

**ORIGINAL**

Decision No. 71532

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 \$7,500,000 )  
Aggregate Principal Amount of )  
its First Mortgage Bonds, \_\_\_\_\_% )  
Series due 1991, and to Execute )  
and Deliver a Twelfth )  
Supplemental Indenture )

Application No. 48917  
Filed October 31, 1966

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 a Twelfth Supplemental Indenture, and to issue, sell and deliver \$7,500,000 aggregate principal amount of its First Mortgage Bonds due 1991.

Applicant is a California corporation engaged in the business of distributing and selling natural gas in portions of Placer County and San Bernardino County, California, subject to the jurisdiction of this Commission. In addition, the company transmits natural gas in interstate commerce and engages in the intrastate transmission, sale and distribution of 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 December 1, 1966, will mature December 1, 1991, and will carry a five-year restricted redemption provision similar to that frequently employed in bond offerings at the present time. They will be secured by an existing indenture as heretofore supplemented and as further supplemented by the proposed Twelfth Supplemental Indenture.

Applicant reports that it has expended large sums of money on new plant and equipment over the past two years which have not been reimbursed from security issue proceeds, and that it estimates incurring construction expenditures approximating \$4,800,000 during the twelve months ending September 30, 1967.

The utility intends to utilize the net proceeds to be derived from the sale of said bonds to reimburse its treasury for expenditures incurred for the acquisition of property and the construction, completion, extension and improvement of its natural gas transmission and distribution facilities and other plant, and to repay a portion of short-term bank borrowings incurred for such purposes. In connection with the latter, the company reports that on October 1, 1966, its outstanding short-term notes aggregated \$13,500,000, all being in favor of Bank of America National Trust and Savings Association. It appears that said notes include \$5,000,000 of renewal indebtedness authorized by this Commission.

Applicant's capital ratios on September 30, 1966, adjusted to give effect to the \$7,500,000 bond issue proposed in this proceeding, are computed as follows:

|                     |             |
|---------------------|-------------|
| Long-term debt      | 59%         |
| Preferred stock     | 12          |
| Common stock equity | <u>29</u>   |
| Total               | <u>100%</u> |

The Commission has considered this matter and finds that: (1) the proposed bond issue is for proper purposes; (2) applicant has need for funds from external sources for the purposes set forth in the application; (3) applicant will be required to pay interest at a lower effective rate than it would in the absence of the proposed restricted redemption provision; (4) the proposed Twelfth Supplemental Indenture will not be adverse to the public interest; (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; and (6) such purposes, except as otherwise authorized for accrued interest, are not, in whole or in part, reasonably chargeable to operating expenses or to income. A public hearing is not necessary.

On the basis of the foregoing findings we conclude that the application should be granted. The authorization herein granted 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 a Twelfth 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 \$7,500,000 aggregate principal amount of its First Mortgage Bonds due 1991, 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 \$7,500,000 aggregate principal amount of its First Mortgage Bonds due 1991, 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 attached 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 the application. The accrued interest 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 \$7,500,000, 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 on 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 relating to said bonds.

7. Southwest Gas Corporation shall file with the Commission a statement, in lieu of a report under General Order No. 24-B, disclosing the purposes for which the bond proceeds were used.

8. This order shall become effective on the day of payment by Southwest Gas Corporation of the fee prescribed by Section 1904 (b) of the Public Utilities Code, which fee is \$1,750, or on the fifth day after the date hereof, whichever day is later.

Dated at San Francisco, California,  
this 9<sup>th</sup> day of NOVEMBER, 1966.

Arthur S. Mitchell  
President

George E. Grover

Fredrick B. Holmbeck

W. J. ...

William W. ...  
Commissioners

