



0000071692

ORIGINAL

RECEIVED

April 20, 2007

2007 APR 23 P 4:33

Arizona Corporation Commission
DOCKETED

19

Chairman Mike Gleason
Arizona Corporation Commission
1200 W Washington Street
Phoenix, AZ 85007

ARIZONA CORPORATION COMMISSION
DOCUMENT CONTROL

APR 23 2007

DOCKETED BY	nr
-------------	----

RE: Southwest Gas Corporation
Request for Approval of Special Procurement Agreement between Southwest Gas Corporation and Yuma Cogeneration Associates

DOCKET No. ~~G-0551A-07-0186~~ G-01551A-07-0186

Dear Chairman Gleason:

Background

Yuma Cogeneration Associates (YCA) wishes to comment on and request a modification to the Special Procurement Agreement filed in the above-described docket. YCA is a customer of Southwest Gas Corporation (Southwest) pursuant to a Master Agreement effective June 30, 1993, a copy of which is attached as Attachment A. YCA is a 57 MW gas-fired combined cycle generation plant located in Yuma, Arizona. YCA sells the power it generates from natural gas pursuant to a long-term power sales agreement. As a gas-fired generation plant with a long term power sales agreement, YCA is critically dependent on a reliable, cost-effective supply of natural gas.

Southwest Gas currently is providing service to YCA pursuant to a Special Procurement Agreement (SPA) dated July 1, 2004. The current SPA with Southwest expired on December 31, 2005, and was subsequently extended on a month-to-month basis. A letter of clarification executed by Southwest and YCA was filed by Southwest with the Arizona Corporation Commission (Commission or ACC) on July 28, 2006 to ensure Southwest's right to pass through upstream pipeline penalty charges incurred as a result of YCA's actions.

On January 30, 2007, Southwest provided Yuma with a notice of termination of the SPA effective March 1, 2007 (see Attachment B), but agreed to continue providing service under the existing SPA for the short term if YCA would agree to the terms of a new SPA proposed by Southwest at a meeting on February 5, 2007. If YCA did not agree to the new proposal by February 22, 2007, Southwest indicated it would require YCA to go on to Southwest's rate schedule G-60 effective March 1, 2007 (see Attachment C). Even one month of service on the G-60 rate schedule would cost YCA an additional \$1.7 million over and above the price YCA has been paying under its currently effective SPA.

YCA made an attempt to investigate its supply alternatives during the short period of time allowed by Southwest. During that time, YCA met with Southwest for clarification of applicable terms for the proposed SPA and for transportation service under Southwest's T-1 tariff. YCA attempted to secure released primary firm capacity from Southwest at the full tariff price with a delivery point on the fully-subscribed El Paso Natural Gas Company Yuma Lateral; however, only a vague month-to-month proposal from Southwest was given. See Attachment D. No detailed terms regarding the requested capacity release were provided by Southwest during the negotiation period, effectively denying YCA the ability to fully evaluate the benefits and risks of transportation service. YCA provided notice to Southwest of YCA's intent to go onto transportation service; however, Southwest indicated that it might not allow YCA to go onto that service until April 1, 2007. See Attachment C. In combination with expiration of the SPA, such delay would have caused YCA to operate at a loss or shut down its plant for the month of March 2007. In addition, the applicable terms of transportation service are unclear, as YCA has certain rights under the Master Agreement and significant changes to Southwest's T-1 tariff are currently pending in ACC Docket No. G-01551A-04-0876.

Recently, YCA executed the new SPA for service under Southwest's G-30 tariff (See Attachment E for T-1 G-30 tariff). The terms and conditions of this service were presented in a "take it or leave it" fashion by Southwest. For example, see Attachment C. YCA evaluated its other service options to the extent possible and determined that it could be exposed to potential significant risks under its power sales agreement if it refused to accept Southwest's offer and the YCA plant were unable to operate. Only Southwest has capacity on the Yuma Lateral, and YCA requires such capacity to operate its facility in compliance with the terms of its long term power sales agreement. Southwest never made a viable offer of capacity release. See Attachment D. Therefore, Yuma accepted Southwest's offer even though it believed the offer contained terms not in compliance with Southwest's obligations under Arizona statutes and regulations and its own tariff. Efforts to raise the issues described below during negotiations with Southwest were met with rejection.

Comments and Protest

Specifically, YCA protests Article IV in the SPA and asks the ACC to require Southwest to reform the SPA as described below.

Article IV of the SPA provides:

This Agreement shall become effective on May 1, 2007, subject to approval by the ACC, and shall remain in effect for a primary term of three (3) years and continuing thereafter on a month to month basis. This Agreement is subject to termination upon the expiration of said primary term or thereafter by the Utility providing ninety (90) day advance written notice to the Customer or by the customer providing one (1) year advance written notice to the Utility.

The one year termination notice requirement by YCA is inequitable, unnecessary and not in compliance with the G-30 tariff or with the Master Agreement.

The Notice Requirement Is Inequitable, Unreasonable and Unnecessary

The termination notice requirement in the SPA is inequitable in that Southwest is required to give YCA only 90 days' notice, while YCA must give Southwest one year's notice. Further, Southwest has no valid reason for requiring one year prior notice from YCA, and a notice period of that length will hinder YCA's ability to conduct its business and its ability to seek competitive alternatives.

Southwest has no valid reason for requiring YCA to provide a one year prior notice of termination. Southwest contracts for YCA's natural gas supply for each upcoming month during "bid week," normally a period of several days close to the end of the month. The SPA provides, in Article VI, Paragraph A, that a daily volume will be provided to Southwest "[f]ive business days before the first day of each month . . . and such notice shall serve as the basis for acquisition of gas supply." Southwest has never required a notice period of this length in previous agreements or SPAs. For example, the current SPA under which Southwest is serving YCA contained a 90-day termination notice provision applicable to both parties.¹ YCA is unaware of any reason that would justify Southwest's insistence on receiving one year prior notice.

The requirement to provide Southwest with a one year prior notice of termination will seriously hinder YCA's ability to conduct its business. Before terminating its SPA service, YCA must conduct an extensive evaluation and must be certain of its future plans. Therefore, before providing a notice of termination, YCA must contact alternative suppliers and obtain bids, investigate firm capacity availability and capacity release on El Paso, consider construction of new facilities and/or attempt to re-negotiate its power sales agreement, among other actions. However, any such evaluation would not necessarily remain valid for any substantial period of time. For example, El Paso Natural Gas filed for and obtained approval of an extensive set of new tariffs well within a one year period. Suppliers are not likely to provide binding offers for service that would not begin for more than one year because of the substantial risk of a significant change in industry conditions. On the other hand, YCA is not aware of any reason that Southwest requires more than a few days' prior notice from YCA.

The Notice Requirement Is Not in Compliance with Southwest's G-30 Tariff or the Master Agreement

The maximum notice period for termination allowed under Southwest's G-30 tariff is six months. The six month provision applies only in a situation where the customer elects to return to sales service, and in that situation, the customer is given the option of paying the incremental cost of gas under the applicable sales rate schedule. The G-30 tariff states:

The Utility may require six months' notice from Special Gas Procurement customers prior to returning to their otherwise applicable gas sales

¹ The notice period was converted to 30 days during the evergreen period.

schedule or require the customer to pay the incremental cost of gas incurred to serve them as determined by the Utility under their otherwise applicable gas sales schedule for the following six months.

Since Southwest buys gas only on a monthly basis for Yuma, a one year termination notice is unnecessary. The contract should be reformed to provide termination based on 90 days' notice by either party.

Because the G-30 tariff does not provide authority to Southwest to require any particular notice to terminate a Special Procurement Agreement, other than in one limited situation, one must look to the Master Agreement to determine whether an applicable notice provision would apply. Article VI, Paragraph H, on page 10 of the Master Agreement provides:

YCA has the right during the term of this Agreement to designate from time to time under which of the Existing Contracts or Additional Contracts it will take service from Southwest. The exercise of this right by YCA shall not terminate or impair YCA's right to subsequently designate and receive service from Southwest under any Existing Contract or Additional Contract. YCA shall exercise such right by notifying Southwest of a designation at least thirty (30) days prior to the time when YCA will take service under such other contract. Southwest will accommodate YCA's designation of service on thirty (30) days notice provided that such change (i) does not impose any additional costs on Southwest's other customers, or (ii) create any adverse operational conditions for Southwest. In the event Southwest is not able to accommodate YCA's designation of service due to the conditions set forth, Southwest's Tariff provisions relating to customer's change in service will control.

Clearly, the Master Agreement allows YCA to change from one type of service to another on 30 days' notice, unless Southwest can show that additional costs would be imposed on other customers or such change would create adverse operational conditions. During YCA's discussions with Southwest regarding the new SPA, Southwest never gave YCA any reason why it now requires more than 30 days' notice. Therefore, the one year's notice provision is not in compliance with Southwest Gas' G-30 tariff or with the Master Agreement.

Request for Relief

In light of the facts stated herein, that YCA signed the new SPA under duress and that the one-year notice provision would be inequitable, unreasonable, unnecessary and not in compliance with Southwest's tariff or the Master Agreement, it would be reasonable for the Commission to require Southwest to revise Article IV of the SPA so that it reads as follows:

This Agreement shall become effective on May 1, 2007, subject to approval by the ACC, and shall remain in effect for a primary term of three (3) years and continuing thereafter on a month to month basis. This Agreement is subject to termination upon the expiration of said primary term or thereafter by either party providing ninety (90) day advance written notice to the other.

In the alternative, Article IV should be revised so that the notice provision is in compliance with Southwest's tariff. In that event, Article IV should be revised to read as follows:

This Agreement shall become effective on May 1, 2007, subject to approval by the ACC, and shall remain in effect for a primary term of three (3) years and continuing thereafter on a month to month basis. This Agreement is subject to termination upon the expiration of said primary term or thereafter by the Utility providing ninety (90) day advance written notice to the Customer or by the customer providing six (6) months' advance written notice to the Utility. If the Customer fails to provide at least six (6) months' notice of termination, the Utility may require the Customer to pay the incremental cost of gas incurred to serve Customer as determined by the Utility under the G-60 Rate Schedule for a period of time equal to the difference between the notice period given and six (6) months.

Therefore, YCA respectfully requests the relief described herein.

Sincerely,



Greg Merrigan
Director - Marketing and Asset Optimization

Attachments

cc: Commissioner Mundell
Commissioner Hatch-Miller
Commissioner Mayes
Commissioner Pierce
Docket Control

Francisco Aguilar, Southwest Gas
Roger C. Montgomery, Southwest Gas
Ernest Johnson, ACC
Robert Gray, ACC

ATTACHMENT A

GAS SUPPLY AND TRANSPORTATION SERVICES MASTER AGREEMENT

This Master Agreement ("Agreement") is made by and between YUMA COGENERATION ASSOCIATES, a Utah general partnership ("YCA") and SOUTHWEST GAS CORPORATION, a California corporation ("Southwest").

YCA is developing a natural gas fired electric power Facility to be sited in or near Yuma, Arizona (the "Yuma Project").

The Yuma Project will be sited near the existing interstate pipeline facilities of El Paso Natural Gas Company ("El Paso") known as the "Yuma lateral". Gas supply for the Yuma Project will be transported from various points of receipt along and through various portions of El Paso's interstate pipeline system (the "El Paso system"), including but not limited to the Yuma lateral, for delivery to the Yuma Project by either Southwest, El Paso or some other transporter or supplier.

Southwest owns and operates a natural gas distribution system certificated to serve the Yuma, Arizona area, and desires to provide natural gas supply and transportation services under the authority of the Arizona Corporation Commission to YCA for the Yuma Project.

In order to achieve the purposes for which YCA (or its affiliates) and Southwest have entered into the Existing Contracts and will enter into additional contracts, this Agreement is designed to further define the relationship of the parties as to (i) certain additional terms and provisions applicable to the Existing Contracts, (ii) what Additional Contracts may be executed with respect to gas supply and transportation service for the Yuma Project, (iii) certain terms and provisions that will be included in the Additional Contracts, and (iv) the interrelationship among the Existing Contracts and the Additional Contracts with respect to gas supply and transportation service for the Yuma Project.

NOW, THEREFORE, for good and valuable consideration of the mutual covenants and agreements as herein set forth, YCA and Southwest agree as follows:

I. DEFINITIONS

Terms defined in the text of this Agreement shall have the same meaning wherever used herein. In addition to such defined terms, when used in this Agreement the following terms shall have the following meanings:

"ACC" means the Arizona Corporation Commission or any governmental agency or body succeeding to the jurisdiction and authority of the Arizona Corporation Commission.

"Additional Contracts" means contracts entered into by and between YCA and Southwest as described in and pursuant to Section IV below.

"Bypass Service Agreement" means that certain Bypass Service Agreement, Sales of Natural Gas under Rate Schedule AB-1 between Southwest and YCA of even date herewith, a copy of which is attached as Exhibit A.

"CEDC" means California Energy Development Corporation, a Delaware corporation, which is the managing general partner of YCA.

"Delivery Point" means the locations for the delivery tap on El Paso's Yuma Lateral as more fully defined in Section IV A of this Agreement.

"El Paso" means El Paso Natural Gas Company.

"Existing Contracts" means the Title Assignment Agreement, the Service Agreement and the Transportation Service Agreement all described in Section II of this Agreement.

"FERC" means the Federal Energy Regulatory Commission or any governmental agency or body succeeding to the jurisdiction and authority of the Federal Energy Regulatory Commission.

"Firm Capacity Availability Date" has the same meaning as defined in the Power Purchase Agreement. Generally, it means the day following the day YCA passes a capacity demonstration test in which YCA demonstrates the ability of the Yuma Project to deliver power into the San Diego Gas and Electric power system by continuously generating at least 80% of the nominal generating capacity of the Yuma Project during the on-peak and semi-peak hours in a thirty (30) consecutive day period.

"Initial Gas Deliveries" means the month in which YCA commences testing of natural gas-fired equipment at the Yuma Project.

