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SOUTHWEST GAS CORPORATION RECEIVED

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Donald L. Soderberg, Vice President/Pricing

ARIZONA CORPORATION COMMISSION
DOCKET CONTROL

February 29, 2012

Docket Control
Arizona Corporation Commission
1200 West Washington Street
Phoenix, AZ 85007-2996

Re: **Docket No. G-01551A-10-0458; Decision No. 72723**

Pursuant to ordering paragraph #10, of the Commission's Opinion and Order in the above referenced docket, Southwest Gas Corporation (Southwest Gas) hereby provides the ordered documentation defining all current line items in its monthly PGA report.

Southwest Gas will also, per the Commission's Opinion and Order, include in the cover letters for future monthly PGA reports an explanation of any additions, deletions, or changes in the terms used in the report.

Respectfully submitted,

SOUTHWEST GAS CORPORATION

By: _____

Donald L. Soderberg

- c Steve Olea, ACC
- Bob Gray, ACC
- Brian Bozzo, ACC Compliance
- Jodi Jerich, RUCO

Arizona Corporation Commission
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Arizona Monthly Gas Cost – Glossary

“ACA Charge” – A surcharge as permitted by 18 C.F.R. 154.402 which allows interstate pipeline companies to recover from its shippers all Total Annual Charges assessed it by the FERC pursuant to 18 C.F.R. 382.

“Arizona Price Stability Program or APSP” – Fixed-price Firm Purchases and Fixed-For-Floating Index Swaps. These supplies mitigate short-term market price volatility. While the Fixed-price contracts provide physical gas, the Fixed-For-Floating Index Swaps are financial instruments that mitigate the price volatility of the associated Indexed-price physical purchase

“Base Usage” – The total cost an interstate pipeline receives to cover the variable costs to receive, transport and redelivery natural gas. This cost is calculated by multiplying the total throughput on the interstate pipeline for a month by the FERC approved usage rate.

“Capacity Release Credit” – The total credit received by a shipper when it releases its firm interstate pipeline capacity to a third-party.

“EPNG” – El Paso Natural Gas Company

“Firm Purchases” – The supplies purchased through either the Arizona Price Stability Program or the Term Purchase Program.

“Fixed-For-Floating Index Swap” – A financial transaction used for converting Indexed-price supplies to Fixed-price supplies. Under a Fixed-For-Floating Index Swap, if the published index is above the agreed upon swap price, the seller pays the buyer (Southwest) the difference between the actual value of the index and the agreed upon swap price. If the published index is below the agreed upon swap price, the buyer (Southwest) pays the seller the difference between the swap price and the actual value of the index. Southwest combines a Fixed-For-Floating Index Swap with an Indexed-price Firm Purchase of physical baseload gas. The combination of the swap and the physical purchase are equivalent to a Fixed-price physical contract.

“Fixed-price” – The pricing mechanism whereby the price agreed to by Southwest and the gas supplier is fixed at the time the transaction is completed.

“Hourly Scheduling Penalty” – For EPNG service only, a penalty assessed to a delivery point operator when the total amount of gas used in any one hour at a specific D-Code exceed the amount of hourly rights scheduled to that specific D-Code for that same hour.

“IHSW” – For EPNG service only, Interruptible Hourly Swing (IHSW) is an interruptible service that, if available, will avoid an Hourly Scheduling Penalty.

“Indexed-price” –The pricing mechanism whereby the price agreed to by Southwest and the gas supplier is a function of an index that is published by a third-party at a date after the transaction is completed.

“Interstate Pipeline Charge Recovery” – Overrun penalties charged to the Utility from El Paso Natural Gas Company that are charged to the transportation customers that incurred the penalties.

“Monthly gas cost” – Prior month gas cost revenue recovered from customers subject to the Purchased Gas Cost Adjustment Provision of the Company’s tariff.

“Sales Conversion Monthly Gas Cost Rate” – Gas Cost Rate for Sales Conversion customers, e.g. former transportation customers who have switched to sales service.

