

SOUTHWEST GAS CORP
Form 10-Q
August 07, 2007

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

Form 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2007

Commission File Number 1-7850

SOUTHWEST GAS CORPORATION

(Exact name of registrant as specified in its charter)

California
(State or other jurisdiction of
incorporation or organization)

5241 Spring Mountain Road
Post Office Box 98510
Las Vegas, Nevada
(Address of principal executive offices)

88-0085720
(I.R.S. Employer
Identification No.)

89193-8510
(Zip Code)

Registrant's telephone number, including area code: (702) 876-7237

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Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No X

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of the latest practicable date.

Common Stock, \$1 Par Value, 42,408,116 shares as of August 1, 2007.

SOUTHWEST GAS CORPORATION
June 30, 2007

Form 10-Q

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

SOUTHWEST GAS CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(Thousands of dollars, except par value)

(Unaudited)

	JUNE 30, 2007	DECEMBER 31, 2006
	<hr/>	<hr/>
ASSETS		
Utility plant:		
Gas plant	\$ 3,923,640	\$ 3,763,310
Less: accumulated depreciation	(1,221,636)	(1,175,600)
Acquisition adjustments, net	1,902	1,992
Construction work in progress	54,217	78,402
	<hr/>	<hr/>
Net utility plant	2,758,123	2,668,104
	<hr/>	<hr/>
Other property and investments	144,711	136,242
	<hr/>	<hr/>
Current assets:		
Cash and cash equivalents	20,744	18,786
Accounts receivable, net of allowances	141,600	225,928
Accrued utility revenue	33,100	73,300
Deferred purchased gas costs	50,284	77,007
Prepays and other current assets	62,327	106,603
	<hr/>	<hr/>
Total current assets	308,055	501,624
	<hr/>	<hr/>
Deferred charges and other assets	172,169	178,995
	<hr/>	<hr/>
Total assets	\$ 3,383,058	\$ 3,484,965
	<hr/>	<hr/>
CAPITALIZATION AND LIABILITIES		
Capitalization:		
Common stock, \$1 par (authorized - 60,000,000 shares; issued and outstanding - 42,369,612 and 41,770,291 shares)	\$ 44,000	\$ 43,400
Additional paid-in capital	718,665	698,258
Accumulated other comprehensive income (loss), net	(13,177)	(13,666)
Retained earnings	204,626	173,433
	<hr/>	<hr/>
Total equity	954,114	901,425
Subordinated debentures due to Southwest Gas Capital II	100,000	100,000
Long-term debt, less current maturities	1,203,901	1,286,354
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	JUNE 30, 2007	DECEMBER 31, 2006
	<u> </u>	<u> </u>
Total capitalization	2,258,015	2,287,779
	<u> </u>	<u> </u>
Current liabilities:		
Current maturities of long-term debt	29,821	27,545
Accounts payable	107,932	265,739
Customer deposits	68,832	64,151
Income taxes payable	36,034	--
Accrued general taxes	40,156	45,895
Accrued interest	23,334	21,362
Deferred income taxes	9,901	15,471
Deferred purchased gas costs	33,200	--
Other current liabilities	75,238	55,901
	<u> </u>	<u> </u>
Total current liabilities	424,448	496,064
	<u> </u>	<u> </u>
Deferred income taxes and other credits:		
Deferred income taxes and investment tax credits	287,978	308,493
Taxes payable	4,485	5,951
Accumulated removal costs	135,000	125,000
Other deferred credits	273,132	261,678
	<u> </u>	<u> </u>
Total deferred income taxes and other credits	700,595	701,122
	<u> </u>	<u> </u>
Total capitalization and liabilities	\$ 3,383,058	\$ 3,484,965
	<u> </u>	<u> </u>

The accompanying notes are an integral part of these statements.

