

Decision 92-05-016 May 8, 1992

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of SOUTHWEST GAS CORPORATION for Authority to issue one or more types or series of Debt Securities in the aggregate principal amount of up to \$100,000,000. (U 905 G)

ORIGINAL

Application 91-12-025 (Filed December 12, 1991)

In the Matter of the Application of SOUTHWEST GAS CORPORATION to extend the effectiveness of the Authority granted in Decision No. 91-06-023 to: (a) issue one or more types or series of Debt Securities in the aggregate principal amount of up to \$150,000,000; (b) issue and sell one or more series of Preferred and/or Preference Stock in the aggregate principal amount of up to \$50,000,000; (c) issue and sell up to 7,000,000 Shares of its \$1 par value Common Stock; and (d) enter into one or more Interest Rate Risk Management Contracts. (U 905 G)

O P I N I O N

Summary of Decision

This decision grants Southwest Gas Corporation (Southwest Gas) the authority requested in Application (A.) 91-12-025 (Application).

Southwest Gas requests authority, under Public Utilities (PU) Code Sections 816-818, 821, 830 and 851, for the following:

- 1. To issue or obtain Debt Securities the aggregate principal amount not to exceed \$100,000,000 through the issuance directly of one or more types of evidences of indebtedness, or indirectly through Clark County, Nevada or one or more other financing entities;

2. To extend the effectiveness of authority granted in Decision (D.) 91-06-023 to (a) issue one or more types or series of Debt Securities the aggregate principal amount not to exceed \$150,000,000; (b) issue one or more series of Preferred and/or Preference Stock the aggregate principal amount not to exceed \$50,000,000; (c) issue no more than 7,000,000 Shares of its Common Stock (Stock), par value \$1; and (d) enter into one or more Interest Rate Risk Management Contracts the aggregate principal amount not to exceed the outstanding balance of its floating interest rate Long-Term Debt Securities.

Notice of the filing of the Application appeared on the Commission's Daily Calendar of December 26, 1991. No protests have been received.

Background

Southwest Gas, a California corporation, operates as a public utility under the jurisdiction of this Commission. Southwest Gas is engaged in the business of distributing and selling natural gas in certain portions of San Bernardino County and Placer County, California. Southwest Gas is also engaged in the intrastate transmission, sale and distribution of natural gas as a public utility in certain portions of the states of Nevada and Arizona and is a "natural gas company", within the meaning of the Natural Gas Act, subject to the jurisdiction of the Federal Energy Regulatory Commission with respect to interstate transmission facilities and sales of natural gas for resale on its northern Nevada system.

For the twelve months ended September 30, 1991, Southwest Gas reports in Exhibit A attached to the Application that it generated total operating revenues of \$527,277,345, which were derived 12.1% from operations in California, 56.9% from Arizona, and 31% from Nevada; and a net loss of \$2,092,790.

Also submitted in Exhibit A is Southwest Gas' Balance Sheet as of September 30, 1991, which is summarized below:

<u>Assets</u>	<u>Amount</u>
Net Utility Plant	\$ 842,472,021
Other Property	173,303,869
Current and Accrued Assets	91,958,625
Deferred Debits	<u>60,075,295</u>
Total	\$1,167,809,810
 <u>Liabilities and Equity</u>	
Common Equity	\$ 314,561,137
Preferred/Preference Stock	28,832,000
Long-Term Debt	504,295,881
Current and Accrued Liabilities	167,915,690
Deferred Credits	<u>152,205,102</u>
Total	\$1,167,809,810

Debt Securities

Southwest Gas seeks authorization to issue Debt Securities in an aggregate principal amount not to exceed \$100,000,000, in one or more forms to be described below. Southwest Gas states that the precise amount and timing of each type of Debt Security, the market in and the method by which it would be issued, the principal amounts, maturities, the terms of redemption, repurchase security, other security, subordination and conversion provisions, rights, warrants, and the other terms and provisions, and the price and interest rate (which may be fixed, adjustable, variable or set by auction or remarketing or other rate setting procedures) would be determined by Southwest Gas, with due regard for its financial condition and requirements as well as prevailing and anticipated market conditions, including competing demands for funds, existing at the time of the sale.

