



RECEIVED
AZ CCAP COMMISSION

JUN 11 3 11 PM '01

DOCUMENT CONTROL



SOUTHWEST GAS CORPORATION

June 7, 2001

G-01551A-01-0471

Ms. Deborah Scott, Director
Utilities Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, AZ 85007

Dear Ms. Scott:

Pursuant to the terms of Schedule No. G-30, Optional Gas Service, of Southwest Gas Corporation's (Southwest) Arizona Gas Tariff No. 7, Southwest herewith submits for the Commission's review and approval a Special Gas Procurement Agreement (Agreement) for Arizona Portland Cement. Upon Commission approval, the Agreement shall continue in effect for a primary term of two years and continue from year to year thereafter.

As specified in Special Condition No. 3 of Schedule No. G-30, the Agreement enumerates the provisions whereby Southwest will procure specific supplies of gas for Arizona Portland Cement. Southwest is unable to serve the Arizona Portland Cement utilizing the floor cost of gas as defined in Schedule No. G-30. Consequently, a Special Gas Procurement was executed that will allow Southwest to retain the Arizona Portland Cement as a customer on its distribution system.

Southwest herewith submits an original and ten (10) copies of the Agreement, including a copy of the agreement and Exhibit A which has been redacted due to the propriety and commercially-sensitive nature of the information contained in such exhibit.

By copy of this letter, Southwest is providing a copy of the Agreement and unredacted Exhibit A to Staff. The unredacted exhibit is being provided under seal in reliance upon prior Confidentiality Agreements related to Special Gas Procurement customers which have previously been executed by Southwest and Staff.



Ms. Deborah Scott
Page Two
June 7, 2001

Southwest respectfully requests that the attached Agreement be permitted to become effective July 1, 2001.

Very truly yours,

A handwritten signature in black ink, appearing to read "Ed Gieseke", with a long horizontal flourish extending to the right.

Ed Gieseke
Manager, State Regulatory Affairs

c Robert Gray
Utilities Division

**SOUTHWEST GAS CORPORATION
SPECIAL GAS
PROCUREMENT AGREEMENT
UNDER SCHEDULE G-30**

This Service Agreement ("Agreement") is made and entered into as of the 1st day of June, 2001, by and between SOUTHWEST GAS CORPORATION, a California corporation, herein called the Utility and ARIZONA PORTLAND CEMENT, herein called the Customer.

WITNESSETH:

In consideration of the mutual covenants and agreements as herein set forth, the Utility and the Customer agree as follows:

ARTICLE I - GAS TO BE SOLD AND PURCHASED

Subject to the terms, conditions and limitations hereof, the Utility agrees to sell and deliver to the Customer and the Customer agrees to receive, purchase and pay for natural gas volumes taken.

ARTICLE II - DELIVERY POINTS AND PROVISIONS OF SERVICE

Delivery of natural gas by the Utility to the Customer shall be at or near the points whose locations, delivery pressures, atmospheric pressures and maximum quantity per day are described on Exhibit 'A', and shall be in accordance with Rule No. 7 of the Utility's currently effective Arizona Gas tariff.

ARTICLE III - APPLICABLE RATES AND RATE SCHEDULE

The Customer agrees to pay the Utility for all natural gas sales service rendered under the terms of this Agreement in accordance with the Utility's Schedule No. G-30, as approved by the Arizona Corporation Commission (Commission) and as amended or superseded from time to time. The commodity rate to be charged pursuant to Special Condition No. 3 of Schedule No. G-30 is set forth in the Exhibit A attached hereto and made a part hereof. This Agreement shall be subject to the provisions of such Schedule and the Rules and Regulations applicable thereto on file with the Commission and effective from time to time, which by this reference are incorporated herein and made a part hereof.

The Customer understands and agrees that the commodity rates as set forth in the Exhibit A may change from time to time subject to the Applicability and Special Conditions sections enumerated in Schedule No. G-30.

ARTICLE IV - TERM OF AGREEMENT

This Agreement shall become effective on July 1, 2001, subject to Arizona Corporation Commission approval, and shall continue in effect for a primary term of two years, and from month to month thereafter, subject, however, to termination by either at the expiration of the said primary term or upon the first day of any calendar month by either party hereto through written notice so stating and given to the other no less than ninety (90) days prior to the termination of said agreement.

