

Decision No. 20828

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
SOUTHWEST GAS CORPORATION, LTD.)
for an order authorizing the execu-) Application No. 21722
tion and renewal of certain notes.)

BY THE COMMISSION:

ORIGINAL

O P I N I O N

This is an application for an order of the Railroad Commission authorizing Southwest Gas Corporation, Ltd. to issue notes and to execute conditional sales contracts.

Southwest Gas Corporation, Ltd. is engaged in supplying liquefied natural gas for domestic and commercial purposes in the communities of Barstow and Victorville, San Bernardino County. By Decision No. 23647, dated May 4, 1931, (Vol. 36, C.R.C., page 238) it was authorized to issue 2667 shares (\$66,675.00 par value) of its common capital stock at 90% of par value in payment for the plant it now operates, which plant at that time was estimated to have cost \$60,000.00. Such stock was reported issued at the price authorized.

It now appears that the company has made expenditures for additions and betterments since its acquisition of its plant in 1931. Up to November 30, 1937 it reports its investment in fixed capital in service at \$78,487.23 and its investment in cash, materials and supplies and other current assets at \$9,185.87, making a total of \$87,673.10, which appears to have been paid or provided in part through the issue of notes and other evidences of indebtedness and the use of moneys represented by reserves. In the application the company reports outstanding indebtedness as follows:-

<u>Payee</u>	<u>Date</u>	<u>Maturity</u>	<u>Interest</u>	<u>Amount</u>
<u>Notes Payable</u>				
Florence N. Lackey	April 15, 1937	90 days	7%	\$ 2,400.00
Ellen B. Whitney	April 15, 1937	90 days	7%	2,400.00
Bank of America	Nov. 12, 1937	Feb. 10, 1938	7%	1,500.00
Bank of America	Nov. 17, 1937	90 days	7%	500.00
		Sub-total.....		\$ 6,800.00
<u>Conditional Sales Contracts</u>				
Parkhill-Wade, Inc.	Mar. 23, 1937	\$ 67.72 Mo.	-	\$ 1,838.09
J. Clay Garrison	Mar. 12, 1937	27.25 Mo.	-	408.75
		Total.....		\$ <u>2,246.84</u>

It appears that the \$6,800.00 of notes were issued to provide working capital and to finance the cost of additions and extensions. In this connection the company reports that during the fall and winter months it is required to purchase large amounts of gas, due to heavier demands, and that pending the collection of its revenues, it has been compelled to borrow money to meet its expenses. It reports that for this purpose it has arranged a line of credit with Bank of America, N. T. & S. A. which at this time is limited to \$2,500.00. It appears that as the winter season passes, its borrowings are paid off, generally being paid in whole or in part by September or October of the following year.

The indebtedness of \$1,838.09 represented by the conditional sales contract with Parkhill-Wade, Inc. is the unpaid balance of an original amount of \$2,437.58, payable \$67.72 monthly, incurred on March 23, 1937 to finance the cost of two 40,000 gallon welded steel storage tanks installed, and the \$408.75 indebtedness represented by the contract with J. Clay Garrison is the unpaid balance of an amount of \$654.00, payable \$27.25 monthly, incurred on March 12, 1927, in the purchase of a 1937 Ford automobile used as a service car.

The Commission did not authorize the execution of these conditional sales contracts. Inasmuch as they extend for periods longer than one year after their dates of execution, in our opinion they are void. The order herein will authorize the execution of new contracts in lieu of those executed without an order from the Commission.

The company's financial statement shows that it has not sufficient cash to enable it to pay its notes which are now past due. Accordingly, an order should be entered permitting the renewal. While we will enter such an order it should be understood that by so doing we are not passing upon or approving any of the items making up the applicant's reported investment in fixed capital and are not bound by this order to recognize such reported investment if it becomes an issue in any future proceeding. The order is given merely to enable the company to improve its current position.

C R D E R

Southwest Gas Corporation, Ltd. having applied to the Railroad Commission for an order authorizing the issue of notes and the execution of conditional sales contracts, and the Commission being of the opinion that this is not a matter in which a public hearing is necessary and that the issue of the notes and the execution of the contracts are reasonably required by applicant,

IT IS HEREBY ORDERED as follows:-

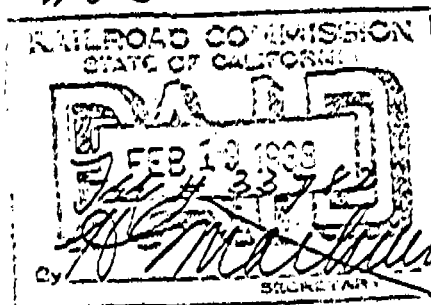
1. Southwest Gas Corporation, Ltd. may issue to Florence N. Lackey and Ellen B. Whitney its unsecured promissory notes in the total principal amount of \$4,800.00 payable on or before 90 days after date of issue, with interest at not exceeding 7% per annum, for the purpose of renewing the notes of like amount in favor of said payees now outstanding.
2. Southwest Gas Corporation, Ltd. may issue to Bank of America National Trust and Savings Association its unsecured promissory notes in the principal amount of not exceeding \$2,500.00 payable on or before 90 days after date of issue, with interest at not exceeding 7% per annum for the purpose of renewing the notes of \$2,000.00 in favor of said payee now outstanding and of providing working capital.
3. Southwest Gas Corporation, Ltd. may from time to time renew the notes herein authorized to be issued, provided that no renewal note or notes may mature later than two years after the effective date of this order.

4. Southwest Gas Corporation, Ltd. may execute and enter into a conditional sales contract substantially in the same form as that filed as Exhibit G, providing for the payment of not exceeding \$1,858.09 to Parkhill-Wade, Inc. and may execute and enter into a conditional sales contract substantially in the same form as that filed as Exhibit H, providing for the payment of not exceeding \$408.75 to J. Clay Garrison.

5. Southwest Gas Corporation, Ltd. shall file with the Commission a copy of each note, and conditional sale contract issued or executed by it under the authority herein granted, within thirty(30) days after such issue or execution.

6. The authority herein granted will become effective when Southwest Gas Corporation has paid the minimum fee prescribed by Section 57 of the Public Utilities Act, which fee is Twenty-five(\$25.00) Dollars.

DATED at San Francisco, California, this 14th day of February, 1938.



Walter Moore
Leon Maxwell
James R. Miller

Commissioners.