Southwest Gas proposes that the Debt Securities may be issued directly as debentures, notes, bonds, loans or other evidences of indebtedness which may include, without limitation, commercial paper programs, bank loans, private placements with insurance companies or other borrowers, bankers' acceptances or other variable rate or fixed rate borrowing instruments which are or may become available in the capital markets. Such obligations may also be issued indirectly through Clark County, Nevada or one or more other financing entities. Each financing would be issued through the use of an indenture, bidding and offering document, purchase agreement, financing agreement, loan agreement, credit agreement, underwriting agreement, bond purchase agreement, noteholders agreement, or other documents and instruments customary for the financing method selected by Southwest Gas.

Southwest Gas may have the opportunity to issue securities under the aegis of governmental agencies (Agency) by unconditionally guaranteeing or otherwise securing such Agencies' obligations in respect to its issuance of tax-exempt debt in connection with the financing of Southwest Gas' facilities. Southwest Gas anticipates using the tax-exempt option whenever its facilities qualify for tax-exempt financing under federal law and such financing is available on terms more favorable than those available for taxable financings. Southwest Gas currently contemplates that such financing would require it to enter into a loan agreement and/or a guarantee arrangement with the Agencies concurrently with the sale and issuance of such securities.

The following is a general description of the types of Debt Securities which Southwest Gas may issue:

A. Bonds or Debentures

Debt Securities which may be sold either domestically or in foreign capital markets, may be publicly offered or sold privately, and may have fixed or variable rates of interest

(including interest rates based upon market indices or interest rates set by auction or remarketing or other rate setting procedures) and may be issued in secured, senior or subordinated form. Such securities would be issued in accordance with an indenture, purchase agreement or other document that would set forth the aggregate principal amount, interest rate or rates, maturities, default and other material provisions and may provide for the conversion into, or the issuance of warrants or rights with respect to Preferred Stock, Preference Stock or Common Stock to the extent authorized to be issued in this decision.

B. Notes

Notes may be offered on a continuous or fixed period basis. Maturities for such Notes generally range from nine months to fifteen years, although they can extend as long as thirty years. Notes may be sold in public or private offerings, with fixed or floating rates, in senior or subordinated form. Notes are generally sold on a best-efforts or agency basis, and can be tailored to an investor's specific maturity requirements.

C. Loans

Southwest Gas may, from time to time, borrow directly from banks (bank loan) or directly from insurance companies or other financial institutions by private placement (private placement) of notes or other forms of indebtedness. Southwest Gas intends to use borrowings of this nature in order to obtain funds at competitive rates and attractive terms and to increase its financial flexibility. Loans and indebtedness incurred in the private placement market may have fixed or variable interest rates (including interest rates based upon market indices or interest rates set by auction or remarketing or other rate setting procedures) and may be issued in secured, senior or subordinated form. Bank loans and private placements vary from one year to thirty years in maturity. Bank loans and private placements will be issued in accordance with an indenture, credit agreement, loan

agreement, noteholders agreement, purchase agreement, or other borrowing documents that would set forth the aggregate principal amount, interest rate or rates, sinking fund payments, maturities, extensions of maturities, events of default, covenants of the borrower and other material provisions.

D. Other Floating Rate Debt

This type of debt would include, but is not limited to, bankers' acceptances, commercial paper programs, and other short-term variable rate instruments which are or may become available in the capital markets.

Preferred/Preference Stock

Southwest Gas proposes to obtain equity capital by the issuance and sale of new series of its Preferred and/or Preference Stock from time to time through one or more public offerings or private placements.

The proposed sale of Preferred and/or Preference Stock would be issued through the offering and sale of such shares to the public through either negotiated underwritings or by private placements with institutional or other investors. The sale or sales would be made in one or more series or one or more issues and would result in Southwest Gas receiving equity capital in an aggregate amount not exceeding \$50,000,000.