"Power Purchase Agreement" means the Standard Offer No. 2 Standard Offer for Power Purchase with a Firm Capacity Qualifying Facility, No. QFE 200.416, between Bonneville Pacific Corporation, as "Seller", and San Diego Gas & Electric Company, for the purchase and sale of capacity and energy from the Yuma Project, which agreement was assigned to YCA pursuant to an Assignment by and between Bonneville Pacific Corporation, CEDC and YCA dated November 19, 1992, and a Guaranty and Consent to Assignment and Agreement among San Diego Gas & Electric, Bonneville Pacific Corporation, YCA and California Energy Company, Inc. dated as of November 19, 1992.

"Service Agreement" means that certain Service Agreement pursuant to Rate Schedule No. PG-60 between Southwest and YCA, dated as of November 10, 1992, a copy of which is attached hereto as Exhibit B.

"Southwest-YCA Facilities" means all facilities required for the delivery of up to 200,000 therms per day of natural gas from the tap on the El Paso pipeline to the Yuma Project plant inlet, including without limitation, piping, regulator equipment, measurement equipment, telemetry equipment, mains, services and valves. The location of the Southwest-YCA Facilities shall be as generally shown on Exhibit E attached hereto, subject

to adjustment as directed by YCA or as needed for operational considerations by either El Paso or Southwest.

"Tariff" means Southwest's ACC approved Arizona Gas Tariff as in effect from time to time throughout the existence of the Existing Contracts or the Additional Contracts.

"Title Assignment Agreement" means that certain Operating Agreement pursuant to ACC Decision No. 57545 between Southwest and YCA, dated as of November 10, 1992, a copy of which is attached as Exhibit C.

"Transportation Service Agreement" means that certain Service Agreement pursuant to Rate Schedule No. AB-1 between Southwest and YCA dated as of November 10, 1992, a copy of which is attached hereto as Exhibit D.

II. EXISTING CONTRACTS

- A. **Title Assignment Agreement:** Southwest and CEDC have executed a Title Assignment Agreement (referred to as Operating Agreement Pursuant to ACC Decision No. 57545, the "Title Assignment Agreement") with an effective date of November 10, 1992, a copy of which is attached hereto as Exhibit C. The Title Assignment Agreement provides for Southwest to take title to YCA's gas supply for the purpose of causing such gas supply to be transported through the El Paso system on a firm basis, subject to the provisions of the Title Assignment Agreement, using Southwest's capacity rights, to the Delivery Point for the Yuma Project, where title to such gas supply will be reassigned by Southwest to YCA.
- B. **Service Agreement:** Southwest and CEDC have executed a Service Agreement (referred to as Service Agreement Pursuant to Rate Schedule No. PG-60, the "PG-60 Agreement") with an effective date of November 10, 1992, a copy of which is attached hereto as Exhibit B. This Service Agreement provides YCA with bundled sales service by Southwest at levels between zero and 20,000 MMBtu per day as called for by YCA.
- C. **Transportation Service Agreement:** Southwest and CEDC have executed a Transportation Service Agreement (referred to as Service Agreement Pursuant to Rate Schedule No. AB-1, the "Transportation Service Agreement") with an effective date of November 10, 1992, a copy of which is attached hereto as Exhibit D. The Transportation Service Agreement provides YCA with transportation service for its gas supply on Southwest's distribution system, including the Southwest-YCA Facilities.

III. ADDITIONAL TERMS AND PROVISIONS APPLICABLE TO THE EXISTING CONTRACTS

- A. **Minimum Monthly Charge:** For any service or any combination of sales or transportation services from Southwest, a single monthly charge equal to the Basic Service Charge applicable to Southwest's Electric Generation Rate Schedule, as approved and authorized by the ACC (currently \$5,725 per month) will apply. Such Basic Service Charge shall commence with Initial Gas Deliveries by Southwest to YCA, and shall continue until this Agreement and all Existing Contracts and Additional Contracts are terminated. Only one Basic Service Charge shall be due during any

month regardless of the number of Existing Contracts and Additional Contracts that are then in effect between Southwest and YCA. In addition to the Basic Service Charge, YCA shall be responsible for any additional service charges applicable to service under the Existing Contracts and Additional Contracts pursuant to which YCA is then taking service from Southwest, which additional service charges may be authorized from time to time by the ACC (the Basic Service Charge and such applicable additional service charges being referred to herein as the "Minimum Monthly Charge").

B. Transportation Service Agreement: The rates paid by YCA to Southwest for transportation service pursuant to the Transportation Service Agreement, when added to the rates for transportation service through the El Paso system, will not exceed El Paso's maximum reservation and usage rates for firm transportation service for up to the quantity nominated by YCA at the time transportation service is elected, so long as there is no material detrimental effect on Southwest's other customers. The actual rates to be paid by YCA to Southwest for transportation service will be mutually determined at the time YCA elects to receive transportation service from Southwest; provided, however, that if Southwest provides services for transportation solely over the Southwest-YCA Facilities, the charge for such transportation service shall be the Minimum Monthly Charge set forth above. All surcharges and taxes applicable to El Paso firm transportation service and intrastate natural gas service in the State of Arizona applicable to the service then being received by YCA shall be in addition to the rates for transportation service agreed to by Southwest and YCA. Southwest will balance any difference (a) between the daily gas supplies nominated for the Yuma Project and the quantities of gas actually delivered to YCA by the seller of the gas supply, and (b) between the daily gas supply requirements of the Yuma Project and the quantities of gas actually made available to YCA by the seller of the gas supply pursuant to Southwest's Tariff provisions relating to transportation service. The service level pursuant to the Transportation Service Agreement may be varied from day to day by YCA subject to Southwest's Tariff provisions relating to transportation service. The term of the Transportation Service Agreement shall commence on its effective date and continue for a primary term to and including December 31, 2008 and from year to year thereafter.

C. Title Assignment Agreement: Southwest shall exert its good faith best efforts to maintain in effect appropriate regulatory authorization by the ACC and the FERC to continue to service to YCA under the Title Assignment Agreement for a term ending seventeen (17) years after the Firm Capacity Availability Date and from year to year thereafter, and so long as there is no material detrimental effect on Southwest's other customers.

D. Service Agreement: As originally set forth, the term of the PG-60 Agreement commenced on the effective date of such agreement and continues for a term of seventeen (17) years. Southwest and YCA hereby amend the term of the PG-60 Agreement to commence on the effective date of such agreement, and to continue for seventeen (17) years from the Firm Capacity Availability Date, and from year to year thereafter. The price of the bundled sales service under the PG-60 Agreement shall be at the rates set forth in Southwest's Tariff, as authorized and approved by the ACC from time to time.

- E. **Curtailment of Service:** Southwest will implement curtailments of service under the Transportation Service Agreement, the PG-60 Service Agreement and any Additional Contracts pursuant to the Rules and provisions contained in its Tariff, as approved and authorized by the ACC.
- F. **Security Deposit:** YCA will satisfy the normal credit standards of Southwest's Tariff by providing a letter of credit to Southwest in an amount equal to 2.5 times one month's estimated gas bill for service under the Bypass Service Agreement.
- G. **Assignment of Existing Contracts:** YCA shall obtain assignment from CEDC of the interest in the PG-60 Service Agreement, the Transportation Service Agreement and the Title Assignment Agreement prior to commencing service under these Existing Contracts.

IV. ADDITIONAL CONTRACTS

Southwest and YCA shall, as promptly as practicable, (i) negotiate and execute the Additional Contracts specified below, each of which shall include the matters specified with respect to such Additional Contract, and (ii) take the actions specified below with respect to the provision of gas supply and gas transportation service for the Yuma Project.

- A. **Request for Tap:** Southwest shall promptly submit a request to El Paso for the installation, on or about a date to be established by YCA, of a delivery point tap and related measurement facilities to provide up to 200,000 therms per day of natural gas at a location designated by YCA adjacent to the Yuma Project, to be installed, owned and operated by El Paso. Southwest and YCA acknowledge that a minimum delivery pressure of 325 psig is required by the Project. Southwest will request delivery pressure of 350 psig from El Paso. Southwest will provide delivery pressure to YCA equal to the delivery pressure provided to Southwest by El Paso up to 350 psig, less normal pressure reduction through the metering station. YCA agrees to pay the cost of construction of the Delivery Point tap to Southwest at the time necessary for Southwest to pay El Paso for the construction of the Delivery Point tap. In the event the actual cost of constructing the Delivery Point differs from the estimated cost, an appropriate refund or additional billing to YCA will be made to correspond to the actual cost of the Delivery Point.
- B. **Construction of Facilities:** All facilities required for the delivery of up to 20,000 MMBtus per day of gas from the Delivery Point to the Yuma Project (the "Southwest-YCA Facilities") will be constructed, owned and operated by Southwest. Southwest agrees, upon execution of this Agreement by the parties, to proceed with engineering and design work, and to coordinate such activities, in addition to actual construction of the Southwest-YCA Facilities, with YCA's designated engineering and construction firm(s), to provide for commencement of natural gas deliveries by Southwest to YCA on or about February 1, 1994. YCA shall have the right to review Southwest's design plans, and to make recommendations for changes so long as such recommendations do not conflict with Southwest's design standards and/or Department of Transportation rules and regulations.

YCA agrees to pay to Southwest the estimated cost of the Southwest-YCA Facilities at the commencement of construction of the Southwest-YCA Facilities. In the event the actual cost of constructing the Southwest-YCA Facilities differs from the estimated cost, an appropriate refund or additional billing to YCA will be made to correspond to the actual cost of the Southwest-YCA Facilities. Southwest shall not provide natural gas service to any other customer through the Southwest-YCA Facilities without the prior written agreement of YCA with respect to such additional service, and the terms and provisions applicable thereto.

- C. **Expansion of the Yuma Lateral:** Southwest shall promptly advise El Paso of Southwest's commitment to provide natural gas service to the Yuma Project. The proportionate share of the cost of any expansion of the Yuma Lateral by El Paso to accommodate this service commitment which is imposed on Southwest by El Paso, other than on a rolled-in basis through general rates, shall be the responsibility of YCA (provided Southwest and YCA have taken all necessary steps to oppose or minimize such costs or obtain general rate treatment) and such costs shall be paid to Southwest upon demand. YCA's payment obligation herein shall lapse upon the effective date of rolled-in rate treatment by El Paso for the cost of said expansion.
- D. **Delays:** Notwithstanding any other provision of this Agreement to the contrary, Southwest shall not be held responsible for any delay caused by YCA in meeting its contractual obligations hereunder, nor shall Southwest be held responsible for any delay in completing its obligations set forth in Section IV A, B and C herein resulting from acts or occurrences beyond the reasonable control of Southwest, including without limitation: a shortage of labor materials, a strike or other labor disturbance, government rules, regulations, or orders, including orders or judgments of any court or commission, a delay in receiving any permits, certificates or any other approvals which may be necessary or required from the FERC, the ACC, any other governmental agency or railroad, a riot, an act of God, or any other cause or condition beyond the reasonable control of Southwest.
- E. **Additional Contracts:**
1. Southwest has presently pending before the ACC an application in Docket No. U-1551-92-253 for the approval, inter alia, of a Tariff provision and rate schedule for "Optional Gas Service", Schedule No. CG-30. In the event that (a) the ACC approves Schedule CG-30 or a similar schedule substantially in form and substance as contained in Southwest's presently pending application, (b) Southwest and YCA are able to agree upon the terms and provisions of a "Special Gas Procurement Agreement" as called for in Schedule No. CG-30 or such similar schedule, and (c) the ACC approves the "Special Procurement Agreement" executed by YCA and Southwest, if required, then at YCA's option Southwest and YCA shall execute an agreement pursuant to the terms of Schedule No. CG-30 or such similar schedule (the "Schedule CG-30 Agreement") for the gas supply for the Yuma Project.
 2. YCA and Southwest shall execute coincident with this Agreement a Bypass Service Agreement to provide bundled gas sales service for the Yuma Project. The

agreement under which YCA shall initially receive gas service for the Yuma Project shall be the Bypass Service Agreement.

3. Southwest will advise YCA, on a continuing basis, of other services which Southwest can provide for the Yuma Project, such as transportation and nomination management, natural gas volume accounting, Arizona state tax accounting, imbalance trading with other Southwest customers, real time measurement, system supply pooling and gas procurement for short notice power production. YCA shall have the right to contract with Southwest for such additional services on terms as favorable as those available to any other customer of Southwest.
4. YCA has the right, during the term of this Agreement, to change to any other applicable ACC approved scheduled service offered by Southwest within the ratemaking jurisdiction encompassing the Yuma Project which, in the opinion of YCA, contains more favorable rates and conditions.

V. TERMINATION AND CONVERSION TO DIRECT INTERSTATE TRANSPORTATION SERVICE

- A. **Termination Rights Due to Abandonment of Yuma Project:** If YCA, its affiliates, successors or assigns abandons the Yuma Project prior to the Firm Capacity Availability Date of the Yuma Project, YCA may terminate this Agreement and all Existing Contracts and Additional Contracts on thirty (30) days prior written notice to Southwest, subject to the payment by YCA to Southwest of any obligations outstanding pursuant to Section IV A, B and C herein. With respect to the payment obligation provided for in Section IV C, Southwest will provide the opportunity to YCA to participate in the negotiations with El Paso to determine the amount of such obligation. YCA's involvement in such negotiations will not, however, alter its obligation to reimburse Southwest for the costs actually imposed on Southwest by El Paso. Payment due pursuant to this provision shall survive termination of this Agreement and all Existing Contracts and Additional Contracts.
- B. **Termination Rights of YCA:** In addition to YCA's termination rights set forth in Section V A above, YCA may terminate this Agreement and all of the Existing Contracts and Additional Contracts for the purpose of converting to direct transportation service pursuant to contractual agreements with El Paso or some other transporter, whether before or after the Firm Capacity Availability Date of the Yuma Project, upon thirty (30) days written notice to Southwest, provided, however, that YCA pay to Southwest \$300,000 at the time notice is given, plus any amounts outstanding pursuant to Section IV A, B and C, plus any amounts due and payable for natural gas service rendered by Southwest under the Existing Contracts or Additional Contracts. Payment due pursuant to this provision shall survive termination of this Agreement and all Existing Contracts and Additional Contracts.
- C. **Acquisition of Facilities and Capacity Rights:** If this Agreement and all Existing Contracts and Additional Contracts are terminated by either party, Southwest shall, subject to any required regulatory approval (which Southwest shall diligently seek to obtain), convey all of its right, title and interest in the Southwest-YCA Facilities and

the Delivery Point, free and clear of all liens and encumbrances to YCA or a party designated by YCA.

