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Decision No. 92066 JUL 29 1980

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
to Exceed 1,000,000 Shares of
Common Stock

Application No. 59704
(Filed June 2, 1980)

O P I N I O N

Southwest Gas Corporation (Southwest) requests authority to issue and sell not exceeding 1,000,000 shares of its Common Stock, \$1 par value. Southwest makes this request pursuant to Sections 816 through 818 of the Public Utilities Code. Notice of the filing of the application appeared on the Commission's Daily Calendar of June 4, 1980.

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.

Southwest's Income Statement for the twelve months ending December 31, 1979, shows that Southwest generated operating revenues of \$295,892,698 and net income of \$9,720,425. Southwest derived its operating revenues from various states as follows:

<u>State</u>	<u>Percentage</u>
California	7.5%
Arizona	27.2
Nevada	65.3
Total	<u>100.0%</u>

The company's Balance Sheet as of March 31, 1980, attached to the application as Exhibit B, is summarized as follows:

<u>Assets</u>	<u>Amount</u>
Net Utility Plant	\$211,301,671
Other Property and Investments	4,740,094
Current Assets	66,027,435
Deferred Debits	<u>8,901,029</u>
Total	<u>\$290,970,229</u>
<u>Liabilities and Capital</u>	
Common Equity	\$ 82,410,451
Preferred/Preference Stock	24,660,000
Long-Term Debt	97,537,053
Current and Accrued Liabilities	70,797,566
Deferred Credits	<u>15,565,159</u>
Total	<u>\$290,970,229</u>

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. Southwest also has need to continue 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 during 1980, 1981, and 1982 will approximate \$211,277,000. Supplemental data on the utility's construction program was supplied to the Commission's staff by the utility's attorney in his letter dated June 25, 1980, showing estimates as of April 1980, as follows:

	<u>1980</u>	<u>1981</u>	<u>1982</u>
Total Budgeted Construction	\$47,759,000	\$66,775,000	\$96,743,000
Less: Internally Generated Funds	<u>17,212,000</u>	<u>14,944,000</u>	<u>22,323,000</u>
External Funds Required	<u>\$30,547,000</u>	<u>\$51,831,000</u>	<u>\$74,420,000</u>
Percent of Funds Internally Generated	<u>36.0%</u>	<u>22.4%</u>	<u>23.1%</u>

Southwest's recorded capital ratios at March 31, 1980, and as adjusted for the effect of (a) the proposed issuance of 1,000,000 shares of Common Stock, \$1 par value, at an assumed price of \$11.50 per share to provide net proceeds of \$11,500,000 and (b) the proposed issuance of short-term promissory notes not to exceed 15% of the par value of Southwest's other outstanding securities or an estimated \$30,691,050^{1/} are listed as follows:

	<u>March 31, 1980</u>	<u>Pro Forma</u>
Long-Term Debt	47.7%	39.5%
Short-Term Debt	-	<u>12.4</u>
Total Debt	47.7%	51.9
Preferred/Preference Stock	12.0	10.0
Common Stock Equity	<u>40.3</u>	<u>38.1</u>
Total	<u>100.0%</u>	<u>100.0%</u>

Southwest proposes to offer its common stock to the public through underwriters at a time to be determined by the applicant. If all 1,000,000 common shares are sold, Southwest expects net proceeds of not less than \$11,500,000 after deducting issuance expenses and underwriting commissions expected to total approximately \$500,000. The price of the common stock to the public will depend upon the market price on the day the underwriting agreement is executed.

The staff of the Commission's Revenue Requirements Division has reviewed Southwest's 1980, 1981, and 1982 construction program and concludes that the estimated construction expenditures are reasonable. The staff has no objection to the proposed security issue specified in the application; however, the Division reserves the right to reconsider the reasonableness of any construction expenditures in future rate proceedings.

^{1/} Authorized by Decision No. _____ in Application No. 59702.

Findings of Fact

1. Southwest is a California corporation operating under the jurisdiction of this Commission.

2. The proposed sale of Southwest's 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 sale of the common stock hereby 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.

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 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. 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.

ORDER

IT IS ORDERED that:

1. Southwest Gas Corporation, on or after the date hereof and on or before December 31, 1980, may issue and sell not exceeding 1,000,000 shares of its Common Stock, \$1 par value, 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. Promptly after Southwest Gas Corporation ascertains the underwriting commission and the price to be paid to the company for the common stock herein authorized, the company shall notify the Commission of each in writing.

4. As soon as available, Southwest Gas Corporation shall file with the Commission three copies of its final prospectus pertaining to the common stock herein authorized.

5. 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.

6. This order shall become effective when Southwest Gas Corporation has paid the fee prescribed by Section 1904.1 of the Public Utilities Code, which fee is \$1,726.

Dated JUL 29 1980 at San Francisco, California.

John E. Bayson
President

William L. Steyer

Robert W. Hooper

Bernard J. Smith

Clair J. Deibel
Commissioners

PUBLIC UTILITIES COMMISSION
STATE OF CALIFORNIA

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By D. Palauer