

NEW APPLICATION
ORIGINAL



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SOUTHWEST GAS CORPORATION

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January 3, 2005

AZ CORP COMMISSION
DOCUMENT CONTROL

Docket Control Center
Arizona Corporation Commission
1200 West Washington Street
Phoenix, AZ 85007

G-01551A-05-0003

Arizona Corporation Commission
DOCKETED

JAN - 4 2005

DOCKETED BY	<i>CRZ</i>
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Pursuant to the terms of Schedule No. G-30, Optional Gas Service, of Southwest Gas Corporation's (Southwest) Arizona Gas Tariff No. 7, Southwest herewith submits for the Commission's review and approval a Special Gas Procurement Agreement (Agreement) for Grubb & Ellis Management Services, Inc. (Grubb & Ellis). Upon Commission approval, the Agreement shall continue in effect for a primary term from February 1, 2005 (or any date thereafter the Commission so directs) through and including December 31, 2005 and continue from month to month thereafter.

As specified in Special Condition No. 3 of Schedule No. G-30, the Agreement enumerates the provisions whereby Southwest will procure specific supplies of gas for Grubb & Ellis. Southwest is unable to serve Grubb & Ellis utilizing the floor cost of gas as defined in Schedule No. G-30. Consequently, a Special Gas Procurement Agreement was executed that will allow Southwest to retain Grubb & Ellis as a customer on its distribution system.

Southwest herewith submits an original and thirteen (13) copies of the Agreement, including an Exhibit A which has been redacted due to the proprietary and commercially-sensitive nature of the information contained in such exhibit.

By copy of this letter, Southwest is providing a copy of the Agreement and unredacted Exhibit A to Staff. The unredacted exhibit is being provided under seal in reliance upon prior Confidentiality Agreements related to Special Gas Procurement customers which have previously been executed by Southwest and Staff.



Docket Control Center
Page Two
January 3, 2005

Southwest respectfully requests that the attached Agreement be permitted to become effective February 1, 2005.

Respectfully,

A handwritten signature in black ink, appearing to read "Randall W. Sable". The signature is written in a cursive, flowing style.

Randall W. Sable
Manager, State Regulatory Affairs

c Robert Gray, ACC

**SOUTHWEST GAS CORPORATION
SPECIAL GAS
PROCUREMENT AGREEMENT
UNDER SCHEDULE G-30**

This Service Agreement ("Agreement") is made and entered into as of the 6th day of December, 2004, by and between SOUTHWEST GAS CORPORATION, a California corporation, herein called the Utility and GRUBB & ELLIS MANAGEMENT SERVICES, INC., herein called the Customer.

WITNESSETH:

In consideration of the mutual covenants and agreements as herein set forth, the Utility and the Customer agree as follows:

ARTICLE I - GAS TO BE SOLD AND PURCHASED

Subject to the terms, conditions and limitations hereof, the Utility agrees to sell and deliver to the Customer and the Customer agrees to receive, purchase and pay for natural gas volumes purchased and scheduled by the Utility on behalf of the Customer.

ARTICLE II - DELIVERY POINTS AND PROVISIONS OF SERVICE

Delivery of natural gas by the Utility to the Customer shall be at or near the points whose locations are listed below, and shall be in accordance with Rule No. 7 of the Utility's currently effective Arizona Gas Tariff.

Delivery Point(s)
Central Plant/9000 Rita Road
Treatment Facility/9000 Rita Road

ARTICLE III - APPLICABLE RATES AND RATE SCHEDULE

The Customer agrees to pay the Utility for all natural gas sales service rendered under the terms of this Agreement in accordance with the Utility's Schedule No. G-30, as approved by the Arizona Corporation Commission (Commission) and as amended or superseded from time to time. The commodity rate to be charged pursuant to Special Condition No. 3 of Schedule No. G-30 is set forth in the Exhibit A attached hereto and made a part hereof. This Agreement shall be subject to the provisions of such Schedule and the Rules and Regulations applicable thereto on file with the Commission and effective from time to time, which by this reference are incorporated herein and made a part hereof.

ARTICLE IV - TERM OF AGREEMENT

This Agreement shall become effective February 1, 2005 or any date thereafter that the Commission so directs and remain in effect for a Primary Term extending to and including December 31, 2005, and from month to month thereafter, subject, however, to termination either at the expiration of the said primary term or upon the first day of any month thereafter, by either party hereto through written notice so stating and given to the other no less than thirty (30) days in advance.