D. Transitional Services:

In the event YCA terminates this Agreement and all Existing Contracts and Additional Contracts, Southwest will, for a period not to exceed sixty (60) days following the specified termination date of this Agreement and the Existing Contracts and Additional Contracts, cooperate fully with YCA and El Paso, or any other transporter or supplier with whom YCA contracts for gas supply and/or transportation service for the Yuma Project, to effect the transition from the service provided by Southwest prior to termination and conversion to the service to be provided by El Paso or such other transporter or supplier. To this end, Southwest will allow YCA to continue to receive gas transportation and/or sales service for the Yuma Project during such time period, subject to Southwest's Tariff provisions, as are necessary to effect YCA's transition to direct service from El Paso, or any other transporter with whom YCA contracts for service. YCA shall be obligated to pay Southwest for such transition period service(s) at the then prevailing rate or charge provided for in the relevant contract(s) between Southwest and YCA for such service(s). This provision shall survive termination of this Agreement and all Existing Contracts and Additional Contracts.

E. Termination Rights of Southwest: In the event Southwest incurs costs in providing service to YCA under any of the Existing Contracts or Additional Contracts which Southwest can demonstrate are materially detrimental to Southwest's other customers or to Southwest's corporate equity, Southwest may upon thirty (30) days prior written notice to YCA terminate such contract or contracts if Southwest and YCA are not able to, within 90 days of such demonstration by Southwest, agree on a redetermined price for service under any such contract or contracts which eliminates the materially detrimental effect. If Southwest terminates the Bypass Service Agreement, the Transportation Service Agreement and any Additional Contract (substantially in the form and substance of the Optional Gas Service, Schedule CG-30, currently pending before the ACC) under the provisions of this section, this Agreement and all Existing Contracts and Additional Contracts shall be terminated by Southwest on the date such agreements are terminated.

F. Suspension Rights: Upon mutual agreement between Southwest and YCA, natural gas service by Southwest to YCA under the Existing Contracts and Additional Contracts may be suspended. At the time of suspension, Southwest will assign to YCA or a party designated by YCA sufficient rights to permit YCA or a party designated by YCA to use the Delivery Point for natural gas service deliveries to the Yuma Project. During the suspension period, Southwest shall continue to own and operate the Southwest-YCA Facilities, and YCA shall pay to Southwest a maintenance fee equal to the applicable Minimum Monthly Charge. In addition to the maintenance fee, surcharges and taxes imposed by the State of Arizona on revenues received by Southwest will apply. At the end of the suspension period, YCA will reassign whatever rights it has to receive natural gas deliveries at the Delivery Point to Southwest or a party designated by Southwest.

VI. TERMS APPLICABLE TO ALL CONTRACTS BETWEEN YCA AND SOUTHWEST

- A. **Regulatory Matters:** Notwithstanding any conflicting or contrary terms in this Agreement, should the FERC, the ACC or any other regulatory or successor governmental agency having jurisdiction impose by rule, order or regulation any terms or conditions upon this Agreement which are not mutually satisfactory to both Southwest and YCA, then either Southwest or YCA upon the effective date of such rule, order or regulation, and written notification to the other, may request renegotiation of the terms of this Agreement, provided, however, that if Southwest and YCA are unable to reach a mutually satisfactory amendment to this Agreement after ninety (90) days of good faith negotiations, Southwest or YCA may on ten (10) days prior written notice terminate this Agreement and all Existing Contracts and Additional Contracts.

All Existing Contracts and Additional Contracts shall be subject to such regulations and orders of the ACC as are applicable thereto or are issued in respect thereof, from time to time. In the event of a conflict between any term or provision of this Agreement and the Existing Contracts and Additional Contracts, the provisions of this Agreement shall control. In the event of any conflict between any term or provision of this Agreement or any Existing Contracts and Additional Contracts and Southwest's Tariff, the provisions of Southwest's Tariff shall control.

- B. **Confidentiality:** Neither Southwest nor YCA, nor their respective affiliates, directors, officers, employees, agents or permitted assignees shall disclose to any third party the terms and provisions of this Agreement without the other party's prior written consent; provided, however, that Southwest may make such disclosure of the terms and provisions of this Agreement to the ACC as in the opinion of counsel to Southwest is required by applicable law, rule or regulation, and provided that with respect to any such disclosure to the ACC, Southwest shall take all steps reasonably available to maintain the confidentiality of this Agreement and prevent its disclosure to third parties; and provided further that YCA may make such disclosure as required by law and, on a confidential basis, of the terms and provisions of this Agreement to prospective lenders and their consultants and attorneys.
- C. **Controlling Law:** This Agreement and all Existing Contracts and Additional Contracts shall be governed by and interpreted in accordance with the laws of the State of Arizona, except any conflicts of law that would refer any matter to the laws of another jurisdiction.
- D. **Assignments:** Neither YCA nor Southwest may assign its respective rights and interest in this Agreement or any of the Existing Contracts or Additional Contracts without the prior consent of the other party, which consent shall not be unreasonably withheld or delayed; provided, that YCA may assign its rights and interest in any or all of the Existing Contracts and Additional Contracts to a lender for the purpose of providing security for the financing of the Yuma Project, without the consent of Southwest.
- E. **Notices:** All notices or other communications required or permitted hereunder shall, unless otherwise provided herein, be in writing, shall be personally delivered or sent by (i) certified mail, return receipt requested, and deposited in the United States mail,

postage prepaid, or (ii) by over night courier addressed to the parties at the addresses set forth below. Notices or communications sent by certified mail shall be deemed to be received on the third business day following the mailing date and notices or communications sent by over night courier shall be deemed to be received on the next business day.

TO SOUTHWEST: Southwest Gas Corporation

By Courier: 5241 Spring Mountain Road
Las Vegas, NV 89102
Attn: Major Accounts

By US Mail: P.O. Box 98510
Las Vegas, NV 89193-8510
Attn: Major Accounts

TO YCA: Yuma Cogeneration Associates
c/o California Energy Development Corporation
10831 Old Mill Road
Omaha, NE 68154
Attn: Vice President - Operations

with a copy to: Yuma Cogeneration Associates
280 North 27th Drive
Yuma, AZ 85364
ATTN: Plant Manager

Notice of change of address shall be given by written notice in the manner detailed in this provision.

- F. **Audit:** YCA shall have the right, at its own expense, to audit all calculations and determinations of rates, charges or other matters for a period not to exceed 24 months after the date such calculations or determinations are delivered to YCA. Southwest shall provide to YCA and YCA's agents access to Southwest's books and records for the sole purpose of verifying such calculations and determinations during regular business hours upon reasonable advance notice thereof.
- G. **Severability:** The provisions of this Agreement are severable, and if any one or more of such provisions are determined to be unenforceable by a court or regulatory agency having jurisdiction over such matters, the remaining terms and provisions hereof shall remain in full force and effect.
- H. **Change in Service:** YCA has the right during the term of this Agreement to designate from time to time under which of the Existing Contracts or Additional Contracts it will take service from Southwest. The exercise of this right by YCA shall not terminate or impair YCA's right to subsequently designate and receive service from Southwest under any Existing Contract or Additional Contract. YCA shall exercise such right by notifying Southwest of a designation at least thirty (30) days prior to the time when YCA will take service under such other contract. Southwest will accommodate YCA's designation of service on thirty (30) days notice provided that such change (i) does not impose any additional costs on Southwest's other customers, or (ii) create any adverse operational conditions for Southwest. In the event Southwest is not able to

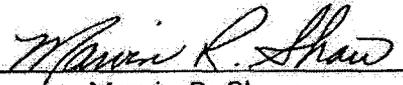
accommodate YCA's designation of service due to the conditions set forth, Southwest's Tariff provisions relating to customer's change in service will control.

- I. **Renewal of Contracts:** Subsequent to the primary term of each of the Existing Contracts or Additional Contracts, such contracts shall be deemed to be renewed on a monthly or annual basis, as set forth in each individual contract, unless a specific notice of termination is provided as set forth in each individual contract.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed in duplicate originals.

Executed this 30th day of June, 1993.

SOUTHWEST GAS CORPORATION
"Southwest"

By: 
Marvin R. Shaw

Title: Executive Vice President

Date: 6/30/93

YUMA COGENERATION ASSOCIATES
By California Energy
Development Corporation
"YCA"

By: 
Thomas R. Mason

Title: Vice President

Date: 6/30/93

SOUTHWEST GAS CORPORATION
BYPASS SERVICE AGREEMENT
SALES OF NATURAL GAS
UNDER RATE SCHEDULE AB-1

EXHIBIT A

This AGREEMENT is made and entered into by and between SOUTHWEST GAS CORPORATION, a California corporation, herein called "Seller," and YUMA COGENERATION ASSOCIATES ("YCA"), herein called "Buyer."

WITNESSETH:

In consideration of the mutual covenants and agreements as herein set forth, the Seller and Buyer agree as follows:

ARTICLE I - GAS TO BE SOLD AND PURCHASED

Subject to the terms, conditions, limitations and restrictions specified in this Agreement, Seller agrees to sell and deliver to Buyer and Buyer agrees to purchase and receive from Seller and pay for up to the following quantities of natural gas, which shall constitute Buyer's Contract Entitlement:

132,000 Therms/day

Seller shall not be obligated, at its expense, to deliver gas to Buyer hereunder at rates of flow in excess of those shown.

ARTICLE II - DELIVERY POINTS, PRESSURES AND QUANTITIES

Delivery of natural gas by Seller to Buyer shall take place at the following delivery points where location, delivery pressure, assumed atmospheric pressures and maximum daily quantities are described as follows:

<u>Delivery Points</u>	<u>Delivery Pressure</u>	<u>Atmospheric Pressure</u>	<u>Maximum Delivery Point Quantity Per Day</u>
280 N. 27th Dr. Yuma, Arizona	pressure provided by El Paso, up to 350 psig	14.73 psia	132,000 Therms

Upon written request of Buyer, Seller will increase the delivery pressure to the level requested by Buyer if (1) Seller finds such request to be technically feasible, and (2) Seller is able to increase such pressure without any additional expense to Seller and without imposing a burden upon any other customer of Seller, and (3) Seller's supplier pipeline is able to accommodate the requested increase in delivery pressure.

Seller will not be liable for any damage resulting from over-pressurization on Buyer's system. Buyer will provide suitable over-pressurization protection devices in accordance with any applicable law and regulation or, in the absence of any such law or regulation, in accordance with accepted industry practice.

ARTICLE III - APPLICABLE RATES

A. Monthly Billing And Rates

Buyer agrees to pay Seller each month for all natural gas delivered pursuant to this Agreement at a rate per therm equal to the greater of (i) the published San Diego Gas & Electric Company (SDG&E) GPNC (California Border) price per therm (see Appendix A) or such successor index representing the California border price used by SDG&E in determining its avoided cost of energy for SO2 cogeneration contracts in California ("GPNC"), or (ii) Seller's adjusted weighted average cost of gas per therm (which includes the monthly average gas price including shrinkage, plus the El Paso Natural Gas Company (El Paso) variable cost component of the firm transportation rate charged to Seller, and the proportionate share (per therm) of all applicable surcharges and taxes imposed on interstate transportation service) ("Adjusted WACOG") plus \$.001 per therm, not to exceed Seller's Adjusted WACOG plus \$.077 per therm. The charge per therm used for Seller's estimated Adjusted WACOG for each month shall be as filed with the Arizona Corporation Commission in Seller's Annual Gas Procurement Plan for Arizona (see Appendix B) or such successor report which similarly reflects Seller's actual Adjusted WACOG.

The monthly commodity charge per therm is subject to increases or decreases as a result of the costs of gas purchased by Seller from its suppliers. All gas costs incurred by Seller which deviate from the original monthly billed estimate shall be calculated and recovered as follows:

Each month Seller will calculate the total actual cost of gas per therm purchased for all customers within its service area in the State of Arizona, which shall include shrinkage, the El Paso variable cost component of the firm transportation charges, and the proportionate share (per therm) of all applicable surcharges and taxes imposed on interstate transportation service, but shall exclude El Paso reservation charges. The total cost of gas so calculated shall be compared to the amount per therm recovered in the original monthly billed estimate of gas costs. Any amounts per therm remaining shall be included as a surcharge or credit, as appropriate, on Buyer's subsequent monthly bill.

B. Yearly Sales Rate

Notwithstanding the above, Buyer's annual charge per therm ("Yearly Sales Rate") shall be Seller's Actual Adjusted WACOG plus \$.025 per therm until such time as tariff changes are authorized by either the Federal Energy Regulatory Commission or the Arizona Corporation Commission which increase or decrease the rates charged to Seller or the rates charged to Buyer by Seller pursuant to this Agreement. Thereafter, Buyer's Yearly Sales Rate may be adjusted and renegotiated between Buyer and Seller to reflect additional costs or savings incurred by Seller as a result of such tariff authorization, but in no event shall the Yearly Sales Rate be less than Seller's Adjusted WACOG plus \$.025 per therm, or exceed Seller's Adjusted WACOG plus \$.035 per therm. Annual adjustments with respect to the annual charge per therm (resulting from adjustments to actual Adjusted WACOG not completed during the year and the true up to the Yearly Sales Rate) shall be determined and paid by the appropriate party within 45 days of the filing of Seller's Annual Gas Procurement Plan for Arizona with the Arizona Corporation Commission.

C. Basic Service Charge

In addition to the monthly and annual true-up charges per therm as specified above, a monthly Basic Service Charge equivalent to the Basic Service Charge for service to electric generation facilities as set forth in Seller's Arizona Gas Tariff (currently \$5,725 per month) shall apply beginning with the month in which Buyer commences testing of natural gas-fired equipment and continuing for the duration of this Agreement. Such Basic Service Charge shall apply regardless of the volume of gas taken by Buyer in any month.

