

ORIGINAL

Decision 83 05 008 MAY 4 1983

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 600,000 Shares of its)
Common Stock to its Employees')
Investment Plan and its Dividend)
Reinvestment and Stock Purchase)
Plan.)

Application 83-03-10
(Filed March 3, 1983)

O P I N I O N

Southwest Gas Corporation (Southwest) requests authority, under Public Utilities (PU) Code Sections 818 through 830, to issue and sell up to 600,000 shares of its Common Stock, \$1 par value, to its Employees' Investment Plan (EIP) and its Dividend Reinvestment and Stock Purchase Plan (DRSPP) (collectively referred to as the Plans).

Notice of the filing of the application appeared on the Commission's Daily Calendar of March 8, 1983. 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 Statement of Income for the fiscal year ended November 30, 1982, Southwest reports it generated total operating revenues of \$391,510,017 and net income of \$13,251,484 shown as part of Exhibit A attached to the application. Southwest reports it derived 9.0% of its revenue from operations in California.

Also shown as part of Exhibit A is Southwest's Balance Sheet as of November 30, 1982 summarized as follows:

<u>Assets</u>	<u>Amount</u>
Net Utility Plant	\$256,863,982
Other Property and Investments	6,894,504
Current and Accrued Assets	60,055,106
Deferred Debits	<u>10,032,595</u>
Total	\$333,846,187
 <u>Liabilities and Equity</u>	
Common Equity	\$ 89,605,560
Preferred/Preference Stock	34,460,000
Long-term Debt	101,546,543
Current and Accrued Liabilities	89,662,670
Deferred Credits	<u>18,571,414</u>
Total	\$333,846,187

Southwest proposes to issue and sell to its Plans up to 600,000 shares of its Common Stock, \$1 par value, estimated to produce net proceeds of \$6,300,000 at an estimated price of \$10.50 per share. These Plans are described as follows:

1. The EIP, established in 1965, is a thrift Plan designed to encourage systematic savings by employees for retirement or future financial needs. It provides the opportunity for employees to become stockholders of Southwest and serves to strengthen their direct interest in the progress and success of Southwest.
2. The DRSP, established in 1974, provides holders of record of Southwest's common stock with a simple and convenient method of investing cash dividends and optional cash payments in additional shares of Southwest's common stock at regular intervals without payment of any brokerage commission or service charge.

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 its respective Plans. The price of the common stock to the Plans (and the proceeds to Southwest) will depend upon the New York Stock Exchange prices of the common stock and the pricing formulas established in the Plans.

According to the application, Southwest has need to periodically sell its equity securities in order to reduce or repay its short-term borrowings and raise additional capital funds for its construction program. Southwest states in its application that it needs to maintain the common stock component of its capital structure at or near the present level in order to maintain the strength of that structure.

Southwest is engaged in an extensive construction program and estimates that the gross expenditures required for this construction program for calendar years 1983 and 1984 will be about \$22,200,000 and \$38,800,000, respectively, estimated as of November 30, 1982 and summarized as follows:

<u>Purpose</u>	<u>1983</u>	<u>1984</u>
Pataya Project <u>1/</u>	\$ 0	\$ 9,300,000
Office Building - Tucson	0	4,000,000
Other Project Construction	<u>22,200,000</u>	<u>25,500,000</u>
Total	\$22,200,000	\$38,800,000

1/ Separate project financing.

Southwest's capital ratios reported as of November 30, 1982 are shown below as recorded and adjusted to give pro forma effect to the transaction that follow:

	<u>November 30, 1982</u>	<u>Pro Forma</u>
Long-Term Debt	39.3%	46.4%
Short-Term Debt	<u>12.7</u>	<u>0</u>
Total Debt	52.0	46.4
Preferred/Preference Stock	13.3	13.2
Common Equity	<u>34.7</u>	<u>40.4</u>
Total	100.0%	100.0%

1. The proposed issuance and sale of up to 600,000 shares of Common Stock, \$1 par value, at an assumed price of \$10.50 per share, estimated to produce net proceeds of \$6,300,000 under Southwest's Plans;
2. The issuance and sale of \$20,000,000 aggregate principal amount of Southwest's long-term securities (Decision (D.)82-11-060 dated November 17, 1982 in Application (A.)82-09-25); and
3. The issuance and sale of 1,000,000 shares of Southwest's Common Stock, \$1 par value, at the assumed price of \$10 per share, producing net proceeds of \$10,000,000 (D.82-11-10 dated November 3, 1982 in A.82-09-26).

Southwest's short-term debt outstanding as of November 30, 1982 was about \$32,913,000 as shown in Schedule VI attached to the application.

The Commission's Revenue Requirements Division has reviewed Southwest's application and its 1983 and 1984 construction budgets. The Division has no objection to the proposed sale of Southwest's common stock but reserves the right to reconsider the reasonableness of any specific construction expenditure in future rate proceedings.

The Revenue Requirements Division has analyzed Southwest's cash requirements forecast provided the Commission in supplemental data and has concluded that internally generated funds

will provide about 44% of capital expenditures and maturing debt requirements for 1983 and 35% for 1984. The Division has concluded that the proposed sale of Southwest's common stock is necessary to help meet its forecasted cash requirements.

Findings of Fact

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

2. The proposed sale of common stock 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 proposed sale of common stock is reasonably required for the purposes specified in the application.

5. There is no known opposition to the application 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 Southwest 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 nor indicative of amounts to be included in rate setting proceedings.

The following order should be effective on the date of signature and payment of the fee set by PU Code Sections 1904.1 and 1904.2 to enable Southwest to proceed with the sale of common stock under its Plans expeditiously.

O R D E R

IT IS ORDERED that:

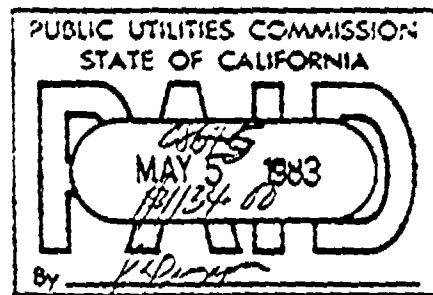
1. Southwest Gas Corporation (Southwest), on or after the effective date of this order, may issue and sell up to 600,000 shares of its Common Stock, \$1 par value, to its Employees' Investment Plan and its Dividend Reinvestment and Stock Purchase Plan in the manner set forth in the application.
2. Southwest shall apply the net proceeds from the sale of this 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 prospectuses pertaining to the sales of the common stock authorized by this order.

4. Southwest shall file the reports required by General Order Series 24.

5. The authority granted by this order to issue common stock will be effective when Southwest pays \$1,134, the fee set by PU Code Sections 1904.1 and 1904.2. In all other respects, this order is effective today.

Dated MAY 4 1983 , at San Francisco, California.

LEONARD M. GRIMES, JR.
President
VICTOR CALVO
PRISCILLA C. GREW
DONALD VIAL
Commissioners



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

Joseph E. Bodovitz
Joseph E. Bodovitz, Executive Director