

ORIGINAL

Decision 96-11-013 November 6, 1996

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
SOUTHWEST GAS CORPORATION U-905-G, for)
authority to: (1) issue and sell one)
or more series of Debt Securities not)
to exceed \$250,000,000; (2) issue and)
sell one or more series of Preferred)
and/or Preference Stock not to exceed)
\$50,000,000; and (3) issue and sell up)
to 3,000,000 shares of its \$1 par)
value Common Stock.)

Application 92-11-037
(Petition for Modification
filed September 30, 1996)

In the Matter of the Application of)
SOUTHWEST GAS CORPORATION U-905-G, for)
authority to: (1) issue and sell one)
or more series of Debt Securities not)
to exceed \$150,000,000; (2) issue and)
sell one or more series of Preferred)
and/or Preference Stock not to exceed)
\$50,000,000; (3) issue and sell up to)
7,000,000 shares of its \$1 par value)
Common Stock; and (4) enter into one)
or more Interest Rate Risk Management)
Contracts.)

Application 91-03-010
(Petition for Modification
filed September 30, 1996)

In the Matter of the Application of)
SOUTHWEST GAS CORPORATION U-905-G, for)
authority to: (a) issue and sell one)
or more types of debt securities in)
the aggregate principal amount of up)
to 200,000,000; (b) issue securities)
for the purpose of refinancing securi-)
ties previously authorized; (c) refund)
previously issued short-term debt se-)
curities; and (d) enter into one or)
more Interest Rate Risk Management)
Contracts.)

Application 94-09-055
(Petition for Modification
filed September 30, 1996)

S U P P L E M E N T A L O P I N I O N

Summary of Decision

This decision grants Southwest Gas Corporation (Southwest) the authority requested in its petitions for modification of Decision (D.) 93-02-008, in Application (A.) 92-11-037, as modified by D.95-08-048; D.91-06-023, in A.91-03-010, as modified by D.92-05-016, D.93-02-009 and D.95-08-043; and D.94-12-018, in A.94-09-055.

This decision also grants Southwest authority to issue, sell and deliver shares of \$1 par value Common Stock (Common Stock) through its 1996 Stock Incentive Plan (Incentive Plan) under the authority granted in D.93-02-008.

Southwest requests modification of D.93-02-008, D.91-06-023, and D.94-12-018 pursuant to Rule 47 of the Commission's Rules of Practice and Procedure.

Notice of the filing of the petitions for modification appeared on the Commission's Daily Calendar of October 3, 1996. No responses have been received.

Background

Southwest, a California corporation, is a public utility under the jurisdiction of this Commission, and is primarily engaged in the business of distributing and selling natural gas in certain portions of San Bernardino, El Dorado, Placer and Nevada Counties, California. Southwest is also engaged in the intrastate transmission, sale, and distribution of natural gas as a public utility in certain portions of the states of Nevada and Arizona and is a "natural gas company," within the meaning of the Natural Gas Act, subject to the jurisdiction of the Federal Energy Regulatory Commission with respect to interstate transmission facilities and sales of natural gas for resale on its northern Nevada system.

D.93-02-008 dated February 3, 1993, authorized Southwest to (1) issue Debt Securities in an aggregate amount not to exceed \$250,000,000, (2) issue and sell, in one or more series, Preferred and/or Preference Stock in an aggregate amount not to exceed

\$50,000,000, and (3) issue, sell and deliver up to 3,000,000 shares of its Common Stock by public or private offering or upon the exercise of conversion rights or other rights or warrants related to any other securities authorized to be issued. The Commission in D.95-08-048 extended the effectiveness of the authority granted in D.93-02-008 from December 31, 1995 to December 31, 1996.

D.91-06-023 dated June 5, 1991, authorized Southwest to (1) issue and sell Debt Securities in an aggregate amount not to exceed \$150,000,000, (2) issue and sell, in one or more series, Preferred and/or Preference Stock by public or private placement in an aggregate amount not to exceed \$50,000,000, (3) issue, sell and deliver up to but not to exceed 7,000,000 shares of its \$1 par value Common Stock by public or private offering or upon the exercise of conversion rights or other rights or warrants related to any other securities authorized to be issued; and (4) enter into Interest Rate Risk Management Contracts covering amounts up to the outstanding balance of its floating interest rate long-term debt obligations. The Commission in D.92-05-016, D.93-02-009, and D.95-08-043 extended in stages the effectiveness of the authority granted in D.91-06-023 through December 31, 1996.

D.94-12-018 dated December 7, 1994, authorized Southwest to (1) issue and sell Debt Securities in an aggregate amount not to exceed \$200,000,00, (2) "evergreen" long-term Debt Securities, Preferred Stock and Common Stock subject to the guidelines authorized in D.93-12-022, (3) refinance previously issued short-term debt securities so that the combined term may exceed twelve months without further authorization from the Commission for a period of three years, and (4) enter into Interest Rate Risk Management contracts covering amounts up to the outstanding balance of its floating interest rate long-term debt obligations. The authority granted in this proceeding to issue Debt Securities is through December 31, 1996.

