

ORIGINAL

Decision No. 75725

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the Application)	
)	
of SOUTHWEST GAS CORPORATION)	
)	Application No. 51006
for Authority to Issue and Sell)	Filed April 15, 1969
\$8,000,000 Aggregate Principal)	
Amount of First Mortgage Bonds,)	
and for Exemption from Competitive)	
Bidding)	
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Charles H. McCrea, for applicant;
Sidney J. Webb, for the Commission staff.

O P I N I O N

Southwest Gas Corporation requests an order of the Commission authorizing it to execute a supplemental indenture, and to issue and sell, exempt from competitive bidding, not exceeding \$8,000,000 aggregate principal amount of its bonds.

After due notice, a public hearing in the above-entitled matter was held before Examiner Donovan in San Francisco on May 15, 1969, at the conclusion of which the matter was taken under submission. The Commission has received no protests in the proceeding. The application was amended at the hearing to contemplate a subsequent supplemental order pertaining to terms, including interest rate, of the proposed bonds.

Applicant is a California corporation engaged in the business of distributing and selling natural gas in portions of Placer and San Bernardino counties in California. In addition, the company transmits, sells and distributes natural gas in portions of the States of Arizona and Nevada. For the 12 months ended March 31, 1969, the utility reports that it derived 73% of its revenues from operations in Nevada, 13% from Arizona and 14% from California.

The company proposes to issue not exceeding \$8,000,000 aggregate principal amount of its First Mortgage Bonds due 1994. They will be secured by an existing indenture as heretofore supplemented and as further supplemented by a proposed Thirteenth Supplemental Indenture.

The net proceeds to be derived from the proposed bond issue are to be expended on the company's construction program, to repay bank loans for capital expenditures, and to reimburse applicant's treasury for funds expended for construction. The accrued interest will be used for general corporate purposes. As of March 31, 1969, the utility reports that said bank loans aggregated \$10,500,000, of which it contemplated repaying a portion from proceeds of common stock authorized by Decision No. 75628, dated May 2, 1969, in Application No. 50988.

According to Exhibit No. 3, filed at the hearing, applicant's capitalization ratios on March 31, 1969, adjusted to give effect to an estimated \$3,740,000 net proceeds from said common stock, and to the proposed \$8,000,000 bond issue, are as follows:

Long-term debt	61%
Preferred stock equity	9
Common stock equity	<u>30</u>
Total	<u>100%</u>

The application bases the request for exemption from competitive bidding upon (a) the company's limited history in the public bond market which has not been altogether satisfactory, (b) the fact that interest coverages are not greatly in excess of required minimums, (c) ratings of those of applicant's currently outstanding bonds which have been sold at competitive bidding (Moody - Ba; Standard & Poors BBB), and (d) prevailing conditions in the bond market. A representative of Eastman Dillon, Union Securities & Co. added other reasons for exemption including the relatively small size of the proposed bond offering, the economic dependence upon gaming and tourism in a large part of the company's service area, and the wasting asset aspect of the natural gas business.

From a review of the application, testimony and exhibits, and noting the absence of any opposition, we find 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 this proceeding.
3. The proposed supplemental indenture will not be adverse to the public interest.
4. The issue and sale of the proposed bonds should not be required to be through competitive bidding.
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, as amended, 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. The issue and sale by Southwest Gas Corporation of not exceeding \$8,000,000 aggregate principal amount of its First Mortgage Bonds due 1994 are hereby exempted from the Commission's competitive bidding rule set forth in Decision No. 38614, dated January 15, 1946, as amended, in Case No. 4761.

2. Southwest Gas Corporation may execute and deliver a Thirteenth Supplemental Indenture in the same form, or in substantially the same form, as that filed in this proceeding as Exhibit No. 2.

3. Southwest Gas Corporation may issue and sell not exceeding \$8,000,000 aggregate principal amount of its First Mortgage Bonds due 1994, subject to such terms as the Commission may authorize in a supplemental order in this proceeding.

4. Southwest Gas Corporation shall use the proceeds from the sale of the bonds herein authorized for the purposes specified in this proceeding.

5. 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.

6. 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, or five days after the date hereof, whichever day is later. Any authority herein granted will expire if not exercised on or before December 31, 1969.

Dated at San Francisco, California,
this 3rd day of JUNE, 1969.

William Lyman J.
President
Augustin
Paul J. Morrison
W. B. ...
Thomas ...
Commissioners

PUBLIC UTILITIES COMMISSION
STATE OF CALIFORNIA
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By Whelan