ORIGINAL

NEW APPLICATION

SOUTHWEST GAS CORPORATION

2011 MAY 19 P 2: 04

DOCKET CONTROL

0000125659

May 18, 2011

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

G-01551A-11-0202

Re: Application of Southwest Gas Corporation for approval of a Special Gas Procurement Agreement with Yuma Cogeneration Associates

Southwest Gas Corporation (Southwest) herewith submits an original and thirteen (13) copies of its Application for approval of a Special Gas Procurement Agreement (Agreement) with Yuma Cogeneration Associates. The attached Agreement also includes an Exhibit A which has been redacted due to the proprietary and commercially-sensitive nature of the information contained in such exhibit. In addition, Southwest is providing an unredacted copy of Exhibit A to the ACC Staff upon completion of a Protective Agreement executed by Southwest and the ACC Staff.

If you have any questions, please contact me at (702) 876-7163.

Respectfully,

Debra S. Gallo by cmg

Debra S. Gallo, Director
Government & State Regulatory Affairs

Arizona Corporation Commission
DOCKETED
MAY 19 2011
DOCKETED BY nr

c Steve Olea, ACC
Janice Alward, ACC
Dan Pozefsky, RUCO

BEFORE THE ARIZONA CORPORATION COMMISSION

<u>COMMISSIONERS</u>

GARY PIERCE – Chairman
BRENDA BURNS
SANDRA D. KENNEDY
PAUL NEWMAN
BOB STUMP

In the Matter of the Application of Southwest Gas Corporation for Approval of a Special Gas Procurement Agreement with Yuma Cogeneration Associates	Docket No.: G-01551A-11- **APPLICATION**

1. Introduction

Southwest Gas Corporation ("Southwest Gas"), pursuant to the Arizona Corporation Commission's Rules of Practice and Procedure R14-3-106 and Schedule No. G-30 of Southwest's Arizona Gas Tariff No. 7, hereby submits its application to the Arizona Corporation ("Commission") respectfully requesting approval of a Special Gas Procurement Agreement ("SPA") entered into by and between Southwest Gas and Yuma Cogeneration Associates ("YCA") for the supply of natural gas services beginning August 1, 2011. In support of this Application, Southwest Gas states as follows:

2. Applicant

2.1 Southwest Gas is a corporation in good standing under the laws of the state of Arizona, is a corporation duly organized, validly existing, and is qualified to transact intrastate business.

2.2 Southwest Gas' corporate offices are located at 5241 Spring Mountain Road, P.O. Box 98510, Las Vegas, Nevada 89193-8510, telephone (702) 876-7011. Communications regarding this filing should be addressed to:

Justin Lee Brown, Esq.
Associate General Counsel
Southwest Gas Corporation
P.O. Box 98510
Las Vegas, Nevada 89193-8510
Telephone No. 702.876.7183
Email: justin.brown@swgas.com

Debra S. Gallo
Director/Government and State Regulatory Affairs
Southwest Gas Corporation
P.O. Box 98510
Las Vegas, Nevada 89193-8510
Telephone No. 702.876.7163
Email: debra.gallo@swgas.com

2.3 Southwest Gas is a public utility subject to the jurisdiction of the Commission pursuant to Article XV of the Arizona Constitution and the applicable chapters of Title 40 of the Arizona Revised Statutes (A.R.S.). Southwest Gas is engaged in the retail distribution, transportation and sale of natural gas for domestic, commercial, agricultural and industrial uses. Southwest Gas currently serves approximately 1.8 million customers in the states of Arizona, California and Nevada. Approximately 54 percent of the Company's customers are located in the state of Arizona, including portions of Cochise, Gila, Graham, Greenlee, La Paz, Maricopa, Mohave, Pima, Pinal and Yuma counties. For operational purposes, Southwest Gas' Central Arizona division is headquartered in Phoenix and its Southern Arizona division is headquartered in Tucson.

3. Brief Overview of Application

3.1 Schedule No. G-30 provides that if a customer qualifies for service under applicability provision (3) (commonly referred to as a bypass customer) and if Southwest Gas is unable to serve the customer utilizing the "floor cost of gas" as defined in Schedule No. G-30, then the parties shall enter into a SPA and the agreement must be reviewed and explicitly approved by the Commission prior to Southwest Gas providing service.