D. Rate Redetermination

Buyer and Seller hereby agree that upon the occurrence of the Redetermination Event, as defined below, Buyer may request from Seller a redetermination of the bundled sales price for service under this Agreement. This redetermination provision shall be in effect commencing six (6) months after the Firm Capacity Availability Date of Buyer's project, as such term is defined in Buyer's Power Purchase Agreement No. QFE 200.416 between Buyer and SDG&E, and shall continue for the duration of this Agreement or any other successor sales agreement between Seller and Buyer based on Seller's WACOG. The Redetermination Event is defined as any one of the following occurrences:

- (i) For the second six (6) months of service after the Firm Capacity Availability Date of Buyer's project, if the six-month rolling average price of the bundled sales service provided by Seller to Buyer under this Agreement exceeds the six-month rolling average price of the GPNC by more than five percent (5%) for each of three consecutive months;
- (ii) Commencing on the first anniversary of the Firm Capacity Availability Date of Buyer's project, if the twelve-month rolling average price of the bundled sales service provided by Seller to Buyer under this Agreement exceeds the twelve-month rolling average price of the GPNC by more than five percent (5%) for each of three consecutive months; or
- (iii) If during any twelve-month period natural gas service to Buyer is curtailed by Seller for more than 200 hours.

E. Other Provisions

This Agreement shall be subject to the provisions of the Rules and Provisions contained in Seller's Arizona Gas Tariff applicable thereto on file with the Arizona Corporation Commission and made effective from time to time, which by this reference are incorporated herein and made a part hereof. Seller reserves the right to propose changes in conditions of service and/or Tariffs and Rules on file with the Arizona Corporation Commission, and to make such changes in conditions of such service and/or Tariffs or Rules effective according to law. Buyer reserves the right to oppose any such action of Seller.

Buyer has the opportunity, during the term of this Agreement, to change to any other applicable Arizona Corporation Commission approved scheduled service offered by Seller within the ratemaking jurisdiction encompassing the Buyer's plant which, in the opinion of Buyer, contains more favorable rates and conditions.

Applicable surcharges and taxes imposed on natural gas deliveries in the State of Arizona shall apply in addition to the charges agreed to by Buyer and Seller.

ARTICLE IV - TERM OF AGREEMENT

This Agreement shall become effective immediately, and extend for a term of seventeen (17) years from the Firm Capacity Availability Date of Buyer's project, and from year to year thereafter, subject to Buyer's right to terminate this Agreement after five (5) years from the Firm Capacity Availability Date of Buyer's project, or anytime thereafter with 180 days prior written notice.

Notwithstanding the above, if Seller and Buyer are not able to agree, within ninety (90) days of the Redetermination Event, on a redetermined price for bundled sales service pursuant to this Agreement, Buyer may upon ten (10) days prior written notice to Seller terminate this Agreement.

ARTICLE V - ODORIZATION

Seller agrees to provide Buyer with natural gas or product odorized consistent with those rules and regulations enforced by the Arizona Corporation Commission and/or any other duly recognized agency exercising its proper jurisdiction. Buyer further understands and agrees to hold Seller and its directors, officers, agents, employees, and contractors harmless against any and all liabilities resulting from any incident occurring on Buyer's property where such odorization of natural gas or product is at issue.

ARTICLE VI - GAS SCHEDULING INFORMATION

Buyer shall provide to Seller's gas dispatcher no later than 8:00 a.m. Mountain Standard time each day an estimated nomination of the quantity in MMBTU of natural gas to be purchased under the terms of this Agreement during the second following gas day. If Buyer fails to make such estimated nomination, Seller shall use Buyer's most recent estimated nomination. Buyer may take more than, but shall not be required to take the full amount of, any estimated nomination. Buyer shall not be liable for any imbalance or swing penalties or similar charges or penalties related to nominations or gas scheduling.

Buyer's priority for curtailment purposes is hereby established as Priority 3, as defined in Seller's Arizona Gas Tariff.

Notification of curtailment of deliveries may be communicated by telephone or other means to Buyer by Seller's Gas Dispatch personnel. Buyer and Seller shall designate by separate instrument the names of those of their personnel who shall be authorized from time to time, respectively, to receive and issue such notification.

ARTICLE VII - OTHER AGREEMENTS

Buyer and Seller have executed other service agreements for natural gas service to Seller's location, including agreements pursuant to Seller's Rate Schedule No. PG-60 (Cogeneration), Rate Schedule No. AB-1 (Transportation for Customer-Secured Natural Gas), an Operating Agreement Pursuant to A.C.C. Decision No. 57545 (Title Assignment), and a Master Agreement of even date herewith. This Agreement shall not supersede or impede Buyer's ability to take service from Seller pursuant to these other agreements or any other applicable rate schedule or services for which Buyer is eligible.

ARTICLE VIII - NOTICES

Notices under this Agreement shall be addressed to the parties hereto as follows:

SOUTHWEST GAS CORPORATION
Major Accounts Department
P.O. Box 98510
Las Vegas, NV 89193-8510

YUMA COGENERATION ASSOCIATES
c/o California Energy Development
Corporation
10831 Old Mill Road
Omaha, NE 68154
ATTN: Vice President/Operations

with a copy to:

YUMA COGENERATION ASSOCIATES
280 North 27th Drive
Yuma, AZ 85364
ATTN: Plant Manager

Either party may change its address at any time upon written notice to the other.

ARTICLE IX - SUCCESSOR AND ASSIGNS

This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. No assignment or transfer by either party hereunder shall be made without written approval of the other party, except Buyer may assign its rights and interest in this Agreement to a lender for the purpose of providing security for the financing of Buyer's project without the consent of Seller. Such approval shall not be unreasonably withheld. As between the parties hereto, such assignment shall become effective on the first day of the month following written notice that such assignment has been effectuated.

ARTICLE X - REGULATORY REQUIREMENTS

Should the Federal Energy Regulatory Commission, the Arizona Corporation Commission or any other regulatory or successor governmental agency having jurisdiction impose by rule, order or regulation any terms or conditions upon this Agreement, except for any tariff changes as described in Article III Section B herein relating to the adjustment or renegotiation of the Yearly Sales Rate, which are not mutually satisfactory to both parties, then either party upon the issuance of such rule, order or regulation, and written notification to the other party, may renegotiate the terms of this Agreement, provided, however, that if Buyer and Seller are unable to reach a mutually satisfactory amendment to this Agreement after ninety (90) days of good faith negotiations, either party may on ten (10) days prior written notice terminate this Agreement.

ARTICLE XI - CONFIDENTIALITY

Neither Seller nor Buyer, nor their respective affiliates, directors, officers, employees, agents or permitted assignees shall disclose to any third party the terms and provisions of this Agreement without the other party's prior written consent; provided, however that Seller may make such disclosure of the terms and provisions of this Agreement to the Arizona Corporation Commission as in the opinion of counsel to Seller is required by applicable law, rule or regulation, and provided that with respect to any such disclosure to the Arizona Corporation Commission, Seller shall take all steps reasonably available to maintain the confidentiality of this Agreement and prevent its disclosure to third parties; and provided further that Buyer make such disclosure as required by law, and on a confidential basis, of the terms and provisions of this Agreement to prospective lenders and their consultants and attorneys as in Buyer's judgment is required for the purpose of obtaining financing for its Yuma project.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above set forth.

SOUTHWEST GAS CORPORATION

YUMA COGENERATION ASSOCIATES
By California Energy
Development Corporation

By:

By:

Marvin R. Shaw

Thomas R. Mason

Title: Executive Vice President

Title: Vice President

Date:

Date:

SDG&E COGEN GAS PRICE CALCULATIONS FOR THE AVOIDED COST

1993 SCHEDULE GTUEG - ADVICE LETTER FILING 837-G

DEMAND CHARGE (000'S) Monthly Charge \$2,528 No. of Months x 12 Total Annual UEG Charges <u>\$30,336</u>		DEMAND CHARGES (000'S) Total Vol Charges \$31,402 Total Volume + 427,116 Dem Chrg ¢/therm = 7.3521 Mbtu Conversion x 0.1 <u>\$0.7352</u>	
IGNITER FUEL VOL (THERMS) (000'S) Ign Fuel Volumes 2,527 Charge (Cents/therm) x 42.165 * Total Charges <u>\$1,066</u>		AVOIDED COST GAS CALC VOLUMETRIC CHARGES ¢/therm Tier I 6.599 Tier II 2.890	
TOTAL VOLUMETRIC CHARGES (000'S) Total UEG Charges x \$30,336 Total Ign Charges + \$1,066 Total Volume Charges <u>\$31,402</u>		ALLOCATION Percent *** Tier I 18.5% Tier II 81.5% VOLUMETRIC ALLOCATION ¢/therm **** Tier I 1.221 **** Tier II + 2.355 GENC WACOG + 20.000 Gas Price ¢/therm = 23.576 Mbtu Conversion x 0.1 Gas Price \$/Mbtu = <u>\$2.3576</u>	
GTUEG VOLUMES (THERMS) (000'S) Tier I 78,549 ** Tier II + 346,040 Igniter Fuel + 2,527 Total Volume = <u>427,116</u>		MBTU CONVERSION \$/Mbtu Gas Price \$/Mbtu \$2.3576 GTUEG Demand Charge + \$0.7352 Total GTUEG Price = <u>\$3.0928</u>	

* Divided by 100 to = \$
 ** ((78,549/.185) - 78,549)

*** Non-Curtailment Allocation
 **** (Volume Charge x Allocation)

SOUTHWEST GAS CORPORATION
ARIZONA
ACTUAL GAS PURCHASES
AUGUST 1992

Schedule 2
Sheet 23 of 24

APPENDIX B

Line No.	Description (a)	Dth (b)	Effective Rate (c)	Amount (d)	Line No.
1	Customer Requirements	<u>2,045,246</u>			1
	<u>Gas Cost Upstream of El Paso</u>				
2	SWG Purchases into Northwest Pipeline	0	\$ 0.0000	\$ 0	2
	<u>Gas Costs Into El Paso</u>				
3	SWG N. W. Purchases Into El Paso	0	\$ 0.0000	\$ 0	3
4	SWG Purchases Into El Paso	2,151,968	1.3837	2,977,584	4
5	NGC Purchases Into El Paso	0	0.0000	0	5
7	Total Average Into El Paso Mainline	<u>2,151,968</u>	\$ 1.3837	<u>\$ 2,977,584</u>	7
	<u>Gas Cost at City Gate -- Incl. Pipeline Volumetric Charges</u>				
8	SWG Purchases at the City Gate from El Paso	2,045,246	\$ 1.6235	\$ 3,320,380	8
9	NGC Purchases at the City Gate from El Paso	0	0.0000	0	9
11	Total Average at the City Gate	<u>2,045,246</u>	\$ 1.6235	<u>\$ 3,320,380</u>	11
	<u>Gas Cost to City Gate -- Incl. Pipeline Reservation Charges</u>				
12	El Paso R-1 Charge -- Arizona			\$ 1,587,300	12
14	Total at the City Gate Before Out of Period Costs	<u>2,045,246</u>	\$ 2.3996	<u>\$ 4,907,680</u>	14
15	Out of Period Cost Adjustments			\$ (85,742) ^a	15
16	Total at the City Gate After Out of Period Costs	<u>2,045,246</u>	\$ 2.3576	<u>\$ 4,821,938</u>	16
17	Historical Vs. Estimated Includes Out of Period Costs	<u>(501,581)</u>	\$ (0.0882)	<u>\$ (1,407,136)</u>	17

[a] Bridge Gas Adj. - 2/92

SOUTHWEST GAS CORPORATION
SERVICE AGREEMENT
PURSUANT TO RATE SCHEDULE
NO. PG-60

EXHIBIT B

This AGREEMENT, dated November 10, 1992 is between SOUTHWEST GAS CORPORATION ("Southwest"), located at 10581 N. Black Canyon Hwy, Phoenix, Arizona 85029, and CALIFORNIA ENERGY DEVELOPMENT COMPANY ("CEDC"), A WHOLLY OWNED SUBSIDIARY OF CALIFORNIA ENERGY COMPANY, INC., service located at First Street at 27th Drive, Yuma Arizona, mailing address, 10831 Old Mill Road, Omaha, Nebraska 68154 ("Applicant").

1. **Service.** Southwest agrees to sell and deliver and Applicant agrees to purchase, receive and pay for natural gas to be used for the purpose of cogeneration.

2. **Rates.** Gas delivered under this Agreement shall be subject to rates approved and made effective by the Arizona Corporation Commission ("Commission") for Rate Schedule No. PG-60. Applicant understands that said rates may change from those in effect at the date of this Agreement.

3. **Minimum Purchase Obligation.** Pursuant to provisions of Southwest's filed tariff, if applicable, Applicant agrees, during the term of this Agreement to purchase and pay for a minimum of zero therms of natural gas for any consecutive 12 months from the date of the contract ("Contract Year Minimum"). If, for any reason, Applicant does not purchase the contract minimum, Applicant shall pay to Southwest upon demand an amount equal to (to be negotiated) cents per therm for the difference between the volumes purchased and the Contract Year Minimum. At its option, Southwest may require a performance bond or other surety to guarantee bona fide operation of the facility for which service is requested. If, for any reason, Applicant fails to take service or fails to install appliances or equipment agreed to within six months after the completion of any main extension for which allowances have been provided, then applicant will be obligated to pay an amount calculated by Southwest under its main extension rule, based on actual appliances or equipment installed or used.

4. **Term.** The term of this Agreement shall be for 17 years from the above date. Applicant may, upon 30 days written notice to Southwest, terminate the Agreement subject to any payments which may be due under Applicant's Minimum Purchase Obligation as set forth in paragraph 3 above.

5. **Grant of Easement.** Applicant agrees to grant or otherwise provide to Southwest easements and rights-of-way which are adequate, in the opinion of Southwest, to install, maintain, relocate, or remove gas facilities serving applicant.

6. **Communications.** All communications concerning this Agreement shall be in writing, delivered to the parties at the address shown above or such other address as the party may specify.

7. **Regulatory Changes.** Applicant acknowledges that this Agreement is subject to the jurisdiction of the Commission and to Southwest's Rules and Regulations on file with the Commission which may be changed from time to time by lawful action of that agency, and that such changes may limit Southwest's obligations and liability to Applicant.

8. **Assignment.** No assignment of this Agreement shall be made by Applicant without the written consent of Southwest.

9. **Arizona Law.** The laws of the State of Arizona shall govern this Agreement.

WHEREFORE, the parties have duly executed this Agreement on the date written above.