Southwest Gas states that the precise amount and timing of each offering and sale of one or more series of Preferred and/or Preference Stock, the method of sale, the price, the dividend rate (which may be fixed, adjustable, variable or set by auction, remarketing procedures or other rate setting procedures), dividend period, the liquidation preference and other rights, preferences, privileges and restrictions to be granted to or upon such shares (including redemption, repurchase and sinking fund provisions, if any) have not yet been determined and would be established prior to the offering and sale by Southwest Gas with due regard for its

financial condition and requirements and the then prevailing and anticipated market conditions. The Preferred and/or Preference Stock may be convertible into or contain warrants or rights to purchase additional shares of Preferred Stock, Preference Stock or Common Stock to the extent authorized to be issued in this decision.

The offering and sale of Southwest Gas' Preferred and/or Preference Stock would be made through the use of purchase and underwriting agreements and other documents and instruments customary for issuance of such stock by the method selected by Southwest Gas.

The Commission Advisory and Compliance Division (CACD) has analyzed this Application and recommends that the following limitations be placed on Southwest Gas in relation to Preferred and/or Preference Stock which contains Adjustable Dividend Rates:

1. Reports

- a. Within fifteen days of issuing Preferred and/or Preference Stock which contain Adjustable Dividend Rates, Southwest Gas shall furnish to CACD a report analyzing all costs associated with the issuance of the Preferred and/or Preference Stock with Adjustable Dividend Rates in comparison to a projection of the all-in cost without the Adjustable Dividend Rates.
- b. Within 45 days of issuing Preferred and/or Preference Stock with Adjustable Dividend Rates, Southwest Gas shall provide CACD with complete copies of any and all associated documentation.

2. Limit on Rate Recovery

- a. If Southwest Gas elects to terminate a contract in which it agrees to issue Preferred and/or Preference Stock with Adjustable Dividend Rates before the consummation of the contract or the other party(s) terminates the contract, all costs associated with the termination shall be subject to review in Southwest Gas' next cost of capital proceeding.

3. Limit on Amount of Agreements

- a. Issuances of Preferred and/or Preference Stock which contain Adjustable Dividend Rates shall not exceed more than 40% of Southwest Gas' total Preferred/Preference Stock outstanding at any one time.

The Commission has considered CACD's recommendations and, finding them reasonable, will adopt them as stated above.

Southwest Gas is placed on notice, by this decision, that the Commission will review the reasonableness of the effective dividend rates for the issuance of Preferred and/or Preference Stock containing Adjustable Dividend Rates in conjunction with Southwest Gas' next cost of capital proceeding. Any reductions in the effective cost of money resulting from Preferred and/or Preference Stock issued with Adjustable Dividend Rates will be passed on to Southwest Gas' ratepayers in future cost of capital proceedings as a reduction of the cost of money for all Preferred and/or Preference Stock in Southwest Gas' capital structure.

Common Stock

Southwest Gas proposes to obtain additional equity capital by the issuance and sale of shares of its \$1 par value Common Stock from time to time through one or more public offerings.

The proposed sale of Common Stock would be by means of a private placement or by registered underwritten public offering or offerings. The sale or sales would be made at any time or from time to time and would result in the issuance of shares of Common Stock not to exceed 7,000,000 shares. The sale of such shares, based on the current price of Southwest Gas' Common Stock (\$11 per share as of the date the Application was filed), would provide Southwest Gas with additional equity capital of approximately \$77,000,000.

Southwest Gas states that the precise number and timing of each offering and sale has yet to be determined and would be established prior to issuance with due regard to Southwest Gas' financial condition and requirements and then prevailing and anticipated market conditions.

The offering and sale of Southwest Gas' \$1 par value Common Stock would be made through the use of underwriting agreements and other documents customary for the issuance of Common Stock. The Common Stock may be issued with rights or warrants to purchase additional shares of Preferred Stock, Preference Stock or Common Stock to the extent authorized to be issued in this decision.

