

NEW APPLICATION
ORIGINAL



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SOUTHWEST GAS CORPORATION

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AZ CORP COMMISSION
DOCKET CONTROL

May 6, 2014

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

G-01551A-14-0148

Re: Application of Southwest Gas Corporation for Approval to Adjust its Gas Cost Balancing Account Surcharge and for Authority to Adjust its Gas Cost Balancing Account Surcharge in Conjunction with its Monthly Gas Cost Filing

Southwest Gas Corporation herewith submits for filing an original and thirteen (13) copies of its application to the Arizona Corporation Commission seeking approval to adjust its Gas Cost Balancing Account Surcharge and for authority to adjust its Gas Cost Balancing Account Surcharge in conjunction with its Monthly Gas Cost Filing.

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

Respectfully submitted,

Debra S. Gallo

By [Signature]

Debra S. Gallo, Director
Government & State Regulatory Affairs

Arizona Corporation Commission
DOCKETED

MAY - 6 2014

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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

BOB STUMP – Chairman
GARY PIERCE
BRENDA BURNS
BOB BURNS
SUSAN BITTER SMITH

Docket No.: G-01551A-14-

In the Matter of the Application of
Southwest Gas Corporation for Approval
to Adjust its Gas Cost Balancing Account
Surcharge and for Authority to Adjust its
Gas Cost Balancing Account Surcharge in
Conjunction with its Monthly Gas Cost
Filing.

**APPLICATION OF SOUTHWEST GAS CORPORATION FOR APPROVAL TO
ADJUST ITS GAS COST BALANCING ACCOUNT SURCHARGE AND FOR
AUTHORITY TO ADJUST ITS GAS COST BALANCING ACCOUNT SURCHARGE
IN CONJUNCTION WITH ITS MONTHLY GAS COST FILING**

Introduction

1. Southwest Gas Corporation (Southwest Gas or Company) hereby submits its application to the Arizona Corporation Commission respectfully requesting approval to adjust its Gas Cost Balancing Account (GCBA) surcharge to \$0.09172 per therm, and for authority to adjust the GCBA surcharge as part of the Company's monthly gas cost filings.

2. 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.

1 3. Southwest Gas' corporate offices are located at 5241 Spring Mountain
2 Road, P. O. Box 98510 Las Vegas, Nevada 89193-8510. Communications regarding
3 this filing should be addressed to:

4
5 Catherine M. Mazzeo, Esq.
6 Associate General Counsel
7 Southwest Gas Corporation
8 P.O. Box 98510
9 Las Vegas, Nevada 89193-8510
10 Telephone No. (702) 876-7250
11 Email: catherine.mazzeo@swgas.com

12 Debra Gallo
13 Director/Government & State
14 Regulatory Affairs
15 Southwest Gas Corporation
16 P.O. Box 98510
17 Las Vegas, Nevada 89193-8510
18 Telephone No. (702) 876-7163
19 Email: debra.gallo@swgas.com

20
21 4. Southwest Gas is a public utility subject to the jurisdiction of the
22 Commission pursuant to Article XV of the Arizona Constitution and the applicable
23 chapters of Title 40 of the Arizona Revised Statutes (A.R.S.). Southwest Gas is
24 engaged in the retail transmission, distribution, transportation, and sale of natural gas
25 for domestic, commercial, agricultural and industrial uses. Southwest Gas currently
26 serves approximately 1.9 million customers in the states of Arizona, California and
27 Nevada. Approximately 54 percent of the Company's customers are located in the
28 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.

Background

1 5. Southwest Gas does not mark up or profit on the natural gas it supplies
2 to customers and is permitted to recover only the cost of natural gas. It does so
3 through the Purchased Gas Cost Adjustment Provision (PGA) of its Arizona Gas
4 Tariff. The PGA sets forth the process for calculating the Monthly Gas Cost (MGC)
5 rate and the Gas Cost Balancing Account (GCBA) rate.

1 6. The MGC rate is based on a rolling average twelve-month cost of natural
2 gas, limited by a \$0.15 per therm bandwidth established by the Commission in
3 Decision No. 70665. The rolling average and bandwidth mechanism is designed to
4 mitigate the impact on rates associated with large swings in gas costs passed on to
5 customers.

6 7. Differences between the actual cost of natural gas and the MGC rate are
7 tracked and recorded in the GCBA, so that under-collections can be recovered by the
8 Company and over-collections can be returned to customers.

