

Decision No. 59456

**7/11/58**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the Application  
of SOUTHWEST GAS CORPORATION for  
authority to issue shares of its  
Common Stock

Application No. 41720

O P I N I O N

Southwest Gas Corporation has filed this application for authorization to issue and sell not to exceed 2,000 shares of common stock, of the aggregate par value of \$2,000, under the terms of a restrictive stock option plan and to use the proceeds to finance capital costs.

On April 5, 1957, applicant's Board of Directors approved an Incentive Stock Option Plan for Key Employees effective on such date subject to approval by the stockholders. At the annual meeting held on May 6, 1957, applicant's stockholders approved such plan. The plan as adopted is designed to meet the requirements set forth in Section 421 of the Internal Revenue Code. Under the provisions of the plan, the company will grant to key employees options to purchase shares of common stock at a price not less than 100 per cent of the fair market value at the time of the grant of such options.

In each case, the option will run for a term of ten years from the granting of such option. The plan contains the customary provisions with respect to nontransferability of the options, the termination in event of a termination of employment, and the

adjustments upon changes in capitalization. It is stated that the purpose of the plan is to encourage stock ownership by certain selected executive employees, the company being of the opinion that the granting to such employees of an opportunity to acquire a direct proprietary interest in the success of the operations will inure to the benefit of the operations.

Under date of July 19, 1957, applicant filed its Application No. 39249 for authorization to issue 13,000 shares of its common stock pursuant to the stock option plan, and on September 10, 1957, the Commission issued its Decision No. 55531 authorizing applicant to issue and sell the 13,000 shares of common stock pursuant to the plan as requested in the application.

Applicant in its current application advises that its Board of Directors has adopted resolutions granting options covering 2,000 shares of its \$1 par value common stock to two additional key employees. To effectuate the options thus granted, it now requests authority to issue not to exceed 2,000 shares of its \$1 par value common stock at a price of not less than \$11.25 per share, said price being the fair market value of applicant's common stock on the over-the-counter market in Los Angeles on the date the options were granted.

We have reviewed the application now before us and are of the opinion that the findings and conclusions reached in Decision No. 55531 are still applicable. In entering our order granting this application, however, we again wish to place applicant on notice that we will not regard the dividends it pays on its common stock in determining the rate of return which it

should be allowed to earn nor the price at which it sells its shares as measuring the value of such shares or of its properties. The authorization herein granted is only for the issue 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 by the issue of the stock herein authorized, is reasonably required for the purposes stated herein, which purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income, and that the application should be granted; therefore,

IT IS HEREBY ORDERED as follows:


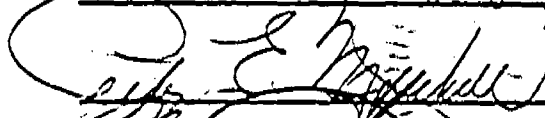

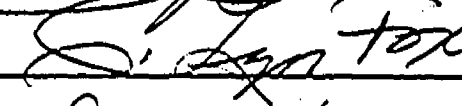
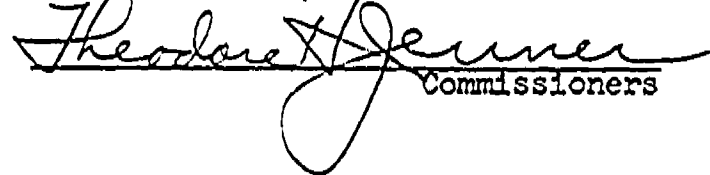
1. Southwest Gas Corporation may issue and sell not to exceed 2,000 shares of its common stock, or such number of shares as may be required upon adjustments in capitalization, under and pursuant to the terms of its Incentive Stock Option Plan for Key Employees, a copy of which is on file in Application No. 39249 as Exhibit A.

2. Southwest Gas Corporation shall use the proceeds from the sale of such shares to finance capital costs.

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

4. This order will become effective 20 days after the date hereof.

Dated at San Francisco, California, this  
5<sup>th</sup> day of January, 1960.

  
\_\_\_\_\_  
President  
  
\_\_\_\_\_  
  
\_\_\_\_\_  
  
\_\_\_\_\_  
  
\_\_\_\_\_  
Commissioners