

Decision No. 52187**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
SOUTHWEST GAS CORPORATION
for authority to reclassify capital
stock.

Application
No. 37339

O P I N I O N

This is an application filed by Southwest Gas Corporation for authorization to issue 65,792 shares of its common stock of the par value of \$1 each.

Applicant is a California corporation organized in 1931. It is engaged as a public utility in distributing natural gas to approximately 5,000 customers in and about the City of Barstow and the Communities of Victorville, Adelanto, Oro Grande, Nebo, Helendale and Lockhart, in San Bernardino County, its supply of gas being obtained from the Topock-Milpitas transmission line of Pacific Gas & Electric Company. A summary statement of its investment in gas plant and its revenues during the last six years is as follows:

	<u>Gas Plant</u>	<u>Operating Revenues</u>	<u>Net Income</u>
1950	\$ 347,034	\$241,782	\$15,880
1951	594,281	379,473	31,269
1952	700,029	374,853	15,536
1953	814,061	472,154	32,791
1954	1,017,019	621,355	54,133
1955 (to Aug. 31)	1,072,896	512,996	49,586

A condensed balance sheet showing applicant's financial position as of August 31, 1955, is as follows:

Assets

Investment		
Gas plant	\$1,072,896	
Less: depreciation reserve	<u>169,570</u>	
Net gas plant		\$903,326
Sinking fund		225
Current assets		
Cash	112,483	
Notes & accounts receivable	40,137	
Materials and supplies	14,738	
Prepaid expenses	2,405	
Total current assets		169,763
Deferred charges		<u>10,803</u>
Total		<u>\$1,084,117</u>

Liabilities & Capital

Long-term debt		\$348,000
Current liabilities		245,587
Deferred credits		38,955
Common stock equity		
Common stock	\$102,800	
Capital surplus	85,351	
Earned surplus	<u>263,424</u>	
Total common stock equity		451,575
Total		<u>\$1,084,117</u>

The outstanding capital stock consists of 4,112 shares, of the par value of \$25 each, which are reported held by five individuals. Although applicant's operations have been profitable, it has not been its policy to pay dividends, but, instead, to retain earnings from operations in its business. As indicated by the foregoing balance sheet, the book value of the outstanding \$25 par value shares is approximately \$110 each.

It appears that applicant desires to reduce the book value per share of stock so as to permit the sale of shares in the future at a price which will be attractive to investors. Accordingly, it has taken steps to amend its articles of incorporation so as to reduce the par value of its common shares from \$25 to \$1, and thereafter to issue sixteen new \$1 shares for each \$25 share now held. This will

call for the issue of 65,792 of the new shares.

The transaction proposed by applicant will not change the respective rights of existing shareholders and will not increase the total stated value of the stock nor the total common stock equity. It will result in a book value per share of approximately \$7, which, in applicant's opinion, will serve to establish a reasonable basis upon which a public offering can be made.

Upon review of the verified application, it does not appear that the proposed transaction will be adverse to the public interest. Accordingly, an order will be entered granting the application.

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 shares of 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 HEREBY ORDERED as follows:

1. Southwest Gas Corporation may issue not exceeding 65,792 shares of its common stock of the par value of \$1 each in exchange for the 4,112 shares of common stock presently outstanding of the par value of \$25 each.

2. Applicant shall file with the Commission a report, or reports, as required by General Order No. 24-A, which order, in so far as applicable, is made a part of this order.

3. The authority herein granted will become effective upon the date hereof.

Dated at San Francisco, California, this 7th day of November, 1955.

John E. Mitchell
President

Justin J. Adams

Paul E. Ventremer

William D. Dooly

W. W. Hardy
Commissioners