

EC/CFF

Decision 87 19 070 OCT 28 1987**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)	
of SOUTHWEST GAS CORPORATION for)	
Authority to Establish an Inter-)	Application 84-03-091
mediate Term Credit Facility to Issue)	(Filed March 30, 1984,
and Sell Commercial Paper Notes and/or)	amended April 18, 1984
Notes Payable to Banks and Issue and)	and April 26, 1984;
Sell Preferred or Preference Stock not)	Petition for Modification,
to Exceed \$130 Million in Aggregate)	Filed August 18, 1987)
Outstanding Principal Amount.)	
(U-905-G))	

SUPPLEMENTAL OPINIONSummary of Decision

This decision grants Southwest Gas Corporation (Southwest) the authority requested in the petition for modification of Decision (D.)84-07-010.

In D.84-07-010 dated July 5, 1984 in Application (A.)84-03-091, as amended, Southwest was authorized by the Commission, among other things, to establish an intermediate-term credit facility (Credit Facility), and to issue commercial paper notes and/or notes payable to banks in an aggregate principal amount not to exceed \$130,000,000.

Under the authority granted by D.84-07-010, Southwest has issued and there still remains outstanding a \$50,000,000 Euro-dollar Credit Facility, which has terms of seven consecutive maturity dates payable in equal amounts from July 11, 1988 to July 11, 1991, an authorization good for seven years from the effective date of D.84-07-010 or July 5, 1984.

Southwest, in its petition for modification of D.87-07-010 filed on August 18, 1987, requests a three-year extension of time for the \$50,000,000 Eurodollar Credit Facility, to permit a final maturity date of July 11, 1994. A copy of the Credit Facility agreement is attached to the petition for modification as Exhibit A.

Notice of the filing of the petition for modification appeared on the Commission's Daily Calendar of August 20, 1987. No protests have been received.

Southwest states in the petition for modification that it has a continuing need for new capital. During calendar years 1987 through 1989, Southwest anticipates construction expenditures of approximately \$295,000,000. External funds will be required in the amount of approximately \$155,000,000. In order to provide for its capital requirements, Southwest has separately filed A.87-09-007 with the Commission requesting authority to issue not exceeding \$75,000,000 aggregate principal amount of new long-term debt. Included as part of its plan to obtain new capital, Southwest proposes to extend for three years the maturity dates of its existing \$50,000,000 Eurodollar Credit Facility.

Southwest's reasons for supporting the three-year extension of maturity dates of the \$50,000,000 Eurodollar Credit Facility are set forth in the petition for modification and in its letter of September 18, 1987 to the Commission's Evaluation and Compliance Division (E&C Division). The reasons given are summarized as follows: First, the Credit Facility is cost effective since the

company is being given three different borrowing alternatives. These alternatives are loans based on a LIBOR (London Interbank Offering Rate) interest rate, a CD (Certificate of Deposit) interest rate, or a domestically traded commercial paper interest rate. The benefit of having these alternatives is that one of the three interest rates will always be one percentage point or more below the published prime interest rate for a 90-day borrowing. Second, operationally the Credit Facility is flexible. The interest rates for each of the borrowing alternatives for any number of time periods can be obtained quickly by telephone. The decision as to where and when to borrow, the interest rate and the maturity date can be selected during the course of the telephone conversation. Operationally, this is a far more superior alternative to some borrowing arrangements which have seven-day written notice requirements. The same day telephone notice and loan funding allows the company to more precisely meet its borrowing needs. Finally, the Credit Facility allows the company to meet its corporate objectives of financial flexibility, long-term stability of a source of funds and a low cost of funds.

The E&C Division has reviewed Southwest's petition for modification of D.84-07-010 and has concluded that granting the company the three-year extension of time for the final maturity date of the outstanding \$50,000,000 Eurodollar Credit Facility is not unreasonable.

Findings of Fact

1. Southwest, a California corporation, operates as a public utility subject to the jurisdiction of this Commission.

2. The proposed three-year extension of time for the \$50,000,000 Eurodollar Credit Facility to permit a final maturity date of July 11, 1994, would be for a proper purpose and would not be adverse to the public interest.

3. There is no known opposition to the proceeding and no reason to delay granting the authority requested.

Conclusions of Law

1. A public hearing is not necessary.

2. The petition for modification should be granted to the extent set forth in the supplemental order that follows.

The following supplemental order should be effective on the date of signature to enable Southwest to implement the extension of time expeditiously.

SUPPLEMENTAL ORDER

IT IS ORDERED that:

1. Southwest Gas Corporation (Southwest), on or after the effective of this supplemental order and on or before July 31, 1994, is authorized a further three-year extension of time for the previously approved intermediate-term credit facility (Credit Facility), consisting of \$50,000,000 in Eurodollars, to permit a final maturity

date of July 11, 1994, as set forth in Southwest's petition for modification of Decision (D.)84-07-010 dated July 5, 1984, and filed with the Commission on August 18, 1987.


2. This supplemental order is effective today.

The petition for modification is granted as set forth above. In all other respects, D.84-07-010 remains in full force and effect.

Dated OCT 28 1987, at San Francisco, California.

STANLEY W. HULETT
President
DONALD VIAL
FREDERICK R. DUDA
G. MITCHELL WILK
JOHN B. OHANIAN
Commissioners

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


Victor Weisser, Executive Director