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BEFORE THE ARIZONA CORPORATION COMMISSION

DOCKETED

MAY 13 1999

1
2 JIM IRVIN
Commissioner - Chairman
3 TONY WEST
Commissioner
4 CARL J. KUNASEK
Commissioner
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DOCKETED BY 

6 IN THE MATTER OF THE APPLICATION OF)
SOUTHWEST GAS CORPORATION - FILING)
7 FOR APPROVAL OF A SPECIAL GAS)
PROCUREMENT AGREEMENT WITH)
8 V.A.W. OF AMERICA)

DOCKET NO. G-01551A-99-0209

DECISION NO. 61697

ORDER

9
10 Open Meeting
May 11 and 12, 1999
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 (Commission).

17 2. On April 21, 1999, Southwest filed for Commission approval of a Special Gas
18 Procurement Agreement (procurement agreement) under Special Clause Three of Schedule G-30
19 (Optional Gas Service) with V.A.W. of America (VAW).

20 3. The proposed procurement agreement would become effective May 1, 1999, subject to
21 Commission approval, and would be effective for an initial period of one year. After the first year,
22 the agreement would be subject to termination by either party if the terminating party provides notice
23 at least 90 days prior to the anniversary date of the agreement.

24 4. Service under Schedule G-30 is available to customers who can establish that bypass of
25 Southwest is economically, operationally, and physically feasible and imminent. VAW is located
26 approximately 3200 feet from El Paso Natural Gas Company's interstate pipeline.

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1 5. Staff has reviewed VAW's characteristics and projected bypass costs and believes th
2 bypass is a viable option for VAW. Further, Southwest has indicated that the proposed procurement
3 agreement is necessary to avoid such a bypass.

4 6. VAW is currently being served under Schedule T-1, Transportation of Customer Secured
5 Natural Gas, and Schedule B-1, Potential Bypass/Standby Gas Service. VAW currently purchases
6 natural gas supplies from marketers and has the natural gas delivered over Southwest's distribution
7 system.

8 7. Southwest has indicated that it will enter into gas supply contracts with a gas supplier
9 for VAW's gas requirements which are separate from Southwest's general system supply contracts and
10 that this supply will be accounted for separately from Southwest's general system supply.

11 8. The specific charges for serving VAW were provided to Staff under a confidentiality
12 agreement. Staff has reviewed the charges included in the proposed procurement agreement and
13 believes that the revenues Southwest receives should cover its cost of serving VAW.

14 9. However, if conditions change in the gas market it is theoretically possible t
15 Southwest could experience a negative margin on this procurement agreement.

16 10. As required by Schedule CG-30, Southwest will credit the Purchased Gas Adjuster
17 account with all upstream pipeline capacity charges collected from VAW. This will benefit other
18 ratepayers.

19 11. VAW has a viable alternative to being served by Southwest. Without this agreement,
20 Southwest might lose net revenues it would otherwise receive.

21 12. Staff has recommended approval of this filing.

22 13. Further, Staff has recommended that any negative margin resulting from this agreement
23 not be recovered from other ratepayers in any future proceeding.

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CONCLUSIONS OF LAW

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

4 2. The Commission has jurisdiction over Southwest and over the subject matter of the
5 application.

6 3. The Commission, having reviewed the application and Staff's Memorandum dated April
7 29, 1999, concludes that it is in the public interest to approve the filing.

ORDER

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

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

12 IT IS FURTHER ORDERED that this Decision shall become effective immediately.

BY ORDER OF THE ARIZONA CORPORATION COMMISSION

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16 COMMISSIONER - CHAIRMAN

Carl Hummel
COMMISSIONER

Tony West
COMMISSIONER

17 IN WITNESS WHEREOF, I, BRIAN C. MCNEIL,
18 Executive Secretary of the Arizona Corporation
19 Commission, have hereunto, set my hand and caused the
20 official seal of this Commission to be affixed at the
21 Capitol, in the City of Phoenix, this 13th day of
22 May, 1999.

Brian C. McNeil
BRIAN C. MCNEIL
Executive Secretary

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25 DISSENT: _____

26 RTW:BGG:sjsJMA
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