This Agreement may be terminated (a) by mutual agreement of the parties, or (b) by either party in the event of any regulatory, governmental or other approvals which may be necessary or required for either party to perform any material obligation under this Agreement, (i) are not granted, or (ii) if granted, are not acceptable to either or both parties.

Should this Agreement be terminated by either party for any of the above reasons, such termination shall not be effective unless and until any existing gas contract entered into by the Utility for the Customer has expired. Any remaining imbalance will be cleared as follows:

- A. The Utility shall credit the Customer for any positive imbalance quantity at a price equal to the weighted average incremental cost of gas purchased by the Utility during the month.
- B. For any remaining negative imbalance quantity, the Customer shall pay the Utility for the imbalance quantity at the rate specified in Exhibit A.

ARTICLE V - NOTICES

Unless herein provided to the contrary, any notice called for in this Agreement shall be in writing and shall be considered as having been given if delivered personally, by mail, email or facsimile with all postage and charges prepaid, to either the Customer or the Utility at the place designated. Routine communications shall be considered as duly delivered when mailed by ordinary mail. Normal operating instructions can be made by telephone. Unless changed, the addresses of the parties are as follows:

SOUTHWEST GAS CORPORATION

Large Customer Sales Department
P.O. Box 98510 LVB-106
Las Vegas, Nevada 89193-8510
Phone No. (702) 364-3236
Fax No. (702) 365-5904

ARIZONA PORTLAND CEMENT

Attn.: Administrative Manager
P.O. Box 338
Rillito, Arizona 85654
Phone No. (520) 682-2221 X4213
Fax No. (520) 682-4345

Either party may change its address at any time upon written notice to the other.

ARTICLE VI - OTHER OPERATING PROVISIONS

A. OPERATING CONDITIONS

Prior to the beginning of each month, the Customer will inform the Utility's Central Gas Dispatch Department of its anticipated usage for the following month. The Customer agrees to use its best efforts to accurately forecast its monthly nominations to the Utility. The Customer has the ability to purchase supplies through a fixed supply contract. If the Customer elects a fixed supply contract, the volumes delivered under this contract will be the first through the meter. All additional supplies needed to meet the Customer's monthly requirements will be at the rate specified in Exhibit 'A'. The Utility, at its sole discretion, retains the authority to obtain additional supplies or reduce supplies to meet the Customer's daily and/or monthly natural gas requirements. During periods when El Paso Natural Gas Company has declared an "Over-pull Alert," the Customer agrees to limit its daily usage to the supplies scheduled for the Customer by the Utility.

If the Customer for any reason is shut down or is substantially not utilizing the amount of gas secured under a termed, fixed supply contract, the Utility may liquidate these supplies. Should this occur, the Customer expressly understands and agrees to the following:

- 1) For any volumes liquidated by the Utility for the Customer at a price less than the actual purchase price, the Customer will pay this difference to the Utility.
- 2) For any volumes liquidated by the Utility for the Customer at a price more than the actual purchase price, the Customer will be credited this difference by the Utility.

B. CONFIDENTIALITY

Neither the Utility nor the Customer, nor their respective affiliates, directors, officers, employees, agents nor permitted assignees shall disclose to any third party the terms and provisions of this Agreement without the other party's prior written consent; provided, however that the Utility may make such disclosure of the terms and provisions of this Agreement to the Arizona Corporation Commission as in the opinion of counsel to the Utility is required by applicable law, rule or regulation, and provided that with respect to any such disclosure to the Arizona Corporation Commission, the Utility shall take all steps reasonably available to maintain the confidentiality of this Agreement and prevent its disclosure to third parties; and provided further that the Customer make such disclosure as required by law, and on a confidential basis, of the terms and provisions of this Agreement to prospective lenders and their consultants and attorneys.

C. CONSTRUCTION OF FACILITIES

If the Customer requests the Utility to provide natural gas service at delivery points other than those designated in this Agreement, the parties shall execute an additional agreement for that service.

The Customer shall have the right to request additional capacity at the delivery points. If the Utility's existing facilities are capable of delivering such capacity the rates described in Article III shall apply. If, as a result of such request, the Utility will be required to install incremental facilities to meet

the increased capacity, the Utility and the Customer agree to amend this Agreement to adjust the terms and conditions set forth in this Agreement to the extent necessary to allocate costs for the incremental facilities and adjust the Utility's rates accordingly.

