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**SOUTHWEST GAS CORPORATION**

Andrew W. Bettwy, Assistant General Counsel

March 20, 2003

Arizona Corporation Commission  
Attention: Docket Control  
1200 West Washington Street  
Phoenix, Arizona 85007

Re: Filing of **Supplemental Application for Leave to Intervene**  
Docket No. E-01032C-00-0751, et al.

Accompanying this letter are the original and eighteen (18) copies of a filing, entitled **Supplemental Application for Leave to Intervene**. Please accept the original and seventeen (17) of the copies for filing, and date/time stamp the remaining copy and return it to me in the stamped, self-addressed envelope which also accompanies this letter.

Thank you for the courtesy and cooperation.

Sincerely,

Andrew W. Bettwy

Enclosures

Arizona Corporation Commission  
**DOCKETED**

MAR 20 2003

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BEFORE THE ARIZONA CORPORATION COMMISSION

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COMMISSIONERS

MARC SPITZER, Chairman  
JIM IRVIN  
WILLIAM A. MUNDELL  
JEFF HATCH-MILLER  
MIKE GLEASON

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Arizona Corporation Commission  
AZ CORP **DOCKETED**  
DOCUMENT CONTROL  
MAR 20 2003

DOCKETED BY	
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IN THE MATTER OF THE APPLICATION OF )  
THE ARIZONA ELECTRIC DIVISION OF )  
CITIZENS COMMUNICATIONS COMPANY TO )  
CHANGE THE CURRENT PURCHASED POWER )  
AND FUEL ADJUSTMENT CLAUSE RATE, TO )  
ESTABLISH A NEW PURCHASED POWER AND )  
FUEL ADJUSTMENT CLAUSE BANK, AND TO )  
REQUEST APPROVED GUIDELINES FOR THE )  
RECOVERY OF COSTS INCURRED IN )  
CONNECTION WITH ENERGY RISK )  
MANAGEMENT INITIATIVES. )

DOCKET NO. E-01032C-00-0751

IN THE MATTER OF THE APPLICATION OF )  
CITIZENS COMMUNICATIONS COMPANY, )  
ARIZONA GAS DIVISION, FOR A HEARING TO )  
DETERMINE THE FAIR VALUE OF ITS )  
PROPERTIES FOR RATEMAKING PURPOSES, )  
TO FIX A JUST AND REASONABLE RATE OF )  
RETURN THEREON, AND TO APPROVE RATE )  
SCHEDULES DESIGNED TO PROVIDE SUCH )  
RATE OF RETURN. )

DOCKET NO. G-01032C-02-0598

IN THE MATTER OF THE JOINT APPLICATION )  
OF CITIZENS COMMUNICATIONS COMPANY )  
AND UNISOURCE ENERGY CORPORATION )  
FOR THE APPROVAL OF THE SALE OF )  
CERTAIN ELECTRIC UTILITY AND GAS )  
UTILITY ASSETS IN ARIZONA, THE TRANSFER )  
OF CERTAIN CERTIFICATES OF CONVENIENCE )  
AND NECESSITY FROM CITIZENS )  
COMMUNICATIONS COMPANY TO UNISOURCE )  
ENERGY CORPORATION, THE APPROVAL OF )  
THE FINANCING FOR THE TRANSACTIONS AND )  
OTHER RELATED MATTERS. )

DOCKET NO. E-01933A-02-0914  
DOCKET NO. E-01032C-02-0914  
DOCKET NO. G-01032A-02-0914

Supplemental Application for Leave to Intervene

Pursuant to A.A.C. R-14-3-105 and the February 7, 2003 Procedural Order entered in the above-captioned consolidated Dockets ("this Proceeding"), and for the reasons that follow, Southwest Gas Corporation ("Southwest") respectfully submits this supplemental application for an Order granting Southwest leave to intervene in this Proceeding.

Southwest is a public service corporation within the contemplation of § 2 of Article XV of Arizona's Constitution, and Southwest is certificated by the Commission to provide natural gas service in such capacity throughout various areas within the state of Arizona.

Southwest is a customer of Citizens Communications Company ("Citizens") in Mohave County, Arizona, and Southwest is a customer of Tucson Electric Power Company ("TEP") in Pima County, Arizona, including incorporated communities located within Pima County. Further, as set forth in detail below, Southwest also has a direct and substantial interest in this Proceeding for the reason that TEP, Southwest's largest sales customer in Arizona,<sup>1</sup> will be directly affected by significant financial arrangements associated with the acquisition by UniSource Energy Corporation ("UniSource") of certain electric utility and gas utility assets of Citizens ("Acquisition") and, accordingly, TEP's financial status and TEP's ability to provide safe, reasonable and adequate service may be impaired.