3.2 Historically, Southwest Gas has provided service to YCA pursuant to a SPA. The Commission approved the existing SPA between Southwest Gas and YCA in Decision No. 70404 (July 3, 2008). The existing SPA is scheduled to expire July 31, 2011. Consequently, and in compliance with Schedule No. G-30, Southwest Gas and YCA have negotiated a new proposed SPA and hereby request that the Commission review and approve the proposed SPA, a copy of which is enclosed herewith as Attachment 1.

3.3 The financial terms of the proposed SPA have been redacted due to the proprietary and commercially sensitive nature of the information. Southwest Gas will provide an unredacted copy of the SPA to the Commission's Staff after the parties enter into a mutually agreeable protective agreement.

3.4 Pursuant to the proposed SPA, Southwest Gas proposes to purchase and deliver natural gas to YCA using its interstate pipeline capacity portfolio and YCA will receive and pay for the natural gas volumes purchased and delivered by Southwest Gas to YCA. Charges under the proposed SPA include a monthly basic charge, applicable upstream pipeline costs and volumetric charges, including the gas costs. The proposed SPA also permits Southwest Gas to pass through to YCA certain charges and penalties that may be incurred by Southwest Gas as a result of its service to YCA, and for Southwest Gas to cash out YCA for any daily imbalances created under the SPA so that no imbalances will be carried by Southwest Gas.

3.5 The proposed SPA also contains provisions detailing how YCA and Southwest Gas will coordinate various operational issues, including allowing Southwest Gas to recall or divert gas supplies and capacity for up to ten (10) days during the period of October through April, as needed by Southwest Gas to meet its core customer service needs.

3.6 Subject to approval by the Commission, the proposed SPA would become effective August 1, 2011 and shall remain in effect for a primary term of four years and continue on a month-to-month basis thereafter, subject to certain notice requirements for termination.

4. Applicability Criteria of Schedule G-30

4.1 As noted above, service under Schedule G-30 is available to customers who meet certain applicability criteria. The applicability criteria include the following: (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; or (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.

4.2 As a condition precedent to qualifying for service under applicability provision (3), the customer must qualify for transportation service under Schedule No. T-1 and establish that bypass is economically, operationally and physically feasible and imminent. YCA satisfies the applicability provisions for both transportation service and it has established that bypass is economically, operationally and physically feasible and imminent.

4.3 YCA satisfies the applicability provisions for transportation service because Southwest Gas has available capacity on its distribution system to render service to YCA without construction of any additional facilities and YCA's average monthly requirements are no less than 15,000 therms, including the months of May through September.

4.4 YCA also satisfies bypass criteria because it can demonstrate that bypass is economically, operationally and physically feasible and imminent.

5. Economic Feasibility

5.1 Southwest Gas and YCA entered into a Master Agreement dated June 30, 1993 where Southwest Gas constructed necessary distribution facilities ("Southwest-YCA Facilities") to serve YCA from the El Paso Natural Gas Company ("EPNG") pipeline. The EPNG pipeline is located adjacent to YCA's facility. Among other provisions, the Master Agreement grants YCA the ability to: (1) terminate all agreements with Southwest Gas for the purpose of pursuing direct connect service to EPNG; and (2) acquire the Southwest-YCA Facilities along with Southwest Gas' right to the EPNG tap. If YCA were to exercise this option, little, if any, work would be required by YCA to complete a physical bypass of Southwest Gas' system.

5.2 During the 12 months ended April 30, 2011 YCA consumed enough therms of natural gas that if it exercised its termination rights the simple payback to YCA for acquiring these facilities would occur in less than eight (8) months.

5.3 Accordingly, bypass is economically feasible because YCA can acquire the Southwest-YCA Facilities for less than the amount of margin it pays to Southwest Gas on an annual basis. There are also no constraints associated with YCA acquiring these facilities that would prevent an imminent bypass.

6. Operational Feasibility

6.1 YCA also satisfies the bypass criteria for operational feasibility because of its ability to acquire the facilities necessary to bypass Southwest Gas and its ability to burn alternative fuel during any period in which natural gas is unavailable.

6.2 As noted above, YCA has the ability to purchase the necessary tap and metering facilities to bypass Southwest Gas. Upon acquisition of Southwest-YCA Facilities, YCA will have the necessary facilities to bypass Southwest Gas.