CALIFORNIA ENERGY DEVELOPMENT COMPANY

SOUTHWEST GAS CORPORATION

By Philip H. Essner

By Marvin R. Shaw

Title Vice President

Title Executive Vice President

SOUTHWEST GAS CORPORATION
ARIZONA SERVICE AREAS
OPERATING AGREEMENT
PURSUANT TO ACC DECISION NO. 57545

EXHIBIT C

THIS AGREEMENT, is made and entered into as of the 10th day of November, 1992 by and between Southwest Gas Corporation (the Utility) and California Energy Development Company (CEDC) a wholly owned subsidiary of California Energy Company, Inc., (the Customer).

WHEREAS, the Customer is an existing transportation customer of the Utility under the Utility's Rate Schedule No. PT-1;

WHEREAS, the Customer has an opportunity to use the Utility's transportation capacity on upstream pipelines to transport customer-secured gas pursuant to Arizona Corporation Commission (ACC) Decision No. 57545 under the provisions of Footnote No. 5 to the Utility's Arizona Gas Tariff No. 4, Sixth Revised Sheet No. 20;

WHEREAS, the Utility will provide transportation services for customer secured gas as provided in this Agreement and Schedule No. PT-1 and Schedule No. AB-1;

WHEREAS, the Utility will provide transportation service on an "as-available" basis pursuant this Agreement only to the extent that the Utility's system supply is not disadvantaged by allowing the Customer access to the Utility's upstream pipeline capacity;

NOW THEREFORE, in order to fully implement the provisions of Schedule No. PT-1 and this Agreement, the parties agree as follows:

ARTICLE I.
Responsibilities and Performances

1.1 Written Daily Nomination. The Customer, or the Customer's authorized agent, will provide to the Utility in writing, or by facsimile, the daily nominated quantities of customer-secured gas to be scheduled for transportation under this Agreement. The written daily nomination shall specifically state the quantities of gas, receipt points, and all other pertinent information required to effect a nomination to upstream pipelines for transportation of customer-secured gas pursuant to this Agreement.

1.2 Assignment. When the Customer, or the Customer's authorized agent, makes a written daily nomination as set forth in Paragraph 1.1 herein, such nomination shall constitute the assignment of title of such customer-secured gas to the Utility. It is expressly understood that title to such gas will be conveyed to the Utility only for those quantities that were specifically nominated by the Customer and actually transported under the Utility's service agreements with upstream pipelines. Title to such gas, less any fuel use required by upstream pipelines to transport the gas, shall be reassigned by the Utility to the Customer upon custody transfer of the gas from the upstream pipeline to the Utility's distribution system at the upstream pipeline delivery point(s).

1.3 Operating Procedure. Service under this Agreement is dependant upon the Utility's daily forecasted requirements, and will be limited to the "Maximum Daily Quantity" set forth in the Customer's service agreement under Schedule No. PT-1. Service is further dependant upon operating conditions the Utility will experience in securing and/or transporting its forecasted requirements on upstream pipelines. The operating procedures for integrating customer-secured gas into the Utility's day to day operations are listed in Exhibit A, which is attached hereto and by this reference incorporated herein.

1.4 Customer Responsibility. The Customer shall use its best efforts to cause its producers/suppliers to operate and perform so the necessary quantities of gas are tendered at the applicable upstream pipeline's receipt points. Gas tendered to the upstream pipeline by the Customer's producer/supplier shall conform to all specifications as contained in the upstream pipeline's tariff.

ARTICLE II.
Applicable Charges

2.1 Upstream Pipeline Charges. The Customer shall reimburse the Utility for any charges rendered or billed to the Utility by all upstream pipelines and gas gatherers, either during or after termination of this Agreement, which Southwest, in its sole good faith opinion, determines have been incurred because of the transportation of Customer-secured gas under this Agreement. Such charges, whether levied in dollars or gas, may include, but shall not be limited to, monthly demand charges, standby charges or reservation fees, prepayments, commodity charges, applicable taxes, franchise and regulatory fees, fuel reimbursement, shrinkage, lost or unaccounted for gas, G.R.I. surcharges, overrun and penalty charges, filing fees, and any charges or costs resulting from the implementation of the Federal Regulatory Commission (FERC) Order No. 636.

2.2 Upstream Pipeline Demand Charges. In addition to charges described in Article 2.1, the Utility may pass through to the Customer up to 100 percent of the upstream pipeline fixed demand charges set forth in such pipeline firm transportation rates imposed on the Utility for use of such upstream pipeline capacity. Such charges will be allocated on a volumetric basis for the use of such capacity to transport customer-secured gas under this Agreement. The pass through of such demand charges will become operative once the upstream pipelines' rate designs are replaced with rate designs that modify the current allocation of demand and commodity charges. The level of pass through to the Customer will be established by the Utility based on competitive market conditions.

2.3 Applicable Taxes. The Customer agrees to pay to the Utility on demand all privilege, use, sales, franchise, excise or similar taxes or assessments which apply to the service provided pursuant to this Agreement and Schedule PT-1, including any sales or use tax applicable to the value of the gas transported. In order to determine the value of the gas transported for taxing purposes, the Utility shall utilize the El Paso Natural Gas Company Permian Basin Index price as published in the Inside FERC Gas Market Report the first week of each month (Index Price). Alternatively, the Customer may provide to the Utility by the twentieth day of the month the actual value of the gas transported each month. In the event the state taxing authority requires the sales or use tax to be levied on the actual value of the gas in lieu of the Index Price, the Customer shall provide the actual value of the gas to the Utility, and will be responsible for the payment of any differences. Payment obligations of the Customer to the Utility for applicable taxes shall survive the termination of this Agreement.

2.4 Payment for Gas Supply. The Customer is responsible for making all payments for gas supplies transported under this Agreement.

2.5 Upstream Pipeline Refunds. In the event refunds are made to the Utility of any applicable upstream pipeline charges which occurred while providing service pursuant to this Agreement, the Utility will provide refunds to the Customer on the same basis by which the Utility received the refunds.

ARTICLE III.
Term and Limitations

3.1 Term. This Agreement shall become effective on November 10, 1992 and shall continue in effect for a period extending for a primary term to and including December 31, 1993, subject to termination at expiration of the said primary term. In the event that service under this Agreement is authorized to extend past December 31, 1993 by the ACC, this Agreement shall continue in effect from month to month thereafter, subject to termination upon the first day of any calendar month after the primary term by either party hereto through written notice so stating and given to the other no less than thirty (30) days in advance. Each party retains the right to terminate this Agreement for any reason within the primary term through written notice so stating and given to the other party no less than thirty (30) days in advance.

3.2 Applicability of Schedule PT-1. Except to the extent modified by this Agreement, the terms and conditions of Schedule PT-1 shall continue to apply to transportation service under this Agreement.

3.3 Regulatory Requirements.

3.3.1 The Customer shall not take any action which would subject the Utility to the jurisdiction of the Federal Energy Regulatory Commission (FERC), the Department of Energy (DOE), or any successor governmental agency. Any such action shall be cause for immediate termination of this Agreement. This Agreement, all terms and provisions contained or incorporated herein, and the respective obligations of the parties hereunder are subject to all valid laws, orders, rules, and regulations of duly constituted authorities having jurisdiction over the subject matter of this Agreement. This Agreement shall at all times be subject to such changes or modifications by the ACC as it may from time to time direct in the exercise of its jurisdiction.

3.3.2 Should the FERC, DOE, ACC or any other regulatory or successor governmental agency having jurisdiction impose by rule, order or regulation any terms or conditions upon this Agreement or should the FERC modify upstream pipeline transportation rates or provisions of service, which are not mutually satisfactory to the parties, then the parties within thirty (30) days of the issuance of such rule, order or regulation, and with notification to the other party, may terminate this Agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed in duplicate originals.

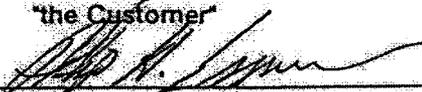
SOUTHWEST GAS CORPORATION
"the Utility"

By: 
Marvin R. Shaw

Title: Executive Vice President

Date: 11/25/92

CALIFORNIA ENERGY DEVELOPMENT
COMPANY
"the Customer"

By: 
Philip H. Essner

Title: Vice President

Date: 11/21/92

EXHIBIT A
SOUTHWEST GAS CORPORATION
ARIZONA SERVICE AREAS
PURSUANT TO ACC DECISION NO. 57545
OPERATING PROCEDURES

Notifications and Responsibilities

1. The nominating procedures contained in the Utility's Arizona Gas Tariff No. 4, Schedule No. PT-1, Section 6 are hereby incorporated into and made a part of this procedure for the purpose of making nominations for the transportation of customer-secured gas on upstream pipelines pursuant to Footnote No. 4 of Sheet No. 20 in the Utility's Arizona Gas Tariff No. 4 (Footnote No. 4).

2. As stated in Section 6 of the Utility's Schedule No. PT-1, all nominations for transportation service, for both this Agreement and Schedule No. PT-1, must be made to the Utility by 8:30 a.m. Mountain Standard Time for service to be rendered on the second following gas day.

- (a) Notifications and nominations made for transportation service pursuant to this Agreement must be made by the Customer, or the Customer's agent, in writing or facsimile, to the Utility's Central Gas Dispatch in Las Vegas, Nevada.
- (b) Nominations for transportation service pursuant to the Customer's service agreement for Schedule No. PT-1 are to be made to the Utility's local gas dispatch offices located in Phoenix.

Nominations made to the Utility on Fridays (for deliveries on Sunday) must also include nominations for Monday and Tuesday. If Monday is a scheduled holiday for the Utility, a nomination for Wednesday must also be provided on Friday. Any scheduled holiday which occurs other than on a Monday will extend the normal nominating schedule by one day.

Nominations for service under this Agreement beginning the first day of each month must be made to the Utility three days prior to the first day of each month. The nomination so provided must include i) the supplier name, contact, phone and fax numbers, and ii) the Receipt Point/Operator Code or Basin Code/Pooling Agreement Number. The quantity of gas does not need to be provided three days prior, but must be nominated on the next succeeding day (two days prior).

Daily Nominating and Scheduling Procedure.

3. The Customer, or the Customer's authorized agent, must inform the Utility of i) the Receipt Point or Pooling Agreement number, ii) the gathering-basin, iii) and the Operator Code (if applicable) for all gas supplies desired to be transported by the Utility pursuant to this Agreement, along with any other information which may become necessary in order to process the transaction with the upstream pipeline.

3.1 As stated in this Agreement, transportation service pursuant to this Agreement is provided on an "as-available" basis, and only to the extent that the Utility's system supply is not disadvantaged by providing the Customer access to the Utility's upstream pipeline capacity.

4. Subject to the provisions of Article I of this Agreement, and subsequent to receiving the Customer's nomination for transportation service pursuant to this Agreement for a specific day, the Utility will in turn make a nomination for an identical quantity of gas to be transported on the upstream pipeline.

5. The Customer is responsible for communications to the Customer's producer/supplier of the quantity of customer-secured gas supply to be made available to the upstream pipeline for transportation.

6. The use of the Utility's upstream transportation capacity for the Customer's supplies does not guarantee delivery of the Customer's supplies. Producer/supplier non-performance or capacity constraints at certain points in the upstream pipeline may cause a partial or complete reduction in the nominated quantity.

6.1 In the event the customer-secured gas supply is not completely scheduled by the upstream pipeline, the Utility will receive notification from the upstream pipeline, and the Utility will then notify the Customer, or the Customer's agent, of the non-performance.

(a) If this occurs after the first day of nominations, the Customer may attempt to again secure via renomination the same supply, or may switch to another supplier or receipt point. Based on the Customer's renomination (Day 2 Fill-in), the Utility will perform the same activities as above. The Customer must make the Day 2 Fill-In nomination to the Utility by 8:30 a.m. Mountain Standard Time for transportation service to be rendered the following gas day.

- (b) If this occurs following the Day 2 Fill-In nomination process, no further nominations may be made for customer-secured gas to the upstream pipeline. The provisions contained in Section 6.3 of Schedule No. FT-1 will apply.

7. In the event the Customer's planned operation of its plant changes after the original nomination was made to the Utility, and additional supply is required to match the expected usage, a Day 2 Fill-In nomination may be made to the Utility for such additional supplies. The same procedures apply as are stated in paragraph 6.1(a) above for Day 2 Fill-In nominations. If a reduction in supply is required on a Day 2 basis, the upstream pipeline will not allow reductions in supply that has already been scheduled for delivery.

8. In the event a capacity constraint occurs at a particular point in the upstream pipeline, the Utility's gas supplies will be scheduled for delivery first before the Customer's gas supply. The Utility will prioritize all customer-secured gas supplies equally at each Receipt Point/Pooling Basin.

9. In the event the Utility and the Customer are attempting to transport gas supplies from the same upstream pipeline Receipt Point or Pooling Agreement, and a reduction in the original combined nomination occurs, the Customer shall cause the supplier to deliver gas supplies first to the Utility before delivering the Customer's gas supply. For all scheduled supplies which exceed the Utility's gas supplies, the producer/supplier will be responsible for determining which customer(s) will receive gas supplies. In the event the producer/supplier does not inform the Utility of the allocation of reduced gas supplies, the Utility will allocate the gas supplies on a pro rata basis to all customers nominating supplies from the affected pooling or receipt point.

10. If a reduction in the original nomination occurs at a point in the upstream pipeline's system which the Utility is not receiving gas supplies from, the producer/supplier is responsible for determining which customer(s) will receive gas supplies. In the event the producer/supplier does not inform the Utility of the allocation of reduced gas supplies, the Utility will allocate the gas supplies on a pro rata basis to all customers nominating supplies from the affected pooling or receipt point.

Recall of Transportation Capacity

11. The Utility will retain its exclusive recall rights to its transportation capacity entitlements on the upstream pipeline, and may recall its capacity at any time it deems necessary in order to transport its system supply requirements. The Utility shall endeavor to provide the Customer with as much prior notice as practical on those days the Utility recalls its transportation capacity.

12. In the event the Utility recalls its upstream pipeline transportation capacity from the Customer, it will be accomplished pro rata to the quantity of customer-secured gas nominated on the affected day for each customer. All of the Utility's upstream pipeline capacity will be recalled prior to implementing a curtailment for any of the Utility's sales customers.

