

OPEN MEET



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MEMORANDUM

Arizona Corporation Commission

DOCKETED

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TO: THE COMMISSION

JUN 12 2001

AZ CORP COMMISSION  
DOCUMENT CONTROL

FROM: Utilities Division

DOCKETED BY	<i>me</i>
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DATE: June 11, 2001

RE: SOUTHWEST GAS CORPORATION – FILING FOR APPROVAL OF A SPECIAL GAS PROCUREMENT AGREEMENT WITH V.A.W. OF AMERICA, INC. (DOCKET NO. G-01551A-01-0445)

On May 31, 2001, Southwest Gas Corporation (“Southwest”) filed for Commission approval of a special gas procurement agreement with V.A.W. of America, Inc. (“VAW”). The proposed agreement would become effective July 1, 2001, subject to Commission approval. The proposed procurement agreement has an initial term of three years and will automatically continue unless one party gives notice of termination at least 90 days prior to the anniversary date of the agreement. VAW is currently served under Schedule B-1, Potential Bypass/Standby Gas Service.

Service under Schedule G-30, is available to customers who can establish that bypass of Southwest is economically, operationally, and physically feasible and imminent. VAW is located approximately 0.8 miles from El Paso Natural Gas Company's (“El Paso”) interstate pipeline. Staff has reviewed VAW’s usage characteristics and believes that bypass is a viable option for the VAW. Further, Southwest has indicated the proposed procurement agreement is necessary to avoid such a bypass.

Southwest has indicated that it will enter into gas supply contracts with a gas supplier for VAW’s 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.

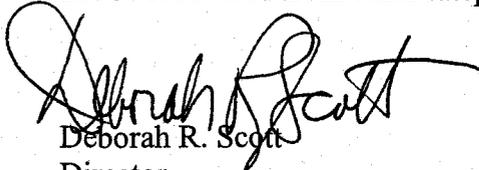
The specific charges for serving VAW were provided to Staff under a confidentiality agreement. Staff has reviewed the charges included in the proposed procurement agreement and believes that the revenues Southwest receives should cover its cost of serving VAW. However, if conditions change, it is theoretically possible that Southwest could experience a negative margin on this procurement agreement. As required by Schedule G-30, Southwest will credit the Purchased Gas Adjustor account with all upstream pipeline capacity charges collected from VAW. This will benefit Southwest’s core customers.

THE COMMISSION

June 11, 2001

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VAW has a viable alternative to being served by Southwest. Without this agreement, Southwest might lose net revenues it would otherwise receive. Staff recommends approval of this filing. Further, Staff recommends that any negative margin resulting from this agreement not be recovered from other ratepayers in any future proceeding.



Deborah R. Scott

Director

Utilities Division

DRS:BGG:jbc/JMA

ORIGINATOR: Robert Gray

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 WILLIAM A. MUNDELL  
Chairman

3 JIM IRVIN  
Commissioner

4 MARC SPITZER  
Commissioner

5  
6 IN THE MATTER OF THE APPLICATION OF )  
SOUTHWEST GAS CORPORATION - FILING )  
7 FOR APPROVAL OF A SPECIAL GAS )  
PROCUREMENT AGREEMENT WITH V.A.W. )  
8 OF AMERICA, INC. )

DOCKET NO. G-01551A-01-0445

DECISION NO. \_\_\_\_\_

ORDER

9  
10 Open Meeting  
June 26 and 27, 2001  
11 Phoenix, Arizona

12 BY THE COMMISSION:

13 FINDINGS OF FACT

14 1. Southwest Gas Corporation ("Southwest") is engaged in providing natural gas within  
15 portions of Arizona, pursuant to authority granted by the Arizona Corporation Commission.

16 2. On May 31, 2001, Southwest filed for Commission approval of a special gas  
17 procurement agreement with V.A.W. of America, Inc. ("VAW").

18 3. The proposed agreement would become effective July 1, 2001, subject to Commission  
19 approval. The proposed procurement agreement has an initial term of three years and will  
20 automatically continue unless one party gives notice of termination at least 90 days prior to the  
21 anniversary date of the agreement.

22 4. VAW is currently served under Schedule B-1, Potential Bypass/Standby Gas Service.

23 5. Service under Schedule G-30, is available to customers who can establish that bypass  
24 of Southwest is economically, operationally, and physically feasible and imminent. VAW is located  
25 approximately 0.8 miles from El Paso Natural Gas Company's ("El Paso") interstate pipeline.

26 6. Staff has reviewed VAW's usage characteristics and believes that bypass is a viable  
27 option for the VAW. Further, Southwest has indicated the proposed procurement agreement is  
28 necessary to avoid such a bypass.

1 7. Southwest has indicated that it will enter into gas supply contracts with a gas supplier  
2 for VAW's gas requirements, which are separate from Southwest's general system supply contracts  
3 and that this supply will be accounted for separately from Southwest's general system supply.

4 8. The specific charges for serving VAW were provided to Staff under a confidentiality  
5 agreement.

6 9. Staff has reviewed the charges included in the proposed procurement agreement and  
7 believes that the revenues Southwest receives should cover its cost of serving VAW. However, if  
8 conditions change, it is theoretically possible that Southwest could experience a negative margin on  
9 this procurement agreement.

10 10. As required by Schedule G-30, Southwest will credit the Purchased Gas Adjustor account  
11 with all upstream pipeline capacity charges collected from VAW. This will benefit Southwest's core  
12 customers.

13 11. VAW has a viable alternative to being served by Southwest. Without this agreement,  
14 Southwest might lose net revenues it would otherwise receive.

15 12. Staff has recommended approval of this filing.

16 13. Further, Staff has recommended that any negative margin resulting from this agreement  
17 not be recovered from other ratepayers in any future proceeding.

18 CONCLUSIONS OF LAW

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

21 2. The Commission has jurisdiction over Southwest and over the subject matter of the  
22 application.

23 3. The Commission, having reviewed the application and Staff's Memorandum dated June  
24 11, 2001, concludes that it is in the public interest to approve the filing.

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ORDER

IT IS THEREFORE ORDERED that the filing be and 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 Decision shall become effective immediately.

**BY ORDER OF THE ARIZONA CORPORATION COMMISSION**

CHAIRMAN	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 \_\_\_\_\_, 2001.

\_\_\_\_\_  
BRIAN C. McNEIL  
Executive Secretary

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

DRS:BGG:jbc/

1 SERVICE LIST FOR: Southwest Gas Corporation  
DOCKET NO. G-01551A-01-0445

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4 Southwest Gas Corporation  
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9 Ms. Deborah R. Scott  
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