6.3 In addition, while YCA's facility is primarily fueled by natural gas, the facility maintains the necessary permits and equipment to switch to number 2 fuel oil, if natural gas is not available. Accordingly, YCA has the operational means to bypass Southwest Gas and there are no constraints that would prevent an imminent bypass.

7. Physical Feasibility

7.1 As noted above, EPNG's pipeline is adjacent to YCA's facility. Currently, the firm capacity on this portion of EPNG's system, known commonly as Yuma Lateral, is fully subscribed by Southwest Gas and Arizona Public Service Company.

7.2 While Southwest Gas holds sufficient capacity to serve YCA along with the demands of its other sales customers, if it were not using this capacity to serve YCA as a sales customer there would be a high likelihood that the capacity would be operationally available from EPNG for another shipper to use on an alternate or interruptible basis. This scenario provides YCA with a fairly reliable opportunity to receive service directly from EPNG. In addition, during a period when EPNG could not schedule gas to YCA, it has the option to burn fuel oil. Accordingly, YCA has or can acquire the physical means to bypass Southwest Gas and there are no constraints that would prevent an imminent bypass.

8. Floor Cost of Gas

8.1 Schedule No. G-30 provides that if Southwest Gas is unable to serve a customer utilizing the floor cost of gas, then the parties shall enter into a SPA and the agreement must be reviewed and explicitly approved by the Commission prior to the provision of service.

8.2 Floor cost of gas is defined as the sum of (1) the weighted average commodity cost of gas purchased by Southwest Gas for system supply during the month; (2) an amount to reflect Southwest Gas' upstream pipeline capacity charge; and (3) an amount to reflect distribution system shrinkage.

8.3 Southwest Gas is unable to serve YCA utilizing the "floor cost of gas" as defined in Schedule No. G-30 because YCA's revenue through its power purchase agreement is based on first-of-month gas cost pricing at the SoCal Border trading point. By using Southwest Gas' floor cost of gas, YCA would be exposed to an unacceptable level of risk resulting from differences between the floor cost of gas and the SoCal Border index. To address this risk, the proposed SPA provides gas cost pricing to YCA based on a Permian first of month index. As such, in compliance with Schedule No. G-30, Southwest Gas and YCA hereby submit the proposed SPA for Commission approval.

8.4 Southwest Gas submits that the information contained herein sufficiently demonstrates that the bypass option for YCA is real and viable, and satisfies the concerns expressed by the Commission regarding the viability of YCA bypassing Southwest Gas in the last proceeding.

WHEREFORE, based upon the foregoing, Southwest Gas respectfully requests that the Commission issue an order:

1. Approving the proposed SPA; and

2. Granting and conferring upon Southwest Gas such other and/or additional permission and authority as the Commission may deem appropriate under the circumstances.

Respectfully submitted this 18th day of May 2011.

SOUTHWEST GAS CORPORATION

Justin Lee Brown

Justin Lee Brown
Arizona Bar No. 027937
5241 Spring Mountain Road
Las Vegas, NV 89150-0002
Telephone: 702.876.7183
Facsimile: 702.252.7283
Email: justin.brown@swgas.com

Attorney for Southwest Gas Corporation

CERTIFICATE OF SERVICE

I hereby certify that on the 18th day of May 2011 and pursuant to R14-3-107 of the Rule of Practice and Procedure of the Arizona Corporation Commission, I caused to be served a copy of the foregoing Application via electronic mail copies thereof to the following:

Janice Alward, Esq.
Legal Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007
jalward@azcc.gov

Steve Olea
Utilities Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007
solea@azcc.gov

Dan Pozefsky, Esq.
Residential Utility Consumer Office
1110 West Washington Street
Suite 220
Phoenix, Arizona 85007
dpozefsky@azruco.gov

an employee of Southwest Gas Corporation

SOUTHWEST GAS CORPORATION
SPECIAL GAS
PROCUREMENT AGREEMENT
UNDER SCHEDULE G-30

This Service Agreement ("Agreement") is made and entered into as of the 4th day of April, 2011, by and between SOUTHWEST GAS CORPORATION, a California corporation, herein called "Utility" and YUMA COGENERATION ASSOCIATES, herein called "Customer".

WITNESSETH:

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

ARTICLE I - GAS TO BE SOLD AND PURCHASED

Subject to the terms, conditions and limitations hereof, Utility agrees to sell and deliver to Customer and Customer agrees to receive, purchase and pay for natural gas volumes purchased and delivered by Utility on behalf of Customer.

