

Decision No. 81184

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 )  
not to exceed 250,000 Shares of )  
Common Stock. )

Application No. 53859  
(Filed February 23, 1973)

O P I N I O N

Southwest Gas Corporation seeks authority to issue and sell not exceeding 250,000 shares of its \$1 par value common stock.

Applicant is a California corporation engaged in the business of distributing and selling natural gas in portions of Placer County and San Bernardino County 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 November 30, 1972, the utility reports that it derived 8% of its revenues from operations in Arizona, 12% from California and 80% from Nevada.

According to the application, the utility's outstanding short-term indebtedness aggregated \$3,000,000 on November 30, 1972, and is estimated to be \$3,500,000 on April 1, 1973. The company proposes to use the proceeds from the sale of 250,000 shares of its common stock for the purpose of repaying short-term borrowings for capital improvements.

The company intends to issue such number of its not exceeding 250,000 shares of common stock as will result in proceeds of no more than \$3,250,000. Applicant and Dean Witter & Co. Incorporated propose to enter into an agreement whereby the latter would be the underwriter and purchaser of said shares. The price of the shares to the public would be dependent upon the market price on the day the underwriting agreement is executed.

Applicant's capitalization percentages at November 30, 1972, and as adjusted to give effect to the proposed common stock issue, are reported as follows:

	<u>November 30, 1972</u>	<u>Pro forma</u>
Long-term debt	64%	62%
Preferred stock	8	8
Common stock equity	<u>28</u>	<u>30</u>
Total	<u>100%</u>	<u>100%</u>

After consideration the Commission finds that:

1. The proposed stock issue is for a proper purpose.
2. Applicant has need for external funds for the purpose set forth herein.
3. The money, property or labor to be procured or paid for by the issue of the stock herein authorized is reasonably required for the purpose specified herein, which purpose is 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. 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 it should be allowed to earn on its investment in plant, and that the authorization herein granted is not to be construed as a finding of the value of the company's stock or properties nor as indicative of amounts to be included in proceedings for the determination of just and reasonable rates.

Applicant is hereby placed on further notice that, if the Commission should believe the negotiated price or underwriting compensation pertaining to the proposed stock issue would result in excessive effective costs, it would take into consideration in rate proceedings only that which it deems reasonable.

O R D E R

IT IS ORDERED that:

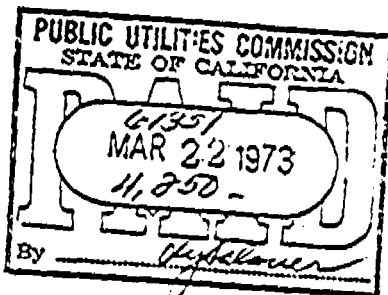
1. Southwest Gas Corporation, on or after the effective date hereof and on or before August 31, 1973, may issue and sell not exceeding 250,000 shares of its \$1 par value common stock at a price to be determined through negotiation, with the parties giving consideration to market conditions.
2. Southwest Gas Corporation shall apply the proceeds from the sale of the stock herein authorized to the repayment of a portion of its short-term indebtedness.
3. Promptly after Southwest Gas Corporation ascertains the underwriting compensation and price to be paid to it for the common stock herein authorized, the company shall notify the Commission of each in writing.

4. As soon as available, Southwest Gas Corporation shall file with the Commission three copies of its prospectus pertaining to the common stock herein authorized.

5. Within one month after issuing and selling the stock herein authorized, Southwest Gas Corporation shall file with the Commission a statement, in lieu of a report under General Order No. 24-3, disclosing the purpose to which the stock proceeds were applied.

6. This order shall become effective when Southwest Gas Corporation has paid the fee prescribed by Section 1904.1 of the Public Utilities Code, which fee is \$4,250.

Dated at San Francisco, California, this 20<sup>th</sup> day of MARCH, 1973.



*Vernon L. Sturgeon*  
President  
*William J. Symons, Jr.*  
*Robert A. Moran*  
*Thomas Moran*  
Commissioners

Commissioner Thomas Moran, being necessarily absent, did not participate in the disposition of this proceeding.