

OPEN MEETING



MEMORANDUM

Arizona Corporation Commission

DOCKETED

JUL 05 2001

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RECEIVED

2001 JUL -5 P 3:23

AZ CORP COMMISSION
DOCUMENT CONTROL

TO: THE COMMISSION

FROM: Utilities Division.

DATE: July 5, 2001

RE: SOUTHWEST GAS CORPORATION - FILING FOR APPROVAL OF A SPECIAL GAS PROCUREMENT AGREEMENT WITH EUROFRESH, INC. (DOCKET NO. G-01551A-01-0517)

On June 27, 2001, Southwest Gas Corporation ("Southwest") filed for Commission approval of a special gas procurement agreement with Eurofresh, Inc., formerly known as Bonita Nurseries.

The proposed agreement would become effective September 1, 2001, subject to Commission approval. The proposed procurement agreement has an initial term of three years and will automatically continue on a month to month basis until one party gives notice of termination at least 90 days prior to termination. Eurofresh is currently served under a special gas procurement agreement that was approved by the Commission on September 8, 2000 (Decision No. 62892).

Service under Schedule G-30 is available to customers who can establish that bypass of Southwest is economically, operationally, and physically feasible and imminent. Eurofresh is located approximately five miles from El Paso Natural Gas Company's ("El Paso") interstate pipeline. Staff has reviewed Eurofresh's usage characteristics and believes that bypass is a viable option for Eurofresh. 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 Eurofresh'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 Eurofresh 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 Eurofresh. 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 Eurofresh. This will benefit Southwest's core customers.

THE COMMISSION

July 5, 2001

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Eurofresh 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

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BEFORE THE ARIZONA CORPORATION COMMISSION

WILLIAM A. MUNDELL
Chairman
JIM IRVIN
Commissioner
MARC SPITZER
Commissioner

IN THE MATTER OF THE APPLICATION OF)
SOUTHWEST GAS CORPORATION - FILING)
FOR APPROVAL OF A SPECIAL GAS)
PROCUREMENT AGREEMENT WITH)
EUROFRESH, INC.)

DOCKET NO. G-01551A-01-0517
DECISION NO. _____
ORDER

Open Meeting
July 24 and 25, 2001
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. Southwest Gas Corporation ("Southwest") is engaged in providing natural gas within portions of Arizona, pursuant to authority granted by the Arizona Corporation Commission.
2. On June 27, 2001, Southwest filed for Commission approval of a special gas procurement agreement with Eurofresh, Inc., formerly known as Bonita Nurseries.
3. The proposed agreement would become effective September 1, 2001, subject to Commission approval. The proposed procurement agreement has an initial term of three years and will automatically continue on a month to month basis until one party gives notice of termination at least 90 days prior to termination.
4. Eurofresh is currently served under a special gas procurement agreement that was approved by the Commission on September 8, 2000 (Decision No. 62892).
5. Service under Schedule G-30, is available to customers who can establish that bypass of Southwest is economically, operationally, and physically feasible and imminent. Eurofresh is located approximately five miles from El Paso Natural Gas Company's ("El Paso") interstate pipeline.

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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

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/JMA

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