

ORIGINAL

Decision No. 67138

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application  
of SOUTHWEST GAS CORPORATION  
for Authority to Split-up Its  
Common Stock and to Issue  
Securities

Application No. 46289  
Filed March 16, 1964

O P I N I O N

This is an application for an order of the Commission authorizing Southwest Gas Corporation (1) to split-up its common stock and in connection therewith to issue one new share of its \$1 par value common stock for each outstanding share of such stock, (2) to amend its Articles of Incorporation, (3) to issue twice as many shares of common stock upon conversion of prior preferred stock and \$1 dividend convertible preferred stock as it was authorized to issue upon conversion thereof prior to the proposed split-up, and (4) to issue, upon the exercise of restricted stock options, not to exceed (a) 800 shares of common stock at \$5.62½ per share, (b) 5,200 shares of common stock at \$8.87½ per share, and (c) 21,680 shares of common stock at \$9.16-2/3 per share.

Applicant is a California corporation engaged in the business of distributing and selling natural gas and liquefied petroleum gas in portions of San Bernardino County, California, and is also engaged in the sale and distribution of natural gas

in portions of the States of Arizona and Nevada. It reports that its shareholders have approved a proposed split-up of its \$1 par value common stock into two shares of \$1 par value common stock for each share outstanding on the effective date of the split-up. An amount equal to the aggregate par value of all shares of common stock outstanding immediately prior to the effective date of the split-up would be transferred from paid-in surplus to stated capital.

The application shows that the total number of shares of the company's common stock outstanding on February 17, 1964 was 736,048; however, it explains that the number of shares outstanding on any future record date that may be established in connection with the proposed split-up cannot be ascertained at the present time in view of the continuing conversion into common stock of shares of prior preferred stock and \$1 dividend convertible preferred stock.

The corporation asserts that the proposed two-for-one split-up of its outstanding shares of common stock (a) will provide a broader market for such stock as a result of the increased number of shares outstanding, thereby causing such shares to become easier to trade and more desirable to the investment public, (b) will accommodate members of the investment public of moderate means who desire to trade in so-called round lots by reducing the market price to the neighborhood of \$20 to \$25 per share on the basis of current market prices, and (c) will encourage market conditions favorable to the future issuance of

additional equity securities for the purposes of construction, completion, extension and improvement of its facilities.

By Decision No. 55528, dated September 10, 1957, in Application No. 39248, the Commission authorized Southwest Gas Corporation to issue such number of its common shares as may be necessary for the exercise of conversion privileges by the holders of its prior preferred stock. Similarly, by Decision No. 62819, dated November 21, 1961, in Application No. 43891, the Commission authorized the corporation to issue such number of common shares as may be required in exchange for shares of its \$1 dividend convertible preferred stock at the then applicable conversion price upon the exercise by the holders of conversion privileges.

With respect to holders of options to purchase shares of common stock under the company's incentive restrictive stock option plan for key employees, the application indicates unexercised options to purchase, in the aggregate, 400 shares of common stock at \$11.25 per share, 2,600 shares of common stock at \$17.75 per share, and 10,840 shares of common stock at \$18.33-1/3 per share. After consummation of the proposed split-up the optionees would be entitled to purchase twice the number of shares indicated in their respective options at one-half of the specified option prices. In connection with authorizing applicant to issue shares relating to the \$11.25 and \$17.75 options, the Commission by Decisions Nos. 59456, dated January 5, 1960, in Application No. 41720, and 62762, dated November 7, 1961, in Application No. 43718, respectively, specified maximum numbers of shares

"or such number of shares as may be required upon adjustments in capitalization." However, the Order in Decision No. 66461, dated December 17, 1963, in Application No. 45964, does not provide for an alternative with respect to the \$18.33-1/3 options.

The Commission has considered this matter and finds as follows:

1. The proposed split-up of common stock, together with the issue of additional shares resulting therefrom, would not be adverse to the public interest.
2. Applicant may amend its Articles of Incorporation, in the manner proposed, without approval by this Commission.
3. Outstanding authorizations by this Commission permit applicant to issue additional shares of common stock resulting from the proposed split-up upon (a) conversion of its outstanding shares of prior preferred stock and \$1 dividend convertible preferred stock, and (b) the exercise of restricted stock options presently providing for purchase prices per share of \$11.25 and \$17.75.
4. The money, property or labor to be procured or paid for by the issue of the shares of common stock herein authorized is reasonably required for the purposes specified herein, which purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income.

On the basis of the foregoing findings, we conclude that the application should be (1) dismissed, insofar as it seeks approval of the Amendment to its Articles of Incorporation, (2) dismissed, insofar as it seeks authority previously granted and outstanding, and (3) granted in all other respects. A public hearing is not necessary.

In issuing our order herein, we place applicant and its shareholders on notice that we do not regard the number of shares outstanding, the total par value of the shares nor the dividends paid as measuring the return applicant should be allowed to earn on its investment in plant and that the authorization herein given is not to be construed as a finding of value of applicant's stock or properties nor as indicative of amounts to be included in proceedings for the determination of just and reasonable rates.

O R D E R

IT IS ORDERED that:

1. Southwest Gas Corporation may split-up its common shares, and in connection therewith may issue, to the respective holders of its common stock, one new share of its \$1 par value common stock for each share of \$1 par value common stock outstanding at a record date to be determined by its Board of Directors.

2. Southwest Gas Corporation may issue, upon the exercise of restricted stock options after the effective date of said stock split-up, in lieu of the 10,840 shares of common stock which it is now authorized to issue at \$18.33-1/3 per share pursuant to its incentive restricted stock option plan for key employees, not to exceed 21,680 shares of its \$1 par value common stock at \$9.16-2/3 per share. In the event of

further adjustments in capitalization, applicant may issue such number of shares, at correspondingly adjusted prices, as will be consistent with said plan.

3. Within thirty days after filing with the Secretary of State, Southwest Gas Corporation shall file with the Commission a certified copy of the Amendment to its Articles of Incorporation referred to in the application.

4. 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 hereby made a part of this order.

5. This application is dismissed insofar as it seeks (a) approval of said Amendment to applicant's Articles of Incorporation, and (b) authority previously granted and outstanding.

6. The effective date of this order is the date hereof.

Dated at San Francisco, California,  
this 28th day of April, 1964.

Holloman L. Smith  
President

W. J. [unclear]

Wesley W. [unclear]

George T. Grover

Frederic B. Hallock  
Commissioners