Interest Rate Contracts

Southwest Gas requests that the Commission grant Southwest Gas the authority to enter into one or more contracts for the purposes of managing interest rate risk (Interest Rate Contracts). Such Interest Rate Contracts include interest rate swap agreements, interest rate cap agreements, interest rate floor agreements and interest rate collar agreements. Southwest Gas anticipates the use of such agreements in connection with its outstanding variable interest rate Debt Securities (including Debt Securities with interest rates based upon the prime rate or other market indices set by auction, remarketing or other procedures for

resetting interest rates). The following is a description of the different types of Interest Rate Contracts.

A. Interest Rate Swap Agreements

Southwest Gas describes Interest Rate Swap Agreements (Swap) as involving the exchange of a series of interest rate payments between two parties based on a notional amount for a specific period of time. In such an exchange, one party may swap floating rate payments based on a specific index and in exchange pay a specified fixed rate for the term of the Swap. Southwest Gas states that it does not anticipate the use of such agreements as a means of exchanging its long-term fixed rate interest payments for additional floating rate interest payments.

CACD recommends that the following restrictions and limitations shall be placed on Southwest Gas in relation to Swaps:

1. Reports

- a. Within fifteen days of entering into a Swap, Southwest Gas shall furnish to CACD a report comparing the all-in cost of the Swap with the all-in cost of money without a Swap.
- b. In addition, Southwest Gas shall submit a semiannual report to CACD showing all Swap receipts and payments. This report would only be filed for periods during which a Swap is outstanding.
- c. Within 45 days of entering into a Swap, Southwest Gas shall provide CACD with a complete copy of the executed agreement and all associated documentation.
- d. Southwest Gas shall separately report all interest income and/or expenses arising from all Swaps in all monthly and annual financial reports to the Commission.

2. Limit on Rate Recovery

- a. If Southwest Gas elects to terminate the Swap before the original maturity or the Swap partner terminates the Swap, all costs associated with the termination shall be subject to review in Southwest's next cost of capital proceeding.

3. Limit on Amount of Swaps

- a. Swaps shall not exceed the outstanding amount of Southwest Gas' floating interest rate Long-Term Debt Securities.

The Commission has considered CACD's recommendations and, finding them reasonable, will adopt them as stated above.

Southwest Gas is placed on notice that the Commission will review the reasonableness of the effective interest rates for Swaps issued by Southwest Gas in the utility's next cost of capital proceeding. Any reductions in the effective cost of money resulting from Swap transactions will be passed on to ratepayers in future cost of capital proceedings as a reduction of the cost of money for all Debt Securities in Southwest Gas' capital structure.

B. Interest Rate Caps, Floors and Collars

Other types of Interest Rate Contracts are used to modify the maximum and/or minimum rates paid on variable interest rate debt. An interest rate cap is similar to an option whereby the issuer of the variable rate debt pays a premium in order to gain protection from interest rates rising above the rate specified in the agreement for the term of the cap. An interest rate floor is similar to an option whereby the issuer of such debt receives a premium and in exchange agrees to pay a minimum rate should a specified interest rate index fall below the minimum rate during the term of the agreement. An interest rate collar is a combination of an interest rate cap and an interest rate floor.

Exemption From Competitive Bidding

Ordering Paragraph 6 of Commission Resolution P-616, dated October 16, 1986, in regards to the Commission's Competitive Bidding Rule, states that "The rule is only applicable to utilities with bond ratings of 'A' or higher." Standard & Poor's March 1992 Bond Guide indicates that Southwest Gas is rated 'BBB-'. Therefore, based on its Standard & Poor's rating, Southwest Gas would be exempt from the requirements of the Commission's Competitive Bidding Rule.

Capital Ratios

Southwest Gas' capital ratios reported in its Supplementary Data to the Commission and taken on September 30, 1991, are shown below as recorded and adjusted to give pro forma effect to the transactions that follow:

<u>Component</u>	<u>September 30, 1991</u>	<u>Pro Forma</u>
Long-Term Debt	56.9	59.6%
Short-Term Debt	<u>4.3</u>	<u>-0-</u>
Total Debt	61.2%	59.6%
Preferred/Preference Stock	3.3	6.8
Common Equity	<u>35.5</u>	<u>33.6</u>
Total	100.0%	100.0%

1. The issuance of 7,000,000 shares of Southwest Gas' Common Stock, par value \$1, authorized but unissued (D.91-06-23 dated June 5, 1991, in A.91-03-010), estimated to produce net proceeds of \$77,000,000 at the assumed price of \$11 per share.

