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BEFORE THE ARIZONA CORPORATION COMMISSION

DOCKETED

JUN 04 1999

DOCKETED BY [Signature]

CARL J. KUNASEK
Chairman
JIM IRVIN
Commissioner
TONY WEST
Commissioner

IN THE MATTER OF THE APPLICATION OF
SOUTHWEST GAS CORPORATION - FILING
FOR APPROVAL OF A SPECIAL GAS
PROCUREMENT AGREEMENT WITH
CITY OF TUCSON - TUCSON WATER.

DOCKET NO. G-01551A-99-0208
DECISION NO. 61745
ORDER

Open Meeting
June 1 and 2, 1999
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 April 21, 1999, Southwest filed for Commission approval of a Special Gas Procurement Agreement (procurement agreement) under Special Clause One of Schedule G-30 (Optional Gas Service) with City of Tucson - Tucson Water (Tucson Water).
3. On May 13, 1999, the Commission suspended Southwest's filing for 60 days to allow Staff time to acquire and analyze information regarding the proposed procurement agreement (Decision No. 61698).
4. The proposed procurement agreement would become effective July 1, 1999, subject to Commission approval. After the first year, the agreement would be subject to termination by either party if the terminating party provides notice at least 90 days prior to the anniversary date of the agreement.
5. Service under Schedule G-30 is available to customers whose average monthly requirements on an annual basis are greater than 11,000 therms per month and who have installed facilities capable of burning alternate fuels or energy.

1 6. Tucson Water operates a sizable number of water pumps in a few different locations near
2 Tucson. Some wells are currently operated using electricity, while other wells are operated using
3 natural gas.

4 7. The primary alternate fuel source for sites currently served by Southwest is electricity,
5 with a secondary threat of bypass from an El Paso Natural Gas Company interstate pipeline at certain
6 locations. At the time a natural gas engine is due for an overhaul or replacement, Tucson Water can
7 choose to simply switch the pumping load to an existing electric pump.

8 8. Staff has reviewed Tucson Water's characteristics and projected alternate fuel costs and
9 believes that use of an alternate fuel is a viable option for Tucson Water. Further, Southwest has
10 indicated that the proposed procurement agreement is necessary to avoid such a use of an alternate
11 fuel.

12 9. Tucson Water is currently being served under Schedule G-30, Optional Gas Service and
13 Schedule G-80, Natural Gas Engine Gas Service.

14 10. Southwest has indicated that it will enter into gas supply contracts with a gas supplier
15 for Tucson Water's gas requirements which are separate from Southwest's general system supply
16 contracts and that this supply will be accounted for separately from Southwest's general system supply.

17 11. The specific charges for serving Tucson Water were provided to Staff under a
18 confidentiality agreement. Staff has reviewed the charges included in the proposed procurement
19 agreement and believes that the revenues Southwest receives should cover its cost of serving Tucson
20 Water.

21 12. However, if conditions change in the gas market it is theoretically possible that
22 Southwest could experience a negative margin on this procurement agreement.

23 13. As required by Schedule CG-30, Southwest will credit the Purchased Gas Adjustor
24 account with all upstream pipeline capacity charges collected from Tucson Water. This will benefit
25 other ratepayers.

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1 14. Tucson Water has a viable alternative to being served by Southwest. Without this
2 agreement Southwest might lose net revenues it would otherwise receive.

3 15. Staff has recommended approval of this filing.

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

6 CONCLUSIONS OF LAW

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

9 2. The Commission has jurisdiction over Southwest and over the subject matter of the
10 application.

11 3. The Commission, having reviewed the application and Staff's Memorandum dated May
12 21, 1999, concludes that it is in the public interest to approve the filing.

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ORDER

THEREFORE, IT IS ORDERED that the filing be and hereby is approved.

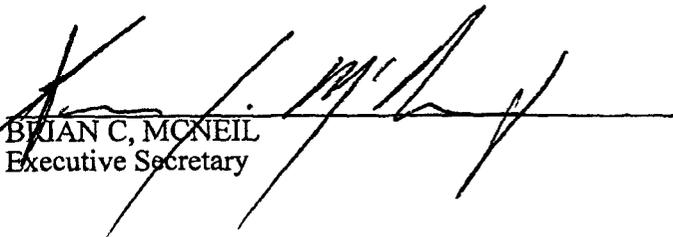
IT IS FURTHER ORDERED that any negative margin resulting from this agreement shall not be recovered from other ratepayers in any future proceeding.

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 4th day of June, 1999.


BRIAN C. MCNEIL
Executive Secretary

DISSENT: _____

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