9 8. Commission Decision No. 70665 also approved Staff's recommendation
10 to eliminate the threshold for under-collected GCBA balances, and to increase the
11 over-collection threshold to \$55.78 million.

12 9. In December 2009, in Decision No. 71434, the Commission authorized a
13 GCBA credit of \$0.08 per therm. In October 2012, in Decision No. 73613, the
14 Commission approved Southwest Gas' request to increase its GCBA credit to \$0.10
15 per therm in order to enable the Company to return the over-collection to customers.
16 The Commission also approved Staff's recommendation that Southwest Gas be
17 allowed the flexibility to increase the surcredit to \$0.11 per therm if necessary to pay
18 down the over-collection on a timely basis. Finally, based on Staff's recommendation,
19 Decision No. 73613 imposed a \$28 million threshold on over-collections in the GCBA,
20 which took effect once the over-collected bank balance dropped below \$10 million,
21 and remains in effect until further Commission action.

22 **Request to Adjust Surcharge**

23 10. In January 2014, the surcredit established in Decision No. 71434 (as
24 modified by Decision No. 73613) expired. Due to increases in the market price for
25 natural gas, the GCBA has experienced monthly debits to the bank balance. As
26 reflected in the April 25, 2014 informational filing attached hereto as Exhibit "A",
27 Southwest Gas' GCBA balance was under-collected by approximately \$43 million as
28 of March 31, 2014. As demonstrated in Exhibit "B", Southwest Gas believes that a

1 GCBA rate of \$0.09172 per therm is necessary to collect this amount from its
2 customers over a twelve-month period.

3 **Request for Authority to Adjust Surcharge in Conjunction with Monthly Gas**
4 **Cost Filings**

5 11. The current PGA process for adjusting the GCBA rate is susceptible to
6 abrupt swings between over-collections and under-collections in the GCBA balance
7 and corresponding large adjustments in the GCBA rate.

8 12. In an effort to mitigate abrupt and potentially large swings in over and
9 under-collected GCBA balances and ensure that changes in gas costs are timely
10 reflected in rates, Southwest Gas requests authority to evaluate its GCBA balance on
11 a monthly basis and to adjust the GCBA surcharge, as detailed below, in conjunction
12 with the Company's monthly gas cost filings.

13 13. As demonstrated in the example attached as Exhibit "C", Southwest Gas
14 proposes that it be granted the flexibility to adjust its GCBA surcharge on a monthly
15 basis as follows:

- 16 a. If the GCBA balance is between plus and minus \$10 million, the
17 GCBA surcharge will be set equal to zero;
- 18 b. If the GCBA balance exceeds plus or minus \$10 million, the
19 GCBA adjustment will be equal to the GCBA balance divided by
20 the sales volumes used to calculate the PGA rate.

21 14. Further, Southwest Gas proposes that the rate adjustments resulting
22 from the above-described process change be limited such that customers will not
23 experience an increase or decrease in the GCBA surcharge greater than \$0.02 in a
24 given month. Exhibit "D" compares a forecast of the GCBA balances, GCBA rates and
25 the MGC rates and includes the GCBA rate using the current adjustment process and
26 the proposed adjustment process.

27 15. The above-described process change does not alter or modify the PGA
28 provision found in the Company's Arizona Tariff. Rather, it provides the Company

1 flexibility to make smaller and more frequent adjustments to the GCBA surcharge,
2 within thresholds established by the Commission, in order to produce more consistent
3 rates. Moreover, the added flexibility will reduce the administrative burden and
4 regulatory lag associated with applications to adjust the GCBA surcharge.

5 **Summary and Conclusion**

6 16. Southwest Gas respectfully requests that the Commission issue an order
7 authorizing the Company to adjust its GCBA rate to \$0.09172 per therm, effective
8 August 1, 2014, or as soon as possible.

9 17. Southwest Gas further requests that the Commission grant it the
10 authority to adjust its GCBA surcharge on a monthly basis, in conjunction with its
11 monthly gas cost filings, as set forth herein.

