

Decision No. 80410

**ORIGINAL**

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 )  
 \$5,000,000 Aggregate Principal )  
 Amount of First Mortgage Bonds, )  
 8-1/4% Series Due 1992 on a )  
 Negotiated Basis )

Application No. 53454  
 (Filed July 14, 1972)

Leonard L. Snaider, Attorney at Law, 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 on a negotiated basis \$5,000,000 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 August 10, 1972, at the conclusion of which the matter was taken under submission. The Commission has received no protests in the proceeding.

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 June 30, 1972, the utility reports that it derived 8% of its revenues from operations in Arizona, 12% from California and 80% from Nevada.

The new issue would be designated as First Mortgage Bonds, 8-1/4% Series due 1992, and would be secured by an Indenture of Mortgage and Deed of Trust dated as of June 1, 1951, as heretofore amended and supplemented and as further amended and supplemented by a proposed Fifteenth Supplemental Indenture. The bonds would be subject to a ten-year restricted redemption provision.

The company intends to sell the new bonds under the terms and conditions of a Bond Purchase Agreement to be entered into by applicant and each of six purchasers. The price would be 100% of the principal amount plus accrued interest. The proceeds, other than accrued interest, would be used for repaying short-term indebtedness outstanding at the time of the closing and incurred for construction purposes. The accrued interest would be used for general corporate purposes.

Applicant's capitalization ratios on June 30, 1972, adjusted to give effect to the proposed \$5,000,000 bond issue, are computed to be as follows:

Long-term debt	62%
Preferred stock	8
Common stock equity	<u>30</u>
Total	<u>100%</u>

The utility bases its support for exemption from competitive bidding upon (a) the company's very limited history in the public bond market which has not been altogether satisfactory, (b) ratings of those of applicant's currently outstanding bonds sold through competitive bidding (Moody - Ba; Standard & Poor - BBB), (c) interest coverages barely in excess of required minimums, (d) investor concern in the capital markets upon the subject of future supply for the natural gas industry, (e) relatively small size of the proposed offering, and (f) economic dependence upon gaming and tourism in a large part of the company's service area. Applicant believes that it has negotiated a proposed sale for the new bonds upon terms and conditions and at a net interest cost to it far more satisfactory for the company and its ratepayers than it would have been able to obtain through an offering under competitive bidding.

After consideration the Commission finds that:

1. The proposed bond issue is for proper purposes.
2. Applicant has need for external funds for the purposes set forth in this proceeding.
3. The proposed restricted redemption provision is reasonable.
4. The proposed Fifteenth Supplemental Indenture would not be adverse to the public interest.
5. The issue and sale of the proposed bonds should not be required to be through competitive bidding.
6. 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. 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.

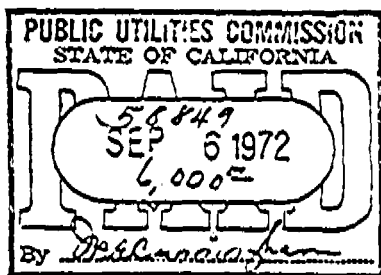
O R D E R

IT IS ORDERED that:

1. The issue and sale by Southwest Gas Corporation of not exceeding \$5,000,000 aggregate principal amount of its First Mortgage Bonds, 8-1/4% Series due 1992 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 Fifteenth Supplemental Indenture in substantially the same form as Exhibit C filed in this proceeding.
3. Southwest Gas Corporation may issue and sell not exceeding \$5,000,000 aggregate principal amount of its First Mortgage Bonds, 8-1/4% Series due 1992, under substantially the terms set forth in a Bond Purchase Agreement, a copy of which is filed in this proceeding as Exhibit D.
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 when Southwest Gas Corporation has paid the fee prescribed by Section 1904 (b) of the Public Utilities Code, which fee is \$6,000.

Dated at San Francisco, California, this 29th day of AUGUST, 1972.



Vernon L. Sturgeon  
President  
William Lysons

John W. ...  
...  
Commissioners

I dissent,  
J. W. ... Jr., Commissioner