

ORIGINAL

OPEN MEETING



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MEMORANDUM

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TO: THE COMMISSION

FROM: Utilities Division

DATE: December 14, 2005

AZ CORP COMMISSION
DOCUMENT CONTROL

RE: IN THE MATTER OF THE APPLICATION OF SOUTHWEST GAS CORPORATION FOR APPROVAL OF SPECIAL GAS PROCUREMENT AGREEMENT WITH TUCSON ELECTRIC POWER COMPANY (DOCKET NOS. G-01551A-05-0885 AND E-01993A-05-0885)

On December 9, 2005, Southwest Gas Corporation ("Southwest") filed for Commission approval of a special gas procurement agreement ("SGPA") with Tucson Electric Power Company ("TEP"). TEP uses natural gas to generate electricity.

Southwest has served TEP through SGPAs for a number of years. In Decision No. 67453 (January 4, 2005), the Commission approved the most recent SGPA between Southwest and TEP, which included pricing terms through December 2005. The specific charges for serving TEP were provided to Staff under a confidentiality agreement.

Southwest's filing in this application requests approval of a month-to-month extension of the same rates and same delivery volumes contained in the currently approved SGPA, with either party being able to terminate the agreement with 30 days notice. The SGPA contains pricing details through December 2006, so effectively the proposed extension is for up to 12 months. Southwest has indicated that the extension was structured on a month-to-month basis given the uncertainties regarding the impacts of El Paso Natural Gas Company's on-going rate proceeding at the Federal Energy Regulatory Commission, and how changes may impact Southwest's service to TEP.

Staff has reviewed information related to the new SGPA containing the extension and believes that TEP continues to have a viable alternative to being served by Southwest through the SGPA by potentially bypassing Southwest and taking service from El Paso directly. Staff believes the extension is reasonable. Ratepayers will continue to benefit from the crediting of

THE COMMISSION

December 14, 2005

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Southwest's purchased gas adjustor balance with pipeline capacity credits. Staff recommends approval of the filing. Staff further recommends that the provision contained in past Commission orders approving such SGPAs, indicating that ratepayers are not responsible in any future proceeding for any negative margins resulting from the SGPA, be retained.



Ernest G. Johnson
Director
Utilities Division

EGJ:RGG:lm\CCK

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
TUCSON ELECTRIC POWER COMPANY

DOCKET NO. G-01551A-05-0885
E-01993A-05-0885
DECISION NO. _____
ORDER

Open Meeting
December 29, 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 ("Commission").
2. On December 9, 2005, Southwest filed for Commission approval of a special gas procurement agreement ("SGPA") with Tucson Electric Power Company ("TEP"). TEP uses natural gas to generate electricity.
3. Southwest has served TEP through SGPAs for a number of years.
4. In Decision No. 67453 (January 4, 2005), the Commission approved the most recent SGPA between Southwest and TEP, which included pricing terms through December 2005.
5. The specific charges for serving TEP were provided to Staff under a confidentiality agreement.

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ORDER

IT IS THEREFORE ORDERED that the SGPA between Southwest Gas Corporation and Tucson Electric Power Company be and hereby is approved as discussed herein.

IT IS FURTHER ORDERED that ratepayers are not responsible in any future proceeding for any negative margins resulting from the SPGA.

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 Director 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 Director

DISSENT: _____

DISSENT: _____

EGJ:RGG:lhmc\cck

1 SERVICE LIST FOR: Southwest Gas Corporation and Tucson Electric Power Company
2 DOCKET NOS. G-01551A-05-0885 and E-01993A-05-0885

3 Mr. Randall W. Sable
4 Manager, State Regulatory Affairs
5 Southwest Gas Corporation
6 5241 Spring Mountain Road
7 Post Office Box 98510
8 Las Vegas, Nevada 89193-8510

9 Mr. David Hutchens
10 General Manager, Fuels & Wholesale Power
11 Tucson Electric Power Company
12 3950 East Irvington Road
13 Post Office Box 7111
14 Tucson, Arizona 85702

15 Mr. Ernest G. Johnson
16 Director, Utilities Division
17 Arizona Corporation Commission
18 1200 West Washington
19 Phoenix, Arizona 85007

20 Mr. Christopher C. Kempley
21 Chief Counsel
22 Arizona Corporation Commission
23 1200 West Washington
24 Phoenix, Arizona 85007

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