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BEFORE THE ARIZONA CORPORATION COMMISSION

Arizona Corporation Commission

WILLIAM A. MUNDELL  
CHAIRMAN  
JIM IRVIN  
COMMISSIONER  
MARC SPITZER  
COMMISSIONER

DOCKETED

JUN 26 2002

DOCKETED BY

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

DOCKET NO. G-01551A-02-0298

DECISION NO. 64993

ORDER

Open Meeting  
June 25 and 26, 2002  
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. Southwest Gas Corporation ("Southwest") is certificated to provide natural gas as a public service corporation in the State of Arizona.

2. On April 23, 2002, Southwest filed for approval of a special gas procurement agreement with Yuma Cogeneration Associates ("Yuma Cogen").

3. On May 16, 2002, the Commission suspended the filing until October 4, 2002 (Decision No. 64827).

4. The proposed agreement has an effective date of July 1, 2002, subject to Commission approval. The proposed procurement agreement has an initial term of one year. The agreement would automatically continue unless either party gives notice of termination at the end of the primary term or the agreement would terminate on the first day of any calendar month after either party has provided notice of termination at least 90 days prior.

5. The proposed agreement contains language indicating that the agreement is contingent upon Southwest maintaining its full requirements service with El Paso Natural Gas Company ("El Paso").

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1           6.     If Southwest's full requirements service is changed or another material change to  
2 service on El Paso takes place that is unacceptable to either party, either party may terminate the  
3 special-gas procurement agreement.

4           7.     On May 31, 2002, the Federal Energy Regulatory Commission ("FERC") issued  
5 an order in a number of dockets related to the allocation of pipeline capacity on El Paso's  
6 interstate pipeline system. This order, among other things, requires all large full requirements  
7 shippers, including Southwest, to convert from their current full requirements contracts to  
8 contract demand contracts. The FERC order contemplates an implementation date for this  
9 conversion of November 1, 2002.

10          8.     Under a contract demand contract, Southwest would have a limited amount of  
11 pipeline capacity. Such a situation raises questions regarding the use of such pipeline capacity  
12 for Southwest's core customers and special gas procurement customers. These changing  
13 pipeline capacity circumstances will have to be taken into consideration in the treatment of  
14 existing and future special gas procurement agreements.

15          9.     Once Southwest's pipeline capacity rights and cost responsibilities are defined in  
16 the FERC proceedings regarding El Paso, Southwest should meet with Staff within 30 days. The  
17 purpose of this meeting would be to discuss the impact of changes to Southwest's pipeline  
18 capacity situation on the proposed agreement with Yuma Cogen, as well as the impact of the new  
19 El Paso pipeline capacity situation on the ability of Yuma Cogen to bypass Southwest.

20          10.    This special gas procurement agreement with Yuma Cogen is the successor to the  
21 previous Commission approved special gas procurement agreement with Yuma Cogen (Decision  
22 No. 60188, May 16, 1997).

23          11.    Service under Schedule G-30 is available to customers who can establish that  
24 bypass of Southwest is economically, operationally, and physically feasible and imminent. The  
25 Yuma Cogen facilities are located next to El Paso's interstate pipeline. Staff has reviewed Yuma  
26 Cogen's usage characteristics and believes that bypass is a viable option for Yuma Cogen.  
27 Further, Southwest has indicated the proposed procurement agreement is necessary to avoid such  
28 a bypass.

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Decision No. \_\_\_\_\_



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ORDER

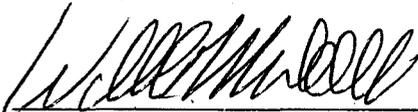
THEREFORE, IT IS ORDERED that this filing be and is hereby approved.

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

IT IS FURTHER ORDERED that Southwest be required to meet with Staff within 30 days of the time at which Southwest's pipeline capacity rights and cost responsibilities are defined in the FERC proceedings regarding El Paso, for the purpose of discussing the impact of FERC actions regarding El Paso on the proposed Yuma Cogen agreement.

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

**BY ORDER OF THE ARIZONA CORPORATION COMMISSION**



CHAIRMAN

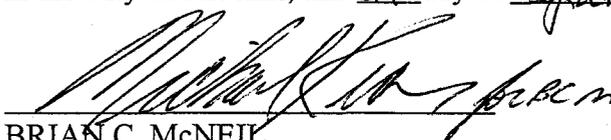


COMMISSIONER



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 26<sup>th</sup> day of June 2002.



BRIAN C. McNEIL  
Executive Secretary

DISSENT: \_\_\_\_\_

EGJ:RGG:nms:lhmvJMA

1 Service List for: Southwest Gas Corporation  
2 Docket No. G-01551A-02-0298

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5 Southwest Gas Corporation  
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