

ORIGINAL

Decision No. 85095

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 400,000 Shares of)
 Preference Stock.)

Application No. 55974
 (Filed October 1, 1975)
 and Amendment
 (Filed October 14, 1975)

O P I N I O N

Southwest Gas Corporation seeks authority to issue and sell not exceeding 400,000 shares of its \$20 par value preference stock to the public through underwriters.

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 the States of Arizona and Nevada. For the 12 months ended July 31, 1975, the utility reports that it derived 8% of its revenues from operations in Arizona, 12% from California and 80% from Nevada.

After repaying \$1,000,000 of previously authorized notes, applicant proposes to use the balance of the \$8,000,000 aggregate par value of preference stock for meeting capital expenditures permitted by Public Utilities Code Section 817 (a), (b) and (h) less underwriters' compensation.

The company's capital ratios at August 31, 1975, and as adjusted to give effect to the \$10,000,000 of notes involved in Application No. 55975 and to the proposed \$8,000,000 aggregate par value of preference stock, are summarized from the amendment to the application, as follows:

| | August 31, 1975 | Pro forma |
|-----------------------------------|--------------------|----------------|
| Long-term debt | 55.64% | 55.88% |
| Preferred and preference stock | 7.01 | 13.37 |
| Common stock equity | 37.35 | 30.75 |
| Total | <u>100.00%</u> | <u>100.00%</u> |

After consideration the Commission finds that:

1. The proposed stock would be for proper purposes.
2. Applicant has need for external funds for the purposes 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 purposes specified herein, which purposes 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. 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, dividend rate or underwriters' 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 December 31, 1975, may issue and sell not exceeding 400,000 shares of its \$20 par value preference stock to

the public through underwriters on terms and conditions to be negotiated in the manner set forth in the application, as amended.

2. Southwest Gas Corporation shall apply the proceeds from the sale of the stock herein authorized to the purposes set forth in the application, as amended.

3. Promptly after Southwest Gas Corporation ascertains the price, dividend rate and underwriters' compensation pertaining to the preference stock herein authorized, the company shall notify the Commission of each in writing.

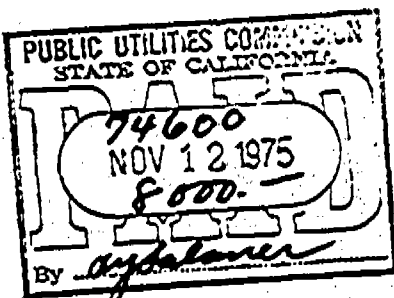
4. As soon as available, Southwest Gas Corporation shall file with the Commission three copies of its final prospectus pertaining to said stock.

5. Within one month after issuing and selling the preference 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 purposes 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 \$8,000.

Dated at San Francisco, California, this 12th day of

NOVEMBER, 1975.



William J. Aguirre President
Vernon L. Stinson
Donald R. ...

Commissioners

Commissioner Robert Batinovich, being necessarily absent, did not participate in the disposition of this proceeding.