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OPEN MEETING

ORIGINAL

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MEMORANDUM

Arizona Corporation Commission

DOCKETED

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AZ CORP COMMISSION
DOCUMENT CONTROL

TO: THE COMMISSION

AUG 16 2001

FROM: Utilities Division

DOCKETED BY	
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DATE: August 16, 2001

RE: SOUTHWEST GAS CORPORATION – FILING FOR APPROVAL OF A SPECIAL GAS PROCUREMENT AGREEMENT WITH THE U.S. V.A. MEDICAL CENTER (DOCKET NO. G-01551A-01-0628)

On August 3, 2001, Southwest Gas Corporation (“Southwest”) filed for Commission approval of a special gas procurement agreement with U.S. V.A. Medical Center (“VA Medical Center”).

The proposed agreement reflects an effective date of August 1, 2001, subject to Commission approval. Given the likely date of Commission action on this filing being after August 1, 2001, Southwest has indicated that the actual effective date of the agreement will be September 1, 2001, assuming Commission approval by that date. The proposed procurement agreement has an initial term of one year. The agreement would automatically continue unless either party gives notice of termination at the end of the primary term or the agreement would terminate on the first day of any calendar month after either party has provided notice of termination at least 90 days prior. VA Medical Center 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. VA Medical Center is located approximately 2000 feet from El Paso Natural Gas Company's (“El Paso”) interstate pipeline. Staff has reviewed VA Medical Center’s usage characteristics and believes that bypass is a viable option for VA Medical Center. 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 VA Medical Center’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 VA Medical Center 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 VA Medical Center. However, if conditions change it is theoretically possible that Southwest could

THE COMMISSION

August 16, 2001

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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 VA Medical Center. This will benefit Southwest's core customers.

VA Medical Center 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.



Steven M. Olea
Acting Director
Utilities Division

SMO:BGG:lhmcck

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)
SOUTHWEST GAS CORPORATION - FILING)
7 FOR APPROVAL OF A SPECIAL GAS)
PROCUREMENT AGREEMENT WITH)
8 U.S. V.A. MEDICAL CENTER.)

DOCKET NO. G-01551A-01-0628

DECISION NO. _____

ORDER

9
10 Open Meeting
August 28 and 29, 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 August 3, 2001, Southwest filed for Commission approval of a special gas
17 procurement agreement with U.S. V.A. Medical Center ("VA Medical Center").

18 3. The proposed agreement reflects an effective date of August 1, 2001, subject to
19 Commission approval. Given the likely date of Commission action on this filing being after August 1,
20 2001, Southwest has indicated that the actual effective date of the agreement will be September 1,
21 2001, assuming Commission approval by that date.

22 4. The proposed procurement agreement has an initial term of one year. The agreement
23 would automatically continue unless either party gives notice of termination at the end of the primary
24 term or the agreement would terminate on the first day of any calendar month after either party has
25 provided notice of termination at least 90 days prior.

26 5. VA Medical Center is currently served under Schedule No. B-1, Potential
27 Bypass/Standby Gas Service.

28 ...

1 3. The Commission, having reviewed the application and Staff's Memorandum dated
2 August 16, 2001, concludes that it is in the public interest to approve the filing.

3 ORDER

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

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

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

8
9 **BY ORDER OF THE ARIZONA CORPORATION COMMISSION**

10
11 CHAIRMAN

COMMISSIONER

COMMISSIONER

12 IN WITNESS WHEREOF, I, BRIAN C. McNEIL, Executive
13 Secretary of the Arizona Corporation Commission, have
14 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.

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17 _____
18 BRIAN C. McNEIL
Executive Secretary

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20 DISSENT: _____

21 SMO:BGG:lhmcck

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1 SERVICE LIST FOR: Southwest Gas Corporation
DOCKET NO. G-01551A-01-0628

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10 Acting Director, Utilities Division
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