

ORIGINAL
OPEN MEETING



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MEMORANDUM
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TO: THE COMMISSION

2007 JUN -7 P 2: 06

Arizona Corporation Commission
DOCKETED

FROM: Utilities Division

AZ CORP COMMISSION
DOCKET CONTROL

JUN -7 2007

DATE: June 7, 2007

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| DOCKETED BY | nr |
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RE: IN THE MATTER OF THE APPLICATION OF SOUTHWEST GAS CORPORATION FOR APPROVAL OF REVISIONS TO ITS RATE SCHEDULE NO. G-30, OPTIONAL GAS SERVICES (DOCKET NO. G-01551A-07-0304)

On May 21, 2007, Southwest Gas Corporation ("Southwest") filed for Commission approval of revisions to Schedule No. G-30, Option Gas Service ("Schedule G-30"), citing changes on the El Paso Natural Gas Company ("El Paso") interstate pipeline system as the cause of the filing.

Schedule G-30 is an optional sales schedule, applicable to customers who meet certain criteria and who negotiate a mutually agreeable service agreement with Southwest. Eligible customers either A) use more than 11,000 therms per month and have alternate fuel capabilities, or B) use more than 11,000 therms per month and can demonstrate economic hardship under the otherwise applicable sales schedule, or C) qualify for transportation service and can demonstrate that bypass of Southwest is economically, operationally, and physically feasible and imminent. For customers who enter into a special gas procurement agreement ("SGPA") with Southwest rather than pursue the bypass option, such agreements are subject to Commission approval. Currently, Yuma Cogeneration Associates is the only customer served under an SPGA.

Southwest's filing inserts language into Schedule G-30 that states that customers served under this schedule will be subject to their share of upstream pipeline charges incurred by Southwest. Currently, there is no provision in Schedule G-30 regarding responsibilities for upstream pipeline charges, including various newly instituted penalty provisions on the El Paso system. Previously, Southwest had filed with the Commission to amend an SGPA to reflect the penalty responsibilities of a Schedule G-30 customer, and inclusion of this language in Schedule G-30 will provide greater clarity regarding pipeline charge responsibilities.

Southwest's filing also proposes to change the definition of the "floor" cost of gas. The "floor" cost of gas is currently defined as the sum of the weighted average commodity cost of gas for Southwest for a given month, Southwest's upstream pipeline capacity costs, and an amount for distribution system shrinkage. Southwest's current filing would modify the definition of the weighted average commodity cost to exclude purchases made for Southwest's Arizona Price Stability Program. The "floor" cost of gas is used in Schedule G-30 as a benchmark for Southwest in determining customer eligibility for G-30 service and what rates and charges may be applicable. Purchases made under Southwest's Arizona Price Stability Program

are fixed price purchases made over a period of time to serve Southwest's core customers and exclusion of them from Southwest's "floor" gas cost calculation will provide a more accurate measurement of actual market prices being paid by Southwest for the given month.

Finally, Southwest's filing contains changes to certain terms in the schedule so that Schedule G-30's language matches the pricing terms used on Southwest's statement of rates.

Staff believes that Southwest's proposed changes to Schedule G-30 would provide greater clarity regarding terms of service under the schedule and are reflective of changing circumstances on the El Paso pipeline system.

During the recent Commission approval of an SPGA between Yuma Cogeneration Associates and Southwest (Docket No. G-01551A-07-0186), there was a question raised regarding the optional nature of Schedule G-30. Staff believes that it is already clear that Schedule G-30 is an optional tariff, with no requirement that Southwest serve any customer under the schedule absent a mutually agreeable service agreement. However, the insertion of clarifying language to Special Condition One, on tariff sheet number 28, would provide additional clarity to this aspect of Schedule G-30 service. Specifically, Staff recommends that the phrase "under mutually agreeable terms" should be added at the end of the sentence in Special Condition One. Staff's understanding is that Southwest supports insertion of this phrase.

Staff recommends approval of Southwest's proposed changes to Schedule G-30, with the additional change to Special Condition One discussed above. Staff also recommends that Southwest docket, as a compliance item in this matter, tariff pages for Schedule G-30 consistent with the terms of this Decision within 15 days from the effective date of a Decision in this case.



