorporated in California, and that the Regulated Subsidiary will be

incorporated in California, and that the Regulated Subsidiary's operations will be confined to California. Newco may also form one or more other subsidiaries to acquire and operate other regulated water utility businesses outside of California.

The Regulated Subsidiary will be a "public utility company" under section 2(a)(5) of the Act, and Newco will be a holding company as defined in section 2(a)(7)(A) of the Act, and as such, subject to regulation under the Act unless in exemption is obtained.

SCWC states that, upon consummation of the contemplated reorganization, Newco will qualify for an exemption under section 3(a)(1) of the Act because Newco and every public utility subsidiary of Newco from which Newco derives, directly or indirectly, any material part of its income, will be predominantly intrastate in character and carry on their business substantially in a single State in which Newco and every such subsidiary company will be organized.

SCWC also asserts that the granting of such an exemption will not be detrimental to the public interest or the interest of investors or consumers. In this regard, SCWC notes, among other things, that the proposed reorganization requires the express approval of the CPUC and that, following the reorganization requires the express approval of the CPUC and that, following the reorganization, the Regulated Subsidiary and its dealings with Newco and other Newco subsidiaries will be subject to comprehensive regulatory oversight by the CPUC (see note 3, above). SCWC also states that Newco's corporate structure will protect ratepayers by segregating Newco's state-regulated utility operations from its other business activities thereby insulating the Regulated Subsidiary from the risks of the non-regulated businesses and enhancing the CPUC's ability to ensure that there is no cross-subsidization.

For the Commission, by the Division of Investment Management, pursuant to delegated authority.

Jonathan G. Katz,

Secretary.

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Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by the Chicago Stock Exchange, Incorporated Relating To Amending the Exchange's SRO Fee To Provide for an Exemption for Certain Inactive Members

March 13, 1997.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"), 15 U.S.C. 78s(b)(1), notice is hereby given that on February 18, 1997, the Chicago Stock Exchange, Incorporated ("CHX" or "Exchange") filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the self-regulatory organization. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

The Exchange proposes to amend Section (q) of its Membership Dues and Fees Schedule to provide for an exemption from the Exchange's SRO fee for certain members. Below is the text of the proposed rule change. Proposed new language is italicized.

Chicago Stock Exchange, Incorporated Membership Dues and Fees.

(q) Self-Regulatory Organization Fee,¹ \$100 per member and member organization per month.

II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the self-regulatory organization included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The self-regulatory organization has prepared summaries, set forth in Sections A, B, and C below, of the most significant aspects of such statements.

¹ This fee shall not be applicable to inactive organizations. An inactive organization is one which has no securities transaction revenue, as determined by annual FOCUS reports, as long as the organization continues to have no such revenue each month.

¹ Newco has not yet been incorporated. SCWC states that it will inform the Commission of Newco's corporate name in its rule 24 certificate.

² In 1996, SCWC derived more than 92 percent of its revenues (about \$139.9 million) from water sales and less than 8 percent (about \$11.5 million) from electric sales. Approximately 7 percent of SCWC's assets are devoted to its electric business.

³ Applicant notes that the scope of CPUC's regulation is comprehensive including jurisdiction over rates, accounting practices, purchases and dispositions of utility property, extensions of service, acquisitions of other utility and nonutility companies, interaffiliate transactions, securities issuances and corporate reorganizations (including formation of utility holding companies), and access to the books and records of the affiliates of utilities as well as the books and records of the utilities themselves for purposes of monitoring interaffiliate transactions.

A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

The purpose of the proposed rule change is to provide an exemption from the Exchange's SRO fee for certain members. The Exchange's SRO fee applies to members and members organizations and helps recoup costs incurred by the Exchange in performing its self-regulatory function. The Exchange proposes to exempt inactive organizations² from this fee because the Exchange does not incur any significant costs for regulating these firms.

An inactive organization is defined as an organization that has no securities transaction revenue, as initially determined by its most recent annual FOCUS report, so long as the organization continues to have no such revenue each month.³ For inactive organizations which do not file FOCUS reports with the Exchange, such as when the CHX is not the Designated Examining Authority for the firm, each organization must still make such filings with the Exchange to support its contention that it is an inactive organization. If appropriate documentation is not received from the organization, the Exchange will impose the SRO fee.

2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with Section 6(b)(4) of the Act⁴ in that it provides for the equitable allocation of reasonable dues, fees and other charges among its members and issuers and persons using its facilities.

B. Self-Regulatory Organization's Statement on Burden on Competition

The Exchange does not believe the proposed rule change will impose any burden on competition.

²The Commission notes that the phrase "inactive organizations" includes both inactive members and inactive member organizations that meet the definition of "inactive organization" as noted in footnote number 1. Phone conversation between David Rusoff, Attorney, Foley & Lardner, and Heather Seidel, Attorney, Market Regulation, Commission, on March 7, 1997.

³This definition of "inactive organization" is the same as the definition for the "inactive organization" exemption from the Exchange's examination fee, section (p) under the CHX Membership Dues and Fee Schedule. Phone conversation between David Rusoff, Attorney, Foley & Lardner, and Heather Seidel, Attorney, Market Regulation, Commission, on March 7, 1997.

⁴15 U.S.C. 78f(b)(4).

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received From Members, Participants or Others

No written comments were solicited or received with respect to the proposed rule change.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

The proposed rule change has become effective upon filing pursuant to Section 19(b)(3)(A) of the Act⁵ and subparagraph (e)(2) of Rule 19b-4⁶ thereunder, in that the proposal establishes or changes a due, fee, or other charge imposed by the Exchange. At any time within 60 days of the filing of such proposed rule change, the Commission may summarily abrogate such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing. Persons making written submissions should file six copies thereof with the Secretary, Securities and Exchange Commission, 450 Fifth Street, N.W., Washington, D.C. 20549. Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for inspection and copying at the Commission's Public Reference Room. Copies of such filing will also be available for inspection and copying at the principal office of the Exchange. All submissions should refer to File No. SR-CHX-97-05 and should be submitted by April 10, 1997.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.

Jonathan G. Katz,

Secretary.

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⁵15 U.S.C. 78s(b)(3)(A).

⁶17 CFR 240.19b-4(e)(2).

[Release No. 34-38402; File No. SR-NASD-97-19]

Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by National Association of Securities Dealers, Inc. Relating to Small Order Execution System Tier Size Classifications

March 14, 1997.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")¹ and Rule 19b-4² thereunder, notice is hereby given that on March 7, 1997, the National Association of Securities Dealers, Inc. ("NASD" or "Association") filed with the Securities and Exchange Commission ("Commission" or "SEC") the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the NASD. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

The NASD is submitting this filing to effectuate The Nasdaq Stock Market, Inc.'s ("Nasdaq") periodic reclassification of Nasdaq National Market ("NNM") securities into appropriate tier sizes for purposes of determining the maximum size order for a particular security eligible for execution through Nasdaq's Small Order Execution System ("SOES"). Specifically, under the proposal, 692 NNM securities will be reclassified into a different SOES tier size effective April 1, 1997. Since the NASD's proposal is an interpretation of existing NASD rules, there are no language changes.

II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the NASD included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The NASD has prepared summaries, set forth in Sections A, B and C below, of the most significant aspects of such statements.

¹15 U.S.C. 78s(b)(1)(1988).

²17 CFR 240.19b-4 (1991).