ARTICLE V - NOTICES

Unless herein provided to the contrary, any notice called for in this Agreement shall be in writing and shall be considered as having been given if delivered personally, by mail, or facsimile with all postage and charges prepaid, to either the Customer or the Utility at the place designated. Routine communications shall be considered as duly delivered when mailed by ordinary mail. Normal operating instructions can be made by telephone. Unless changed, the addresses of the parties are as follows:

SOUTHWEST GAS CORPORATION

Large Customer Sales Department
P.O. Box 98510 LVB-106
Las Vegas, Nevada 89193-8510
Phone No. (702) 364-3063
Fax No. (702) 365-5904

GRUBB & ELLIS MANAGEMENT SERVICES, INC.

Attn.: Curtis W. Beireis
2215 Sanders Road, Suite 400
Northbrook, IL 60062
Phone No. (847) 753-7500
Fax No. (847) 753-9034
cc: Legal Dept., ATTN: General Counsel

Either party may change its address at any time upon written notice to the other.

ARTICLE VI - OTHER OPERATING PROVISIONS

A. OPERATING CONDITIONS

The Customer agrees to schedule a Minimum Annual Volume of either 1,294,000 therms during each full year of the Agreement, or a pro-rated amount for a partial year of the Agreement based on the monthly volumes listed in the hereto attached Exhibit B. If required, the Minimum Annual Volume shall be pro-rated on an annual basis due to the upstream capacity issues as described in Article VI, Section F. If the Annual Volumes scheduled are less than the Minimum Annual Volume, the Customer shall pay the Utility an amount equal to the currently effective volumetric charge as listed on Exhibit A times the difference between the Minimum Annual Volume and the actual volume scheduled.

B. OPERATING IMBALANCE RECONCILIATION

The Customer has agreed to provide the Utility's Central Gas Dispatch Department with its anticipated monthly usage for the contract term. The monthly usage is listed in the Exhibit B attached hereto and made a part hereof. The Utility agrees, to the best of its ability, to purchase gas volumes within plus/minus 10 percent of those listed in Exhibit B. The Customer understands that monthly forecasts to the Utility should reflect expected consumption levels for each month. If the Customer's actual therm consumption for any month exceeds plus/minus 10 percent of the forecasted usage for such month, the Utility, at its option, has the right to pass along to the Customer any costs incurred to bring the Customer back into balance. The Utility, at its option, also has the right to ask the Customer to provide updated volumes reflecting changes in usage patterns. If necessary, this updated monthly volume information would be incorporated into a new Exhibit B which would be applicable to the terms and conditions of the original Exhibit B.

C. FINAL IMBALANCE RECONCILIATION

The Customer agrees to reconcile with the Utility for any imbalance that remains at the end of this Agreement. If the Customer has a positive imbalance, the Utility will purchase such imbalance at a price equal to the Utility's lowest purchase price for supplies delivered during the final month of the Agreement. If the Customer has a negative imbalance, the Customer shall pay the Utility for such imbalance at the cost the Utility incurred to provide the incremental supplies.

D. CONFIDENTIALITY

Neither the Utility nor the Customer, nor their respective affiliates, directors, officers, employees, agents nor permitted assignees shall disclose to any third party the terms and provisions of this Agreement without the other party's prior written consent; provided, however that the Utility may make such disclosure of the terms and provisions of this Agreement to the Commission as in the opinion of counsel to the Utility is required by applicable law, rule or regulation, and provided that with respect to any such disclosure to the Commission, the Utility shall take all steps reasonably available to maintain the confidentiality of this Agreement and prevent its disclosure to third parties; and provided further that the Customer may make such disclosure as required by law, and on a confidential basis, of the terms and provisions of this Agreement to International Business Machines Corporation, the Arizona Research Park Authority, Campus Research Corporation and existing and prospective owners, tenants, mortgagees of the Research Park (including without limitation the Arizona Board of Regents), and their consultants and attorneys.

E. CONSTRUCTION OF FACILITIES

If the Customer requests the Utility to provide natural gas service at delivery points other than those designated in this Agreement, the parties shall execute an additional agreement for that service.

The Customer shall have the right to request additional capacity at the delivery points. If the Utility's existing facilities are capable of delivering such capacity the rates described in Article III shall apply. If, as a result of such request, the Utility will be required to install incremental

facilities to meet the increased capacity, the Utility and the Customer agree to amend this Agreement to adjust the terms and conditions set forth in this Agreement to the extent necessary to allocate costs for the incremental facilities and adjust the Utility's rates accordingly.