2. The issuance of \$50,000,000 Preferred or Preference Stock, authorized by D.91-06-023 but unissued.
3. The issuance of \$130,000,000 of Long-Term Debt Securities, authorized by D.91-06-023 but unissued.
4. The issuance of \$100,000,000 of Long-Term Debt Securities as requested in this Application.
5. The use of \$40,000,000 described in (4.) above for the scheduled repayment of a bank term facility due in 1992.
6. The use of \$38,000 described in (4.) above to retire short-term debt outstanding as of September 30, 1991.

Southwest Gas is placed on notice by this decision that the Commission does not find that its capital ratios or the inclusion of short-term debt in its capital structure are necessary or reasonable for ratemaking purposes. These issues are normally tested in general rate cases or cost of capital proceedings.

Construction Budget

Southwest Gas' estimated construction budget for calendar year 1992 is approximately \$89,000,000. Major classifications of the total budgeted construction, as shown in Exhibit B attached to the Application, are summarized as follows:

<u>Item</u>	<u>Amount</u>
Intangible Plant	\$ 496,553
Manufacturing Gas	
Production Plant	402,498
Other Storage Plant	65,973
Transmission Plant	23,322,403
Distribution Plant	58,339,825
General Plant	3,375,699
Overheads	6,106,085
Retirement Work in Progress	<u>2,050,251</u>
Total	\$94,159,287
Less: Plant Retirements	5,128,730
Funds Used/Required for Construction Expenditures	\$89,030,557

CACD has reviewed Southwest Gas' construction program for 1992 and has concluded that Southwest Gas' proposed issuance of Debt Securities, Preferred and/or Preference Stock, and Common Stock as requested in the Application are necessary and reasonable. However, Southwest Gas is placed on notice by this decision that the Commission does not find that Southwest Gas' construction budgets are necessary or reasonable for ratemaking purposes. These issues are normally tested in general rate cases or rate base offset proceedings.

Cash Requirements Forecast

Southwest Gas' cash requirements for 1992, 1993, and 1994, provided in Exhibit B, are shown as follows:

<u>Components</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>
	(Thousands of Dollars)		
Funds Needed for Construction Expenditures	\$ 89,000	\$ 90,000	\$ 90,000
Maturities of Long-Term Debt	45,000	5,000	45,000
Maturities of Preferred/ Preference Stock	7,258	7,258	4,058
Short-Term Debt Outstanding at the Beginning of Year	<u>80,000</u>	<u>-0-</u>	<u>-0-</u>
Subtotals	\$221,258	\$102,258	\$139,058
Less: Estimated Internal Cash Generation	<u>75,000</u>	<u>85,000</u>	<u>85,000</u>
Additional Funds Required from External Sources	\$146,258	\$ 17,258	\$ 54,058

CACD has analyzed Southwest Gas' cash requirements forecast for 1992, 1993 and 1994. CACD has concluded that internally generated funds would provide \$75,000,000 or 33.9% of Southwest Gas' cash requirements in 1992 and \$85,000,000 or 83.1% in 1993 and \$85,000,000 or 61.1% in 1994. CACD concludes that the proposed issuance and sale of Southwest Gas' Debt Securities, Preferred and/or Preference Stock, and Common Stock is necessary to help meet forecasted cash requirements which include capital expenditures.

CACD has reviewed the Application and has concluded that the proposed issuance of Debt Securities, Preferred and/or Preference Stock, and Common Stock is reasonable and that the authority should be granted. The Commission has considered CACD's recommendations and, finding them reasonable, will adopt them as stated above.