ARTICLE II - DELIVERY POINTS AND PROVISIONS OF SERVICE

Delivery of natural gas by Utility to Customer shall be at or near the points whose locations are listed below, and shall be in accordance with Rule No. 7 of Utility's Arizona Gas Tariff.

Delivery Point(s)
280 N. 27th Drive, Yuma, Arizona

ARTICLE III - APPLICABLE RATES AND RATE SCHEDULE

Customer agrees to pay Utility for all natural gas sales service rendered under the terms of this Agreement in accordance with Utility's Schedule No. G-30, as approved by the Arizona Corporation Commission ("ACC") and as amended or superseded from time to time. The rates to be charged pursuant to Special Condition No. 3 of Schedule No. G-30 are set forth in the Exhibit A attached hereto and made a part hereof. This Agreement shall be subject to the provisions of such Schedule and the Rules and Regulations applicable thereto on file with the ACC and effective from time to time, which by this reference are incorporated herein and made a part hereof.

The volumetric rate component of the Volumetric Charge set forth in Exhibit A shall be increased annually beginning August 1, 2012. The increase shall be equal to one hundred percent (100%) of the preceding year average (January to December) percentage increase in the Consumer Price Index - All Urban, All Items (CPI) as published by the Bureau of Labor Statistics of the United States Department of Labor, using 1982-1984 as the base period of 100. For example, the percentage increase for August 1, 2012 shall be determined by dividing the Annual 2011 CPI by the Annual 2010 CPI. The resulting quotient shall be reduced by the integer one (1) and multiplied by one hundred (100) to arrive at the percentage increase. Should this formula yield a negative percentage, there will be no adjustment to the volumetric charge component. If the 1982-1984 base period shall no longer be used as an index of 100, the revised base period and index established by the United States Bureau of labor Statistics shall be utilized to calculate all rate increases.

ARTICLE IV - TERM OF AGREEMENT

This Agreement shall become effective on August 1, 2011, subject to approval by the ACC, and shall remain in effect for a primary term of four (4) years and shall continue thereafter on a month to month basis for a period not to exceed twelve 12 months. This Agreement is subject to termination upon the expiration of the primary term or thereafter by either party providing ninety (90) days advance written notice to the other party.

Customer shall begin service under this Agreement on the first day of the first month following ACC approval of this Agreement, unless the date upon which the ACC approves this Agreement does not afford Customer the opportunity to comply with the five (5) day advance notice for daily volume requirements set forth Article VI, Section A. In which case, Customer shall begin service under this Agreement on the first day of the second month following ACC approval of this Agreement.

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, by mail, overnight delivery service or facsimile with all postage and charges prepaid, to either Customer or 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
Key Account Management Department
P.O. Box 98510 LVB-106
Las Vegas, Nevada 89193-8510
Phone No. (702) 364-3063
Fax No. (702) 365-5904

YUMA COGENERATION ASSOCIATES
Attn.: General Manager
280 N. 27th Drive
Yuma, Arizona 85364
Phone No. (928) 329-8514
Fax No. (928) 329-6015

With a courtesy copy to:
President, CE Generation, LLC
7030 Gentry Road
Calipatria, CA 92233
Phone No. (760) 348-4000
Fax No. (760) 348-4233

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

ARTICLE VI - OTHER OPERATING PROVISIONS

A. OPERATING CONDITIONS

Five (5) business days before the first day of each month, Customer shall provide Utility, in writing or electronic form, the daily volume requested for the following month ("Requested Daily Volume") and such notice shall serve as the basis for Utility's acquisition of gas supply. Thereafter, Customer must nominate its anticipated usage on a daily basis no later than 6:00 a.m. Pacific Clock Time the calendar day before the gas flow day ("Previous Day Deadline"). Customer will have the option to nominate its daily requirements for an entire month or partial month, or to revise an existing daily nomination. However, any revision to an existing daily nomination must be made by the Previous Day Deadline. This daily nomination will be the basis for determining Customer's proportionate share of any charge or penalties billed to Utility by an upstream pipeline as described below.

