

ORIGINAL

Decision No. 62383

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the application of

SOUTHWEST GAS CORPORATION for  
authority to carry out the terms  
and conditions of a loan agreement  
and to issue evidences of  
indebtedness thereunder

Application No. 43620  
Filed July 21, 1961

O P I N I O N

Southwest Gas Corporation has filed this application for authorization to issue promissory notes pursuant to the terms and conditions of a loan agreement.

The company reports that it has arranged a line of credit with Bank of America National Trust and Savings Association and has entered into a loan agreement dated May 1, 1961, whereby the bank will lend and relend funds to it, at any time and from time to time to and including April 30, 1963, in an amount up to \$2,500,000. The borrowings will be represented by 90-day promissory notes renewable to April 30, 1963, with interest at the prime rate from time to time in effect and with a commitment fee equal to 1/4 of 1% of the unused portion of the maximum commitment.

The company further reports that it intends to use the funds to be obtained pursuant to the loan agreement solely for construction and other capital improvements and acquisitions. In Exhibit C, it sets forth its capital requirements as follows:

Actual and estimated construction expenditures for the fiscal year ending September 30, 1961 . . . . .	\$1,685,000
Estimated construction expenditures for the Big Bear Project . . . . .	1,300,000
Estimated construction expenditures for the period from October 1, 1961 through April 30, 1963 . . . . .	<u>1,900,000</u>
Total actual and estimated construction expenditures for the term of the loan agreement ending April 30, 1963 . . . . .	4,885,000
Less: Funds from internal sources . . . . .	<u>2,385,000</u>
Total disposition of cash from loan agreement . . . . .	<u>\$2,500,000</u>

Applicant states that it had \$300,000 of short-term bank loans outstanding on May 31, 1961, that it anticipates additional borrowings of \$400,000 in the middle of 1961, and that it may renew such short-term borrowings for periods of more than twelve months after the original dates of issue. Applicant asserts that it will do permanent financing prior to the expiration of the loan agreement on April 30, 1963, and that when it does so, the proceeds from such permanent financing will be applied first to the liquidation of all indebtedness incurred pursuant to said loan agreement.

Applicant has been before the Commission on numerous occasions in rate and financing proceedings and the Commission, in general, is familiar with its results of operations, its construction program, and its methods of financing itself. From a review of the information before the Commission, it

appears that applicant's volume of business and investment in plant have been increasing rapidly, that during each of the last two years applicant's gross expenditures for new facilities exceeded \$1,500,000, that the estimated expenditures of \$1,650,000 for the current fiscal year include \$1,300,000 for distribution mains, service lines and related facilities for new business, \$150,000 for general plant facilities and \$200,000 for replacements and pressure reinforcements.

The company has not, however, furnished the Commission with a detailed statement covering its proposed expenditures for the Big Bear Project and the construction expenditures for the period from October 1, 1961 through April 30, 1963.

Exhibit A, attached to the application, shows that for the twelve months ended May 31, 1961, applicant's gross income, after making provision for income taxes, aggregated \$952,597; that the interest charged to income account aggregated \$397,023; that as of May 31, 1961, applicant's current and accrued assets amounted to \$2,347,930 and its current and accrued liabilities amounted to \$2,427,226, including the short-term bank loans; and that its capital ratios were as follows:

First mortgage bonds	\$ 5,398,000	47%
Debentures	1,048,000	9
Preferred stock	888,156	8
Common stock and surplus	<u>4,161,443</u>	<u>36</u>
Total	<u>\$11,495,599</u>	<u>100%</u>

Upon reviewing this application, we find and conclude that applicant will have need for additional funds from external sources to improve its cash position and to enable it to proceed with temporary financing of its construction costs but that applicant, however, has not furnished us with a statement showing the items comprising the total estimated expenditures of \$4,885,000 in sufficient detail to permit a final order at this time with respect to the disposition of all the note proceeds. We will enter an order indicating our general approval of applicant's program.

The authorization herein granted 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 this application 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 notes herein authorized is reasonably required for the purposes specified herein, and that the expenditures for such purposes, subject to the provisions of this order, are not, in whole or in part, reasonably chargeable to operating expenses or to income; therefore,

IT IS ORDERED that -

1. Southwest Gas Corporation may carry out the terms and conditions of the loan agreement dated May 1, 1961, with Bank of America National Trust and Savings Association and, pursuant to the terms of said agreement, may issue promissory notes in the aggregate amount of not to exceed \$2,500,000 at any one time outstanding, and may renew such notes from time to time, the authorization herein given being subject to the following conditions:

- (a) Applicant may issue not to exceed \$700,000 of said notes and use such notes, or the proceeds therefrom, without further order from the Commission, to refund outstanding short-term notes and to finance, in part, construction expenditures during the year ending September 30, 1961; and
- (b) Applicant may issue the remaining \$1,800,000 of said notes and use such notes, or the proceeds therefrom, only for such purposes as the Commission might authorize in a subsequent order, or orders, upon the filing, by applicant, of information showing in detail the purposes for which the notes will be issued.

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

3. The authority herein given shall become effective when Southwest Gas Corporation has paid the fee prescribed by Section 1904(b) of the Public Utilities Code, which fee is \$1,750.

Dated at San Francisco, California,  
this 8th day of August, 1961.

Gerard H. Hage  
President  
John E. D. Little  
E. J. Fox  
George T. Brown  
Frederick B. Holbrook  
Commissioners