D. MINIMUM VOLUME OBLIGATION

The Customer agrees, during the term of this Agreement to a minimum annual volume of [REDACTED] therms of natural gas during the primary term of the Agreement ("Contract Year Minimum").

During any time, after the primary term of the agreement, the Customer agrees to a minimum volume of [REDACTED] therms ("Contract Monthly Minimum") of natural gas during each month in which the Agreement is effective.

The Contract Monthly Minimum is exempt from Article VI – OTHER OPERATING PROVISIONS, Section E. – ADJUSTMENT FOR QUALIFIED CEMENT MARKET DOWNTURN.

If, for any reason, the Customer does not use the Contract Year Minimum or Contract Monthly Minimum, the Customer shall pay to the Utility upon demand an amount equal to the amount identified under "Usage Charge/Therm" identified in Exhibit 'A' of this Agreement multiplied by the difference between the volumes used and the Contract Year Minimum or the Contract Monthly Minimum.

[REDACTED]

ARTICLE VII - ADJUSTMENTS TO RULES AND REGULATIONS

- None -

ARTICLE VIII - PRIOR AGREEMENTS

When this Agreement becomes effective, it supersedes, cancels and terminates the following agreement(s):

-None-

ARTICLE IX - REGULATORY REQUIREMENTS

This Agreement, all terms and provisions contained or incorporated herein, and the respective obligations of the parties hereunder are subject to all valid laws, orders, rules and regulations of duly constituted authorities having jurisdiction over the subject matter of this Agreement. This Agreement shall at all times be subject to such changes or modifications by the Commission as it may from time to time direct in the proper exercise of its jurisdiction.

The standard Rules of the Utility as authorized by and on file with the Commission in the Utility's currently effective Arizona Gas Tariff shall apply to the transaction to be performed hereunder, and are hereby incorporated into this Agreement, except as otherwise provided for in this Agreement.

ARTICLE X - SUCCESSORS AND ASSIGNS

This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. No assignment or transfer by either party hereunder shall be made without written approval of the other party. Such approval shall not be unreasonably withheld. As between the parties hereto, such assignment shall become effective on the next regularly scheduled meter read date following receipt of written notice that such assignment has been effectuated.

SOUTHWEST GAS CORPORATION

By: Thomas J Armstrong
Thomas J Armstrong
Title: Vice President/Gas Resource
and Energy Services
Date: 6/6/2001

ARIZONA PORTLAND CEMENT

By: David N. Bittel
Title: Plant Manager
Date: 6-1-01

**SOUTHWEST GAS CORPORATION
STATEMENT OF EFFECTIVE RATES
SCHEDULE NO. G-30
SPECIAL GAS PROCUREMENT AGREEMENT**

CURRENT EFFECTIVE RATES: Amount

Basic Service Charge: (2 meters [REDACTED] month/meter) [REDACTED]

Commodity Charge:

Gas Cost¹ plus the applicable fuel adjustment charges and variable charges on the El Paso Natural Gas Company system, plus an Interstate Transportation charge of [REDACTED] per therm:

All Usage Charge/Therm: [REDACTED]

Effective Date: July 1, 2001 subject to commission approval

CSS Account No.	Meter No.	Delivery Point(s)	Delivery Pressure (psig)	Atmospheric Pressure (psia)	Maximum Delivery Point Quantity per Day (Therms)	Therms by Priority
361-1905775-021	00099772	1115 N. Casa Grande Hwy.	65	13.72	1,800	P3
361-1905780-021	00624729	1115 N. Casa Grande Hwy.	65	13.72	125,000	P3

Date Issued: May 25, 2001

Customer: ARIZONA PORTLAND CEMENT

SOUTHWEST GAS CORPORATION
"Utility"

ARIZONA PORTLAND CEMENT
"Customer"

By: *Thomas J. Armstrong*
Thomas J. Armstrong

By: *David N. Bittel*

Title: Vice President/Gas Resources and Energy Services

Title: *Plant Manager*

Date: *6/6/2001*

Date: *6-1-01*

¹ Gas costs equal actual costs of gas purchased by the Utility for the Customer.