F. UPSTREAM CAPACITY ISSUES

The Customer acknowledges that this Agreement would require the Customer to be the first to be interrupted in the event of an upstream capacity curtailment on the El Paso Natural Gas system or in the event the Utility is in an imminent over-pull situation with El Paso Natural Gas. In such an event, the Customer would be notified to switch to an alternative fuel. The Utility will make a good faith effort to provide the Customer twenty four (24) hours notice and in no event less than four (4) hours notice to switch to an alternative fuel. If the Customer elected to continue gas service during the duration of the event, the Customer would be charged a penalty equal to the amount of gas taken during the curtailment event multiplied times the upstream pipeline overpull rate.

ARTICLE VII - PRIOR AGREEMENTS

When this Agreement becomes effective, it supersedes, cancels and terminates the following agreement(s):

Special Gas Procurement Agreement dated September 20, 2001 and all subsequent amendments.

ARTICLE VIII - REGULATORY REQUIREMENTS

This Agreement, all terms and provisions contained or incorporated herein, and the respective obligations of the parties hereunder are subject to all valid laws, orders, rules and regulations of duly constituted authorities having jurisdiction over the subject matter of this Agreement. This Agreement shall at all times be subject to such changes or modifications by the Commission as it may from time to time direct in the proper exercise of its jurisdiction.

Should the Commission or any other regulatory or successor governmental agency having jurisdiction impose by rule, order or regulation any terms or conditions upon this Agreement which are not mutually satisfactory to the parties, then either party upon the issuance of such rule, order or regulation, and notification to the other party, may terminate this Agreement.

Either party's right to terminate this Agreement for the above reasons shall be expressly contingent upon the Utility's ability to liquidate any gas supplies secured for the Customer under a termed, fixed supply contract. Should this occur, the Customer expressly understands and agrees to the following:

- 1) For any volumes liquidated by the Utility for the Customer at a price less than the actual purchase price, the Customer agrees to pay this difference to the Utility.

- 2) For any volumes liquidated by the Utility for the Customer at a price more than the actual purchase price, the Customer will be credited this difference by the Utility.

ARTICLE IX - SUCCESSORS AND ASSIGNS

This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. This Agreement may be assigned or transferred by either party with the written approval of the other party. Such approval shall not be unreasonably withheld. As between the parties hereto, such assignment shall become effective on the next regularly scheduled meter read date following receipt of written notice that such assignment has been effectuated.

SOUTHWEST GAS CORPORATION

"Utility"

By:

Will N. Moody

William N. Moody

Title:

Vice President Gas Resources

Date:

12/28/04

GRUBB & ELLIS MANAGEMENT SERVICES, INC.

"Customer"

By:

Curtis Beireis

Curtis W. Beireis

Title:

Executive Vice President

Date:

12/21/04

**SOUTHWEST GAS CORPORATION
SPECIAL GAS PROCUREMENT AGREEMENT
UNDER SCHEDULE NO. G-30**

<u>CURRENT EFFECTIVE RATES:</u>	<u>Amount</u>
Basic Service Charge/Month (1 meter @ \$500/meter, 1 meter @ \$90/meter)	\$590.00

Commodity Charge:

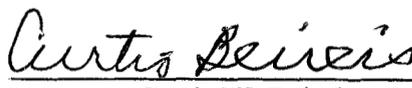
Gas Cost ¹ plus the applicable fuel and variable charges on the El Paso Natural Gas Company system, plus the Utility's applicable shrinkage charge, plus a volumetric charge of [REDACTED] per therm.

Effective Date: February 1, 2005 or as directed by the Arizona Corporation Commission
Date Issued: December 6, 2004
Customer: **GRUBB & ELLIS MANAGEMENT SERVICES, INC.**

SOUTHWEST GAS CORPORATION
"Utility"

GRUBB & ELLIS MANAGEMENT
SERVICES, INC.
"Customer"

By:  William N. Moody
Title: Vice President Gas Resources
Date: 12/28/04

By:  Curtis W. Beireis
Title: Executive Vice President
Date: 12/21/04

¹ Gas cost equals actual cost of gas purchased by the Utility for the Customer.
12/03/04

**SOUTHWEST GAS CORPORATION
SPECIAL GAS PROCUREMENT AGREEMENT
GRUBB & ELLIS PROJECTED MONTHLY LOAD PROFILE**

Contract Month	Contract Volumes (therms per month)
December	
January	
February	
March	
April	
May	
June	
July	
August	
September	
October	
November	

Effective Date: February 1, 2005 subject to Arizona Corporation Commission approval.
Date Issued: December 6, 2004
Customer: **GRUBB & ELLIS MANAGEMENT SERVICES, INC.**