“Monthly Gas Cost Rate” – The Monthly Gas Cost (MGC) is the average rate for the prior month’s gas cost revenue and sales volumes excluding Sales Conversion, Optional and Special Procurement.

“PGA Amortization” – Prior month sales volumes subject to the Purchased Gas Cost Adjustment Provision of the Company’s tariff multiplied by the PGA Amortization Rate.

“PGA Amortization Rate” – The Commission authorized rate to recover or refund a balance in the Gas Cost Balancing Account. Pursuant to the Purchased Gas Cost Adjustment Provision of its tariff, the Company establishes and maintains a Gas Cost Balancing Account for the schedules subject to this provision. Entries are made to this account each month to maintain the difference between the actual gas purchased and the gas sold to customers. The Purchased Gas Cost Adjustment Provision applies to all sales schedules except for Schedule Nos. G-30, G-80 and SB-1 of the Arizona Gas Tariff.

“Purchase Gas Cost” – Prior month purchased gas.

“Reservation Charges” – The total cost an interstate pipeline receives to cover the fixed cost to receive, transport and redeliver natural gas on a firm basis. This cost is calculated by multiplying the total contract demand on a specific transportation service agreement by the FERC approved reservation rate.

“Sales Conversion Gas Cost Rate” – Sales Conversion customers are charged 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:

1. The Monthly Gas Cost component of the currently effective tariff rate contained in the customer’s applicable sales schedule.
2. The incremental cost of gas procured by the Utility to serve the customer’s additional sales volumes, including upstream interstate pipeline charges.

“Sales Conversion Gas Costs” – Total Sales Conversion therms multiplied by the Sales Conversion Gas Cost Rate.

“Sales Shrinkage” – The amount charged customers served on rate Schedule Nos. G-30 and SB-1 to recover the cost of gas volumes lost, unaccounted for, or used as company fuel in the transportation process.

“Special Procurement Customer Capacity Credits” – Capacity used and paid for by special procurement customers.

“Spot Purchases” – The short-term supplies (one month or less, may be firm or interruptible), selected monthly and intra-monthly, that are integral to the “least cost dispatch” efforts. Southwest makes Spot Purchases to fill daily requirements or in lieu of higher cost Term Purchases. Spot Purchases may have either Fixed or Indexed pricing.

“Term Purchases” – Traditional Firm Purchases that are selected during an annual solicitation. Proposals for Term Purchases are evaluated using a cost optimization model. This portion of the portfolio provides the flexible firm peaking supplies that Southwest must have available for reliable service to its sales customers. Term Purchases generally have Indexed-prices.

“Total MGC – Therms” - Prior month sales volume excluding sales conversion, optional and special procurement.

“Total Sales Conversion Therms” – Prior month Sales Conversion customer volumes. (See Sales Conversion Gas Cost)

“Total Sales Therms”– Prior month volumes sold to customers subject to the Purchased Gas Cost Adjustment Provision.

“Transportation Costs” – See Transportation Charges.

“Transportation Charges” – Charges paid to entities upstream of Southwest’s city gate for the receipt, interstate transportation, and redelivery of Southwest’s purchases that were made in the production basins. Transportation Charges include any credits received from the release of interstate transportation capacity to third-parties.

“Transportation Customer Imbalance Charges” – Transportation customers are assessed imbalance charges if an imbalance exists in excess of applicable daily or monthly operating windows.

“Transportation Distribution Shrinkage and Gas Cost Balancing” – Transportation Distribution Shrinkage – The amount charged rate Schedule T-1 transportation customers to recover the cost of gas volumes lost, unaccounted for, or used as company fuel in the transportation process. Gas Cost Balancing - For customers converting from sales service to transportation service, an amount equal to the currently effective Gas Cost Balancing Account Adjustment will be assessed for a period of 12 months and recorded in the Gas Cost Balancing Account.

“TWPL” – Transwestern Pipeline Company, LLC