

Decision 93050 MAY 19 1981

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 300,000 Shares of its)
Stock to its Customer Stock Pur-)
chase Plan.)

Application 60421
(Filed April 3, 1981)

O P I N I O N

Southwest Gas Corporation (Southwest) requests authority, under Section 816 through 830 of the Public Utilities Code, to issue and sell up to 300,000 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 April 8, 1981. No protests have been received.

Southwest, a California corporation, engages in the business of distributing and selling 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 January 31, 1981, Southwest reports it generated total operating revenues of \$314,799,000 and net income of \$8,257,000, shown as part of Exhibit B attached to the application. Southwest reports it derived 8.8% of its operating revenues from the State of California.

Southwest's Balance Sheet of January 31, 1981, also shown as part of Exhibit B is summarized as follows:

<u>Assets</u>	<u>Amount</u>
Net Utility Plant	\$239,224,714
Other Property and Investments	8,453,778
Current and Accrued Assets	73,607,176
Deferred Debits	8,531,429
Total	<u>\$329,817,097</u>
 <u>Liabilities and Equity</u>	
Common Equity	\$ 85,956,303
Preferred/Preference Stock	24,100,000
Long-Term Debt	109,506,208
Construction Trust Financing	10,901,065
Current and Accrued Liabilities	84,107,497
Deferred Credits	15,246,024
Total	<u>\$329,817,097</u>

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 also has need 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 expenditures required for its construction program during the calendar years 1981 and 1982 will approximate \$50,000,000 and \$60,000,000, respectively.

Southwest's capital ratios as of January 31, 1981, and as adjusted to give pro forma effect to the proposed issuance and sale of up to 300,000 shares of its common stock, \$1 par value, at an assumed price of \$10 per share to produce net proceeds of \$3,000,000 under Southwest's Plan are as follows:

	<u>January 31, 1981</u>	<u>Pro Forma</u>
Long-Term Debt	44.2%	44.2%
Construction Trust Liability	4.4	4.4
Short-Term Debt	7.0	5.8
Total Debt	<u>55.6</u>	<u>54.4</u>
Preferred/Preference Stock	9.7	9.7
Common Stock Equity	34.7	35.9
Total	<u>100.0%</u>	<u>100.0%</u>

Southwest proposes to issue and sell 300,000 shares of its Common Stock, \$1 par value, which are estimated to produce net proceeds of \$3,000,000. No significant issuance expenses and no underwriting commissions are applicable, because such 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

for retirement and/or future financial needs. It also provides the opportunity for such customers to become stockholders of the corporation and thus strengthen their direct interest in the progress and success of Southwest.

The staff of the Commission's Revenue Requirements Division has reviewed the application and Southwest's 1981 and 1982 construction program and has concluded that the estimated construction expenditures are reasonable. The Division 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.

Findings of Facts

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, 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.

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 or 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 Southwest's stock or properties or 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 effective date hereof, may issue and sell up to 300,000 shares of its Common Stock, \$1 par value, under its Customer Stock Purchase Plan 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 the purposes set forth in the application.

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

4. Southwest Gas Corporation shall file with the Commission a report, or reports, as required by General Order Series 24 which order, insofar as applicable, is hereby made a part of this order.

5. This order shall become effective immediately as Southwest Gas Corporation has paid the \$529 fee prescribed by Section 1904.2 of the Public Utilities Code.

Dated MAY 19 1981 , at San Francisco, California.

 Jul. E. Bayne
President
 William D. Walsh
 Lionel H. Smith
 Walter Caber
 Priscilla C. Green
Commissioners

