

ORIGINAL

Decision No. 68760

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
)
 SOUTHWEST GAS CORPORATION)
)
 for Authority to issue and Sell Not)
 to Exceed \$6,000,000 Aggregate)
 Principal Amount of its First)
 Mortgage Bonds, _____ Series due)
 1990, and to Execute and Deliver)
 an Eleventh Supplemental Indenture)

Application No. 47387
Filed March 5, 1965

O P I N I O N

This is an application for an order of the Commission authorizing Southwest Gas Corporation to execute and deliver an Eleventh Supplemental Indenture, and to issue, sell and deliver \$6,000,000 principal amount of its First Mortgage Bonds due 1990.

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. In addition, the company transmits, sells and distributes natural gas in portions of the States of Arizona and Nevada.

The company intends to sell its new bonds at competitive bidding, the successful bid to determine the interest rate. The bonds will be dated as of April 1, 1965, will mature April 1, 1990, and will carry a five-year restricted redemption provision similar to that frequently employed in bond offerings at the

present time. Applicant reports that it has investigated the advisability of including such a provision and has concluded that this feature will result in a lower cost of money than otherwise would prevail, and will tend to broaden the market for the bonds especially among large institutional investors. The application shows that broad investor interest in, and satisfactory acceptance of, the new bonds is of particular interest to the company, because such bonds will be the first series of applicant's First Mortgage Bonds to be sold at competitive bidding or offered to the general public.

Applicant estimates that it will obtain new proceeds aggregating \$12,000,000 from selling the \$6,000,000 of bonds proposed in this proceeding, together with additional shares of common and preferred stock which it anticipates issuing during 1965 pursuant to subsequent authorizations. Of such \$12,000,000 net proceeds, the company proposes to utilize \$7,000,000 for repaying outstanding short-term bank borrowings incurred for capital expenditures, and to expend the balance on its construction program or to reimburse its treasury for funds already expended for construction.

The Commission has considered this matter and finds that:

1. The proposed bond issue is for proper purposes.
2. Applicant will have need for funds from external sources for the purposes set forth in this application.

3. Applicant's ability to meet its public service responsibilities will not be impaired by the proposed financing.
4. The inclusion of the five-year restricted redemption provision in the terms of the bonds will enable applicant to obtain funds at a lower annual cost than it otherwise could.
5. The money, property or labor to be procured or paid for by the issue of the bonds herein authorized is reasonably required for the purposes specified herein, which purposes, except as otherwise authorized for accrued interest, 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 granted. A public hearing is not necessary. The action taken herein is for the purpose of this proceeding only and is not to be construed 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 execute and deliver an Eleventh Supplemental Indenture in the same form, or in substantially the same form, as that filed in this proceeding as Exhibit C.

2. Southwest Gas Corporation may invite the submission of written sealed bids for the purchase of not to exceed \$6,000,000 aggregate principal amount of its First Mortgage Bonds due 1990, such invitation for bids to be published at least five days prior to the date set for the opening of the bids.

3. Southwest Gas Corporation may issue, sell and deliver, at competitive bidding, not to exceed \$6,000,000 aggregate principal amount of its First Mortgage Bonds due 1990, at the price offered in a bid which will provide the lowest annual cost of money to applicant calculated in the manner provided in the bidding papers annexed to the application as Exhibit D.

4. Southwest Gas Corporation shall use the proceeds from the sale of such bonds, exclusive of accrued interest, for the purposes set forth in this proceeding. The accrued interest to be received may be used for such purposes or for general corporate purposes.

5. Immediately upon awarding the contract for the sale of such bonds in the aggregate principal amount of not to exceed \$6,000,000, Southwest Gas Corporation shall file a written report with the Commission showing, as to each bid received, the name of the bidder, the price, the interest rate and the cost of money to applicant based upon such price and interest rate.

6. Within thirty days after the issue and sale of the bonds herein authorized, Southwest Gas Corporation shall file with the Commission three copies of its prospectus.

7. 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.

8. This order shall become effective five days after the date hereof, provided Southwest Gas Corporation has paid the fee prescribed by Section 1904 (b) of the Public Utilities Code.

Dated at San Francisco, California, this 23rd day of MARCH, 1965.

Frederick B. Hallock
President

John E. Smith

George E. Crow

August

William B. Bennett
Commissioners

