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Decision No. 90790 SEP 12 1979

ORIGINAL

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)	Application No. 58996
to Exceed 2,000,000 Shares of)	(Filed July 17, 1979)
Common Stock)	

O P I N I O N

Southwest Gas Corporation (Southwest) requests authority to issue and sell not exceeding 2,000,000 shares of its \$1 par value common stock. Authority is sought pursuant to Sections 816 and 817 of the Public Utilities Code. Notice of the filing of the application was published on the Commission's Daily Calendar of July 17, 1979.

Southwest is a California corporation engaged in the business of distributing and selling natural gas in portions of San Bernardino and Placer Counties. The company also transmits, sells and distributes natural gas in portions of the States of Nevada and Arizona. For the twelve months ended April 30, 1979 Southwest reported operating revenues of \$158,572,000 of which it derived 77.6% from operations in Nevada, 10.2% from Arizona and 12.2% from California. Net income for the same period totaled \$7,542,559.

According to the application, Southwest has need to sell its equity securities in order to reduce or repay its short-term borrowings and raise additional capital funds for its construction program. The utility also has a need to maintain the proportion of its capital structure represented by common equity. Accordingly, the sale of additional common stock is desirable at this time.

Southwest's recorded capital ratios at April 30, 1979 and pro forma ratios to include the sale of 2,000,000 shares of new common stock are as follows:

	<u>April 30, 1979</u>	<u>Pro Forma</u>
Short-term debt:		
Notes payable to banks	2.3%	- -
Notes - TEPCO ^{1/}	22.2	20.0%
Long-term debt	37.4	33.7
Preferred equity	7.4	6.8
Common equity	<u>30.7</u>	<u>39.5</u>
Total	<u>100.0%</u>	<u>100.0%</u>

The proposed stock sale is to be offered to the public through underwriters represented by Blyth Eastman Dillon & Co. Incorporated, on or about September 25, 1979 or as soon thereafter as possible. If all the stock is sold, Southwest expects net proceeds of \$23 million after deducting issuance expenses and underwriting commissions expected to total approximately \$850,000. The price of the common stock to the public is dependent upon the market price on the day the underwriting agreement is executed.

The Revenue Requirements Division has reviewed the proposed financing, the need for new construction and concludes that the proposed financing is reasonable.

Findings of Fact

1. The proposed stock sale would be for proper purposes.
2. Southwest has need for external funds for the purposes set forth in the application.
3. The money, property or labor to be procured or paid for by the stock herein authorized is reasonably required for the purposes specified herein, which purposes are not, in whole or in part reasonably chargeable to operating expenses or to income.
4. There is no known opposition to this proceeding.

Conclusions of Law

1. A public hearing is not necessary.
2. The Commission concludes that the application should be granted to the extent of the orders which follow.

^{1/} Notes payable to Tucson Electric Power Company in connection with the company's acquisition of certain gas properties.

In issuing our order herein 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 nor the dividends paid as measuring the return it should be allowed to earn on its investment in plant, and that the authorization herein granted is not to be construed as a finding of the value of the company's stock or properties nor as indicative of amounts to be included in proceedings for the determination of just and reasonable rates.

O R D E R

IT IS ORDERED that:

1. Southwest Gas Corporation, on or after the date hereof and on or before December 31, 1979, may issue and sell not exceeding 2,000,000 shares of its \$1 par value common stock by public offering in the manner set forth in the application.
2. Southwest Gas Corporation shall apply the net proceeds from the sale of the common stock herein authorized to be issued for the purposes set forth in the application.
3. Southwest Gas Corporation shall file with the Commission a report, or reports as required by General Order No. 24-B, which order, insofar as applicable, is hereby made a part of this order.
4. The authority granted by this order shall become effective upon the date applicant pays the fee prescribed by Section 1904.1 of the California Public Utilities Code, which fee is \$4,466.

Dated SEP 12 1979, at San Francisco, California.



[Signature] President
[Signature]
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 Commissioners