12 Respectfully submitted this 6th day of May 2014.

13 SOUTHWEST GAS CORPORATION

14 

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16 Arizona Bar No. 028939
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18 Las Vegas, NV 89150-0002
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21 catherine.mazzeo@swgas.com

22 *Attorney for Southwest Gas Corporation*

EXHIBIT A



SOUTHWEST GAS CORPORATION

Justin Lee Brown , Vice President/Regulatory Affairs

April 25, 2014

Arizona Corporation Commission
Compliance Section, Utilities Division
1200 West Washington Street
Phoenix, AZ 85007-2996

Subject: Docket No. G-00000C-98-0568, D.62994

Southwest Gas Corporation (Southwest Gas) was authorized in Docket No. G-00000C-98-0568 by Decision No. 62994 to implement monthly gas cost rates for its customers in Arizona. Southwest Gas tenders herewith the attached tariff sheets applicable to its Arizona Gas Tariff No. 7:

Illustrative A.C.C. Sheet No. 11
Illustrative A.C.C. Sheet No. 12

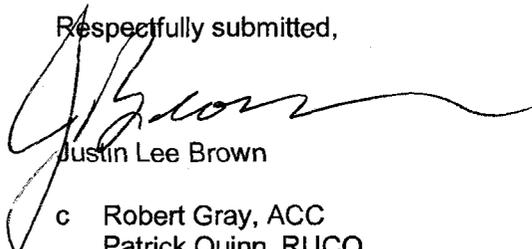
The attached illustrative tariff sheets and supporting schedules reflect the monthly gas cost rates that will be effective May 1, 2014. The May 1, 2014 rate calculation utilizes the 12-month average gas cost for the period ended March 2014. The May 1, 2014 monthly gas cost rates will be included in the filing to update the distribution shrinkage charge, LIRA program charge, and Gas Research Fund charge, which are also effective May 1, 2014.

Communications regarding this filing should be directed to:

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Regulatory Affairs
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Respectfully submitted,



Justin Lee Brown

c Robert Gray, ACC
Patrick Quinn, RUCO
Julie McNeely-Kirwan, ACC

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

Canceling _____ A.C.C. Sheet No. 11
 _____ A.C.C. Sheet No. 11

STATEMENT OF RATES
EFFECTIVE SALES RATES APPLICABLE TO ARIZONA SCHEDULES ^{1/2/}

Description	Delivery Charge	^{3/} Rate Adjustment	Monthly Gas Cost	Currently Effective Tariff Rate
G-5 – Single-Family Residential Gas Service				
Basic Service Charge per Month	\$ 10.70			\$ 10.70
Commodity Charge per Therm:				
All Usage	\$.70314	\$.01808	\$.49462	\$ 1.21584
G-6 – Multi-Family Residential Gas Service				
Basic Service Charge per Month	\$ 9.70			\$ 9.70
Commodity Charge per Therm:				
All Usage	\$.70314	\$.01808	\$.49462	\$ 1.21584
G-10 – Single-Family Low Income Residential Gas Service				
Basic Service Charge per Month	\$ 7.50			\$ 7.50
Commodity Charge per Therm:				
Summer (May–October):				
All Usage	\$.70314	(\$.00034)	\$.49462	\$ 1.19742
Winter (November–April):				
First 150 Therms	\$.34451	(\$.00034)	\$.49462	\$.83879
Over 150 Therms	.70314	(\$.00034)	\$.49462	1.19742
G-11 – Multi-Family Low Income Residential Gas Service				
Basic Service Charge per Month	\$ 7.50			\$ 7.50
Commodity Charge per Therm:				
Summer (May–October):				
All Usage	\$.70314	(\$.00034)	\$.49462	\$ 1.19742
Winter (November–April):				
First 150 Therms	\$.34451	(\$.00034)	\$.49462	\$.83879
Over 150 Therms	.70314	(\$.00034)	\$.49462	1.19742
G-15 – Special Residential Gas Service for Air Conditioning				
Basic Service Charge per Month	\$ 10.70			\$ 10.70
Commodity Charge per Therm:				
Summer (May–October):				
First 15 Therms	\$.70314	\$.01254	\$.49462	\$ 1.21030
Over 15 Therms	.13077	\$.01254	\$.49462	.63793
Winter (November–April):				
All Usage	\$.70314	\$.01254	\$.49462	\$ 1.21030

