

OPEN MEET



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MEMORANDUM

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Arizona Corporation Commission

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2001 JUL -5 P 3:21

TO: THE COMMISSION

FROM: Utilities Division

JUL 05 2001

AZ CORP COMMISSION
DOCUMENT CONTROL

DATE: July 5, 2001

DOCKETED BY 

RE: SOUTHWEST GAS CORPORATION - FILING FOR APPROVAL OF A SPECIAL GAS PROCUREMENT AGREEMENT WITH NATIONAL GYPSUM COMPANY (DOCKET NO. G-01551A-01-0518)

On June 27, 2001, Southwest Gas Corporation ("Southwest") filed for Commission approval of a special gas procurement agreement with National Gypsum Company ("National Gypsum").

The proposed agreement would become effective October 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. National Gypsum is currently served under Schedule No. 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. National Gypsum is located approximately five miles from El Paso Natural Gas Company's ("El Paso") interstate pipeline. Staff has reviewed National Gypsum's usage characteristics and believes that bypass is a viable option for National Gypsum. 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 National Gypsum'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.

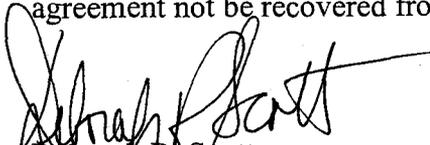
The specific charges for serving National Gypsum were provided to Staff under a confidentiality agreement. Staff has reviewed the charges included in the proposed procurement agreement and believes that the revenues Southwest receives should cover its cost of serving National Gypsum. However, if conditions 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 National Gypsum. This will benefit Southwest's core customers.

THE COMMISSION

July 5, 2001

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National Gypsum 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)
NATIONAL GYPSUM COMPANY)

DOCKET NO. G-01551A-01-0518
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 National Gypsum Company ("National Gypsum").
3. The proposed agreement would become effective October 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.
4. National Gypsum is currently served under Schedule No. B-1, Potential Bypass/Standby Gas Service.
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. National Gypsum is located approximately five miles from El Paso Natural Gas Company's ("El Paso") interstate pipeline.

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1 SERVICE LIST FOR: Southwest Gas Corporation
2 DOCKET NO. G-01551A-01-0518

3 Ms. Debra S. Jacobson
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. Chris Kempley
10 Chief Counsel
11 Arizona Corporation Commission
12 1200 West Washington
13 Phoenix, Arizona 85007

14 Ms. Deborah Scott
15 Director, Utilities Division
16 Arizona Corporation Commission
17 1200 West Washington
18 Phoenix, Arizona 85007

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