

ORIGINAL

Decision 82 07 088 JUL 21 1982

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 500,000 Shares of its Stock)
to its Customer Stock Purchase)
Plan.)

Application 82-05-59
(Filed May 24, 1982)

O P I N I O N

Southwest Gas Corporation (Southwest) requests authority, under Public Utilities (PU) Code Sections 816 through 830, to issue and sell up to 500,000 additional shares of its Common Stock, \$1 par value, under its Customer Stock Purchase Plan (Plan).

Notice of the filing of the application appeared on the Commission's Daily Calendar of May 27, 1982. 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.

In its Income Statement for the 12 months ended March 31, 1982, Southwest reports it generated total operating revenues of \$444,160,309 and net income of \$11,630,807, shown as part of Exhibit B, attached to the application. Southwest reports it derived 7.1% of its operating revenues from the State of California.

Southwest's Balance Sheet of March 31, 1982, also shown as part of Exhibit B, is summarized as follows:

<u>Assets</u>	<u>Amount</u>
Net Utility Plant	\$290,616,485
Other Property and Investments	5,478,148
Current and Accrued Assets	61,163,911
Deferred Debits	<u>8,286,471</u>
Total	\$365,545,015
<u>Liabilities and Equity</u>	
Common Equity	\$ 91,217,992
Preferred/Preference Stock	23,100,000
Long-Term Debt	105,685,957
Construction Trust Financing	29,705,385
Current and Accrued Liabilities	99,817,225
Deferred Credits	<u>16,018,456</u>
Total	\$365,545,015

Use of Proceeds

According to the application, Southwest has need to periodically sell its equity securities in order to reduce or repay its short-term borrowings, to raise additional capital funds for its construction program, and to pay for additional capital improvements to its facilities.

Southwest is engaged in an extensive utility construction program and estimates the gross expenditures required for this construction program for the years 1982 and 1983 will be about \$61,400,000 and \$50,800,000, respectively, estimated as of April 1981 and summarized as follows:

<u>Purpose</u>	<u>1982</u>	<u>1983</u>
LNG - Northern Nevada	\$10,200,000	\$ 0
Mainline - Northern Nevada	22,800,000	0
Pataya Project	0	9,300,000
Headquarters Building	900,000	0
Office Building - Tucson	0	4,000,000
Nonproject Construction	25,000,000	35,500,000
EII - Net Expenditures	<u>2,500,000</u>	<u>2,000,000</u>
Total	\$61,400,000	\$50,800,000

The Commission's Revenue Requirements Division has reviewed the application and Southwest's 1982 and 1983 construction program and has concluded that the estimated construction expenditures are necessary. The Division has no objection to the proposed security issue specified in the application but reserves the right to reconsider the reasonableness of any specific construction expenditure in future rate proceedings.

Southwest's capital ratios as of March 31, 1982, and as adjusted to give pro forma effect to the proposed issuance and sale of up to 500,000 additional shares of its common stock, \$1 par value, at an assumed price of \$9 per share to produce net proceeds of \$4,500,000 under Southwest's Plan, are as follows:

	<u>March 31, 1982</u>	<u>Pro Forma</u>
Long-Term Debt	35.8%	35.8%
Construction Trust Liability	10.1	10.1
Short-Term Debt	<u>15.4</u>	<u>9.8</u>
Total Debt	61.3	55.7
Preferred/Preference Stock	7.8	11.9
Common Stock Equity	<u>30.9</u>	<u>32.4</u>
Total	100.0%	100.0%

Southwest proposes to issue and sell 500,000 additional shares of its Common Stock, \$1 par value, estimated to produce net proceeds of \$4,500,000. No significant issuance expenses and no underwriting commissions are applicable because the periodic sales, as are contemplated, will be direct sales of common stock by Southwest to the participants in the Plan. The price of the common stock to the Plan (and the proceeds to Southwest) will depend upon the New York Stock Exchange (NYSE) prices of the common stock and the pricing formula established in the Plan.

The Plan provides Southwest a low-cost means of increasing common equity because there are no associated underwriting fees.

The Plan is designed to encourage systematic investment in the common stock of Southwest by its retail, nongovernmental customers. It provides the opportunity for these customers to become stockholders of the corporation and strengthen their direct interest in the progress and success of Southwest.

The Commission's Revenue Requirements Division has analyzed Southwest's cash requirement forecast for 1982 and 1983 provided the Commission in Supplemental Data and has concluded that internally generated funds will provide about 29% of the capital expenditures for 1982 and about 44% of the capital expenditures for 1983. The Division has concluded that the proposed issuance of common stock is necessary to help Southwest meet its forecasted cash requirements.

Findings of Fact

1. Southwest, a California corporation, operates under the jurisdiction of this Commission.
2. The proposed sale of Southwest's common stock under the Plan would be for proper purposes.
3. Southwest has need for external funds for the purposes set forth in the application.
4. The money, property, or labor to be procured or paid for by the sale of the common stock is reasonably required for these purposes.

5. There is no known opposition to this proceeding and 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.

In issuing our order, we place Southwest and its shareholders on notice that we do not regard the number of shares outstanding, the total par value of the shares, or the dividends paid as measuring the return it should be allowed to earn on its investment in plant. This authorization is not a finding of the value of Southwest's stock or properties, or indicative of amounts to be included in proceedings for the determination of just and reasonable rates.

The following order should be effective on the date of signature and payment of the fee set by PU Code Section 1904.2 to enable Southwest to proceed with its Plan expeditiously.

O R D E R

IT IS ORDERED that:

1. Southwest Gas Corporation (Southwest), on or after the effective date of this order, may issue and sell up to 500,000 additional shares of its Common Stock, \$1 par value, under its Customer Stock Purchase Plan (Plan) in the manner set forth in the application.

2. Southwest shall apply the net proceeds from the sale of the common stock to the purposes set forth in the application.

3. As soon as available, Southwest shall file with the Commission three copies of its final prospectus pertaining to the sale of its common stock.

4. Southwest is relieved of the necessity of filing reports under General Order Series 24. In place of this requirement, Southwest shall file with the Commission, on or before the 25th day of the month following each calendar quarter, a statement for the preceding quarter showing the number of shares of common stock sold in connection with its Plan, the gross proceeds received, and the expense incurred by it (if any) in connection with the issuance and sale of its common stock under this Plan.

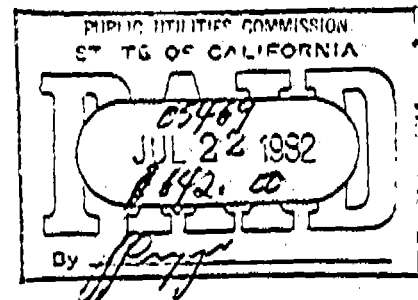
A.82-05-59 RR/KLH/ARM/WPSC

The authority granted by this order to issue common stock will become effective when Southwest pays \$642, the fee set by PU Code Section 1904.2.

Dated JUL 21 1982, at San Francisco, California.

JOHN E. BRYSON
President
RICHARD D. GRAVELLE
VICTOR CALVO
PRISCILLA C. GREW
Commissioners

Commissioner Leonard M. Grimes, Jr.,
being necessarily absent, did not
participate.



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

Joseph E. Bodovitz
Joseph E. Bodovitz, Executive Director