

EC/KLH/ARM/WPSC

Decision 84 11 030

NOV 7 1984

**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of )  
 SOUTHWEST GAS CORPORATION for approval )  
 to issue short-term indebtedness )  
 exceeding five percent of its total )  
 capitalization. )

Application 84-08-083  
 (Filed August 22, 1984;  
 amended September 28, 1984)

O P I N I O N

Southwest Gas Corporation (Southwest) requests authority, under Public Utilities (PU) Code Section 823(c), to issue short-term indebtedness in an aggregate principal amount not to exceed \$77,500,000 at any one time, including the amount authorized by PU Code Section 823(c).

Summary of Decision

This decision grants the authority requested in the application.

Notice of the filing of the application and the amendment appeared on the Commission's Daily Calendars of August 28, 1984 and October 1, 1984, respectively. No protests have been received.

Southwest, a California corporation, distributes and sells natural gas in portions of San Bernardino and Placer Counties. It also transmits, sells, and distributes natural gas in portions of the States of Nevada and Arizona.

For the 12 months ended June 30, 1984, Southwest reports in its Statement of Income attached to its application as part of Exhibit A that it generated total operating revenues of \$370,288,759 and net income of \$13,954,343. Southwest derived its operating revenue for the calendar year 1983 from the following states:

<u>State</u>	<u>Percentage</u>
California	11.1%
Nevada	57.6
Arizona	<u>31.3</u>
Total	100.0%

Also shown as part of Exhibit A is Southwest's Balance Sheet as of June 30, 1984 summarized as follows:

<u>Assets</u>	<u>Amount</u>
Net Utility Plant	\$274,596,086
Other Property and Investments	11,890,222
Current and Accrued Assets	39,881,110
Deferred Debits	<u>7,791,064</u>
Total	\$334,158,482
<u>Liabilities and Equity</u>	
Common Stock Equity	\$111,990,061
Preferred/Preference Stock	21,340,000
Long-Term Debt	113,119,259
Current and Accrued Liabilities	55,297,498
Deferred Credits	<u>32,411,664</u>
Total	\$334,158,482

In this proceeding, Southwest seeks authority to issue short-term obligations from time to time in an aggregate principal amount of \$77,500,000 including that authorized by PU Code Section 823(c). As of June 30, 1984, Southwest had \$6,000,000 in short-term obligations outstanding and believes it needs this additional authorization for the purposes discussed in the application. Attached to the amendment to the application as Schedule VIII is a listing of Southwest's other securities at par value as of June 30, 1984. A computation of the amount of short-term indebtedness requested is as follows:

<u>Security</u>	<u>Amount</u>
Common Stock (Par Value)	\$ 12,106,000
Preferred/Preference Stock	21,340,000
Long-Term Debt	<u>113,119,000</u>
Total	<u>\$146,565,000</u>
5% Limit Allowed by PUC Code Section 823(c)	<u>\$ 7,328,000</u>
Total Authority Requested	<u>\$ 77,500,000</u>
Amount authorized by PU Code Section 823(c)	\$ 7,328,000
Additional authority requested in this application	<u>\$ 70,172,000</u>
Total	\$ 77,500,000

Southwest estimates that its gross expenditures required for its construction program during 1984, 1985, and 1986 will approximate \$259,800,000 as shown in its Schedules I & III attached to the application and summarized in the following tabulation which also indicates that internally generated funds will provide only a portion of the funds required for construction purposes:

	<u>1984</u>	<u>1985</u>	<u>1986</u>
Total Budgeted Construction	\$157,900,000	\$41,300,000	\$61,500,000
Less: Internally Generated Funds	<u>20,000,000</u>	<u>20,000,000</u>	<u>20,000,000</u>
External Funds Required	<u>\$137,000,000</u>	<u>\$21,300,000</u>	<u>\$41,500,000</u>
Percent of Funds Internally Generated	<u>12.8%</u>	<u>48.4%</u>	<u>32.5%</u>

Southwest indicates in its application that it has historically utilized short-term borrowings for essentially the following purposes:

1. To augment working capital related to daily and seasonal operations during periods when disbursements exceed receipts and
2. To fund construction requirements which exceed the amount of funds generated internally.