13. If the Utility recalls its upstream pipeline capacity,

(a) the Customer may make a Day 2 Fill-In nomination directly to the upstream pipeline for interruptible transportation service if the recall occurs prior to the upstream pipeline's deadline for making such Day 2 nominations. The Utility must also be informed of the contract number and quantity of gas so nominated;

or

(b) the Utility, at its sole discretion, may purchase the Customer's gas supply at the upstream pipeline receipt point if the recall occurs after the upstream pipeline's deadline for making Day 2 nominations has passed. In this situation, the Utility will not provide transportation service to the Customer for the affected day, and the provisions contained in Section 6.3 of Schedule No. PT-1 will apply.

The above points present the concepts and procedures that the Utility will utilize to administer its tariff provisions set forth in Footnote No. 4, Sheet No. 20 of its Arizona Gas Tariff No. 4. In order for this program to succeed, all parties involved will need to effectively communicate on a daily basis.

SOUTHWEST GAS CORPORATION
SERVICE AGREEMENT
APPLICABLE TO TRANSPORTATION SERVICE
UNDER RATE SCHEDULE AB-1

EXHIBIT D

This is an AGREEMENT made and entered into as of the 10th day of November, 1992, by and between SOUTHWEST GAS CORPORATION, a California corporation, herein called the Utility and CALIFORNIA ENERGY DEVELOPMENT COMPANY (CEDC) A WHOLLY OWNED SUBSIDIARY OF CALIFORNIA ENERGY COMPANY, INC., herein called the Customer.

WITNESSETH:

In consideration of the mutual covenants and agreements as herein set forth, the Utility and the Customer agree as follows:

ARTICLE I - GAS TO BE TRANSPORTED

Subject to the terms, conditions and limitations hereof, the Utility agrees to receive from the Customer, or for the Customer's account, at the interconnection between the Utility and El Paso Natural Gas Company (herein called Receipt Point), for transportation, up to the following daily quantity of natural gas, which shall constitute the Customer's Maximum Daily Quantity:

Maximum Daily Quantity: 200,000 Therms

The Customer's Maximum Daily Quantity includes Backup Capacity of:

Option 1 Backup Capacity: 200,000 Therms

Option 2 Backup Capacity: 0 Therms

At the Customer's request, the Utility shall thereupon transport the equivalent quantity of gas through its pipeline system, and deliver the equivalent quantity to the Customer or for the account of the Customer at the Delivery Point(s) specified herein. The Utility shall not be obligated to receive and/or transport quantities of gas in excess of the Maximum Daily Quantity.

ARTICLE II - DELIVERY POINTS, PRESSURES AND QUANTITIES

Delivery of natural gas by the Utility to the Customer shall be at or near the points whose locations, delivery pressures, assumed atmospheric pressures, and maximum quantity per day are described as follows:

<u>Delivery Point(s)</u>	<u>Delivery Pressure</u>	<u>Atmospheric Pressure</u>	<u>Maximum Delivery Point Quantity Per Day</u>
First Street at 27th Drive Yuma, AZ	TO BE DETERMINED	14.73	200,000

ARTICLE III - APPLICABLE TRANSPORTATION RATES AND RATE SCHEDULE

The Customer agrees to pay the Utility for all natural gas transportation service rendered under the terms of this Agreement in accordance with the Utility's Rate Schedule No. AB-1 and Rate Schedule PT-1, as filed with the Arizona Corporation Commission, and as amended or superseded from time to time, except that Section 3 of the Rate Schedule No. PT-1 shall not apply to this Agreement. The transportation rate to be charged pursuant to the Rates section of Rate Schedule No. AB-1 is set forth in Exhibit A, which may be amended by mutual agreement of the Parties. This Agreement shall be subject to the provisions of Rate Schedule No. AB-1 and Rate Schedule No. PT-1, except for Section 3 of Rate Schedule No. PT-1, and the Rules and Regulations applicable thereto, on file with the Arizona Corporation Commission and effective from time to time, which by these references are incorporated herein and made a part hereof. Customer has executed a Service Agreement and purchases natural gas from the utility under Rate Schedule No. PG-60(S) set forth in the Utility's Arizona Gas Tariff on file with the Arizona Corporation Commission as revised and approved from time to time.

ARTICLE IV - TERM OF AGREEMENT

This Agreement shall become effective on January 1, 1994, and shall continue in effect for a period extending for a primary term to and including December 31, 2008, and from month to month thereafter, subject, however, to termination upon the first day of any calendar month thereafter by either party hereto through written notice so stating and given to the other no less than 30 days in advance.

ARTICLE V - NOTICES

Unless herein provided to the contrary, any notice called for in this Agreement shall be in writing and shall be considered as having been given if delivered personally, or by mail, facsimile or telegraph with all postage and charges prepaid, to either the Customer or the Utility at the place designated. Routine communications shall be considered as duly delivered when mailed by ordinary mail. Normal operating instructions can be made by telephone. Unless changed, the addresses of the parties are as follows:

SOUTHWEST GAS CORPORATION
P.O. Box 98510
Las Vegas, NV 89193-8510
Attn: Major Accounts

CALIFORNIA ENERGY DEVELOPMENT COMPANY
(CEDC), A WHOLLY OWNED SUBSIDIARY OF
CALIFORNIA ENERGY COMPANY, INC.
10831 Old Mill Road
Omaha, Nebraska 68154

Either party may change its address at any time upon written notice to the other.

ARTICLE VI - OTHER OPERATING PROVISIONS

A. TELEMETRY SIGNALS

The Utility will provide a data signal to the Customer representing gas volumes the use of which shall be restricted as follows:

The Customer agrees that the data signal provided by the Utility shall be used for informational purposes only and shall not under any circumstances be used for process control of any kind. The Utility makes no guarantees or warranties as to the quality, accuracy and/or reliability of the data signal, and the Customer shall indemnify and hold harmless the Utility, its directors, officers, employees and agents against any and all loss or damage incurred by the Customer arising out of or in any manner connected with data signal operation or failure to operate and its effect upon the Customer's equipment which may be interfaced to receive the data signal. The Customer further acknowledges that the data signal may differ from the billing registration due to periodic maintenance interruptions or other causes.

B. COMMENCEMENT OF SERVICE

Notwithstanding the effective date of this Agreement stated in Article IV, the Customer may elect to defer commencement of service under this Agreement. The Customer agrees to provide a minimum of two (2) weeks notification to the Utility prior to beginning service under this Agreement. Service under the terms of this Agreement may commence only upon the first calendar day of any month.

ARTICLE VII - ADJUSTMENTS TO RULES AND REGULATIONS

Notwithstanding the provisions of Article XI hereof, certain of the Rules applicable to the transportation rate schedule are to be adjusted for the purpose of this Agreement, as specified below:

- None -

ARTICLE VIII - PRIOR AGREEMENTS

The Customer recognizes that the Utility has existing agreements and working relationships with its supplier pipeline companies, and the Utility agrees to cooperate reasonably with them for the purpose of receiving, transporting and delivering the Customer's gas in a practical and efficient manner. Nothing in this Agreement shall be construed in any manner as limiting or modifying the rights or obligations of either party under the Utility's Rate Schedule No. PG-50 on file with the Arizona Corporation Commission and any service agreement executed by the parties for service thereunder.

When this Agreement takes effect, it supersedes, cancels and terminates the following agreement(s):

- None -

ARTICLE IX - REGULATORY REQUIREMENTS

The Customer shall not take any action which would subject the Utility to the jurisdiction of the Federal Energy Regulatory Commission, the Economic Regulatory Administration, or any successor governmental agency. Any such action shall be cause for immediate termination of this Agreement. This Agreement, all terms and provisions contained or incorporated herein, and the respective obligations of the parties hereunder are subject to all valid laws, orders, rules, and regulations of duly constituted authorities

having jurisdiction over the subject matter of this Agreement. This Agreement shall at all times be subject to such changes or modifications by the Arizona Corporation Commission as it may from time to time direct in the exercise of its jurisdiction.

Should the Federal Energy Regulatory Commission, the Arizona Corporation Commission or any other regulatory or successor governmental agency having jurisdiction impose by rule, order or regulation any terms or conditions upon this Agreement which are not mutually satisfactory to the parties, then either party upon the issuance of such rule, order or regulation, and notification to the other party, may terminate this Agreement.

ARTICLE X - SUCCESSORS AND ASSIGNS

This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. No assignment or transfer by either party hereunder shall be made without written approval of the other party. Such approval shall not be unreasonably withheld. As between the parties hereto, such assignment shall become effective on the first day of the month following written notice that such assignment has been effectuated.

ARTICLE XI - RULES

This standard Rules of the Utility as authorized by and on file with the Arizona Corporation Commission in the Utility's Arizona Gas Tariff shall apply to the transaction to be performed hereunder, and are hereby incorporated by reference into this Agreement, except as otherwise provided in this Agreement.

SOUTHWEST GAS CORPORATION
The Utility

By: Marvin R. Shaw
Marvin R. Shaw
Title: Executive Vice President
Date: 11/25/92

CALIFORNIA ENERGY
DEVELOPMENT COMPANY
"The Customer"

By: Philip H. Essner
Philip H. Essner
Title: Vice President
Date: 11/21/92

SOUTHWEST GAS CORPORATION
 STATEMENT EFFECTIVE RATES
 SCHEDULE NO. AB-1
TRANSPORTATION OF CUSTOMER SECURED NATURAL GAS

<u>Current Effective Rates</u>	<u>Per Customer</u>
Basic Service Charge per Month per Meter:	\$ ¹ /
Number of Meters:	
Basic Service Charge per Month:	\$ ¹ /
Transportation Charge:	
All Deliveries per Therm	\$ ¹ /
Take-Or-Pay Surcharge	

Effective Date:
 Termination Date:

Backup Capacity Charge per Month:

Option 1:	200,000	Therms @ \$/Therm/Peak Day	\$ 0.00000
Option 2:		Therms @ \$/Therm/Peak Day	\$

Effective Date:
 Termination Date:

Backup Commodity Charge:

Option 1 \$/Therm	\$ ¹ /
Option 2 \$/Therm	\$

Effective Date:
 Termination Date:

Date Issued: November 10, 1992
 Customer: California Energy Company, Inc.

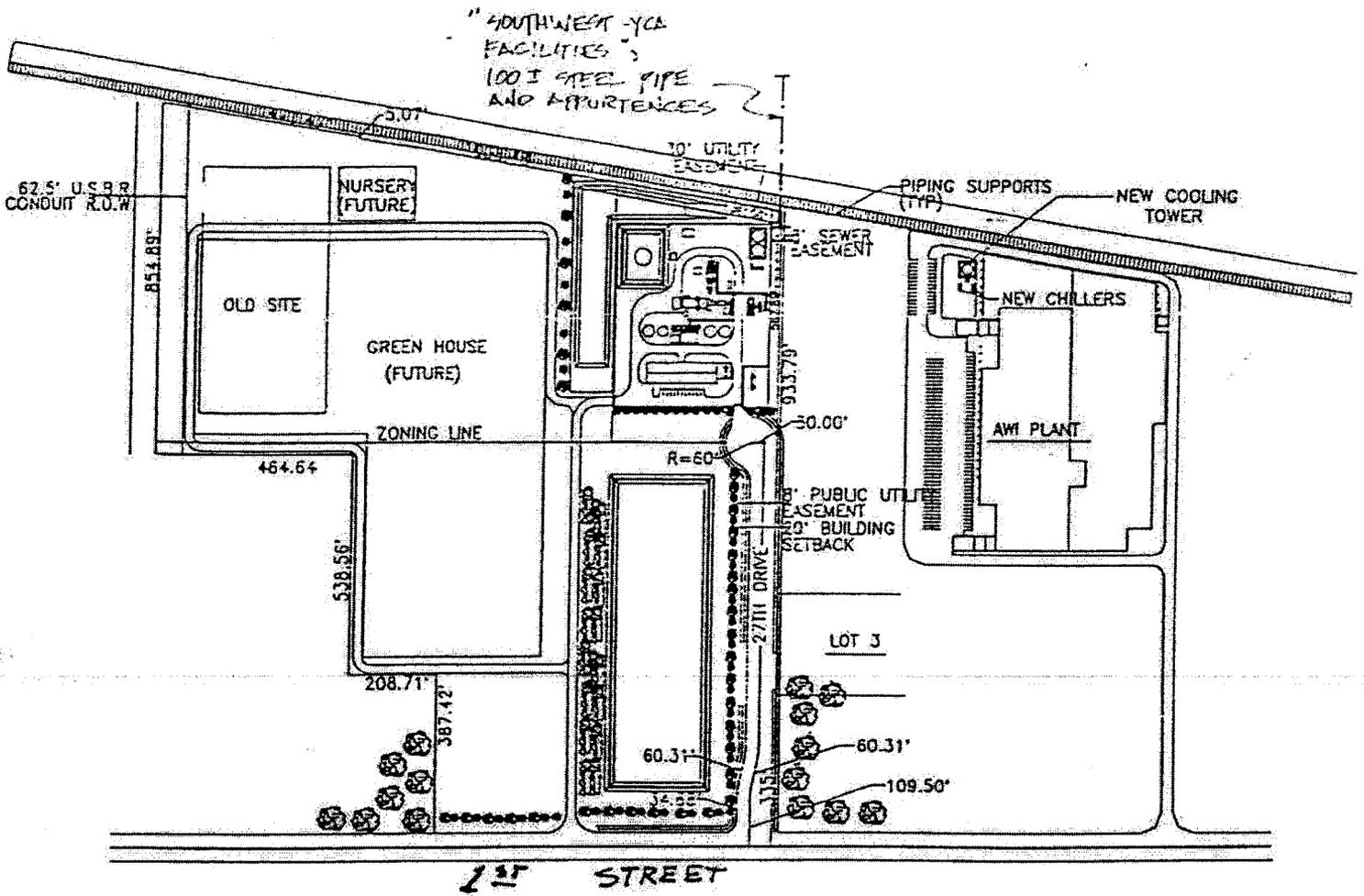
SOUTHWEST GAS CORPORATION

CALIFORNIA ENERGY DEVELOPMENT COMPANY

By: Marvin R. Shaw
 Title: Executive Vice President
 Date: 11/25/92

By: Philip H. Essner
 Title: Vice President
 Date: 11/21/92

¹ / To be determined by Mutual agreement of the parties



ENTIRE SITE PLAN



Prepared by: ENRIQUE

Date: 10-09-1992

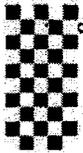


Checked by: *SDW*

Date: 10-9-92

Case no.:
CU90-3

ATTACHMENT B



SOUTHWEST GAS CORPORATION

Via Facsimile: January 30, 2007

January 30, 2007

Mr. Kevin Beavers
General Manager / Gas Operations
Yuma Cogeneration Associates
280 North 27th Drive
Yuma, Arizona 85364

Dear Mr. Beavers:

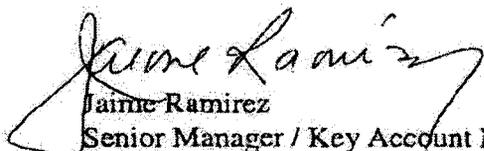
Southwest Gas Corporation (Southwest) currently provides natural gas service to Yuma Cogeneration Associates (Yuma) under a Special Gas Procurement Agreement (Agreement) dated April 15, 2004. The primary term of this agreement ended on December 31, 2005, and has been extended on a month-to-month basis, subject to termination with a 30 day written notice.