Use of Proceeds

Southwest Gas seeks authority to issue up to \$100,000,000 of Debt Securities in addition to the existing authority granted to

it in D.91-06-023. Southwest Gas also seeks authority to modify its existing authorization by extending its effectiveness through December 31, 1994.

Pursuant to D.91-06-023, Southwest Gas was authorized to issue up to \$150,000,000 of Debt Securities; \$50,000,000 of Preferred and/or Preference Stock; 7,000,000 shares of \$1 par value Common Stock; and, to enter into one or more Interest Rate Risk Management Contracts. The authority is granted through December 31, 1992. Southwest Gas has yet to use any of that authority. Southwest Gas states that it intends to use portions of those authorized financings in conjunction with the new authorization requested in the Application within the next two-year period. To facilitate the use of the existing authority, Southwest Gas requests that the authority granted in D.91-06-023 be extended to match the authorization period Southwest Gas is requesting for the Debt Securities of up to \$100,000,000 sought in this Application, that being through December 31, 1994.

Southwest Gas states that it intends to apply the net proceeds from the proposed Debt Securities, Preferred and/or Preference Stock, and Common Stock to reimburse its treasury for capital expenditures and retirement of all or part of Southwest Gas' then outstanding short-term bank loans, commercial paper, and current portion of long-term debt and preference stock sinking fund requirements or redemption (including premiums, if any required in connection with the above) and to refund debt obligations and/or equity securities required to be acquired through repurchase or otherwise.

During calendar years 1992 through 1994, Southwest Gas anticipates construction expenditures of approximately \$269,000,000. During this period, Southwest Gas estimates it will have approximately \$113,574,000 of Long-Term Debt and Preferred and Preference Stock subject to retirement or sinking fund payments.

Southwest Gas states that it intends to issue \$50,000,000 of new Industrial Development Revenue Bonds (IDRB) and also to issue Notes through a private placement in the aggregate principal amount not to exceed \$80,000,000. Southwest Gas states the private placement proceeds are to replace \$40,000,000 of bank debt maturing October 1, 1992, and to pay down short-term borrowings. In the aggregate, Southwest Gas anticipates the IDRB and the private placement to total \$130,000,000 of Long-Term Debt.

Southwest Gas states that it intends to use its combined authority to issue up to \$100,000,000 of indebtedness as a result of extending the maturity of an existing 364-day committed working capital facility to eighteen months. In order to extend this existing facility beyond one year, Commission authorization is required.

Southwest Gas continuously monitors the capital markets for efficient funding opportunities to issue Preferred and/or Preference Stock or Common Stock. While Southwest Gas has no immediate plans to enter these markets, it seeks to extend the authorization granted in D.91-06-023 in order to have the flexibility to enter these markets at the appropriate time.

CACD has reviewed Southwest Gas' proposed use of proceeds and has concluded that they are reasonable and that the authority should be granted. The Commission has considered CACD's recommendations and, finding them reasonable, will adopt them as stated above.

Findings of Fact

1. Southwest Gas, a California Corporation, operates as a natural gas utility subject to the jurisdiction of this Commission.
2. Southwest Gas has need for external funds as set forth in the Application.

3. The issuance of the proposed Debt Securities, Preferred and/or Preference Stock, and Common Stock is for proper purposes.

4. The money, property or labor to be procured, or paid for, by the proposed Debt Securities, Preferred and/or Preference Stock, and Common Stock are required for the purposes specified in the Application.

5. The use of Interest Rate Risk Management Contracts (Interest Rate Contracts) including interest rate swaps, caps, floors, and collars under appropriate circumstances is reasonable.

6. It is proper for ratemaking purposes that any reduction in the effective cost of money resulting from Interest Rate Contracts including interest rate swaps, caps, floors and collars be passed on to ratepayers in future cost of capital proceedings as a reduction in the cost of money for all Debt Securities.

7. It is proper for ratemaking purposes that any losses resulting from Interest Rate Contracts including interest rate swaps, caps, floors, and collars will not be passed on to ratepayers in future rate proceedings as an increase in the cost of money for all Debt Securities.