Issued On _____
 Docket No. G-00000C-98-0568

Issued by
 Justin Lee Brown
 Vice President

Effective _____
 Decision No. 62994

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

ILLUSTRATIVE TARIFF SHEET

Canceling _____ A.C.C. Sheet No. 12
_____ A.C.C. Sheet No. 12

STATEMENT OF RATES
EFFECTIVE SALES RATES APPLICABLE TO ARIZONA SCHEDULES ^{1/2/}
(Continued)

Description	Delivery Charge	^{3/} Rate Adjustment	Monthly Gas Cost	Currently Effective Tariff Rate
<u>G-20--Master-Metered Mobile Home Park Gas Service</u>				
Basic Service Charge per Month	\$ 66.00			\$ 66.00
Commodity Charge per Therm:				
All Usage	\$.47189	\$.02195	\$.49462	\$.98846
<u>G-25--General Gas Service</u>				
Basic Service Charge per Month:				
Small	\$ 27.50			\$ 27.50
Medium	43.50			43.50
Large-1	80.00			80.00
Large-2	470.00			470.00
Transportation Eligible	950.00			950.00
Commodity Charge per Therm:				
Small, All Usage	\$.83914	\$.00867	\$.49462	\$ 1.34243
Medium, All Usage	.45834	.00867	.49462	.96163
Large-1, All Usage	.41263	.00867	.49462	.91592
Large-2, All Usage	.28856	.00867	.49462	.79185
Transportation Eligible	.10923	.01254	.49462	.61639
Demand Charge per Month--				
Transportation Eligible:				
Demand Charge ^{4/}	\$.082459			\$.082459
<u>G-30--Optional Gas Service</u>				
Basic Service Charge per Month	As specified on A.C.C. Sheet No. 27.			
Commodity Charge per Therm:				
All Usage	As specified on A.C.C. Sheet No. 28.			
<u>G-40--Air-Conditioning Gas Service</u>				
Basic Service Charge per Month	As specified on A.C.C. Sheet No. 32.			
Commodity Charge per Therm:				
All Usage	\$.13077	\$.01254	\$.49462	\$.63793
<u>G-45--Street Lighting Gas Service</u>				
Commodity Charge per Therm of Rated Capacity:				
All Usage	\$.69242	\$.01254	\$.49462	\$ 1.19958
<u>G-55--Gas Service for Compression ^{5/} on Customer's Premises</u>				
Basic Service Charge per Month:				
Small	\$ 27.50			\$ 27.50
Large	250.00			250.00
Residential	10.70			10.70
Commodity Charge per Therm:				
All Usage	\$.21470	\$.01254	\$.49462	\$.72186
<u>G-60--Electric Generation Gas Service</u>				
Basic Service Charge per Month	As specified on A.C.C. Sheet No. 40.			
Commodity Charge per Therm:				
All Usage	\$.15421	\$.01254	\$.49462	\$.66137
<u>G-75--Small Essential Agricultural User Gas Service</u>				
Basic Service Charge per Month	\$ 120.00			\$ 120.00
Commodity Charge per Therm:				
All Usage	\$.28037	\$.01254	\$.49462	\$.78753

Issued On _____
Docket No. G-00000C-98-0568

Issued by
Justin Lee Brown
Vice President

Effective _____
Decision No. 62994

**SOUTHWEST GAS CORPORATION
ARIZONA JURISDICTION
UNRECOVERED PURCHASED GAS COST BALANCE REPORT
MARCH 2014**

Line No.	Description (a)	Current Month Gas Cost (b)	Bank Balance (c)	Line No.
1	Account No. 19102238, Unrecovered Purchased Gas Costs, at February 28, 2014		\$ 35,440,569	1
2	Interest		3,544	2
3	Purchased Gas Cost (Page 3)	\$26,381,264		3
4	Transportation Costs (Page 3)	7,578,889		4
5	Transportation Distribution Shrinkage & Gas Cost Balancing	(47,376)		5
6	Sales Shrinkage	(906)		6
7	Interstate Pipeline Charge Recovery (including adjustments)	(516)		7
8	Transportation Customer Imbalance Charges	(19,968)		8
9	Special Procurement Customer Capacity Credits	(4,119)		9
10	Net Recorded Gas Cost		33,887,267	10
11	Total Sales Conversion Therms	10,104		11
12	Sales Conversion Gas Costs Rate	<u>\$ (0.90554)</u>		12
13	Sales Conversion Gas Costs		(9,150)	13
14	Total MGC - Therms [1]	63,804,201		14
15	Monthly Gas Cost Rate	<u>\$ (0.46393)</u>		15
16	Monthly Gas Cost		(29,600,817)	16
17	Total Sales Therms	32,357,677		17
18	PGA Amortization Rate	<u>\$ 0.09755</u>		18
19	PGA Amortization		<u>3,156,351</u>	19
20	Account No. 19102238, Unrecovered Purchased Gas Costs, at March 31, 2014		<u>\$ 42,877,764</u>	20

[1] Prior month sales volume, excluding aggregation, sales conversion, optional, and procurement.