On January 16, 2003, Southwest filed two Applications for Leave to Intervene. One was filed in the above-captioned Docket No. G-01032C-02-0598, and the other was filed in the above-captioned *Joint Application* Dockets associated with the Acquisition

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1

In 2002, Southwest's natural gas sales to TEP approximated 8,860,991 MMBtu. The volume of natural gas sales to TEP in 2002 was greater than the aggregate volumes of natural gas sold to Southwest's next largest 36 Arizona-based customers.

In the February 7, 2003 Procedural Order, Southwest was added to the service list in this Proceeding and was granted permission to file a brief as an *amicus curiae*. Southwest was not granted leave to intervene, based on a determination that Southwest had not sufficiently stated a direct and substantial interest.<sup>2</sup>

Upon receipt of the February 7, 2003 Procedural Order, Southwest contacted a representative of the Joint Applicants and requested a copy of the *Joint Application*. After having reviewed the *Joint Application*, Southwest has identified a more specific direct and substantial interest in this Proceeding -- in addition to Southwest's direct and substantial interests as a customer of Citizens and as a customer of TEP.

Specifically, the *Joint Application* seeks Commission authority to allow TEP to fund up to \$50 million [or up to 20%] of the purchase price through a loan to its affiliate UniSource. Additionally, the *Joint Application* seeks a waiver of the requirement embodied in the settlement adopted by the Commission in Decision No. 62103, dated November 30, 1999, which requires UniSource to share with TEP at least 30% of the proceeds of equity issuances. As stated in the *Joint Application*, UniSource intends, instead, to invest essentially all of the proceeds received from a new equity issuance in the New Utility Companies.

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2

Essentially, in its January 16, 2003 filings, Southwest asserted its interest to be that of a public service corporation impacted by the formulation and modification of policies and precedent established in proceedings associated with general rate cases and the acquisition and sale of utility assets.

The issues in this Proceeding associated with the TEP loan to its affiliate UniSource of up to \$50 million and a relaxation of the equity infusion requirement in Decision No. 62103 include, *inter alia*, whether such *transaction(s)* satisfy the following three-part test set forth in the Commission's affiliated interests rule A.A.C. R14-2-804.C:

The Commission will review the transactions . . . to determine if the transactions would impair the financial status of the public utility, otherwise prevent it from attracting capital at fair and reasonable terms, or impair the ability of the public utility to provide safe, reasonable and adequate service.

Southwest has a direct and substantial interest in ensuring that TEP (1) continues to meet on a timely basis its financial obligations to Southwest and (2) has sufficient financial strength to operate its electric-generation facilities at levels necessary to provide safe, reasonable and adequate service to TEP's southern Arizona customers, particularly in Tucson, Arizona. Without having conducted discovery and/or otherwise becoming more fully informed regarding the potential implications on TEP's financial status as a consequence of the Acquisition, Southwest to date has not formulated an independent opinion on the issue of whether TEP's up-to-\$50 million loan commitment to its affiliate UniSource and a relaxation of UniSource's current Commission-approved equity-infusion requirement would threaten or otherwise impair TEP's financial status.<sup>3</sup>

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3

Southwest considers it to be noteworthy that, on November 8, 2002, following the announcement of the agreement for UniSource to purchase certain electric utility and gas utility assets from Citizens, Standard & Poor's [citing "uncertainty about the effect on TEP's credit quality after the transaction"] placed TEP's already below-investment grade ratings on CreditWatch with negative implications.

Southwest's intervention in this Proceeding would not unduly broaden the issues for the reason that Southwest's participation would be limited to the expressly-mandated issues embodied in the Commission's affiliated interests rules.

Southwest requests that communications in connection with this Proceeding be directed to:

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(702) 876-7107  
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Respectfully submitted this 20<sup>th</sup> day of March, 2003.



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## CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing **Supplemental Application for Leave to Intervene** by faxing/mailling/delivering a copy thereof to each of the following individuals:

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Hugh Holub, Attorney  
City of Nogales  
777 North Grand Avenue  
Nogales, Arizona 85621

Dated this 20<sup>th</sup> day of March, 2003



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Andrew W. Bettwy