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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

JAN 28 2004

DOCKETED BY	NR
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IN THE MATTER OF THE APPLICATION
OF SOUTHWEST GAS CORPORATION
FOR APPROVAL OF A SPECIAL GAS
PROCUREMENT AGREEMENT WITH
TUCSON ELECTRIC POWER COMPANY

DOCKET NOS. G-01551A-03-0910
E-01933A-03-0910

DECISION NO. 66753

ORDER

Open Meeting
January 13 and 14, 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.

2. On December 17, 2003, Southwest filed for Commission approval of a special gas procurement agreement ("SGPA") with Tucson Electric Power Company ("TEP").

3. Southwest has served TEP through SGPAs for a number of years, including through the most recent SGPA with TEP, which the Commission approved in Decision No. 63846 (June 28, 2001).

4. The SGPA approved in Decision No. 63846, became effective June 1, 2001, and had an initial term of five years.

5. This SGPA contained rates effective for the first two years of the contract and included procedures for the parties to renegotiate rates for the remaining term of the contract.

1 Once the initial two year period expired, Southwest and TEP extended the use of the initial rates
2 through December 31, 2003, via a series of letter agreements.

3 6. Southwest's filing requests approval of the renegotiated rates contained in Exhibit
4 A, which was provided to Staff pursuant to a confidentiality agreement. Apart from the
5 renegotiated rates shown in Exhibit A, the terms and conditions of the SGPA remain unchanged.

6 7. The letter agreement that accompanied Exhibit A in Southwest filing indicates that
7 service under this SGPA is subject to possible service disruptions related to the recent reallocation
8 of interstate pipeline capacity on the El Paso Natural Gas Company system and if a capacity
9 shortfall develops, Southwest and TEP will work to develop alternative supply arrangements.

10 8. The renegotiated rates will be effective for a one year period, beginning January 1,
11 2004.

12 9. Staff has reviewed the proposed rates and believes that the revenues Southwest will
13 receive should cover the cost of serving TEP and that the proposed rates are consistent with the
14 SGPA approved in Decision Number 63846, subject to the conditions contained in that Decision.

15 10. These conditions include protection for Southwest's ratepayers from any potential
16 negative margin resulting from this SGPA and the crediting of upstream pipeline capacity charges
17 to Southwest's purchased gas adjustor bank balance.

18 11. Staff has recommended approval of the filing.

19 12. The Commission will review the facts in this matter and determine whether or not a
20 fine/penalty is appropriate in accordance with A.R.S. §§ 40-424 and 425.

21 CONCLUSIONS OF LAW

22 1. Southwest is an Arizona public service corporation within the meaning of Article
23 XV, Section 2, of the Arizona Constitution.

24 2. The Commission has jurisdiction over Southwest and over the subject matter of the
25 application.

26 3. The Commission, having reviewed the application and Staff's Memorandum dated
27 December 30, 2003, concludes that it is in the public interest to approve the filing.

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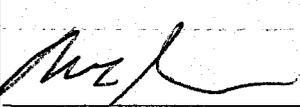
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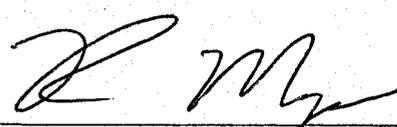
IT IS THEREFORE ORDERED that this filing be and is hereby approved.

IT IS FURTHER ORDERED that the Commission will review the facts in this matter and determine whether or not a fine/penalty is appropriate in accordance with A.R.S. §§ 40-424 and 425.

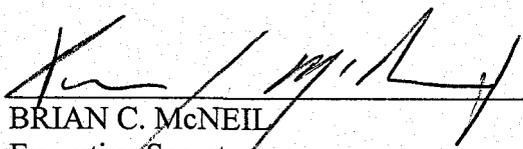
IT IS FURTHER ORDERED that this Order shall become effective immediately.

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 28th day of January, 2004.



 BRIAN C. McNEIL
 Executive Secretary

DISSENT: _____

DISSENT: _____

EGJ:RGG:rdp/LAV

1 SERVICE LIST FOR: SOUTHWEST GAS CORPORATION AND TUCSON ELECTRIC
2 POWER COMPANY
3 DOCKET NOS. G-01551A-03-0910 AND E-01933A-03-0910

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