

ORIGINAL

Decision No. 68946

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)
60,000 Shares of Preferred Stock,)
4.75% Cumulative Series.)

Application No. 47474
Filed April 6, 1965

O P I N I O N

Southwest Gas Corporation has filed this application requesting authority to issue and sell 60,000 shares of its \$50 par value Preferred Stock, 4.75% Cumulative Series, for an aggregate consideration of \$3,000,000.

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. The company also transmits, sells and distributes natural gas in parts of the States of Arizona and Nevada. For the twelve months ended January 31, 1965, it reports gross operating revenues and net income of \$20,245,000 and \$2,317,000, respectively, and a \$52,795,000 net plant investment as of January 31, 1965.

The company alleges that under its current financing program it expects to obtain net proceeds of \$12,000,000, which would be derived from sales of bonds and common stock, in

respective amounts of \$6,000,000 and \$3,000,000, as authorized by this Commission in March, 1965 and from the \$3,000,000 preferred stock issue proposed herein. The utility contemplates applying \$7,000,000 of such proceeds toward repayment of outstanding short-term bank borrowings incurred for capital expenditures and to use the \$5,000,000 balance for financing the cost of construction or to reimburse its treasury for funds already expended for construction.

Applicant intends to sell the 60,000 shares of its Preferred Stock, 4.75% Cumulative Series, at their par value of \$50 each, to seven institutional investors for a total consideration of \$3,000,000.

A comparison of the company's capitalization ratios as of January 31, 1965, and on a pro forma basis, giving effect to said \$12,000,000 of financing, is as follows:

	<u>Jan. 31, 1965</u>	<u>Pro Forma</u>
Long-term debt	57.8%	56.1%
Preferred stock	10.6	13.8
Common stock equity	<u>31.6</u>	<u>30.1</u>
Total	<u>100.0%</u>	<u>100.0%</u>

The Commission has considered this matter and finds that: (1) the proposed stock issue is for proper purposes; (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 purposes specified herein; and (3) such purposes are

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 the 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, on or after the effective date hereof and on or before September 30, 1965, may issue and sell not to exceed 60,000 shares of its Preferred Stock, 4.75% Cumulative Series, at their par value of \$50 per share, and shall use the proceeds for the purposes specified in this proceeding.

2. 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.

3. The effective date of this order shall be five days after the date hereof.

Dated at San Francisco, California, this 27th day of APRIL, 1965.

Fredrich B. Holbrook
President
John S. Mitchell
George T. Trover
Augustin
William B. Bennett
Commissioners