

ORIGINAL

Decision No. 62762

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. 43718
Filed September 1, 1961

O P I N I O N

Southwest Gas Corporation has filed this application for authorization to issue and sell not to exceed 3,600 shares of common stock, of the aggregate par value of \$3,600, under the terms of a restricted stock option plan and to use the proceeds to finance capital costs.

Applicant's board of directors and its shareholders have approved an Incentive Stock Option Plan for Key Employees under the provisions of which 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 non-transferability 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.

Heretofore, the company has granted options to certain key employees to purchase 15,000 shares of its common stock pursuant to the stock option plan. Applicant now seeks to extend the plan to five additional employees and it proposes to grant options to them to acquire, in the aggregate, up to 3,600 shares at a price of not less than \$17.75 per share, said price being the fair market value of applicant's common stock on the over-the-counter market in Los Angeles on July 31, 1961, the date of the action by the board of directors approving the offer.

The offering of common shares to key employees and officers under a restricted stock option plan is not uncommon in corporate financing. The present plan appears to follow along conventional lines and if the directors of the utility, in the exercise of their managerial judgment, conclude to adopt an option plan and if the present shareholders approve the same, there appears to be no reason for the Commission to withhold its approval. Information filed with the Commission indicates the company will have need for additional funds from time to time.

We find and conclude that the issue of stock under the stock option plan, as herein proposed, is not contrary to the public interest. In entering our order in this matter,

however, we place applicant on notice that we will not regard the dividends it pays on its common stock as measuring or determining the rate of return which it should be allowed to earn nor will we regard the price at which it sells its shares as measuring the value of its shares or of its properties. The authorization herein granted is for the issue of stock only 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 purpose specified herein, which purpose is 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:

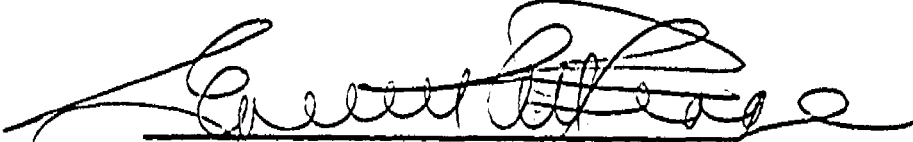
1. Southwest Gas Corporation may issue and sell not to exceed 3,600 shares of its common stock, or such number of shares as may be required upon adjustments in capitalization, under and pursuant to the terms of its Incentive Stock Option Plan for Key Employees, a copy of which is on file in Application 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.

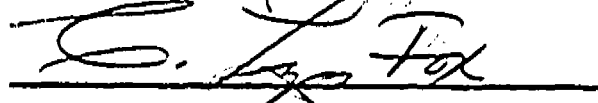
4. This order shall become effective 20 days after the date hereof.

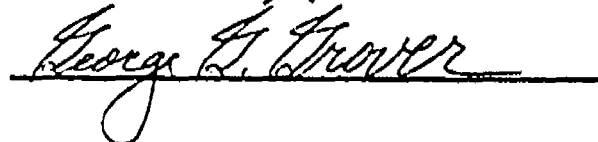
Dated at San Francisco, California,
this 1th day of NOVEMBER, 1961.



 President







 Commissioners

Commissioner Frederick B. Halobatz being necessarily absent, did not participate in the disposition of this proceeding.