As we have been discussing for many months, in detail at meetings held on November 17, 2005; May 25, 2006; January 16, 2007; in numerous telephone and one-on-one conversations, the service provided under the Agreement depends on the transportation operating conditions dictated by the final outcome of the El Paso Natural Gas Company (El Paso) general rate case. On December 7, 2006, El Paso submitted to the Federal Energy Regulatory Commission a settlement of its pending general rate case. Given this settlement and the array of new operating provisions that El Paso has established starting in early 2006 and phased in over the last few months, Southwest believes it can not continue to offer service under the provisions of our current Agreement. Therefore, under the agreed upon terms and conditions of the Agreement, Southwest is hereby providing thirty (30) days written notice of its decision to terminate the Agreement.

Kevin, I believe our two companies have enjoyed for many years a mutually beneficial relationship and I would like to extend Southwest's desire to continue the efforts to find a suitable service that would fulfill Yuma's needs and be consistent with Southwest's ability to provide service in the new transportation environment in which we both operate.

Should you have any questions, or if you would like to discuss this further, please call either Andy Rhea at (520) 794-6438 or myself at (702) 876-7138.

Sincerely,


Jaime Ramirez
Senior Manager / Key Account Management

ATTACHMENT C

From: Andy Rhea [Andy.Rhea@swgas.com]
Sent: Friday, February 16, 2007 1:45 PM
To: Beavers, Kevin
Cc: Jaime Ramirez
Subject: Southwest Gas Response to YCA Letters

Kevin,

Southwest is in receipt of YCA's recent letters dated February 12, 2007 and February 14th, 2007.

It is stated in the February 12th letter that YCA is providing 30-day notice that it intends to switch to Transportation Service. Southwest's policy is for transportation service to be initiated only at the first of the month, therefore the effective date for YCA would traditionally be April 1, 2007. Southwest will take under advisement your request to switch on March 1, 2007, or in the alternative March 14, 2007, and will provide a response by Wednesday, February 21st if we are able to accommodate your request.

In your February 14th letter you listed two different alternative counter-proposals. Your Alternative 1 had two different options. Unfortunately, none of these Alternatives/Options are acceptable to Southwest.

Southwest has provided YCA with four different service options that include Transportation Service, G-60 Sales Service, G-30 Optional Service, and G-30 Special Procurement Service. The G-30 options were carefully constructed by Southwest to address many different concerns including regulatory requirements, customer issues and gas purchasing issues. These options are still "on the table" should YCA choose to accept them.

YCA's default service would be the otherwise applicable sales schedule, G-60. Depending on the timing of the switch to one of the other alternatives, YCA would be switched to the default service on March 1, 2007.

Please let me know if you need any further clarification or information.

Thanks, Andy

Andy Rhea
Supervisor, Key Account Management
Mail Code 36A-170
Southwest Gas Corporation

3401 East Gas Road
Tucson, Arizona 85714-1994

P.O. Box 26500
Tucson, Arizona 85726-6500

Phone: 520-794-6438
Fax: 800-997-9427
Email: andy.rhea@swgas.com

The information in this electronic mail communication contains confidential information which is the property of the sender and may be protected by the attorney-client privilege and/or attorney work product doctrine. It is intended solely for the addressee. Access to this e-mail by anyone else is unauthorized by the sender. If you are not the intended recipient, you are hereby notified that any disclosure, copying, or distribution of the contents of this e-mail transmission or the taking or omission of any action in reliance thereon or pursuant thereto, is prohibited, and may be unlawful. If you received this e-mail in error, please notify us immediately of your receipt of this message by e-mail and destroy this communication, any attachments, and all copies thereof. Thank you for your

ATTACHMENT D

From: Jaime Ramirez [mailto:Jaime.Ramirez@swgas.com]
Sent: Thursday, February 08, 2007 5:48 PM
To: Beavers, Kevin
Cc: Jaime Ramirez
Subject: Additional Information

Hi Kevin, I promised at our meeting last Monday to send you some additional information to go along with your evaluation of the proposals we presented you.

1) Flow back of penalties billed by El Paso to Southwest that in turn Southwest may have billed its customers as a result of the customer's actions i.e. Yuma.

I discussed this issue with our Regulatory people and they indicated that this issue may be brought up to the Commission once El Paso's Settlement is approved and the Commission will have to make that decision. Obviously, these penalties/collections will impact all Southwest's customers including residential, commercial, industrial, transportation and others. We will keep this under advise.

2) Diversion/recall provision. Can we exclude the months from May to September from this provision.

After a review of Southwest's capacity availability information, we can exclude the months from May to September from the diversion/recall provision.

3) Term of agreement. Asymmetry in the notice for termination.

The one year notice requirement gives both Southwest and Yuma assurances for long term planning purposes. It gives Yuma flexibility in planning for alternative services.

Richard Jordan also promised to mail sections of the El Paso tariff, more specifically sections where the hourly penalties are discussed. The attached file names 061212rpO Settlement contains the language associated with the hourly penalties (please for El Paso sheets numbers 114-116).

In addition, Richard was going to make available a **draft** of a matrix that summarizes the different penalties and charges and the situation where these penalties are applicable. These file is named El Paso 4thQtr&Sett.

The last item requested was a proposal for Capacity Release . Southwest's proposal is to release 12400 Dth capacity on a month to month basis at the full El Paso's FT-1 approved/settlement rate. Yuma ill still be subject to all El Paso's operating conditions, including applicable charges and penalties.

Kevin, please give me a call if you like to discuss any of these items. thanks .
JR

The information in this electronic mail communication contains confidential information which is the property of the sender and may be protected by the attorney-client privilege and/or attorney work product doctrine. It is intended solely for the addressee. Access to this e-mail by anyone else is unauthorized by the sender. If you are not the intended recipient, you are hereby notified that any disclosure, copying, or distribution of the contents of this e-mail transmission or the taking or omission of any action in reliance thereon or pursuant thereto, is prohibited and may be unlawful. If you received this e-mail in error, please notify us immediately of your receipt of this message by e-mail and destroy this communication, any attachments, and all copies thereof. *Thank you for your cooperation.*

ATTACHMENT E

SOUTHWEST GAS CORPORATION
P.O. Box 98510
Las Vegas, Nevada 89193-8510
Arizona Gas Tariff No. 7

Canceling First Revised A.C.C. Sheet No. 1
Original A.C.C. Sheet No. 1

TARIFF SCHEDULES

Applicable to

GAS SERVICE

of

SOUTHWEST GAS CORPORATION

Operating in

Cochise, Gila, Graham, Greenlee, La Paz, Maricopa,
Mohave, Pima, Pinal and Yuma Counties, Arizona

These tariff schedules have been authorized by the Arizona Corporation Commission and are the effective rates and rules of this Utility.

Service will be furnished in accordance with these tariff schedules and no officer, employee or representative of the Utility has any authority to waive, alter or amend these tariff schedules or any parts thereof in any respect.

Issued On July 20, 2000 Issued by Edward S. Zub Effective October 10, 2000
Docket No. G-01551A-00-0535 Executive Vice President Decision No. 62928

SOUTHWEST GAS CORPORATION
P.O. Box 98510
Las Vegas, Nevada 89193-8510
Arizona Gas Tariff No. 7
Arizona Division

Canceling Third Revised A.C.C. Sheet No. 2
Second Revised A.C.C. Sheet No. 2

TABLE OF CONTENTS

The following listed sheets contain all of the effective rules and regulations affecting rates and service and information relating thereto in effect on and after the date indicated thereon:

	<u>A.C.C. Sheet No.</u>
Title Page	1
Table of Contents	2 - 5
Held for Future Use	6
Preliminary Statement	7
Index of Communities	8
Held for Future Use	9 - 10
Statement of Rates – Effective Sales Rates Applicable to Arizona Schedules	11 - 13
Held for Future Use	14
Statement of Rates – Other Service Charges	15
Held for Future Use	16 - 17

Issued On February 27, 2006
Docket No. G-01551A-04-0876

Issued by
John P. Hester
Vice President

Effective March 1, 2006
Decision No. 68487

SOUTHWEST GAS CORPORATION
P.O. Box 98510
Las Vegas, Nevada 89193-8510
Arizona Gas Tariff No. 7
Arizona Division

Canceling Sixth Revised A.C.C. Sheet No. 3
Fifth Revised A.C.C. Sheet No. 3

TABLE OF CONTENTS
(Continued)

<u>Schedule No.</u>	<u>Title of Sheet</u>	<u>A.C.C. Sheet No.</u>
G-5	Single-Family Residential Gas Service	18
G-6	Multi-Family Residential Gas Service	18A
G-10	Single-Family Low Income Residential Gas Service	19 – 20
G-11	Multi-Family Low Income Residential Gas Service	20A – 20B
G-15	Special Residential Gas Service for Air Conditioning	21 – 22
G-20	Master-Metered Mobile Home Park Gas Service	23 – 24
G-25	General Gas Service	25 – 26
G-30	Optional Gas Service	27 – 30
	Held for Future Use	31
G-40	Air-Conditioning Gas Service	32 – 33
G-45	Street Lighting Gas Service	34 – 35
	Held for Future Use	36 – 37
G-55	Gas Service for Compression on Customer's Premises	38 – 39
G-60	Electric Generation Gas Service	40 – 41
G-75	Small Essential Agricultural User Gas Service	42 – 43
G-80	Natural Gas Engine Gas Service	44 – 45
	Held for Future Use	46 – 46F

Issued On February 27, 2006
Docket No. G-01551A-04-0876

Issued by
John P. Hester
Vice President

Effective March 1, 2006
Decision No. 68487

SOUTHWEST GAS CORPORATION
P.O. Box 98510
Las Vegas, Nevada 89193-8510
Arizona Gas Tariff No. 7
Arizona Division

Canceling Sixth Revised A.C.C. Sheet No. 4
Fifth Revised A.C.C. Sheet No. 4

TABLE OF CONTENTS
(Continued)

<u>Schedule No.</u>	<u>Title of Sheet</u>	<u>A.C.C. Sheet No.</u>
T-1	Transportation of Customer-Secured Natural Gas	51 - 70
	Held for Future Use	71 - 76
B-1	Potential Bypass/Standby Gas Service	77 - 80
	Held for Future Use	81 - 86

SPECIAL SUPPLEMENTARY TARIFF

Purchased Gas Cost Adjustment Provision	87 - 88
Gas Research Fund (GRF) Rate Adjustment Provision	89
Low Income Rate Assistance (LIRA) Rate Adjustment Provision	90
Interstate Pipeline Capacity Release Service Provision	91 - 97
Held for Future Use	98 - 103

Issued On February 27, 2006
Docket No. G-01551A-04-0876

Issued by
John P. Hester
Vice President

Effective March 1, 2006
Decision No. 68487

SOUTHWEST GAS CORPORATION
P.O. Box 98510
Las Vegas, Nevada 89193-8510
Arizona Gas Tariff No. 7

Canceling First Revised A.C.C. Sheet No. 5
Original A.C.C. Sheet No. 5

TABLE OF CONTENTS
(Continued)

RULES

<u>Rule No.</u>	<u>Title of Sheet</u>	<u>A.C.C. Sheet No.</u>
1	Definitions	104 – 120
2	Certificated Gas Service Area	121 – 181
3	Establishment of Service	182 – 191
4	Minimum Customer Information Requirements	192 – 193
5	Master Metering	194
6	Service and Main Extensions	195 – 206
7	Provision of Service	207 – 219
8	Meter Reading	220 – 222
9	Billing and Collection	223–232A
10	Termination of Service	233 – 238
11	Administrative and Hearing Requirements	239 – 241

Issued On October 27, 2000 Issued by Edward S. Zub Effective November 30, 2000
Docket No. G-01551A-00-0873 Executive Vice President Decision No. 63215

SOUTHWEST GAS CORPORATION
P.O. Box 98510
Las Vegas, Nevada 89193-8510
Arizona Gas Tariff No. 7
Arizona Division

Canceling First Revised A.C.C. Sheet No. 27
Original A.C.C. Sheet No. 27

Schedule No. G-30

OPTIONAL GAS SERVICE

APPLICABILITY

Applicable to natural gas use by customers that qualify for service under this schedule according to either Applicability Provision (1), (2) or (3) below:

1. 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.
2. Customers whose average monthly requirements on an annual basis are greater than 11,000 therms per month and who can demonstrate to the Utility sufficient evidence of economic hardship under the customer's otherwise applicable sales tariff schedule.
3. Customers whose requirements may be served by other natural gas suppliers at rates lower than the customer's otherwise applicable gas sales tariff schedule. As a condition precedent to qualifying for service under this applicability provision, the customer must qualify for transportation service under Schedule No. T-1 and establish that bypass is economically, operationally and physically feasible and imminent.

This optional schedule is not available for partial requirements gas service where gas is used in combination with alternate fuels or energy, or with natural gas provided by other suppliers. Any gas service rendered to customers not in conformance with the provisions of this schedule shall be billed under the otherwise applicable gas sales tariff schedule.

TERRITORY

Throughout the certificated area served by the Utility in the communities as set forth on A.C.C. Sheet No. 8 of this Arizona Gas Tariff.

