

ORIGINAL

Decision No. 68533

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. 47219  
Filed December 29, 1964

O P I N I O N

This is an application for an order of the Commission authorizing Southwest Gas Corporation to issue and sell not to exceed 14,700 shares of common stock having an aggregate par value of \$14,700 under the terms of an incentive stock option plan.

On April 5, 1957, the company's Board of Directors adopted an Incentive Stock Option Plan for Key Employees, which was approved by stockholders at an annual meeting held on May 6, 1957. From time to time applicant has granted to key employees restricted stock options to purchase common shares pursuant to provisions of the plan and the company has obtained authority from this Commission to issue and sell shares committed to such options.

The application shows that at a meeting held on March 17, 1964, the company's Board of Directors adopted resolutions which granted twenty-six key employees options

to acquire an aggregate of 7,350 shares at a price of \$53.25 per share, said price being 100% of the fair market value of applicant's stock prevailing on such date on the Los Angeles over-the-counter market. Subsequent to said date the company was permitted to effect a two-for-one split up of its outstanding common stock and, as a consequence, each of the twenty-six employees will have unexercised options to purchase an aggregate of 14,700 shares at a price of \$26.625 per share.

Under the general provisions of Sections 421-425 of the Internal Revenue Code of 1954, as amended by the Revenue Act of 1964, options granted after the year 1963 must be qualified stock options or employee purchase plan options. In order to meet the requirements of Section 422 of the Internal Revenue Code, the company and each of the twenty-six employees will execute a Grant of Qualified Stock Option, a copy of which is attached to the application as Exhibit D. The option contains provisions pertaining to nontransferability, termination and adjustments upon changes in capitalization, as well as the requirement that it must be exercised within five years after it is granted.

Information available to the Commission indicates that applicant will have need for the \$391,387.50 of equity funds to be derived from the exercise of such options and that it will use said funds to finance part of its capital costs.

The Commission has considered this matter and finds that: (1) the proposed issue of common stock under the stock option plan would not be adverse to the public interest; (2) 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; and (3) such purpose is not, in whole or in part, reasonably chargeable to operating expenses or to income. On the basis of these findings we conclude that the application should be granted. 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 grant qualified stock options by executing documents in the same form, or in substantially the same form, as that attached to the application as Exhibit D.

2. Southwest Gas Corporation may issue and sell not to exceed 14,700 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.

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

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

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

Dated at San Francisco, California, this 3<sup>rd</sup> day of FEBRUARY, 1965.

Frederick B. Holhoff  
President

Paul E. Mitchell

George J. Weaver

William B. Beard  
Commissioners