SOUTHWEST GAS CORPORATION
ARIZONA JURISDICTION
COST OF GAS DETAIL
MARCH 2014

Line No.	Description (a)	Therms (b)	Per Unit Cost (c)	Total Cost (d)	Line No.
February 2014 Actual Gas Costs					
Spot Purchases					
Indexed Price					
1	Cimarex Energy Company	84,460	\$ 0.48800	\$ 41,216	1
2	Macquarie Energy			(185)	2
3	Total Indexed Price Spot Purchases	84,460	\$ 0.48581	\$ 41,031	3
4	Total Spot Purchases	84,460	\$ 0.48581	\$ 41,031	4
Firm Purchases					
Fixed Price					
5	BNP Paribas Energy Trading	2,178,920	\$ 0.40200	\$ 875,926	5
6	Cargill Incorporated	2,520,000	0.40500	1,020,600	6
7	ConocoPhillips Company	1,960,000	0.37000	725,200	7
8	EDF Trading North America Buyers Liq Damages			(36)	8
9	EDF Trading North America	5,864,780	0.37835	2,218,930	9
10	Hydrocarbon Exchange Corp	5,600,000	0.38000	2,128,000	10
11	J. Aron & Company Buyers Liq Damages			(6,023)	11
12	J. Aron & Company	1,315,190	0.40550	533,310	12
13	Tenaska Gas Storage Buyers Liq Damages			(3)	13
14	Tenaska Gas Storage	7,783,970	0.40379	3,143,127	14
15	BNP Paribas Energy Trading Reversing Liq Damages			590	15
16	Total Fixed Price Firm Purchases	27,222,860	\$ 0.39083	\$ 10,639,621	16
Indexed Price					
17	BP Energy Company			\$ (16,400)	17
18	BP Energy Company Demand Charge			1,484	18
19	BP Energy Company	7,583,940	0.78725	5,970,493	19
20	BP Energy Company Demand Charge			44,800	20
21	Cargill Incorporated	787,390	1.26734	997,889	21
22	Cargill Incorporated Demand Charge			3,692	22
23	Castleton Commodities Demand Charge			2,800	23
24	Chevron Natural Gas Demand Charge			2,058	24
25	ConocoPhillips Company	6,665,120	0.70326	4,687,285	25
26	ConocoPhillips Company Demand Charge			29,889	26
27	Dacott Industries	29,420	0.64700	19,035	27
28	EDF Trading North America Demand Charge			7,000	28
29	Hydrocarbon Exchange Corp	1,568,000	0.48802	765,212	29
30	Iberdola Energy Services	200,000	0.77250	154,500	30
31	Iberdola Energy Services Demand Charge			28,000	31
32	Macquarie Energy	1,922,020	0.48900	939,868	32
33	Pacific Summit Energy Demand Charge			56,000	33
34	Tenaska Gas Storage	3,919,990	0.48700	1,909,035	34
35	Tenaska Marketing Ventures	2,691,610	0.75621	2,035,429	35
36	TWPL Alert Day Penalty (12/13)	71,850	0.44569	32,023	36
37	TWPL Alert Day Penalty (11/13)	19,420	0.33217	6,451	37
38	Special Procurement Purchases	(815,219)	1.13043	(921,550)	38
39	Optional/Bypass	(263,462)	0.90607	(238,715)	39
40	Total Indexed Price Firm Purchases	24,380,079	\$ 0.67745	\$ 16,516,278	40
Fixed-for-Float Index Swap					
41	Wells Fargo [1]			\$ (256,368)	41
42	Wells Fargo [2]			(77,823)	42
43	Wells Fargo [3]			(101,052)	43

