

ORIGINAL
OPEN MEETING



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MEMORANDUM

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2005 JAN 24 P 12:47

Arizona Corporation Commission

DOCKETED

TO: THE COMMISSION
AZ CORP COMMISSION
FROM: DOCUMENT CONTROL
Utilities Division

JAN 24 2005

DATE: January 24, 2005

DOCKETED BY	
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RE: IN THE MATTER OF THE APPLICATION OF SOUTHWEST GAS CORPORATION FOR APPROVAL OF SPECIAL GAS PROCUREMENT AGREEMENT WITH GRUBB AND ELLIS MANAGEMENT SERVICES, INC. (G-01551A-05-0003)

On January 4, 2005, Southwest Gas Corporation ("Southwest") filed for Commission approval of a special gas procurement agreement ("SGPA") with Grubb and Ellis Management Services ("Grubb and Ellis").

Southwest has served Grubb and Ellis under SGPAs for a number of years. Southwest currently serves Grubb and Ellis under a SGPA approved by the Commission in Decision No. 66033 (July 3, 2003). Southwest's filing requests approval of the SGPA such that it would have an effective date of February 1, 2005 or as directed by the Commission and be effective through December 31, 2005, subject to termination on a month to month basis beyond that date.

Southwest is requesting approval of the SGPA under Schedule G-30, Optional Gas Service. Schedule G-30 is available to customers who can establish that bypass of Southwest is economically, operationally, and physically feasible and imminent. Grubb and Ellis is located approximately one mile from El Paso Natural Gas Company's ("El Paso") interstate pipeline system. Staff has reviewed Grubb and Ellis' usage characteristics and believes that bypass is a viable option for Grubb and Ellis. Further, Southwest has indicated that the proposed SGPA is necessary to avoid such a bypass. The proposed SGPA contains provisions recognizing that service to Grubb and Ellis could be impacted if El Paso were to issue an overpull alert or if some or all of Southwest's block two El Paso pipeline capacity is recalled by California.

Southwest has indicated that it will enter into gas supply contracts for Grubb and Ellis' gas requirements which are separate from Southwest's general system supply contracts and that this supply will be accounted for separately from Southwest's general system supply. Southwest has further indicated that it will use pipeline capacity to serve Grubb and Ellis which is not needed to serve its core customers.

The specific charges for serving Grubb and Ellis were provided to Staff under a confidentiality agreement. Staff has reviewed the charges included in the proposed SGPA and believes that the revenues Southwest would receive would cover its cost of serving Grubb and

THE COMMISSION

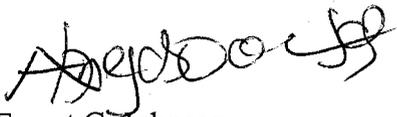
January 24, 2005

Page 2

Ellis. However, if conditions change, it is theoretically possible that Southwest could experience a negative margin from this SGPA.

As required by Schedule G-30, Southwest will credit the Purchased Gas Adjustor bank balance with all upstream pipeline capacity charges collected from Grubb and Ellis. This will benefit Southwest's core customers.

Grubb and Ellis has a viable alternative to being served by Southwest. Staff recommends approval of the filing. Staff further recommends that any negative margin resulting from this agreement not be recovered from other ratepayers in any future proceeding.

for 

Ernest G. Johnson
Director
Utilities Division

EGJ:RGG:lhmJG

ORIGINATOR: Robert Gray

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BEFORE THE ARIZONA CORPORATION COMMISSION

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

IN THE MATTER OF THE APPLICATION)
OF SOUTHWEST GAS CORPORATION)
FOR APPROVAL OF A SPECIAL GAS)
PROCUREMENT AGREEMENT WITH)
GRUBB AND ELLIS MANAGEMENT)
SERVICES, INC.)

DOCKET NO. G-01551A-05-0003
DECISION NO. _____
ORDER

Open Meeting
February 8 and 9, 2005
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.
2. On January 4, 2005, Southwest filed for Commission approval of a special gas procurement agreement ("SGPA") with Grubb and Ellis Management Services ("Grubb and Ellis").
3. Southwest has served Grubb and Ellis under SGPAs for a number of years. Southwest currently serves Grubb and Ellis under a SGPA approved by the Commission in Decision No. 66033 (July 3, 2003).
4. Southwest's filing requests approval of the SGPA such that it would have an effective date of February 1, 2005 or as directed by the Commission and be effective through December 31, 2005, subject to termination on a month to month basis beyond that date.

1 5. Southwest is requesting approval of the SGPA under Schedule G-30, Optional Gas
2 Service. Schedule G-30 is available to customers who can establish that bypass of Southwest is
3 economically, operationally, and physically feasible and imminent.

4 6. Grubb and Ellis is located approximately one mile from El Paso Natural Gas
5 Company's ("El Paso") interstate pipeline system.

6 7. Staff has reviewed Grubb and Ellis' usage characteristics and believes that bypass is
7 a viable option for Grubb and Ellis. Further, Southwest has indicated that the proposed SGPA is
8 necessary to avoid such a bypass.

9 8. The proposed SGPA contains provisions recognizing that service to Grubb and
10 Ellis could be impacted if El Paso were to issue an overpull alert or if some or all of Southwest's
11 block two El Paso pipeline capacity is recalled by California.

12 9. Southwest has indicated that it will enter into gas supply contracts for Grubb and
13 Ellis' gas requirements which are separate from Southwest's general system supply contracts and
14 that this supply will be accounted for separately from Southwest's general system supply.

15 10. Southwest has further indicated that it will use pipeline capacity to serve Grubb and
16 Ellis which is not needed to serve its core customers.

17 11. The specific charges for serving Grubb and Ellis were provided to Staff under a
18 confidentiality agreement. Staff has reviewed the charges included in the proposed SGPA and
19 believes that the revenues Southwest would receive would cover its cost of serving Grubb and
20 Ellis. However, if conditions change, it is theoretically possible that Southwest could experience a
21 negative margin from this SGPA.

22 12. As required by Schedule G-30, Southwest will credit the Purchased Gas Adjustor
23 bank balance with all upstream pipeline capacity charges collected from Grubb and Ellis. This
24 will benefit Southwest's core customers.

25 13. Grubb and Ellis has a viable alternative to being served by Southwest.

26 14. Staff has recommended approval of the filing.

27 15. Staff has further recommended that any negative margin resulting from this
28 agreement not be recovered from other ratepayers in any future proceeding.

CONCLUSIONS OF LAW

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1. Southwest is an Arizona public service corporation within the meaning of Article XV, Section 2, of the Arizona Constitution.
2. The Commission has jurisdiction over Southwest and over the subject matter of the application.
3. The Commission, having reviewed the application and Staff's Memorandum dated January 24, 2005, concludes that it is in the public interest to approve the filing.

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ORDER

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

IT IS FURTHER ORDERED that any negative margin resulting from this agreement not be recovered from other 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
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COMMISSIONER	COMMISSIONER
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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 _____ day of _____, 2005.

BRIAN C. McNEIL
Executive Secretary

DISSENT: _____

DISSENT: _____

EGJ:RGG:lm\JG

1 SERVICE LIST FOR: Southwest Gas Corporation
2 DOCKET NO. G-01551A-05-0003

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4 Manager, State Regulatory Affairs
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