Gas supplies and/or capacity are subject to diversion and/or recall by Utility up to a maximum of ten (10) days during the months of October through April as needed. Utility will credit Customer for any base-load volumes and applicable upstream charges incurred during the diversion as provided in Exhibit A. Utility will make a reasonable effort to provide notice of any such diversion 48 hours prior to the commencement of the applicable gas flow day. However, Utility reserves the right to call for such diversion up to the Cycle 3 nomination deadline of the gas flow day.

During periods when an upstream pipeline has declared a Strained Operating Condition ("SOC"), a Critical Operating Condition ("COC"), an Alert Day, or any similar flow restraint or warning condition provided for in the upstream pipeline's tariff, Customer agrees to limit its daily usage to the nominated volumes.

As described below, Customer is subject to the pass-through of any charges or penalties incurred and billed to Utility by an upstream pipeline that are attributable to a variance between Customer's usage on any day or during any hour, and its nomination for that day. To make such determination, Customer's daily nomination shall be presumed to be for ratable hourly takes of gas during the day and Customer shall be afforded the same tolerance or safe harbor percentages by Utility as are afforded Utility by the upstream pipeline for both daily and hourly considerations.

Whenever any charge or penalties are incurred and billed to Utility by an upstream pipeline due to over or under takes of gas on any day or during any hour, Customer will be charged a pro-rata share of such charges or penalties, based on any volumes used by Customer above or below its daily nomination and/or presumed hourly rights for that day, as applicable to the pipeline charge or penalty taking into consideration the same tolerance or safe harbor percentages as are afforded Utility by the upstream pipeline for both daily and hourly considerations.

B. CONFIDENTIALITY

Neither Utility nor Customer, nor their respective affiliates, directors, officers, employees, agents nor 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 Utility may disclose the terms and provisions of this Agreement to any regulatory, state or federal government authority (including any court) without Customer's consent when, in the opinion of counsel to Utility, such disclosure is required by applicable law, rule or regulation, and provided that with respect to any such disclosure, Utility shall take all steps reasonably available to maintain the confidentiality of this Agreement and prevent its further disclosure to third parties; and provided further that Customer may make such disclosure as required by law, and on a confidential basis, of the terms and provisions of this Agreement to their consultants and attorneys.

C. CONSTRUCTION OF FACILITIES

If Customer requests Utility to provide natural gas service at delivery points other than those designated in this Agreement, the parties shall execute an additional agreement for that service.

ARTICLE VII - ADJUSTMENTS TO RULES AND REGULATIONS

- None –

ARTICLE VIII - PRIOR AGREEMENTS

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

Special Gas Procurement Agreement, entered into as of February 25, 2008, and as amended by letter agreement dated July 16, 2008.

ARTICLE IX - REGULATORY REQUIREMENTS

Customer shall not knowingly take any action that would subject Utility to the jurisdiction of the Federal Energy Regulatory Commission ("FERC"), the Department of Energy, 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.

Should the FERC, 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 the parties, then either party upon the issuance of such rule, order or regulation, and notification to the other party, may terminate this Agreement by giving thirty (30) days written notice.

Utility shall file this Agreement with the ACC requesting approval thereof. The parties hereby agree to support all elements of this Agreement in proceedings before the ACC, and to advocate in good faith that the ACC approve this Agreement in its entirety. The parties agree to present hearing testimony and evidence in support of this Agreement to the extent requested by the ACC and to acknowledge that their support and advocacy of the Agreement is based upon the Agreement as a whole, in its entirety, and not based upon its individual components viewed in isolation.

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. This Agreement may be assigned or transferred by either party with the 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 next regularly scheduled meter read date following receipt of written notice that such assignment has been effectuated.

ARTICLE XI - RULES

The standard Rules of Utility as authorized by and on file with the ACC 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.

ARTICLE XII – RELATIONSHIP OF THE PARTIES

Nothing in this Agreement shall be construed to create any partnership, joint venture, employment relationship, franchise, or agency as between the Parties. The relationship of the Parties hereunder shall be that of independent parties. Neither Party is intended to have, nor shall any Party represent to any other person that it has any power, right or authority to bind the other Party, or to assume or create any obligation or responsibility, express or implied, on behalf of the other Party, except as expressly required or authorized by this Agreement, or as otherwise permitted in writing.