SOUTHWEST GAS CORPORATION
ARIZONA JURISDICTION
COST OF GAS DETAIL
MARCH 2014

Line No.	Description (a)	Therms (b)	Per Unit Cost (c)	Total Cost (d)	Line No.
44	Citigroup Energy [4]			\$ (125,440)	44
45	Canadian Imperial Bank [5]			(254,982)	45
46	Total Fixed-for-Float Index Swap			\$ (815,665)	46
47	Total Firm Purchases	51,602,939	\$ 0.51044	\$ 26,340,233	47
48	Total Gas Purchases	51,687,399	\$ 0.51040	\$ 26,381,264	48
Transportation Charges					
49	EPNG Firm Reservation FT28M000			\$ 1,604,809	49
50	EPNG Firm Reservation FT33N000			2,395,019	50
51	EPNG Firm Reservation FT36Q000			232,049	51
52	EPNG Firm Reservation FT37R000			62,749	52
53	EPNG Firm Reservation FT3AU000			247,153	53
54	EPNG Firm Reservation H3227000			1,699,570	54
55	Total EPNG Reservation Charges			\$ 6,241,349	55
56	EPNG Base Usage			\$ 151,601	56
57	EPNG ACA			6,113	57
58	EPNG Scheduling Penalty NC (Hourly)			569	58
59	EPNG Int Hourly Swing			1,632	59
60	TWPL Base Usage			3,068	60
61	TWPL Firm Reservation			1,155,000	61
62	TWPL ACA			260	62
63	TWPL Alert Day Penalty			(38,474)	63
64	TWPL Capacity Release			(22,400)	64
65	TWPL Capacity Release True-Up-BP Energy			(24,829)	65
66	Enstor Monthly Storage			105,000	66
67	Total Transportation Charges			\$ 7,578,889	67
68	Total Gas Costs	51,687,399	\$ 0.65703	\$ 33,960,153	68

[1] Contract for 14,000 dth/day x 28 days = 392,000 dth. Contract price of \$4.2160/dth less index price of \$4.8700, settlement price of \$(.6540), (392,000 x \$(.6540) = \$(256,368)). The physical firm index purchase is matched to Line No. 34 Tenaska Gas Storage.

[2] Contract for 2,600 dth/day x 28 days = 72,800 dth. Contract price of \$3.8110/dth less index price of \$4.8800, settlement price of \$(1.0690), (72,800 x \$(1.0690) = \$(77,823)). The physical firm index purchase is matched to Line No. 29 Hydrocarbon Exchange Corp.

[3] Contract for 3,000 dth/day x 28 days = 84,000 dth. Contract price of \$3.6770/dth less index price of \$4.8800, settlement price of \$(1.2030), (84,000 x \$(1.2030) = \$(101,052)). The physical firm index purchase is matched to Line No. 29 Hydrocarbon Exchange Corp.

[4] Contract for 7,000 dth/day x 28 days = 196,000 dth. Contract price of \$4.2400/dth less index price of \$4.8800, settlement price of \$(.6400), (196,000 x \$(.6400) = \$(125,440)). The physical firm index purchase is matched to Line No. 32 Macquarie Energy.

[5] Contract for 7,800 dth/day x 28 days = 218,400 dth. Contract price of \$3.7025/dth less index price of \$4.8700, settlement price of \$(1.1675), (218,400 x \$(1.1675) = \$(254,982)). The physical firm index purchase is matched to Line No. 19 BP Energy Company.

**SOUTHWEST GAS CORPORATION
ARIZONA JURISDICTION
EL PASO NATURAL PIPELINE COMPANY
INTERSTATE PIPELINE CHARGES AND PENALTIES
TRANSPORTATION CUSTOMER RESPONSIBILITY
MARCH 2014
FEBRUARY 2014 ACTUAL GAS COSTS**

Line No.	Description (a)	Total Charge (b)	Line No.
1	Interruptible Hourly Swing (IHSW)	\$ 469	1
2	Maximum Daily Obligation (MDO)	0	2
3	Maximum Hourly Obligation (MHO)	0	3
4	Daily Authorized Overrun	0	4
5	Daily Unauthorized Overrun	0	5
6	Hourly Scheduling Penalty	46	6
7	Critical Operating Condition (COC)	0	7
8	Strained Operating Condition (SOC)	0	8
9	Total Penalties	<u>\$ 516</u>	9