Ernest G. Johnson
Director
for Utilities Division

EGJ:RGG:lhj\JMA

ORIGINATOR: Robert Gray

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BEFORE THE ARIZONA CORPORATION COMMISSION

MIKE GLEASON
Chairman
WILLIAM A. MUNDELL
Commissioner
JEFF HATCH-MILLER
Commissioner
KRISTIN K. MAYES
Commissioner
GARY PIERCE
Commissioner

IN THE MATTER OF THE APPLICATION
OF SOUTHWEST GAS CORPORATION
FOR APPROVAL OF REVISIONS TO ITS
RATE SCHEDULE NO. G-30, OPTIONAL
GAS SERVICE

DOCKET NO. G-01551A-07-0304
DECISION NO. _____
ORDER

Open Meeting
June 26 and 27, 2007
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. Southwest Gas Corporation ("Southwest") is engaged in providing natural gas service within portions of Arizona, pursuant to authority granted by the Arizona Corporation Commission ("Commission").

2. On May 21, 2007, Southwest filed for Commission approval of revisions to Schedule No. G-30, Option Gas Service ("Schedule G-30"), citing changes on the El Paso Natural Gas Company ("El Paso") interstate pipeline system as the cause of the filing.

3. Schedule G-30 is an optional sales schedule, applicable to customers who meet certain criteria and who negotiate a mutually agreeable service agreement with Southwest. Eligible customers either A) use more than 11,000 therms per month and have alternate fuel capabilities, or B) use more than 11,000 therms per month and can demonstrate economic hardship under the otherwise applicable sales schedule, or C) qualify for transportation service and can

...

1 demonstrate that bypass of Southwest is economically, operationally, and physically feasible and
2 imminent.

3 4. For customers who enter into a special gas procurement agreement ("SGPA") with
4 Southwest rather than pursue the bypass option, such agreements are subject to Commission
5 approval. Currently, Yuma Cogeneration Associates is the only customer served under an SPGA.

6 5. Southwest's filing inserts language into Schedule G-30 that states that customers
7 served under this schedule will be subject to their share of upstream pipeline charges incurred by
8 Southwest.

9 6. Currently, there is no provision in Schedule G-30 regarding responsibilities for
10 upstream pipeline charges, including various newly instituted penalty provisions on the El Paso
11 system. Previously, Southwest had filed with the Commission to amend an SGPA to reflect the
12 penalty responsibilities of a Schedule G-30 customer, and inclusion of this language in Schedule
13 G-30 will provide greater clarity regarding pipeline charge responsibilities.

14 7. Southwest's filing also proposes to change the definition of the "floor" cost of gas.
15 The "floor" cost of gas is currently defined as the sum of the weighted average commodity cost of
16 gas for Southwest for a given month, Southwest's upstream pipeline capacity costs, and an amount
17 for distribution system shrinkage. Southwest's current filing would modify the definition of the
18 weighted average commodity cost to exclude purchases made for Southwest's Arizona Price
19 Stability Program.

20 8. The "floor" cost of gas is used in Schedule G-30 as a benchmark for Southwest in
21 determining customer eligibility for G-30 service and what rates and charges may be applicable.
22 Purchases made under Southwest's Arizona Price Stability Program are fixed price purchases
23 made over a period of time to serve Southwest's core customers and exclusion of them from
24 Southwest's "floor" gas cost calculation will provide a more accurate measurement of actual
25 market prices being paid by Southwest for the given month.

26 9. Finally, Southwest's filing contains changes to certain terms in the schedule so that
27 Schedule G-30's language matches the pricing terms used on Southwest's statement of rates.

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ORDER

IT IS THEREFORE ORDERED that Southwest's proposed changes to Schedule G-30, with the additional change to Special Condition One discussed in Finding of Fact No. 11, be and hereby are approved.

IT IS FURTHER ORDERED that Southwest docket, as a compliance item in this matter, tariff pages for Schedule G-30 consistent with the terms of this Decision within 15 days from the effective date of a Decision in this case.

IT IS FURTHER ORDERED that this Order shall become effective immediately.

BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION

CHAIRMAN

COMMISSIONER

COMMISSIONER

COMMISSIONER

COMMISSIONER

IN WITNESS WHEREOF, I BRIAN C. McNEIL, Executive Director of the Arizona Corporation Commission, have hereunto, set my hand and caused the official seal of this Commission to be affixed at the Capitol, in the City of Phoenix, this _____ day of _____, 2007.

BRIAN C. McNEIL
Executive Director

DISSENT: _____

DISSENT: _____

EGJ:RGG:lhM\JMA

1 SERVICE LIST FOR: Southwest Gas Corporation
DOCKET NO. G-01551A-07-0304

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