Nothing in this Agreement, express or implied, is intended to confer any rights or remedies under or by reason of this Agreement on any persons other than the parties to the Agreement and their respective successors and assigns, nor is anything in this Agreement intended to relieve or discharge the obligation or liability of any third persons to any party to the Agreement, nor shall any provision give any third person the right of subrogation or action over any party to the Agreement.

ARTICLE XIII - MODIFICATIONS

Modifications or changes to this Agreement must be in writing and signed by the Parties. In the event the ACC rejects or will not approve the Agreement absent material alterations to the Agreement, the Parties hereby agree to meet and confer within ten business (10) days of the ACC decision to discuss the alterations that would need to be made to the Agreement in order for the ACC to approve it, and if they are unable to make mutually acceptable modifications to the Agreement the parties may withdraw from the terms of this Agreement, rendering it null and void.

ARTICLE XIV - SEVERABILITY

Whenever possible, each provision of this Agreement shall be interpreted in such manner so as to be effective and valid under applicable law. If any provision of this Agreement shall be deemed to be prohibited or invalid under applicable law, such provision shall be ineffective only to the extent of such prohibition or invalidity. Such probation or invalidity shall not invalidate the remainder of the provision or the other provisions of this Agreement.

ARTICLE XV – CUMULATIVE RIGHTS; NO WAIVER OF RIGHTS

Each and every right granted to a party or allowed by law or equity shall be cumulative and not exclusive. No failure to exercise, or a delay in exercising any right, will operate as a waiver thereof, nor will any single or partial excuse of any right by a party preclude any other or future exercise thereof or the exercise of any other right.

ARTICLE XVI – GOVERNING LAW

This Agreement shall be construed, interpreted and enforced in accordance with the laws of the State of Arizona, without consideration of its choice of law provisions.

ARTICLE XVII – ENTIRE AGREEMENT

This Agreement, inclusive of Exhibit A, constitutes the entire agreement and understanding of the parties with respect to the subject matter of this Agreement. This Agreement supersedes all prior agreements and understandings, oral or written, between the parties regarding the subject matter contained herein, with the exception of the Master Agreement dated June 30, 1993. For the avoidance of doubt, the parties deem this Agreement to be an Additional Contract per the Master Agreement. This Agreement may be executed in counterparts, each of which shall be deemed to be an original and all of which taken together shall constitute one and the same agreement.

SOUTHWEST GAS CORPORATION "Utility"		**YUMA COGENERATION ASSOCIATES** "Customer"	
By:	John P. Hester William N. Moody	By:	Stephen Koontz
Title:	Vice President Gas Resources	Title:	President
Date:	5-17-11	Date:	5/13/11

JB

SOUTHWEST GAS CORPORATION
SPECIAL PROCUREMENT AGREEMENT
UNDER SCHEDULE NO. G-30

CURRENT EFFECTIVE RATES:	Amount
Basic Charge/Month	[redacted]

All the applicable Upstream Pipeline Costs[1]

Any Daily Cashout amounts[2]

Volumetric Charge =

Gas Costs[3] plus

- All Fuel and Variable charges on the El Paso Natural Gas Company ("El Paso") system for Rate Schedule FT-1 service.
- **A volumetric rate of $[redacted] per Dth**
- The DOT Pipeline Safety Surcharge[4] of $.0075 per Dth

1] **Upstream Pipeline Costs:** Customer's Requested Daily Volume will determine on a monthly basis the amount of capacity required for its operations ("Monthly Capacity Volume"). This capacity will be priced at the El Paso FT-1 reservation rate. Customer will receive a pro rata share of any capacity charges refunded to the Utility by El Paso for FT-1 service.

For any day when volumes or capacity has been diverted or Customer's service has been interrupted by the Utility, Utility shall credit Customer an amount equal to the El Paso FT-1 monthly rate divided by 30.4, multiplied times the Monthly Capacity Volume.

2] **Daily Cashout:** No volumetric imbalance shall accrue between Customer and Utility. To the extent Customer takes more or less during any gas day than the Requested Daily Volume specified in its notice, the Base Gas Cost for the month shall be adjusted on a daily cashout basis as follows:

(a) For any day during which Customer takes more than the Requested Daily Volume, the Base Gas Cost shall be positively adjusted by multiplying the excess take volume by the sum of the Monthly Base Price and any positive difference of the Gas Daily Common highest basin price for El Paso Natural Gas Company minus the Monthly Base Price.

