

SOUTHWEST GAS CORP
Form 10-Q
August 09, 2006

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, 2006

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 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

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, 40,846,327 shares as of August 3, 2006.

SOUTHWEST GAS CORPORATION
June 30, 2006

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, 2006	DECEMBER 31, 2005
	<hr/>	<hr/>
ASSETS		
Utility plant:		
Gas plant	\$ 3,631,949	\$ 3,516,587
Less: accumulated depreciation	(1,129,745)	(1,083,900)
Acquisition adjustments, net	2,082	2,173
Construction work in progress	51,522	54,287
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Net utility plant	2,555,808	2,489,147
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Other property and investments	126,867	118,094
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Current assets:		
Cash and cash equivalents	8,570	29,603
Accounts receivable, net of allowances	130,477	198,081
Accrued utility revenue	33,200	68,400
Deferred purchased gas costs	88,943	109,415
Prepays and other current assets	57,614	137,161
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Total current assets	318,804	542,660
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Deferred charges and other assets	80,754	78,525
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Total assets	\$ 3,082,233	\$ 3,228,426
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CAPITALIZATION AND LIABILITIES		
Capitalization:		
Common stock, \$1 par (authorized - 45,000,000 shares; issued and outstanding - 40,698,407 and 39,328,291 shares)	\$ 42,328	\$ 40,958
Additional paid-in capital	664,198	628,248
Accumulated other comprehensive income (loss), net	(41,645)	(41,645)
Retained earnings	154,861	123,574
	<hr/>	<hr/>
Total equity	819,742	751,135
Subordinated debentures due to Southwest Gas Capital II	100,000	100,000
Long-term debt, less current maturities	1,166,875	1,224,898
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	JUNE 30, 2006	DECEMBER 31, 2005
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Total capitalization	2,086,617	2,076,033
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Current liabilities:		
Current maturities of long-term debt	85,044	83,215
Short-term debt	--	24,000
Accounts payable	82,702	259,476
Customer deposits	59,753	57,552
Income taxes payable	20,800	--
Accrued general taxes	39,160	40,526
Accrued interest	22,374	22,472
Deferred income taxes	41,708	68,166
Other current liabilities	74,385	65,546
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Total current liabilities	425,926	620,953
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Deferred income taxes and other credits:		
Deferred income taxes and investment tax credits	252,653	234,739
Taxes payable	7,775	7,551
Accumulated removal costs	115,000	105,000
Other deferred credits	194,262	184,150
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Total deferred income taxes and other credits	569,690	531,440
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Total capitalization and liabilities	\$ 3,082,233	\$ 3,228,426
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The accompanying notes are an integral part of these statements.

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,	
	2006	2005	2006	2005	2006	2005
Operating revenues:						
Gas operating revenues	\$ 354,168	\$ 298,048	\$ 962,310	\$ 793,031	\$ 1,624,536	\$ 1,394,543
Construction revenues	76,734	63,082	145,533	110,979	293,580	234,430
Total operating revenues	430,902	361,130	1,107,843	904,010	1,918,116	1,628,973
Operating expenses:						
Net cost of gas sold	214,823	167,025	612,320	470,952	969,499	769,006
Operations and maintenance	76,883	74,957	155,270	149,233	320,474	299,365
Depreciation and amortization	41,957	38,570	82,636	77,062	161,827	150,938
Taxes other than income taxes	5,620	10,075	16,237	20,389	34,888	38,560
Construction expenses	66,383	55,568	126,819	98,590	254,003	205,309
Total operating expenses	405,666	346,195	993,282	816,226	1,740,691	1,463,178
Operating income	25,236	14,935	114,561	87,784	177,425	165,795
Other income and (expenses):						
Net interest deductions	(21,600)	(20,245)	(43,850)	(40,278)	(86,176)	(81,517)
Net interest deductions on subordinated debentures	(1,931)	(1,930)	(3,862)	(3,861)	(7,724)	(7,724)
Other income (deductions)	3,397	2,263	6,968	3,656	11,426	6,231
Total other income and (expenses)	(20,134)	(19,912)	(40,744)	(40,483)	(82,474)	(83,010)
Income (loss) before income taxes	5,102	(4,977)	73,817	47,301	94,951	82,785
Income tax expense (benefit)	1,393	(2,160)	25,928	17,289	33,251	28,680
Net income (loss)	\$ 3,709	\$ (2,817)	\$ 47,889	\$ 30,012	\$ 61,700	\$ 54,105
Basic earnings (loss) per share	\$ 0.09	\$ (0.07)	\$ 1.20	\$ 0.80	\$ 1.57	\$ 1.48
Diluted earnings (loss) per share	\$ 0.09	\$ (0.07)	\$ 1.19	\$ 0.80	\$ 1.55	\$ 1.47
Dividends paid per share	\$ 0.205	\$ 0.205	\$ 0.41	\$ 0.41	\$ 0.82	\$ 0.82
Average number of common shares outstanding	40,174	37,701	39,835	37,400	39,339	36,606
Average shares outstanding (assuming dilution)	40,541	--	40,196	37,701	39,704	36,916

The accompanying notes are an integral part of these statements.



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,	
	2006	2005	2006	2005
CASH FLOW FROM OPERATING ACTIVITIES:				
Net income	\$ 47,889	\$ 30,012	\$ 61,700	\$ 54,105
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	82,636	77,062	161,827	150,938
Deferred income taxes	(8,544)	11,505	(25,563)	31,440
Changes in current assets and liabilities:				
Accounts receivable, net of allowances	67,604	65,757	(18,369)	(14,801)
Accrued utility revenue	35,200	36,982	(800)	(918)
Deferred purchased gas costs	20,472	25,430	(30,823)	(5,378)
Accounts payable	(176,774)	(88,335)	3,582	13,655
Accrued taxes	19,658	2,302	23,072	4,701
Other current assets and liabilities	87,919	35,928	28,991	6,521
Other	(6,276)	(6,598)	13,746	(4,771)
Net cash provided by operating activities	169,784	190,045	217,363	235,492