**SOUTHWEST GAS CORPORATION
ARIZONA JURISDICTION
PGA ROLLING AVERAGE CALCULATIONS
MAY 2014**

Line No.	Acct. Month	Commodity Cost (b)	Transportation Cost (c)	Interest (d)	Total (e)	Purchased Volumes (f)	Cost Per Therm Purchased (g)	Monthly Sales (h)	Total Cost (i)	Twelve Months Ending Sales (j)	Monthly Cost Per Therm Sold (k)	Total Cost 12-Month Rolling Average (l)	Effective Monthly Gas Cost Rate (m)	Line No.
1	Mar-13	29,784,571	7,165,164	(3,540)	36,946,195	84,230,259	0.43863	85,072,297	232,438,452	517,811,760	0.43429	0.44889	0.44889	1
2	Apr-13	17,802,164	6,646,900	(2,558)	24,446,506	45,572,236	0.53643	68,538,680	230,611,591	525,613,492	0.35668	0.43875	0.43875	2
3	May-13	13,513,498	2,364,227	(2,056)	15,875,669	35,436,584	0.44800	37,063,763	236,789,207	521,415,519	0.42833	0.45413	0.45413	3
4	Jun-13	10,446,390	2,109,240	(1,797)	12,553,833	27,909,540	0.44980	30,042,376	239,463,256	521,838,084	0.41787	0.45888	0.45888	4
5	Jul-13	8,106,844	2,022,833	(1,863)	10,127,814	21,523,383	0.47055	25,467,266	240,335,904	521,267,546	0.39768	0.46106	0.46106	5
6	Aug-13	7,863,792	2,128,464	(1,457)	9,990,799	22,897,402	0.43633	22,305,309	242,412,070	521,490,473	0.44791	0.46484	0.46484	6
7	Sep-13	6,439,388	2,122,599	(1,359)	8,560,628	19,278,336	0.44405	21,458,404	241,750,929	521,755,143	0.39894	0.46334	0.46334	7
8	Oct-13	7,686,435	2,120,564	(1,165)	9,805,834	23,007,978	0.42619	21,830,467	242,938,088	522,128,213	0.44918	0.46528	0.46528	8
9	Nov-13	10,897,426	2,441,770	(973)	13,338,223	32,016,607	0.41660	25,392,589	244,540,439	524,362,217	0.52528	0.46636	0.46636	9
10	Dec-13	14,407,355	6,672,772	(589)	21,079,538	38,759,976	0.54385	33,003,924	244,081,880	525,562,794	0.63870	0.46442	0.46442	10
11	Jan-14	37,088,630	8,309,389	343	45,398,362	86,662,073	0.52386	64,650,844	254,200,517	539,813,077	0.70221	0.47090	0.47090	11
12	Feb-14	33,667,475	8,636,568	2,494	42,306,537	80,733,413	0.52403	86,709,418	250,429,938	521,535,337	0.48791	0.48018	0.48018	12
13	Mar-14	26,381,264	7,574,770	3,544	33,959,578	51,687,399	0.65702	63,804,201	247,443,321	500,267,241	0.53225	0.49462	0.49462	13
14												Commodity Cost 12-Month Rolling Average	\$ 0.49462	14
15												Lowest PGA Rate in Previous 12 Months	0.43875	15
16												Highest PGA Rate in Previous 12 Months	0.48018	16
17												Maximum Rate Possible	0.58875	17
18												Minimum Rate Possible	0.33018	18
19												Monthly Gas Cost for May 2014	<u>\$ 0.49462</u>	19

**SOUTHWEST GAS CORPORATION
ARIZONA JURISDICTION
MARCH 2014**

Line No.	Description (a)	Totals (b)	Line No.
Sales (Therms)			
1	Residential	40,083,428	1
2	Commercial	22,273,257	2
3	Industrial	1,072,936	3
4	Irrigation/Water Pumping	374,550	4
5	Other	30	5
6	Total Sales (Therms)	63,804,201	6
Sales (Dollars)			
7	Residential	\$ 65,763,913	7
8	Commercial	21,564,126	8
9	Industrial	808,150	9
10	Irrigation/Water Pumping	227,744	10
11	Other	18	11
12	Total Sales (Dollars)	\$ 88,363,951	12
Number of Customers			
13	Residential	981,307	13
14	Commercial	39,722	14
15	Industrial	233	15
16	Irrigation/Water Pumping	323	16
17	Other	1	17
18	Total Customers	1,021,586	18