Further, for any day during which the Customer takes more than the Requested Daily Volume, the excess take volume shall be subject to the El Paso FT-1 monthly reservation rate divided by 30.4.

Example Daily Cashout Adjustment
A = Excess Take Volume **(A Positive Number)**
B = Monthly Base Price
C = Highest basin Gas Daily Common
E = El Paso FT-1 Monthly Reservation Rate Divided by 30.4

Daily Positive Cashout Adjustment = $A \times [B + (C-B) + E]$, $(C-B) \geq 0$. Customer's resultant positive cost adjustment for excess take volume never to be less than the Monthly Base Price.

(b) For any day during which Customer takes less than the Requested Daily Volume, the Base Gas Cost shall be negatively adjusted by multiplying the deficient take volume by the sum of the Monthly Base Price and any negative difference of the Gas Daily Common lowest basin price for El Paso Natural Gas Company minus the Monthly Base Price.

Example Daily Cashout Adjustment
A = Deficient Take Volume **(A Negative Number)**
B = Monthly Base Price
D = Lowest basin Gas Daily Common

Daily Negative Cashout Adjustment = $A \times [B + (D-B)]$, $(D-B) \leq 0$. Customer's resultant negative cost adjustment for deficient take volume never to be more than the Monthly Base Price.

(c) For any day volumes or capacity have been diverted or Customer's service has been interrupted by the Utility, Utility shall credit Customer an amount equal to the volume of gas diverted multiplied times the Monthly Base Price.

3] **Gas Costs:** Upon receiving notice of the Requested Daily Volume (see Operating Conditions), Utility will attempt to secure the requested volume as a baseload supply for the stated month at or below the INSIDE FERC El Paso Permian first of month index price, but as near to such price as available if the flat index price can not be acquired (the "Monthly Base Price"). Utility will advise Customer of the Monthly Base Price promptly after it is confirmed. Customer's "Base Gas Cost" for the month shall be the Monthly Base Price multiplied by the daily volume in the Customer's notice times the number of days in the month.

4] **The Department of Transportation (DOT) Pipeline Safety Surcharge:** The DOT Pipeline Safety Surcharge shall be revised from time to time upon approval by the ACC.

Billing: Volumetric charges will be billed monthly on actual volumes used.

Pricing examples are shown on the next page and are only for illustration purposes and do not include volumetric charges.

SOUTHWEST GAS CORPORATION
PROPOSED TERMS AND OPERATING CONDITIONS
YUMA COGENERATION AND ASSOCIATES

G-30 Special Procurement Agreement

Pricing Examples

	10,000	Requested Daily Volume
B	$ 6.00	Monthly Base Price
	$ 9.2071	El Paso FT-1 Montly Reservation Rate

$ 1,800,000.00 Monthly Base Gas Cost (Assume 30 days per month)

			Day 1	Day 2		Day 3	Day 4
	Requested Daily Volume		10,000	10,000		10,000	10,000
	Actual Usage		12,000	12,000		8,000	8,000
A	Excess (Deficient) Take Volume		2,000	2,000		(2,000)	(2,000)
C	Highest Basin Gas Daily Common		$ 7.00	$ 5.00			
D	Lowest Basin Gas Daily Common					$ 7.00	$ 5.00
	Monthly Base Price (B)		$ 6.00	$ 6.00		$ 6.00	$ 6.00
		+					
		(C-B)	$ 1.00	$ -	(D-B)	$ -	$ (1.00)
			$ 7.00	$ 6.00		$ 6.00	$ 5.00
E	El Paso FT-1 Monthly Reservation Rate Divided by 30.4		$ 0.3029	$ 0.3029		N/A	N/A
			$ 7.3029	$ 6.3029			
		x					
		(A)	2,000	2,000		(2,000)	(2,000)
	Daily Cashout Adjustment		$ 14,605.80	$ 12,605.80		$(12,000.00)	$(10,000.00)

Effective Date: August 1, 2011

Date Issued: July 21, 2011 (Original)

Customer: **YUMA COGENERATION ASSOCIATES – Yuma, AZ**

SOUTHWEST GAS CORPORATION		**YUMA COGENERATION ASSOCIATES**	
"Utility"		"Customer"	
By:	John P Hester	By:	Stephen Brown
	William N. Moody		
Title:	Vice President Gas Resources	Title:	President
Date:	5-17-11	Date:	5/13/11

JB