8. Southwest Gas is exempt from the Commission's Competitive Bidding Rule due to its present bond rating.

9. Southwest Gas' intention to extend the maturity of an existing 364-day committed working capital facility to eighteen months with up to \$100,000,000 of indebtedness is reasonable.

10. Southwest Gas and its shareholders are placed on notice by this decision that the number of shares outstanding, the total par or book value of these shares and the dividends paid do not determine the allowable return on plant investment. This authorization is not a finding of the value of Southwest Gas' stock or property, nor does it indicate the amounts to be included in rate setting procedures.

11. Southwest Gas is placed on notice by this decision that the Commission does not find that Southwest Gas's capital ratios or the inclusion of short-term debt in its capital structure is necessary or reasonable for ratemaking purposes. These are issues normally tested in general rate cases or cost of capital proceedings.

12. Southwest Gas is placed on notice by this decision that the Commission does not find that Southwest Gas' construction budgets are necessary or reasonable for ratemaking purposes. These are issues normally tested in general rate cases or rate base offset proceedings.

13. There is no known opposition and there is no reason to delay granting the authority requested.

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.
3. The proposed Debt Securities, Preferred and/or Preference Stock, and Common Stock are for lawful purposes and the money, property or labor to be obtained by them are required for these purposes. Proceeds from the Debt Securities, Preferred and/or Preference Stock, and Common Stock may not be charged to operating expenses or income.
4. Southwest Gas has paid the fee set by Public Utilities Code Sections 1904(b) and 1904.1.
5. The following order should be effective on the date of signature to enable Southwest Gas to proceed expeditiously with the sale of its Debt Securities.

O R D E R

IT IS ORDERED that:

1. At any time or times after the effective date of this order and on or prior to December 31, 1994, Southwest Gas Corporation (Southwest Gas) is authorized to do the following:

a. To issue, sell and deliver Debt Securities the aggregate principal amount not to exceed \$100,000,000 through the issuance directly of one or more types of evidences of indebtedness, including, without limitation, debentures, bonds, notes, loans, commercial paper programs, bankers' acceptances and other short-term variable rate instruments which are or may become available in the capital markets, or indirectly through Clark County, Nevada or one or more other financing entities;

b. To determine the precise amount and timing of each such financing, the market in and method by which each is issued, the principal amounts and maturities and, if any, the terms of redemption, repurchase security, other security, subordination and conversion provisions, rights, warrants and the other terms and provisions and the price and interest rate (which may be fixed, adjustable, variable or set by auction or remarketing or other rate setting procedures) of the borrowings and of any related securities or in connection with, and in the manner set forth in Application (A.) 91-12-025 (Application);

2. The authority granted in this decision shall be in addition to the existing authority granted Southwest Gas in Decision (D.) 91-06-023 dated June 5, 1991, in A.91-03-010. The existing and unissued authorization under D.91-06-023, cited in

Ordering Paragraphs 2.a. through 2.f. below, is modified by an extension in its effectiveness through December 31, 1994.

- a. To issue, sell and deliver Debt Securities the aggregate principal amount not to exceed \$150,000,000 through the issuance directly of one or more types of evidences of indebtedness, including, without limitation, debentures, bonds, notes, loans, commercial paper programs, bankers' acceptances and other short-term variable rate instruments which are or may become available in the capital markets, or indirectly through Clark County, Nevada or one or more other financing entities;
- b. To determine the precise amount and timing of each such financing, the market in and method by which each is issued, the principal amounts and maturities and, if any, the terms of redemption, repurchase security, other security, subordination and conversion provisions, rights, warrants and the other terms and provisions and the price and interest rate (which may be fixed, adjustable, variable or set by auction or remarketing or other rate setting procedures) of the borrowings and of any related securities or in connection with, and in the manner set forth in the Application;
- c. To issue, sell and deliver one or more series of Preferred and/or Preference Stock by public offering or private placement, the aggregate principal amount not to exceed \$50,000,000;
- d. To determine the precise amount and timing of each series of its Preferred and/or Preference Stock, the method of sale, the dividend rate (which may be fixed, adjustable, variable or set by auction or procedures), dividend period, the liquidation preference, conversion rights, warrants and other rights, preferences, privileges and restrictions to be granted to or upon such shares (including

redemption, repurchase and sinking fund provisions, if any) and the price; and of any other series of Preferred Stock, Preference Stock or Common Stock issuable upon conversion or upon the exercise of any related rights or warrants;