Modification Sought

Southwest is requesting that the authority granted in D.93-02-008, D.91-06-023, and D.94-12-018 be further modified to extend the effectiveness of the Commission's authorization through

December 31, 1998, so that it may retain a broad complement of financing options to address its external financing requirements. Southwest is also requesting authority (in addition to the authorized sale by public or private offering or any conversion rights) to issue, sell and deliver shares of \$1 par value Common Stock (Common Stock) through its 1996 Stock Incentive Plan (Incentive Plan).

Southwest's unused authority are as follows:

<u>Decision</u>	<u>Debt Securities</u>	<u>Preferred/Pre- ference Stock</u>	<u>Common Stock</u>
93-02-008	-	\$40,000,000	3,000,000 shares
91-06-023	-	-	1,465,200 shares
94-12-018	\$19,000,000	n.a.	n.a.

We have reviewed Southwest's request to extend its unused authority to issue Debt and Equity Securities and have determined that the proposed extension is for proper purposes and is not adverse to the public interest. We will therefore extend the authorization granted in D.93-02-008, as modified; D.91-06-023, as modified; and D.94-12-018 to December 31, 1998, to allow Southwest additional time to use the authority previously granted.

D.93-02-008 authorized Southwest to issue shares of its \$1 par value common Stock by public or private offering or upon the exercise of conversion rights or other rights or warrants related to any other securities authorized to be issued. Southwest is requesting Commission authorization to expand the manner of issuance and sale of its Common Stock under D.93-02-008 to include the issuance and sale of such stock through its Incentive Plan, which was approved by Southwest's shareholders at the company's 1996 annual meeting. Under the provisions of the Incentive Plan, 1,500,000 shares of Common Stock have been reserved for issuance and sale upon the exercise of stock options granted thereunder to key employees and directors.

The Incentive Plan was approved by Southwest's shareholders to provide an additional means through the grant of

options to attract, motivate, retain and reward key employees, including officers, with awards and incentives for high levels of individual performance and improved financial performance of Southwest and to attract, motivate and retain experienced and knowledgeable independent directors. The Incentive Plan will be administered by a subcommittee of the Nominating and Compensation Committee of Southwest's Board of Directors, consisting of "disinterested" directors as such term is defined for purposes of Rule 16b-3 of the Securities and Exchange Act of 1934, as amended, and Section 162(m) of the Internal Revenue Code. Upon the exercise of the options granted under the provisions of the Incentive Plan, shareholder equity will be credited with the market value of the Common Stock at the time the options are granted.

Southwest has previously issued and sold shares of its authorized capital stock through various plans pursuant to authority granted in D.88-12-010 and D.90-06-057.

The Finance Branch advises us that Southwest's proposed issue of Common Stock through its Incentive Plan, pursuant to its remaining authority under D.93-02-008, raises no questions that should dissuade us from giving favorable consideration to the authorization requested in the petition. The Finance Branch recommends approval of the authority requested by Southwest pursuant to § 818 of the Public Utilities (PU) Code. We remind Southwest that proceeds from the proposed issue should be used in accordance with the purposes set forth in the decision.

The Commission has considered Finance Branch's recommendation, and finding it reasonable, will adopt it as stated above.

Southwest and its common stockholders are placed on notice that the Commission does not regard the number of shares outstanding or the total book value of these shares as measuring the return Southwest should be permitted to earn on its investment in plant. Our authorization is not to be construed as a finding of the value of Southwest's stock or properties nor as indicative of the amounts to be included in proceedings for the determination of just and reasonable rates.

Findings of Fact

1. The proposed extension of time to December 31, 1998, during which Southwest may issue Debt Securities and Equity Securities under the remaining authority granted in D.93-02-008, as modified; D.91-06-023, as modified; and D.94-12-018, would be for proper purposes and would not be adverse to the public interest.

2. The Commission has previously granted Southwest authority to issue shares of its authorized capital stock through various incentive plans.

3. There is no known opposition to the modification and there is no reason to delay granting the authority requested.

Conclusions of Law

1. A public hearing is not necessary.

2. The petition for modification should be granted to the extent set forth in the supplemental order that follows.

3. The following supplemental order should be effective on the date of signature.

S U P P L E M E N T A L O R D E R

IT IS ORDERED that:

1. The authority granted to Southwest Gas Corporation (Southwest) by Decision (D.) 93-02-008, as modified by D.95-08-048; D.91-06-023, as modified by D.92-05-016, D.93-02-009 and D.95-08-043; and D.94-12-018, is modified to extend the period of authorization to December 31, 1998.

2. D.93-02-008, as modified, is further modified to expand the manner of issuance and sale of Southwest's unused Common Stock authority to include the issuance and sale of Common Stock through Southwest's Incentive Plan as contemplated in Southwest's petition for modification.

3. Southwest is authorized to issue, sell and deliver up to 1,500,000 shares of its Common Stock under the provisions of its 1996 Stock Incentive Plan and its remaining authority under D.93-02-008, as modified.

4. The petitions for modification are granted as set forth above.

5. In all other respects, D.93-02-008, as modified by D.95-08-048; D.91-06-023, as modified by D.92-05-016, D.93-02-009 and D.95-08-043; and D.94-12-018, remain in full force and effect.

This supplemental order is effective today.

Dated November 6, 1996, at San Francisco, California.

P. GREGORY CONLON
President
DANIEL Wm. FESSLER
JESSIE J. KNIGHT, JR.
HENRY M. DUQUE
JOSIAH L. NEEPER
Commissioners