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MEMORANDUM

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TO: THE COMMISSION

FROM: Utilities Division

DATE: February 5, 2001

AZ CORP COMMISSION
DOCUMENT CONTROL

RE: SOUTHWEST GAS CORPORATION - FILING FOR APPROVAL OF
TRANSPORTATION SERVICE TARIFF REVISIONS (DOCKET NO. G-01551A-
01-0023)

On January 8, 2001, Southwest Gas Corporation ("Southwest") filed for Commission approval of transportation service tariff revisions. On February 2, 2001 (Decision No. 63328), the Commission suspended this filing for 60 days.

Southwest's filing contemplates changes regarding how and when transportation customers may switch from sales service to rate schedule T-1, Transportation of Customer-Secured Natural Gas, and back to sales service. Currently Southwest may refuse to switch a customer between rate schedules if the customer has been receiving service on its current rate schedule for less than 12 months. The exception is for customers served under rate schedules G-1, B-1, and T-1 (transportation tariff), which Southwest may refuse to switch if the customer has received service on their current rate schedule for less than six months.

Southwest's filing would implement a requirement that transportation customers who switch back to sales service must then take sales service for at least 12 months. Additionally, Southwest would be able to refuse to switch transportation customers back to sales service if a customer had received transportation service for less than 12 months. Southwest's filing also makes corresponding changes to how gas costs are charged to the customer switching from transportation service to sales service, to reflect the proposed 12 month period.

Under existing tariff provisions, a transportation customer could switch back and forth between sales and transportation service every six months. Southwest generally experiences a lag between when it pays a given price for natural gas and when that price is accurately reflected in the rates it charges. When there is a large change in natural gas prices, as there has been recently, the differential between the current price being paid for natural gas supplies and the existing rates can become much larger. It is possible that under current conditions transportation customers may switch on and off of Southwest's sales service regularly to avoid periods when the higher prices are being reflected more fully in Southwest's sales rates. In such circumstances customers who switch would be incurring gas costs for Southwest's sales customers as a whole, but would not be fully contributing to the recovery of those costs. Under such a scenario it is possible that Southwest's core customers, who do not have the option to switch off of sales service, will bear a greater share of the higher gas costs.

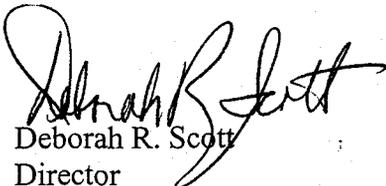
THE COMMISSION

February 5, 2001

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Additionally, if a sizable number of transportation customers are switching on and off of sales service often, it may make it more difficult for Southwest to plan longer term purchases of natural gas for its sales customers.

It is difficult to ensure that customers who move on and off of sales service will properly contribute to the cost of natural gas which is incurred to service sales customers. However, implementation of provisions that limit switching to once in twelve months appears to reduce the opportunity for customers to possibly switch on and off of sales service in an attempt to avoid periods when higher gas costs are being recovered. Therefore Staff recommends approval of the filing.



Deborah R. Scott
Director
Utilities Division

DRS:BGG:lhmVMA

ORIGINATOR: Robert Gray

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BEFORE THE ARIZONA CORPORATION COMMISSION

WILLIAM A. MUNDELL
Chairman
JIM IRVIN
Commissioner
MARC SPITZER
Commissioner

IN THE MATTER OF THE APPLICATION OF)
SOUTHWEST GAS CORPORATION - FILING)
FOR APPROVAL OF TRANSPORTATION)
SERVICE TARIFF REVISIONS)

DOCKET NO. G-01551A-01-0023
DECISION NO. _____
ORDER

Open Meeting
February 13 and 14, 2001
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. Southwest Gas Corporation ("Southwest") is engaged in providing natural gas within portions of Arizona, pursuant to authority granted by the Arizona Corporation Commission.
2. On January 8, 2001, Southwest filed for Commission approval of transportation service tariff revisions.
3. On February 2, 2001 (Decision No. 63328), the Commission suspended this filing for 60 days.
4. Southwest's filing contemplates changes regarding how and when transportation customers may switch from sales service to rate schedule T-1, Transportation of Customer-Secured Natural Gas, and back to sales service. Currently, Southwest may refuse to switch a customer between rate schedules if the customer has been receiving service on its current rate schedule for less than 12 months. The exception is for customers served under rate schedules G-1, B-1, and T-1 (transportation tariff), which Southwest may refuse to switch if the customer has received service on their current rate schedule for less than six months.
5. Southwest's filing would implement a requirement that transportation customers who switch back to sales service must then take sales service for at least 12 months.

SERVICE LIST FOR: Southwest Gas Corporation

1 DOCKET NO. G-01551A-01-0023

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