

ORIGINAL

OPEN MEETING



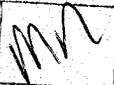
0000082825

MEMORANDUM
RECEIVED

410

Arizona Corporation Commission
DOCKETED

MAR 21 2008

DOCKETED BY 

TO: THE COMMISSION

2008 MAR 21 P 3:07

FROM: Utilities Division

AZ CORP COMMISSION
DOCKET CONTROL

DATE: March 20, 2008

RE: IN THE MATTER OF THE MOTION OF SOUTHWEST GAS CORPORATION FOR APPROVAL OF AN EXTENSION OF ITS EXISTING SPECIAL GAS PROCUREMENT AGREEMENT WITH YUMA COGENERATION ASSOCIATES (DOCKET NO. G-01551A-07-0186)

On March 10, 2008, Southwest Gas Corporation ("Southwest") filed an application with the Arizona Corporation Commission ("Commission") in Docket No. G-01551A-08-0143 for approval of a new special gas procurement agreement ("SGPA") with Yuma Cogeneration Associates ("Yuma Cogen"). On March 11, 2008, Southwest also filed a motion to continue providing service under the terms of its existing SPGA with Yuma Cogen, pending a Commission decision regarding the proposed new SGPA, or until July 31, 2008, whichever occurs first. Unless continued, the current agreement between Southwest and Yuma Cogen ends after April 30, 2008. A short time extension pending a Commission decision on the new SGPA will avoid a shift to the much higher G-60 tariff rate, possibly elevating chances that Yuma Cogen will opt to bypass Southwest, if a bypass proves feasible.

Under the current SGPA, Southwest purchases natural gas supplies for Yuma Cogen that are specific and separate from Southwest's purchases for its core customers. Southwest also uses its interstate pipeline capacity to deliver the natural gas to Yuma Cogen. Service to Yuma Cogen under the SGPA is pursuant to Schedule G-30, and is available to customers who can demonstrate that, for them, bypassing Southwest is economically, operationally and physically feasible and imminent. Yuma Cogen's facilities are located approximately 100 feet from El Paso's lateral, and Southwest believes that a bypass is feasible for Yuma Cogen.

Southwest has served Yuma Cogen through SGPAs for a number of years. The current SPGA was approved by the Arizona Corporation Commission on May 21, 2007, in Decision No. 69572. In its decision, the Commission ordered that, for extension beyond April 30, 2008, Southwest provide "detailed information demonstrating that the bypass option for Yuma Cogen is real and viable, particularly in light of the constrained nature of El Paso's Yuma lateral."

Staff is in the process of reviewing the application for approval of the new SGPA. Staff is preparing data requests in order to obtain additional information and clarification, and believes that a short time extension of the current agreement will allow Staff enough time to thoroughly evaluate the application and proposed SGPA, and to perform the analyses necessary for determining whether the information supplied by Southwest demonstrates the viability of a bypass option for Yuma Cogen, as required by Decision No. 69572.

THE COMMISSION

March 20, 2008

Page 2

The Company has stated that it has sufficient pipeline capacity and other rights to serve its core customers and Yuma Cogen on non-peak days during the extension. During extreme cold weather Yuma Cogen and other lower priority customers would be curtailed as necessary to serve Priority 1 and 2 customers. The Company has also stated that it is unaware of any negative impacts on ratepayers of continuing to provide natural gas service to Yuma Cogen under the existing SGPA, pending a Commission decision on the proposed new SGPA.

Staff recommends that the Commission approve Southwest's motion for an order authorizing Southwest to continue providing natural gas to Yuma Cogen under the terms and conditions of the current SGPA. Staff also recommends that Southwest continue to provide service under the existing SGPA until there is a Commission decision on the new SGPA, or until July 31, 2008, whichever comes first.



for
Ernest G. Johnson
Director
Utilities Division

EFJ:JMK:lmJMA

ORIGINATOR: Julie McNeely-Kirwan

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

BEFORE THE ARIZONA CORPORATION COMMISSION

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

IN THE MATTER OF THE APPLICATION)
OF SOUTHWEST GAS CORPORATION)
FOR APPROVAL OF A SPECIAL GAS)
PROCUREMENT AGREEMENT WITH)
YUMA COGEN)

DOCKET NO. G-01551A-07-0186
DECISION NO. _____
ORDER

Open Meeting
April 8 and 9, 2008
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. Southwest Gas Corporation ("Southwest") is engaged in providing natural gas within portions of Arizona, pursuant to authority granted by the Arizona Corporation Commission ("Commission").
2. On March 10, 2008, Southwest filed an application with the Commission in Docket No. G-01551A-08-0143 for approval of a new special gas procurement agreement ("SGPA") with Yuma Cogeneration Associates ("Yuma Cogen"). On March 11, 2008, Southwest also filed a motion to continue providing service under the terms of its existing SPGA with Yuma Cogen, pending a Commission decision regarding the proposed new SGPA, or until July 31, 2008, whichever occurs first. Unless continued, the current agreement between Southwest and Yuma Cogen ends after April 30, 2008. A short time extension pending a Commission decision on the new SGPA will avoid a shift to the much higher G-60 tariff rate, possibly elevating chances that Yuma Cogen will opt to bypass Southwest, if a bypass proves feasible.