- e. To issue, sell and deliver up to but not exceeding 7,000,000 shares of its \$1 par value Common Stock by public or private offering or upon the exercise of conversion rights or other rights or warrants related to any other securities authorized to be issued;
- f. To enter into Interest Rate Risk Management Contracts (Interest Rate Contracts) involving its floating interest rate Long-Term Debt Securities.

3. Southwest Gas may issue, sell, and deliver Debt Securities by public offering or private placement.

4. Southwest Gas' proposed issuance and sale of Debt Securities is exempted from the requirements of the Commission's Competitive Bidding Rule.

5. Southwest Gas shall apply the proceeds of the indebtedness authorized for the purposes specified in the Application.

6. Southwest Gas may enter into Interest Rate Risk Management Contracts (Interest Rate Contracts) as described in the Application. Southwest Gas is limited to the aggregate principal amount of \$150,000,000 in outstanding Interest Rate Contracts involving its Long-Term Debt Securities at any one time.

7. Within thirty days after awarding the contract for the sale of Debt Securities by competitive bidding, Southwest Gas shall submit a written report with the Commission Advisory and Compliance Division (CACD) showing for each bid received, the name of the bidder, the price, the interest rate and the cost of money to Southwest Gas based on the price and interest rate.

8. If the Debt Securities are sold by means of a public offering, Southwest Gas shall submit to CACD three copies of its final prospectus pertaining to the Debt Securities, as soon as practicable, after the prospectus is available.

9. Within thirty days after the issuance and sale of any series of Debt Securities by means of negotiated underwritten public offerings or negotiated private placements, including commercial bank borrowings, in either the domestic or foreign markets, Southwest Gas shall submit to CACD a report showing why the resulting interest rate and cost of money were the most advantageous to Southwest Gas and its ratepayers.

10. Southwest Gas shall submit copies to CACD of all Interest Rate Contracts and other related reports as described in this decision.

11. Southwest Gas shall submit copies to CACD of all reports regarding issues of Preferred and/or Preference Stock which contain dividend rates that may be adjustable, variable or set by auction, remarketing procedures or other rate setting procedures as described in this decision.

12. Southwest Gas shall file the reports required by General Order 24.

13. Southwest Gas shall submit an original and four copies of the reports required by Ordering Paragraphs 7 through 12 to CACD with a transmittal letter stating the Application and decision numbers. Parties need not be served with copies of the reports unless they request such service in writing. When service is made on parties who request copies of the report, Southwest Gas shall attach to its report a certificate showing service by mail upon all those requesting copies. The Director of CACD shall send the original and one copy of each report to the Docket Office for filing.

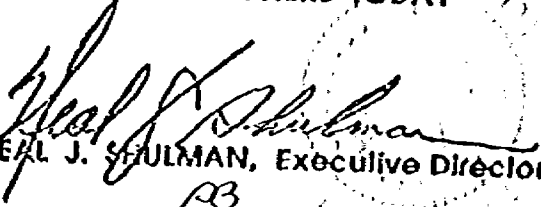
14. The Application is granted as set forth above.

The authority granted by this order to issue Debt Securities, Preferred and/or Preference Stock and Common Stock is effective today as Southwest Gas has previously paid the fee of \$12,050.00 set by Public Utilities Code Sections 1904(b) and 1904.1. In all other respects, this Order is effective today.

Dated May 8, 1992, at San Francisco, California.

DANIEL Wm. FESSLER
President
JOHN B. OHANIAN
PATRICIA M. ECKERT
NORMAN D. SHUMWAY
Commissioners

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


NEAL J. SCHULMAN, Executive Director
RB