SOUTHWEST GAS CORPORATION
June 30, 2007

Form 10-Q

SOUTHWEST GAS CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(In thousands, except per share amounts)

(Unaudited)

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,		TWELVE MONTHS ENDED JUNE 30,	
	2007	2006	2007	2006	2007	2006
Operating revenues:						
Gas operating revenues	\$ 344,233	\$ 354,168	\$ 1,071,248	\$ 962,310	\$ 1,836,332	\$ 1,624,536
Construction revenues	82,304	76,734	149,005	145,533	300,836	293,580
Total operating revenues	426,537	430,902	1,220,253	1,107,843	2,137,168	1,918,116
Operating expenses:						
Net cost of gas sold	198,417	214,823	692,628	612,320	1,114,296	969,499
Operations and maintenance	83,090	76,883	167,625	155,270	333,158	320,474
Depreciation and amortization	45,455	41,957	90,077	82,636	176,405	161,827
Taxes other than income taxes	9,938	5,620	20,405	16,237	39,162	34,888
Construction expenses	71,992	66,383	130,985	126,819	260,993	254,003
Total operating expenses	408,892	405,666	1,101,720	993,282	1,924,014	1,740,691
Operating income	17,645	25,236	118,533	114,561	213,154	177,425
Other income and (expenses):						
Net interest deductions	(21,766)	(21,600)	(43,269)	(43,850)	(86,672)	(86,176)
Net interest deductions on subordinated debentures	(1,932)	(1,931)	(3,863)	(3,862)	(7,725)	(7,724)
Other income (deductions)	4,416	3,397	6,273	6,968	13,457	11,426
Total other income and (expenses)	(19,282)	(20,134)	(40,859)	(40,744)	(80,940)	(82,474)
Income (loss) before income taxes	(1,637)	5,102	77,674	73,817	132,214	94,951
Income tax expense (benefit)	(1,300)	1,393	28,247	25,928	46,816	33,251
Net income (loss)	\$ (337)	\$ 3,709	\$ 49,427	\$ 47,889	\$ 85,398	\$ 61,700
Basic earnings (loss) per share	\$ (0.01)	\$ 0.09	\$ 1.17	\$ 1.20	\$ 2.05	\$ 1.57
Diluted earnings (loss) per share	\$ (0.01)	\$ 0.09	\$ 1.16	\$ 1.19	\$ 2.03	\$ 1.55
Dividends declared per share	\$ 0.215	\$ 0.205	\$ 0.43	\$ 0.41	\$ 0.84	\$ 0.82
Average number of common shares outstanding	42,226	40,174	42,103	39,835	41,691	39,339
Average shares outstanding (assuming dilution)	--	40,541	42,516	40,196	42,126	39,704

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The accompanying notes are an integral part of these statements.

SOUTHWEST GAS CORPORATION
June 30, 2007

Form 10-Q

SOUTHWEST GAS CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Thousands of dollars)

(Unaudited)

	SIX MONTHS ENDED JUNE 30,		TWELVE MONTHS ENDED JUNE 30,	
	2007	2006	2007	2006
CASH FLOW FROM OPERATING ACTIVITIES:				
Net income	\$ 49,427	\$ 47,889	\$ 85,398	\$ 61,700
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	90,077	82,636	176,405	161,827
Deferred income taxes	(26,385)	(8,544)	(13,932)	(25,563)
Changes in current assets and liabilities:				
Accounts receivable, net of allowances	84,328	67,604	(11,123)	(18,369)
Accrued utility revenue	40,200	35,200	100	(800)
Deferred purchased gas costs	59,923	20,472	71,859	(30,823)
Accounts payable	(157,807)	(176,774)	25,230	3,582
Accrued taxes	29,400	19,658	12,940	23,072
Other current assets and liabilities	69,544	87,919	5,781	28,991
Other	(2,869)	(6,276)	(5,250)	13,746
Net cash provided by operating activities	<u>235,838</u>	<u>169,784</u>	<u>347,408</u>	<u>217,363</u>
CASH FLOW FROM INVESTING ACTIVITIES:				
Construction expenditures and property additions	(174,083)	(150,791)	(368,617)	(324,000)
Other	17,521	19,587	31,133	26,153
Net cash used in investing activities	<u>(156,562)</u>	<u>(131,204)</u>	<u>(337,484)</u>	<u>(297,847)</u>
CASH FLOW FROM FINANCING ACTIVITIES:				
Issuance of common stock, net	21,007	37,320	56,139	65,896
Dividends paid	(17,688)	(16,321)	(34,867)	(32,219)
Issuance of long-term debt, net	66,952	35,836	123,516	167,799
Retirement of long-term debt	(55,589)	(4,448)	(135,538)	(33,141)
Temporary changes in long-term debt	(92,000)	(88,000)	(7,000)	(88,000)
Change in short-term debt	--	(24,000)	--	--
Net cash provided by (used in) financing activities	<u>(77,318)</u>	<u>(59,613)</u>	<u>2,250</u>	<u>80,335</u>
Change in cash and cash equivalents	1,958			