

SOUTHWEST GAS CORP
Form 10-Q
November 06, 2014

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 September 30, 2014
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)

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

5241 Spring Mountain Road

Post Office Box 98510

Las Vegas, Nevada
(Address of principal executive offices)

89193-8510
(Zip Code)

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

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 No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

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, 46,518,555 shares as of October 29, 2014.

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PART I - FINANCIAL INFORMATION**ITEM 1. FINANCIAL STATEMENTS****SOUTHWEST GAS CORPORATION AND SUBSIDIARIES****CONDENSED CONSOLIDATED BALANCE SHEETS**

(Thousands of dollars, except par value)

(Unaudited)

	SEPTEMBER 30, 2014	DECEMBER 31, 2013
ASSETS		
Utility plant:		
Gas plant	\$ 5,485,091	\$ 5,252,469
Less: accumulated depreciation	(1,954,553)	(1,868,504)
Acquisition adjustments, net	595	730
Construction work in progress	77,183	101,413
Net utility plant	3,608,316	3,486,108
Other property and investments	265,468	260,871
Current assets:		
Cash and cash equivalents	39,165	41,077
Accounts receivable, net of allowances	184,790	219,469
Accrued utility revenue	32,000	72,700
Income taxes receivable, net	20,398	3,790
Deferred income taxes		31,130
Deferred purchased gas costs	78,318	18,217
Prepays and other current assets	95,845	108,289
Total current assets	450,516	494,672
Deferred charges and other assets	317,361	323,523
Total assets	\$ 4,641,661	\$ 4,565,174

CAPITALIZATION AND LIABILITIES**Capitalization:**

Common stock, \$1 par (authorized - 60,000,000 shares; issued and outstanding - 46,518,555 and 46,356,125 shares)	\$ 48,148	\$ 47,986
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Additional paid-in capital	846,127	840,521
Accumulated other comprehensive income (loss), net	(38,608)	(41,698)
Retained earnings	598,552	567,714
Total Southwest Gas Corporation equity	1,454,219	1,414,523
Noncontrolling interest	(2,257)	(2,128)
Total equity	1,451,962	1,412,395
Long-term debt, less current maturities	1,437,706	1,381,327
Total capitalization	2,889,668	2,793,722
Current liabilities:		
Current maturities of long-term debt	11,265	11,105
Accounts payable	98,991	183,511
Customer deposits	71,320	73,367
Accrued general taxes	39,704	39,681
Accrued interest	23,318	17,920
Deferred income taxes	11,304	
Other current liabilities	138,096	108,580
Total current liabilities	393,998	434,164
Deferred income taxes and other credits:		
Deferred income taxes and investment tax credits	671,560	674,411
Taxes payable		284
Accumulated removal costs	297,000	279,000
Other deferred credits	389,435	383,593
Total deferred income taxes and other credits	1,357,995	1,337,288
Total capitalization and liabilities	\$ 4,641,661	\$ 4,565,174

The accompanying notes are an integral part of these statements.

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SOUTHWEST GAS CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(In thousands, except per share amounts)

(Unaudited)

	THREE MONTHS ENDED		NINE MONTHS ENDED		TWELVE MONTHS ENDED	
	SEPTEMBER 30,		SEPTEMBER 30,		SEPTEMBER 30,	
	2014	2013	2014	2013	2014	2013
Operating revenues:						
Gas operating revenues	\$ 226,027	\$ 195,031	\$ 983,999	\$ 927,500	\$ 1,356,653	\$ 1,267,025
Construction revenues	206,448	192,315	510,025	484,925	675,728	633,966
Total operating revenues	432,475	387,346	1,494,024	1,412,425	2,032,381	1,900,991
Operating expenses:						
Net cost of gas sold	72,987	47,746	362,349	317,742	480,608	409,361
Operations and maintenance	93,389	95,981	293,417	288,003	390,328	379,621
Depreciation and amortization	62,037	58,744	187,114	176,247	247,684	233,251
Taxes other than income taxes	11,835	11,153	34,256	34,021	45,786	44,684
Construction expenses	173,937	167,581	444,778	422,969	595,093	545,420
Total operating expenses	414,185	381,205	1,321,914	1,238,982	1,759,499	1,612,337
Operating income	18,290	6,141	172,110	173,443	272,882	288,654
Other income and (expenses):						
Net interest deductions	(17,421)	(15,097)	(52,245)	(46,265)	(69,680)	(62,464)
Other income (deductions)	440	2,668	4,915	8,189	9,026	8,026
Total other income and (expenses)	(16,981)	(12,429)	(47,330)	(38,076)	(60,654)	(54,438)
Income (loss) before income taxes	1,309	(6,288)	124,780	135,367	212,228	234,216
Income tax expense (benefit)	(618)	(3,231)	42,529	47,683	72,788	84,426
Net income (loss)	1,927	(3,057)	82,251	87,684	139,440	149,790
Net income (loss) attributable to noncontrolling interest	(43)	(193)	(129)	(333)	(243)	(620)

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Net income (loss) attributable to Southwest Gas Corporation	\$	1,970	\$	(2,864)	\$	82,380	\$	88,017	\$	139,683	\$	150,410
Basic earnings (loss) per share	\$	0.04	\$	(0.06)	\$	1.77	\$	1.90	\$	3.01	\$	3.25
Diluted earnings (loss) per share	\$	0.04	\$	(0.06)	\$	1.76	\$	1.88	\$	2.98	\$	3.22
Dividends declared per share	\$	0.365	\$	0.330	\$	1.095	\$	0.990	\$	1.425	\$	1.285
Average number of common shares outstanding		46,513		46,337		46,485		46,306		46,451		46,265
Average shares outstanding (assuming dilution)		46,966				46,928		46,732		46,904		46,704

The accompanying notes are an integral part of these statements.

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SOUTHWEST GAS CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Thousands of dollars)

(Unaudited)

	THREE MONTHS ENDED		NINE MONTHS ENDED		TWELVE MONTHS ENDED	
	SEPTEMBER 30, 2014	SEPTEMBER 30, 2013	SEPTEMBER 30, 2014	SEPTEMBER 30, 2013	SEPTEMBER 30, 2014	SEPTEMBER 30, 2013
Net income (loss)	\$ 1,927	\$ (3,057)	\$ 82,251	\$ 87,684	\$ 139,440	\$ 149,790
Other comprehensive income (loss), net of tax						
Defined benefit pension plans:						
Net actuarial gain (loss)					62,214	(46,409)
Amortization of prior service cost	55	55	165	164	221	164
Amortization of transition obligation						135
Amortization of net actuarial loss	3,667	5,297	11,000	15,893	16,297	19,861
Prior service cost						(1,502)
Regulatory adjustment	(3,210)	(4,701)	(9,630)	(14,105)	(72,176)	23,290
Net defined benefit pension plans	512	651	1,535	1,952	6,556	(4,461)
Forward-starting interest rate swaps:						
Amounts reclassified into net income	518	518	1,555	1,555	2,074	2,074
Net forward-starting interest rate swaps	518	518				