...

1 3. Under the current SGPA, Southwest purchases natural gas supplies for Yuma
2 Cogen that are specific and separate from Southwest's purchases for its core customers.
3 Southwest also uses its interstate pipeline capacity to deliver the natural gas to Yuma Cogen.
4 Service to Yuma Cogen under the SGPA is pursuant to Schedule G-30, and is available to
5 customers who can demonstrate that, for them, bypassing Southwest is economically, operationally
6 and physically feasible and imminent. Yuma Cogen's facilities are located approximately 100 feet
7 from El Paso's lateral, and Southwest believes that a bypass is feasible for Yuma Cogen.

8 4. Southwest has served Yuma Cogen through SGPAs for a number of years. The
9 current SPGA was approved by the Commission on May 21, 2007, in Decision No. 69572. In its
10 decision, the Commission ordered that, for extension beyond April 30, 2008, Southwest provide
11 "detailed information demonstrating that the bypass option for Yuma Cogen is real and viable,
12 particularly in light of the constrained nature of El Paso's Yuma lateral.

13 5. Staff is in the process of reviewing the application for approval of the new SGPA.
14 Staff is preparing data requests in order to obtain additional information and clarification, and
15 believes a short time extension of the current agreement will allow Staff enough time to
16 thoroughly evaluate the application and proposed SGPA, and to perform the analyses necessary for
17 determining whether the information supplied by Southwest demonstrates the viability of a bypass
18 option for Yuma Cogen, as required by Decision No. 69572.

19 6. The Company has stated that it has sufficient pipeline capacity and other rights to
20 serve its core customers and Yuma Cogen on non-peak days during the extension. During extreme
21 cold weather Yuma Cogen and other lower priority customers would be curtailed as necessary to
22 serve Priority 1 and 2 customers. The Company has also stated that it is unaware of any negative
23 impacts on ratepayers of continuing to provide natural gas service to Yuma Cogen under the
24 existing SGPA, pending a Commission decision on the proposed new SGPA.

25 7. Staff recommends that the Commission approve Southwest's motion for an order
26 authorizing Southwest to continue providing natural gas to Yuma Cogen under the terms and
27 conditions of the current SGPA. Staff also recommends that Southwest continue to provide

28 ...

1 service under the existing SGPA until there is a Commission decision on the new SGPA, or until
2 July 31, 2008, whichever comes first.

3 CONCLUSIONS OF LAW

4 1. Southwest is an Arizona public service corporation within the meaning of Article
5 XV, Section 2, of the Arizona Constitution.

6 2. The Commission has jurisdiction over Southwest and over the subject matter of the
7 application.

8 3. The Commission, having reviewed the application and Staff's Memorandum dated
9 March 20, 2008, concludes that it is in the public interest to approve Southwest's Motion for an
10 order authorizing Southwest to continue to provide natural gas service to Yuma Cogen pursuant to
11 the terms and conditions of the of the 2007 SGPA.

12 ...
13 ...
14 ...
15 ...
16 ...
17 ...
18 ...
19 ...
20 ...
21 ...
22 ...
23 ...
24 ...
25 ...
26 ...
27 ...
28 ...

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

ORDER

IT IS THEREFORE ORDERED that Southwest is authorized to continue to provide natural gas service to Yuma Cogen pursuant to the terms and conditions of the of the 2007 SGPA, until there is a Commission decision regarding the proposed new SGPA, or until July 31, 2008, whichever occurs first.

IT IS FURTHER ORDERED that this Decision 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 _____, 2008.

BRIAN C. McNEIL
Executive Director

DISSENT: _____

DISSENT: _____

EGJ:JMK:lhm\JMA

1 SERVICE LIST FOR: Southwest Gas Corporation
2 DOCKET NO. G-01551A-07-0186

3 Ms. Debra S. Jacobsen
4 Director, Government & State
5 Regulatory Affairs
6 Southwest Gas Corporation
7 5241 Spring Mountain Road
8 Las Vegas, Nevada 89150-0002

9 Mr. Ernest G. Johnson
10 Director, Utilities Division
11 Arizona Corporation Commission
12 1200 West Washington Street
13 Phoenix, Arizona 85007

14 Mr. Christopher C. Kempley
15 Chief Counsel, Legal Division
16 Arizona Corporation Commission
17 1200 West Washington Street
18 Phoenix, Arizona 85007

19
20
21
22
23
24
25
26
27
28