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ORIGINAL

Decision No. 84242

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)
Exceeding 500,000 shares of Common)
Stock.)

Application No. 55521
(Filed February 27, 1975)

O P I N I O N

Southwest Gas Corporation seeks authority to issue and sell not exceeding 500,000 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 and San Bernardino Counties. In addition, the company transmits, sells and distributes natural gas in portions of the States of Arizona and Nevada. For the year 1974, 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 borrowings aggregated \$14,000,000 at December 31, 1974. The company proposes to use the proceeds from the sale of not exceeding 500,000 shares of its common stock for the purpose of repaying, in part, short-term borrowings for capital improvements.

Applicant proposes to enter into an underwriting agreement with Dean Witter & Co. Incorporated for offering to the public not exceeding 500,000 shares of its \$1 par value common stock. The price of the shares to the public would be dependent upon the market price on the day the underwriting agreement is executed.

The company's capital ratios at December 31, 1974, and as adjusted to give effect to the proposed common stock issue, assuming proceeds of \$3,500,000, are reported as follows:

	<u>December 31, 1974</u>	<u>Pro forma</u>
Long-term debt	60%	57%
Preferred stock	7	7
Common stock equity	<u>33</u>	<u>36</u>
Total	<u>100%</u>	<u>100%</u>

After consideration the Commission finds that:

1. The proposed stock would be 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 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 date hereof and on or before September 30, 1975, may issue and sell not exceeding 500,000 shares of its \$1 par value common stock on terms and conditions to be negotiated in the manner set forth in the application.
2. Southwest Gas Corporation shall apply the net 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 commission and the 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 final prospectus pertaining to said stock.

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

The effective date of this order is the date hereof.

Dated at San Francisco, California, this 25th day of March, 1975.

Herman L. Sturgeon
President
William J. Lyons
[Signature]
Leonard Ross
Commissioners