RATES

The basic service charge is the charge per meter set as set forth in the customer's otherwise applicable gas sales tariff schedule and is set forth in the currently effective Statement of Rates of this Arizona Gas Tariff or the charge as set forth in the customer's service agreement.

Issued On February 27, 2006
Docket No. G-01551A-04-0876

Issued by
John P. Hester
Vice President

Effective March 1, 2006
Decision No. 68487

SOUTHWEST GAS CORPORATION
P.O. Box 98510
Las Vegas, Nevada 89193-8510
Arizona Gas Tariff No. 7

Original _____ A.C.C. Sheet No. 28
Canceling _____ A.C.C. Sheet No. _____

Schedule No. G-30

OPTIONAL GAS SERVICE
(Continued)

RATES (Continued)

Unless otherwise provided, the commodity charge per therm shall be determined in accordance with Special Condition No. 2. In no event shall the commodity charge per therm be less than the "floor" cost of gas, which is defined as the sum of (1) the weighted average commodity cost of gas purchased by the Utility for system supply during the month; (2) an amount to reflect the Utility's upstream pipeline capacity charge; and (3) an amount to reflect distribution system shrinkage.

For customers qualifying for service under Applicability Provision (3) above, and, if the Utility is unable to serve such customer utilizing the "floor" cost of gas as set forth above, a Special Gas Procurement Agreement shall be executed and approved by the Commission, and the commodity charge per therm shall be determined in accordance with Special Condition No. 3.

With the exception of gas sales provided for under Special Condition No. 3, the Utility shall account for sales under this schedule using the "floor" cost of purchased gas.

SUPPLIER REFUNDS

If, as a result of any final order of the FERC or the Commission which is no longer subject to judicial review, the Utility receives a cash refund from any of its upstream pipeline transporters or suppliers which is applicable to gas sales made under this Arizona Gas Tariff, the Utility shall allocate such refund to its customers based on the therms billed during the refund period. The amount allocated to customers served under this schedule shall be used to reduce such customers' gas costs.

SPECIAL CONDITIONS

1. Prior to the establishment of service under this schedule, the customer shall execute a service agreement.

Issued On August 29, 1997
Docket No. U-1551-96-596

Issued by
Edward S. Zub
Senior Vice President

Effective September 1, 1997
Decision No. 60352

SOUTHWEST GAS CORPORATION
P.O. Box 98510
Las Vegas, Nevada 89193-8510
Arizona Gas Tariff No. 7
Arizona Division

Canceling First Revised A.C.C. Sheet No. 29
Original A.C.C. Sheet No. 29

Schedule No. G-30

OPTIONAL GAS SERVICE
(Continued)

SPECIAL CONDITIONS (Continued)

2. The commodity charge per therm may vary from customer to customer based on value of the service and on the customer's ability to change from one fuel to another and may be revised from time to time as costs and conditions change. In no event shall the commodity charge per therm charged to the customer, excluding gross revenue taxes, exceed the sum of the commodity charge per therm and the demand charge, if applicable, that would have been charged under the customer's otherwise applicable gas sales tariff schedule, adjusted to exclude the Gas Cost Balancing Account Adjustment.
3. A Special Gas Procurement Agreement under this schedule is defined herein as an agreement between the Utility and an applicable customer which enumerates the provisions whereby the Utility will procure specific supplies of gas for the customer. The Agreement must be reviewed and explicitly approved by the Commission prior to providing service pursuant to this condition. The commodity charge per therm for Special Gas Procurement Agreement customers may vary depending on the terms and conditions of the Agreement, but in no event shall be less than the sum of (a) the weighted average cost of gas purchased from suppliers on behalf of the customer; (b) any upstream pipeline capacity or volumetric charges, including an allowance for pipeline shrinkage, incurred to deliver such supply to the Utility's mainline delivery point; and (c) an amount to reflect distribution system shrinkage. A sole and separate accounting of gas purchases and sales made under Special Gas Procurement Agreements shall be maintained by the Utility. The cost of gas purchases made for such customers will be excluded from the Purchased Gas Cost Adjustment Provision. However, the Utility shall credit to Account No. 191, Unrecovered Purchased Gas Costs, all upstream pipeline capacity charges collected from the customer.
4. All customers that qualify for service under this schedule because of installed alternate fuel capability must have and maintain adequate alternate fuel standby facilities of equivalent capacity to those natural gas facilities served hereunder. These facilities are subject to Utility inspection and verification of operating capacity and capability.

Issued On February 27, 2006
Docket No. G-01551A-04-0876

Issued by
John P. Hester
Vice President

Effective March 1, 2006
Decision No. 68487

SOUTHWEST GAS CORPORATION
P.O. Box 98510
Las Vegas, Nevada 89193-8510
Arizona Gas Tariff No. 7

Canceling First Revised A.C.C. Sheet No. 30
Original A.C.C. Sheet No. 30

Schedule No. G-30

OPTIONAL GAS SERVICE
(Continued)

SPECIAL CONDITIONS (Continued)

5. The sales commodity charge per therm of any customer served under this schedule who requests service under an otherwise applicable gas sales schedule shall be adjusted to exclude the Gas Cost Balancing Account Adjustment for the initial 12-month sales period. After the conclusion of the initial 12-month period of receiving sales service, the customer shall be billed at the currently effective tariff rate, including the Gas Cost Balancing Account Adjustment.
6. The Utility may require six months' notice from Special Gas Procurement customers prior to returning to their otherwise applicable gas sales schedule or require the customer to pay the incremental cost of gas incurred to serve them as determined by the Utility under their otherwise applicable gas sales schedule for the following six months.

Issued On July 20, 2000
Docket No. G-01551A-00-0535

Issued by
Edward S. Zub
Executive Vice President

Effective October 10, 2000
Decision No. 62928

SOUTHWEST GAS CORPORATION
P.O. Box 98510
Las Vegas, Nevada 89193-8510
Arizona Gas Tariff No. 7
Arizona Division

Canceling Third Revised A.C.C. Sheet No. 51
Second Revised A.C.C. Sheet No. 51

Schedule No. T-1

TRANSPORTATION OF CUSTOMER-SECURED NATURAL GAS

1. AVAILABILITY

This schedule is available to any customer for transportation of natural gas by the Utility from any existing interconnection between the Utility and EL Paso Natural Gas Company (herein called Receipt Point) to the Delivery Point(s) on the Utility's system under the following conditions:

- 1.1 The Utility has available capacity to render the requested service without construction of any additional facilities, except as provided by Section 8 hereof;
- 1.2 The customer has demonstrated to the Utility's satisfaction in accordance with Section 6.8(d) hereof, the assurance of natural gas supplies and third-party transportation agreements with quantities and for a term compatible with the service being requested from the Utility. Except for customers otherwise served under Schedule No. G-55, service under this schedule is limited to:
(a) customers whose average monthly requirements at one of the customer's premises on an annual basis are no less than 15,000 therms, and
(b) customers whose average monthly requirements at one of the customer's premises during the months of May through September are no less than 15,000 therms. Projected transportation quantities for customers otherwise served under Schedule No. G-55 shall not be less than 50,000 therms annually at one of the customer's premises.
- 1.3 The customer and the Utility have executed a service agreement for service under this schedule. A single service agreement may provide for service to any or all of the customer's separate premises, provided that all of the premises are under common ownership.

2. APPLICABILITY AND CHARACTER OF SERVICE

This schedule shall apply to gas transported by the Utility for customer pursuant to the executed service agreement.

- 2.1 The basic transportation service rendered under this schedule shall consist of:
(a) The receipt by the Utility for the account of the customer of the customer's gas at the Receipt Point;

Issued On February 27, 2006
Docket No. G-01551A-04-0876

Issued by
John P. Hester
Vice President

Effective March 1, 2006
Decision No. 68487

Schedule No. T-1

TRANSPORTATION OF CUSTOMER-SECURED NATURAL GAS
(Continued)

2. APPLICABILITY AND CHARACTER OF SERVICE (Continued)

- (b) The transportation of gas through the Utility's system for the account of the customer; and
 - (c) The delivery of gas after transportation by the Utility for the account of the customer at the Delivery Point(s).
- 2.2 The Utility may curtail or interrupt service as defined by Section 5 of this schedule or by Rule No. 7 of this Arizona Gas Tariff. In the event of curtailment or interruption, the Utility shall provide service as follows:
- (a) The Utility shall provide the customer with as much advance notice as is practical of any curtailment or interruption of service; and
 - (b) The Utility may, to the extent feasible, continue to receive the customer's gas at the Receipt Point on a scheduled basis during the period of curtailment or interruption and shall, to the extent feasible, redeliver such gas at the Delivery Point(s). For the period of curtailment or interruption, the Utility may waive any payments that may otherwise be due pursuant to Section 7 hereof.
- 2.3 Gas transported under this schedule shall be for use only by the customer, except for customers who would otherwise be served under Schedule No. G-55. Service under the provisions of this schedule shall not constitute the dedication of the Utility's pipeline system or any portion thereof to the customer.
- 2.4 Excluding imbalance charges, all rates and charges described herein shall apply by meter to each meter reflected in the customer's service agreement.
- 2.5 Any customer served under this schedule who requests service under a sales schedule must remain a sales customer for a period of not less than 12 months.

Schedule No. T-1

TRANSPORTATION OF CUSTOMER-SECURED NATURAL GAS
(Continued)

3. RATES

3.1 The customer shall pay the Utility monthly the sum of the following charges:

- (a) Basic Service Charge. The basic service charge as set forth in the currently effective Statement of Rates of this Arizona Gas Tariff for each meter included in the transportation service agreement. Customers receiving service under contract rates shall pay the basic service charge as set forth in the customer's service agreement.
- (b) Demand Charge. The monthly demand charge, if applicable, shall be the product of the demand charge rate set forth in the currently effective Statement of Rates of this Arizona Gas Tariff, multiplied by the customer's billing determinant. The billing determinant shall be equal to the customer's highest monthly throughput during the most recent 12-month period, ending the month prior to the current billing period. For new customers, the initial billing determinant shall be calculated by multiplying the customer's estimated average daily use by the number of days in the billing period.
- (c) Volume Charge: The Commodity Charge per Therm less the Monthly Gas Cost of the Currently Effective Tariff Rate as set forth in the Statement of Rates of this Arizona Gas Tariff for each meter included in the transportation service agreement, plus an amount for distribution shrinkage as defined in Rule No. 1 and set forth in the Statement of Rates, Sheet No. 13 of this Arizona Gas Tariff. The amount collected for distribution shrinkage shall be recorded in the Gas Cost Balancing Account.
- (d) Gas Cost Balancing Account Adjustment: For customers converting from sales service, an additional amount equal to the currently effective Gas Cost Balancing Account Adjustment will be assessed for a period of 12 months and amounts collected shall be recorded in the Gas Cost Balancing Account.
- (e) Any applicable imbalance charges as specified in Section 7 of this schedule.

Schedule No. T-1

TRANSPORTATION OF CUSTOMER-SECURED NATURAL GAS
(Continued)

3. RATES (Continued)

The Utility may adjust from time to time the applicable unit transportation rate to any individual customer, provided, however, that such adjusted rate shall not exceed the applicable charges as specified in Section 3.1 above.

In addition to the above charges and any applicable imbalance charges, the Utility shall include on the customer's bill any charges from upstream pipeline transporters or suppliers which have been incurred by the Utility because of the transportation service rendered for the customer under this schedule.

3.2 Any customer served under this schedule who requests service under a sales schedule will be permitted to change schedules to the extent that the Utility is able to procure additional gas supply to serve the customer's incremental sales volumes without adversely affecting existing sales customers. Upon switching from transportation to sales service, the customer's gas cost component of the customer's commodity charge per therm will be determined as follows:

- (a) Any customer served under this schedule who switches to a gas sales schedule will be billed the higher of the following charges for the gas cost component of the customer's commodity charge per therm for a period of 12 months:
- (i) The Monthly Gas Cost component of the currently effective tariff rate contained in the customer's applicable sales schedule as stated in the Statement of Rates; or
 - (ii) The incremental cost of gas procured by the Utility to serve the customer's additional sales volumes, including an upstream capacity charge.

After the conclusion of the initial 12-month period of receiving sales service, the customer shall be billed at the Currently Effective Tariff Rate.

3.3 The charges specified for this schedule are subject to adjustment for the applicable proportionate part of any taxes, assessments or governmental impositions assessed on the Utility.

SOUTHWEST GAS CORPORATION
P.O. Box 98510
Las Vegas, Nevada 89193-8510
Arizona Gas Tariff No. 7
Arizona Division

Canceling Third Revised A.C.C. Sheet No. 55
Second Revised A.C.C. Sheet No. 55

Schedule No. T-1

TRANSPORTATION OF CUSTOMER-SECURED NATURAL GAS
(Continued)

4. MINIMUM CHARGE

The minimum charge per month is the basic service charge per month per meter and the demand charge per month per meter, if applicable.

5. FORCE MAJEURE

5.1 Relief From Liability: Neither party shall be liable in damages to the other on account of "force majeure" occasioned by any act, omission or circumstances occasioned by or in consequence of any act of God, strikes, insurrections, riots, epidemics, landslides, lightning, earthquakes, fires, storms, floods, washouts, arrests and restraints of rulers and people, civil disturbances, explosions, breakage or accident to machinery or lines of pipe, depletion of or temporary failure of gas supply, the binding order of any court or governmental authority which has been resisted in good faith by all reasonable legal means, and any other cause, whether of the kind herein enumerated or not, and not within the control of the party claiming suspension and which by the exercise of due diligence such party is unable to prevent or overcome. Failure to settle or prevent any strikes or other controversy with employees or with anyone purporting or seeking to represent employees shall not be considered to be a matter within the control of the party claiming suspension.

5.2 Liabilities Not Relieved: Neither the customer nor the Utility shall be relieved from liability in the event of its concurring negligence or failure on its part to use due diligence to remedy the force majeure and remove the cause with all reasonable dispatch, nor shall such causes or contingencies affecting performance of any agreement relieve either party from its obligations to make payments when due in respect of gas theretofore delivered.

Issued On February 27, 2006
Docket No. G-01551A-04-0876

Issued by
John P. Hester
Vice President

Effective March 1, 2006
Decision No. 68487