

414  
**OPEN MEETING**



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**MEMORANDUM**

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Arizona Corporation Commission

**DOCKETED**

2001 JUL 10 P 4 12

TO: THE COMMISSION

FROM: Utilities Division

JUL 10 2001

AZ CORP COMMISSION  
DOCUMENT CONTROL

DATE: July 5, 2001

DOCKETED BY	
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RE: SOUTHWEST GAS CORPORATION – FILING FOR APPROVAL OF A SPECIAL GAS PROCUREMENT AGREEMENT WITH ARIZONA PORTLAND CEMENT (DOCKET NO. G-01551A-01-0471)

On June 11, 2001, Southwest Gas Corporation ("Southwest") filed for Commission approval of a special gas procurement agreement with Arizona Portland Cement. On June 28, 2001, (Decision No. 63842) the Commission suspended this filing for 60 days to provide Staff time to analyze the filing.

The proposed agreement would become effective July 1, 2001, subject to Commission approval. The proposed procurement agreement has an initial term of two years and will automatically continue unless one party gives notice of termination at least 90 days prior to the anniversary date of the agreement. Arizona Portland Cement is currently served under a special gas procurement agreement that was approved by the Commission on April 21, 1999 (Decision No. 61641).

Service under Schedule G-30 is available to customers who can establish that bypass of Southwest is economically, operationally, and physically feasible and imminent. Arizona Portland Cement is located less than one mile from El Paso Natural Gas Company's ("El Paso") interstate pipeline. Staff has reviewed Arizona Portland Cement's usage characteristics and believes that bypass is a viable option for Arizona Portland Cement. 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 Arizona Portland Cement'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 Arizona Portland Cement 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 Arizona Portland Cement. 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

**THE COMMISSION**

**July 9, 2001**

**Page 2**

pipeline capacity charges collected from Arizona Portland Cement. This will benefit Southwest's core customers.

Arizona Portland Cement 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 ) DOCKET NO. G-01551A-01-0471  
SOUTHWEST GAS CORPORATION - FILING )  
7 FOR APPROVAL OF A SPECIAL GAS ) DECISION NO. \_\_\_\_\_  
PROCUREMENT AGREEMENT WITH )  
8 ARIZONA PORTLAND CEMENT ) ORDER  
9

10 Open Meeting  
July 24 and 25, 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 June 11, 2001, Southwest filed for Commission approval of a special gas  
17 procurement agreement with Arizona Portland Cement. On June 28, 2001, (Decision No. 63842) the  
18 Commission suspended this filing for 60 days to provide Staff time to analyze the filing.

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

23 4. Arizona Portland Cement is currently served under a special gas procurement agreement  
24 that was approved by the Commission on April 21, 1999 (Decision No. 61641).

25 5. Service under Schedule G-30 is available to customers who can establish that bypass of  
26 Southwest is economically, operationally, and physically feasible and imminent. Arizona Portland  
27 Cement is located less than one mile from El Paso Natural Gas Company's ("El Paso") interstate  
28 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

1 SERVICE LIST FOR: Southwest Gas Corporation  
DOCKET NO. G-01551A-01-0471

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Ms. Debra S. Jacobson  
Manager, State Regulatory Affairs  
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