Southwest believes that these factors combine to make the 5% limitation excessively restrictive for its requirements and believes it needs the greater flexibility to finance its needs with short-term financing. It does not expect to borrow short-term

indebtedness in excess of 20% of its total long-term and permanent capitalization at any one time.

Southwest's capital ratios as of June 30, 1984 are shown below recorded and as adjusted to give pro forma effect to the transactions that follow:

	<u>June 30, 1984</u>	<u>Pro Forma</u>
Long-Term Debt	44.8%	52.2%
Short-Term Debt	<u>2.4</u>	<u>16.7</u>
Total Debt	47.2%	68.9%
Preferred/Preference Stock	8.4	4.6
Common Equity	<u>44.4</u>	<u>26.5</u>
Total	100.0%	100.0%

1. The sale of authorized but unissued commercial paper and/or notes payable to banks up to \$130,000,000 aggregate principal amount through an intermediate-term credit facility (Decision (D.) 84-07-010 dated July 5, 1984 in Application (A.) 84-03-091):
2. The sale of additional shares of Common Stock, \$1 par value, authorized but unissued and anticipated to produce net proceeds of \$11,500,000 at \$11.50 per share (D.84-09-018 dated September 6, 1984 in A.84-06-094); and
3. The proposed issuance of short-term indebtedness to produce net proceeds of \$77,500,000 and the payment of the current short-term indebtedness outstanding amounting to \$6,000,000 as of June 30, 1984.

The Commission's Evaluation and Compliance Division has reviewed Southwest's 1984, 1985, and 1986 construction program and finds that the sale of Southwest's short-term indebtedness is necessary to fund the planned construction expenditures. We are not finding that the construction is necessary and reasonable nor that the expenditures are reasonable in amount. These are issues normally tested in general rate or rate base offset proceedings. Consistent with the authority granted to Southwest in D.92065 dated July 29, 1980 in A.59702, the authority granted by this decision should expire on June 30, 1987.

Findings of Fact

1. Southwest, a California corporation, operates as a public utility subject to the jurisdiction of this Commission.
2. The proposed issuance of short-term indebtedness would be for proper purposes.
3. Southwest has need for short-term funds for the purposes set forth in the application.
4. The time limit of two to three years in which the Commission's authority can be exercised is reasonable and in the public interest.
5. The money, property, or labor to be procured, or paid for, by the short-term indebtedness is reasonably required for the purposes specified in the application.

Conclusions of Law

1. A public hearing is not necessary.
2. The application should be granted to the extent set forth in the order which follows.

The action taken herein shall not be construed as indicative of amounts to be included in ratesetting proceedings nor as indicative of the action the Commission would take on an application or applications for permanent financing.

The following order shall be effective on the date of signature and payment of the fee set by PU Code Section 1904(b) to enable Southwest to issue its short-term indebtedness expeditiously.

O R D E R

IT IS ORDERED that:

1. Southwest Gas Corporation (Southwest) may issue short-term obligations, on or after the effective date of this order, evidenced by promissory notes and/or other instruments issued and reissued from time to time, not to exceed \$77,500,000 including the amount allowable under PU Code Section 823(c). This authority shall remain in effect through June 30, 1987 and will cover renewals, extensions, or replacements thereof.
2. Southwest shall apply the net proceeds from its short-term indebtedness for the purposes set forth in the application.

3. Within ten business days after the execution of bank notes or credit agreements and/or any renewals, extensions, replacements, or modifications thereof, Southwest shall file a true copy of each agreement with this Commission.

4. The application is granted as set forth above.

5. This order shall become effective when Southwest pays \$8,783, the fee set by PU Code Sections 1904(b) and 1904.2. In all other respects, this order is effective today.

Dated NOV 7 1984 at San Francisco, California.

VICTOR CALVO  
PRISCILLA C. GREW  
DONALD VIAL  
WILLIAM T. BAGLEY  
Commissioners

I CERTIFY THAT THIS DECISION  
WAS APPROVED BY THE ABOVE  
COMMISSIONERS TODAY.

*Joseph E. Bodovitz*  
Joseph E. Bodovitz, Executive Director

