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SOUTHWEST GAS CORPORATION RECEIVED

2006 JUN 30 P 3: 23

June 29, 2006

AZ CORP COMMISSION
DOCUMENT CONTROL

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

Re: Docket Nos. G-01551A-05-0885 and E-01933A-05-0885

Southwest herewith submits an original and fifteen (15) copies of a Notice of Clarification of Special Procurement Agreement between Southwest Gas Corporation and Tucson Electric Power Company.

If there are any questions regarding this matter, please contact me at (702) 876-7163.

Respectfully,

Debra S. Jacobson
Director, Government & State Regulatory Affairs

c Ernest Johnson, ACC
Robert Gray, ACC

BEFORE THE ARIZONA CORPORATION COMMISSION

RECEIVED

JEFF HATCH-MILLER
Chairman
WILLIAM A. MUNDELL
Commissioner
MARC SPITZER
Commissioner
MIKE GLEASON
Commissioner
KRISTIN K. MAYES
Commissioner

2006 JUN 30 P 3: 23
AZ CORP COMMISSION
DOCUMENT CONTROL

IN THE MATTER OF THE APPLICATION)
OF SOUTHWEST GAS CORPORATION)
FOR APPROVAL OF A SPECIAL GAS) DOCKET NOS. G-01551A-05-0885
PROCUREMENT AGREEMENT WITH) E-01933A-05-0885
TUCSON ELECTRIC POWER COMPANY)
_____)

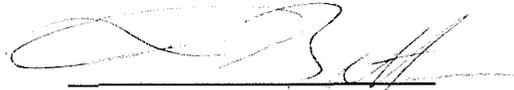
**Notice of Clarification of Special Procurement Agreement
between
Southwest Gas Corporation and Tucson Electric Power Company**

Southwest Gas Corporation (Southwest) respectfully notifies the Commission that Southwest and Tucson Electric Power Company (TEP) have clarified the Special Procurement Agreement (SPA) which, by virtue of Commission Decision No. 68390, has been extended on a month-to-month basis through December 2006. A copy of the June 9, 2006 letter of clarification is appended to this Notice.

As reflected in the letter of clarification, Southwest and TEP have agreed that any penalties, overrun charges and/or variance charges billed to Southwest by El Paso Natural Gas Company “which are directly related to TEP’s gas supply service” will be included as a component of Gas Costs as defined in Exhibit A of the SPA.

To the extent the Commission determines that explicit Commission approval of the letter of clarification is appropriate, Southwest respectfully requests that the Commission act favorably and approve the letter of clarification.

RESPECTFULLY SUBMITTED this 30th day of June, 2006.

A handwritten signature in black ink, appearing to read 'Andrew W. Bettwy', is written over a horizontal line.

Andrew W. Bettwy
Assistant General Counsel
Southwest Gas Corporation
5241 Spring Mountain Road
Las Vegas, Nevada 89150
(702) 876-7107
(702) 252-7283 – *fax*
andy.bettwy@swgas.com

CERTIFICATE OF SERVICE

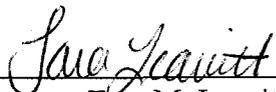
I, Tara M. Leavitt, an employee of Southwest Gas Corporation, hereby certify that the foregoing **Notice of Clarification of Special Procurement Agreement between Southwest Gas Corporation and Tucson Electric Power Company** is being served this 30th day of June, 2006, by mailing a copy, postage prepaid, to each of the following individuals:

Mr. David Hutchens
General Manager, Fuels & Wholesale Power
Tucson Electric Power Company
3950 East Irvington Road
Post Office Box 7111
Tucson, Arizona 85702

Robert Gray
Utilities Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Mr. Ernest G. Johnson
Director, Utilities Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix Arizona 85007

Mr. Christopher C. Kempley
Chief Counsel
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007



Tara M. Leavitt



SOUTHWEST GAS CORPORATION

June 9, 2006

Mr. David Hutchens
General Manager, Fuel & Wholesale Power
Tucson Electric Power Company
3950 East Irvington Road
P.O. Box 7111
Tucson, Arizona 85702

Re: Clarification of Gas Cost Calculation Method

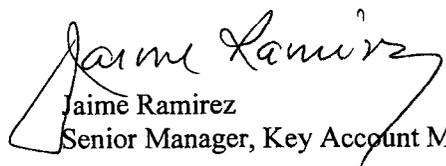
Dear Mr. Hutchens:

Southwest Gas Corporation (Southwest) currently provides natural gas service to Tucson Electric Power Company (TEP) under the terms and conditions of a Special Procurement Agreement (SPA) dated May 23, 2001, which was extended on a month-to-month basis by the Arizona Corporation Commission (ACC) in its Decision No. 68390 dated January 5, 2006.

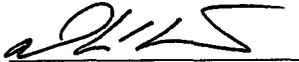
The purpose of this correspondence is to clarify that any penalties, overrun charges and/or variance charges billed to Southwest by El Paso Natural Gas Company which are directly related to TEP's gas supply service will be included as a Gas Costs component of the actual costs incurred by Southwest, as defined on the SPA's Exhibit A. To minimize these penalties, to the extent possible, Southwest and TEP will develop specific operating procedures that will be documented in a forthcoming letter. Southwest will be filing with ACC to inform them and seek approval of the clarification, herewith, outlined.

If you agree with the clarifications outlined in this letter, please acknowledge by signing this letter where indicated below and returning one of the originals to my attention.

Sincerely,


Jaime Ramirez
Senior Manager, Key Account Management

Acknowledged and Accepted by Tucson Electric Power

By: 

Title: GM, FUELS + WHOLESALE POWER

Date: 6/9/06