

ORIGINAL

Decision No. 45895

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
SOUTHWEST GAS CORPORATION, LTD.)

For Authority:)

1. To encumber utility property)
and rights as security for bonds)
or other evidences of indebtedness)
and)

2. To issue shares of its capital)
stock.)
-----)

Application
No. 32407

O P I N I O N

Southwest Gas Corporation, Ltd. has filed this application for authority to execute an indenture of mortgage and deed of trust and to issue and sell \$400,000 of bonds and 1,448 shares of common stock of the aggregate par value of \$36,200.

Applicant is a corporation engaged in distributing and selling liquid petroleum gas to customers in the towns of Barstow and Victorville and to the Marine Corps Base at Nebo and the George Air Force Base near Victorville. It is making arrangements to convert its operations to the service of natural gas and in this application seeks authority to borrow the funds it anticipates will be required for this purpose and for the expansion of its present distribution systems. By Decision No. 45883, dated June 26, 1951, in Application No. 31295, the Commission granted to it a certificate of public convenience and necessity permitting it to extend its lines to connect with the natural gas pipe line of Pacific Gas and Electric Company, now being constructed from Topock to Milpitas, and to supply natural gas in its service areas.

It is reported that the plant required to obtain the supply of natural gas includes, among other things, a four-inch line approximately one and one-half miles from applicant's Barstow distribution system to a point on the Topock-Milpitas line near Bear Valley Road and a four-inch line approximately twenty-six miles from the Air Force Base near Victorville to Hawes Station. The total estimated costs of these and related facilities are shown in detail in the application and are summarized in Exhibit A as follows:

Barstow Connecting Line	\$ 15,237.00
Odorizing Station-Barstow	5,636.00
Victorville Connecting Line (George Air Force Base)	210,208.00
Victorville City Extension	47,368.00
Victorville Odorizing Station	5,636.00
USMC Extension to Nebo	50,126.00
Barstow Pressure Reinforcement	9,986.00
Barstow Distribution System Expansion	40,362.00
Distribution System - U. S. Air Force Housing Project	61,421.00
Victorville Distribution System Expansion	<u>45,209.00</u>
Total	<u>\$491,189.00</u>

The application shows that of the total estimated costs, the sum of \$400,000 will be borrowed from Mutual Life Insurance Company of New York and the remainder will be provided from cash on hand and accounts receivable or will be advanced by applicant's stockholders. The sum to be borrowed from the insurance company will be evidenced by first mortgage bonds, issued at par, bearing interest at the rate of 4% per annum and maturing on November 1, 1972. The bonds will be secured by an indenture of mortgage and deed of trust.

At December 31, 1950, applicant had outstanding \$122,952.51 of current liabilities, advances of \$121,322.41 due Southwest Butane Company, and 2,660 shares of common stock of the par value of \$25 each but with a book value of \$57.82 each. Southwest Butane Company is an affiliated corporation from which applicant

purchases its liquid petroleum gas. Its properties, according to Exhibit E, consist of current and deferred assets of \$81,196.76 and equipment of \$2,621.81, a total of \$83,818.57, against which it reports outstanding purchase obligations of \$10,145.71 and equity capital of \$73,672.86.

The application shows that those in control of the affairs of the two corporations have arranged to transfer the assets of Southwest Butane Company to applicant and to issue 1,448 shares of applicant's common stock at its book value, namely \$57.82 a share, in payment, along with \$95.20 in cash, for said assets and in liquidation of the obligations of \$10,145.71 of Southwest Butane Company. Thereafter it is proposed to dissolve that corporation.

A pro forma statement giving effect to the consolidation of the two corporations, the sale of the bonds and the use of the proceeds in applicant's conversion program is submitted in Exhibit D. A summary of the same is as follows:

<u>Assets</u>		
Fixed assets -		
Gas plant and equipment	\$678,711.85	
Reserve for depreciation	77,126.88	
Net fixed assets		\$601,584.97
Current assets -		
Cash	74,097.32	
Accounts receivable	73,327.56	
Other current assets	65,764.94	
Total current assets		213,189.82
Deferred charges		18,735.64
	Total	<u>\$833,510.43</u>
<u>Liabilities and Capital</u>		
Bonds		\$400,000.00
Current liabilities -		
Notes and accounts payable	\$153,108.07	
Accrued liabilities	19,561.58	
Other current liabilities	10,278.29	
Total current liabilities		187,947.94
Capital -		
Common stock	102,700.00	
Paid in surplus	58,990.57	
Earned surplus	83,871.92	
Total capital		<u>245,562.49</u>
	Total	<u>\$833,510.43</u>

In making its request for a certificate of public convenience and necessity to supply natural gas (Application No. 31295), applicant reported that it estimated its operating revenues during the first year following completion of its program at \$190,668 and during the second year at \$269,577, with net income available for interest at \$28,252 during the first year and at \$56,747 during the second year.

A review of the application indicates that applicant will have need for the funds from the sale of its bonds to meet its capital requirements to bring natural gas into its service areas. The issue of such bonds and the shares of common stock, as proposed in this application, will be granted.

O R D E R

The Commission having considered the above entitled matter, and being of the opinion that a public hearing thereon is not necessary; that the application should be granted, as herein provided; that the money, property or labor to be procured or paid for through the issue of the bonds and stock herein authorized is reasonably required by applicant for the purposes specified; and that such purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income; therefore,

IT IS HEREBY ORDERED as follows:

1. Southwest Gas Corporation, Ltd., after the effective date hereof and on or before December 31, 1951, may execute an indenture of mortgage and deed of trust, in substantially the same form as that filed in this proceeding, and may issue and sell, at not less than par, \$400,000 principal amount of its First Mortgage

Bonds, 4% Series due 1972, for the purpose of financing in part the cost of the expenditures referred to in Exhibit A filed in this proceeding.

2. Southwest Gas Corporation, Ltd., after the effective date hereof and on or before December 31, 1951, may issue not exceeding 1,448 shares of its common stock under the terms and for the purposes set forth in this application.

3. Southwest Gas Corporation, Ltd. shall file with the Commission monthly reports as required by General Order No. 24-A, which order, insofar as applicable, is made a part of this order.

4. The authority herein granted will become effective when Southwest Gas Corporation, Ltd. has paid the fee prescribed by Section 57 of the Public Utilities Act, which fee is four hundred (\$400.00) dollars.

Dated at San Francisco, California, this 29th day of June, 1951.

R. T. [Signature]
Harold Kula
[Signature]

Commissioners

