



BEFORE THE ARIZONA CORPORATION COMMISSION

MARC SPITZER
Chairman
WILLIAM A. MUNDELL
Commissioner
JEFF HATCH-MILLER
Commissioner
MIKE GLEASON
Commissioner
KRISTIN K. MAYES
Commissioner

Arizona Corporation Commission

DOCKETED

JUN 25 2004

DOCKETED BY [signature]

IN THE MATTER OF THE APPLICATION
OF SOUTHWEST GAS CORPORATION
FOR APPROVAL OF A SPECIAL GAS
PROCUREMENT AGREEMENT WITH
YUMA COGENERATION ASSOCIATES

DOCKET NO. G-01551A-04-0309

DECISION NO. 67064

ORDER

Open Meeting
June 15 and 16, 2004
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. Southwest Gas Corporation ("Southwest") is engaged in providing natural gas service within portions of Arizona, pursuant to authority granted by the Arizona Corporation Commission ("Commission").

2. On April 22, 2004, Southwest filed for Commission approval of a special gas procurement agreement ("SGPA") with Yuma Cogeneration Associates ("Yuma Cogen").

3. Southwest has served Yuma Cogen through SGPAs for a number of years, including through the most recently approved SGPA with Yuma Cogen, which the Commission approved in Decision No. 64993 (June 26, 2002). The SGPA approved in Decision No. 64993 became effective July 1, 2002, and had an initial term of one year, with a clause which allowed the parties to continue the agreement on a month-by-month basis.

4. Yuma Cogen is a cogeneration plant, producing electricity and steam.

5. The current filing by Southwest requests approval of a renegotiated SGPA with Yuma Cogen. The new SGPA would go into effect July 1, 2004, for an initial term of 18 months

1 and provides for a month-by-month extension of the SGPA with provision for termination by
2 either party with proper notice.

3 6. The rates contained in Exhibit A of the SGPA were provided to Staff pursuant to a
4 confidentiality agreement. The new SGPA contains provisions recognizing that service to Yuma
5 Cogen could be impacted if El Paso issues an overpull alert or if some or all of Southwest's block
6 two El Paso pipeline capacity is recalled by California.

7 7. Southwest is requesting approval of the proposed SGPA under terms of Schedule
8 G-30, Optional Gas Service. Service under Schedule G-30 is available to customers who can
9 establish that bypass of Southwest is economically, operationally, and physically feasible and
10 imminent. The Yuma Cogen facilities are located next to El Paso facilities.

11 8. Staff has reviewed Yuma Cogen's characteristics and believes that bypass is a
12 viable option for Yuma Cogen. Further, Southwest has indicated that the proposed agreement is
13 necessary to avoid such a bypass.

14 9. Southwest has indicated that it will enter into gas supply contracts with a gas
15 supplier for Yuma Cogen's gas requirements which are separate from Southwest's general system
16 supply contracts and that this supply will be accounted for separately from Southwest's general
17 system supply. Southwest has further indicated that it will use pipeline capacity to serve Yuma
18 Cogen which is not needed to serve its core customers.

19 10. The specific charges for serving Yuma Cogen were provided to Staff under a
20 confidentiality agreement. Staff has reviewed the charges included in the proposed agreement and
21 believes that the revenues Southwest receives should cover its cost of serving Yuma Cogen.
22 However, if conditions change, it is theoretically possible that Southwest could experience a
23 negative margin from this agreement.

24 11. As required by Schedule G-30, Southwest will credit the Purchased Gas Adjustor
25 account with all upstream pipeline capacity charges collected from Yuma Cogen. This will benefit
26 Southwest's core customers.

27 12. Yuma Cogen has a viable alternative to being served by Southwest.

28 13. Staff recommends approval of the filing.

ORDER

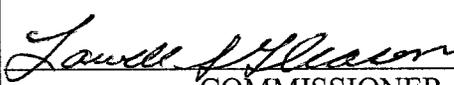
IT IS THEREFORE ORDERED that this filing be and is hereby approved.

IT IS FURTHER ORDERED that any negative margin resulting from this agreement not be recovered from other Southwest Gas Corporation ratepayers in any future proceeding.

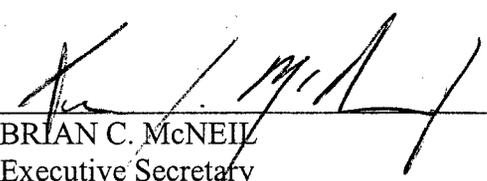
IT IS FURTHER ORDERED that this Order shall become effective immediately.

BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION

		
CHAIRMAN	COMMISSIONER	COMMISSIONER

	
COMMISSIONER	COMMISSIONER

IN WITNESS WHEREOF, I BRIAN C. McNEIL, Executive Secretary of the Arizona Corporation Commission, have hereunto, set my hand and caused the official seal of this Commission to be affixed at the Capitol, in the City of Phoenix, this 25th day of June, 2004.



 BRIAN C. McNEIL
 Executive Secretary

DISSENT: _____

DISSENT: _____

EGJ:RGG:red/JMA

1 SERVICE LIST FOR: Southwest Gas Corporation
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