

CM/gf *

Decision No. 82785

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of SOUTHWEST GAS)
CORPORATION for authority to)
increase natural gas rate in)
San Bernardino County,)
California.)

(Gas)

Application No. 53727
Petition to Reopen Proceeding
(Filed February 21, 1974)

OPINION ON PETITION TO REOPEN PROCEEDING

Petitioner (SW) alleges that the rates authorized in Decision No. 82417 are insufficient to enable it to realize the 8.75 percent rate of return found reasonable for its San Bernardino County District (SBCD). SW seeks an order to reflect a \$250,445 increase in revenues for a modified test year 1973, which it alleges would yield a 8.75 percent rate of return on its 1973 rate base, and requests an immediate hearing, if necessary.

The Commission staff opposed the granting of the petition. The staff was not of the opinion that a financial emergency existed. The staff states that it would require as much time for it to prepare another showing for a modified 1973 test year as to prepare for a later test year; that SW is in effect seeking a guaranteed rate of return without a lower rate of return associated with the reduction in risk; and that additional revenue requirements should be dealt with in a new rate increase application.

SW contends that a financial emergency requires expeditious relief; that its common stock is selling below book value and therefore that sales of equity would be grossly prejudicial to the interests of its existing stockholders; that it is unable to maintain the interest coverage required to issue new debt; and that its financial problems are more serious than those

which faced San Diego Gas & Electric Company prior to SDG&E being granted emergency rate relief in Decision No. 82279 dated December 13, 1973. SW alleges that the amount of additional available bond and debenture borrowing now potentially available, based upon its bond indentures, varies from \$1,130,000 at a 10 percent interest rate to \$1,329,000 at an 8.5 percent rate. SW had anticipated issuance of \$3,000,000 of new bonds at the end of 1973.

Decision No. 82417 notes that SW's financial and policy witness testified, inter alia, that a rights offering of its supplier PG&E was sold below book value and the stock of one of PG&E's gas suppliers, El Paso Natural Gas Company, was selling below book value, that for a company with SW's high debt ratio its times interest coverage is relatively insensitive to any increase in rate of return (mimeo, pages 15 and 16), and that a Commission staff witness testified that issuance of preferred stock as an alternative to debt would have a more favorable influence on the coverage factor (mimeo, page 17).

In Applications Nos. 54685 and 54686 SW alleges that its 1974 construction program will cost \$9,800,000.

The petition does not indicate SW's proposed financing program(s) nor does it indicate how granting of the relief sought would modify its financing program (e.g., when it could issue additional debt and securities, and in what amount).

The petition does not point out any error in Decision No. 82417 in adjudicating the issues raised in Application No. 53727. The adjustments proposed in the petition appear to be a relitigation of the issues decided in Decision No. 82417. The decision was based upon an analysis of the showings of SW and the Commission staff for test year 1973. We concur with the Commission staff that a further showing as to reasonableness of the revenues and expenses in the form of a new application would be the appropriate vehicle for developing the record on changed conditions as to revenues and expenses.

SW might include an updated prima facie showing of financial emergency in such an application. We could authorize a request for partial ex parte rate relief, subject to refund, if the facts convinced us of the need for such action, pending the final disposition of the proceeding. As noted above the Commission staff doubts the existence of a financial emergency. The customers of SW's SBCD should not be expected to bear more than a reasonable allocation of the company's financial requirements.

Findings

1. SW requests modification of Decision No. 82417 to increase its rates by \$250,445. SW alleges that changed circumstances require modification of adopted revenues and expenses to enable it to earn the authorized rate of return of 8.75 percent on a 1973 test year basis. SW does not allege that these modifications are based upon any error in deciding the issues based upon the record in Application No. 53727.

2. SW alleges a financial emergency because of its inability to issue bonds or debentures in excess of \$1,130,000 to \$1,329,000 due to a lack of interest coverage. SW does not show how its alleged financial emergency would be cured by granting the relief sought.

Conclusion

The petition to reopen the proceeding should be denied.

O R D E R

IT IS ORDERED that Southwest Gas Corporation's petition to reopen Application No. 53727 is denied.

The effective date of this order is the date hereof.

Dated at San Francisco, California, this 23rd day of APRIL, 1974.

Vernon L. Sturgeon
President
William J. Quinn, Jr.
William J. Quinn, Jr.
William J. Quinn, Jr.
William J. Quinn, Jr.
Commissioners