**SOUTHWEST GAS CORPORATION
ARIZONA JURISDICTION
MEAN AND MEDIAN USAGE LEVELS
FOR G-5 AND G-10 RATE SCHEDULES
MARCH 2014**

Line No.	Accounting Month (a)	Residential Single Family G-5		LIRA Residential Single Family G-10		Line No.
		Mean (b)	Median (c)	Mean (d)	Median (e)	
1	April-13	48	39	46	40	1
2	May-13	19	14	18	16	2
3	June-13	14	11	14	12	3
4	July-13	11	9	11	10	4
5	August-13	9	7	9	8	5
6	September-13	9	7	9	8	6
7	October-13	11	9	11	9	7
8	November-13	18	13	18	15	8
9	December-13	41	33	39	32	9
10	January-14	60	52	56	50	10
11	February-14	42	35	40	35	11
12	March-14	25	19	25	21	12
13		<u>307</u>	<u>248</u>	<u>296</u>	<u>256</u>	13

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

Monthly Gas Cost
Sheet 8 of 9

Canceling 65th Revised A.C.C. Sheet No. 13
64th Revised A.C.C. Sheet No. 13

STATEMENT OF RATES
EFFECTIVE SALES RATES APPLICABLE TO ARIZONA SCHEDULES ^{1/2/}
(Continued)

Description	Delivery Charge	^{3/} Rate Adjustment	Monthly Gas Cost	Currently Effective Tariff Rate
<u>G-80 - Natural Gas Engine ^{6/} Water Pumping Gas Service</u>				
Basic Service Charge per Month:				
Off-Peak Season (October-March)	\$.00			\$.00
Peak Season (April-September)	\$ 125.00			\$ 125.00
Commodity Charge per Therm:				
All Usage	\$.22085	\$.01254	\$.47172	\$.70491

1/ All charges are subject to adjustment for any applicable taxes or governmental impositions.

2/ Customers taking transportation service will pay the Basic Service Charge, the Commodity Charge per Therm less the Monthly Gas Cost, and Demand Charge, if applicable, of the Currently Effective Tariff Rate for each meter included in the transportation service agreement, plus an amount of \$.00344 per therm for distribution shrinkage as defined in Rule No. 1 of this Arizona Gas Tariff. The shrinkage charge shall be updated annually effective May 1. 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.

Issued On March 28, 2014
Docket No. G-01551A-01-0060

Issued by
Justin Lee Brown
Vice President

Effective April 1, 2014
Decision No. 63598

STATEMENT OF RATES
EFFECTIVE SALES RATES APPLICABLE TO ARIZONA SCHEDULES ^{1/2/}
(Continued)

3/ The Rate Adjustment applicable to each tariff rate schedule includes the following components.

Description	G-5, G-6	G-10, G-11	G-15	G-20	Adjustment Date
Low Income Ratepayer Assistance	\$ 0.00941	n/a	n/a	\$ 0.00941	1st Billing Cycle in May
Demand Side Management	0.01000	\$ 0.00200	\$ 0.01000	0.01000	1st Billing Cycle in April
Gas Research Fund	0.00036	0.00036	0.00036	0.00036	1st Billing Cycle in May
Department of Transportation	0.00117	0.00117	0.00117	0.00117	1st Billing Cycle in March
Gas Cost Balancing Account	0.00000	0.00000	0.00000	0.00000	Per Commission Order
COYL Cost Recovery	0.00101	n/a	0.00101	0.00101	Per Commission Order
EEP	(0.00387)	(0.00387)	n/a	n/a	Per Commission Order
Total Rate Adjustment	\$ 0.01808	\$ (0.00034)	\$ 0.01254	\$ 0.02195	

Description	G-25S, G-25M, G-25-L1, G-25-L2	G-25TE, G-40, G-45, G-55, G-60, G-75	G-80	G-30, SB-1, Special Contracts	Adjustment Date
Low Income Ratepayer Assistance	n/a	n/a	n/a	n/a	1st Billing Cycle in May
Demand Side Management	\$ 0.01000	\$ 0.01000	\$ 0.01000	n/a	1st Billing Cycle in April
Gas Research Fund	0.00036	0.00036	0.00036	n/a	1st Billing Cycle in May
Department of Transportation	0.00117	0.00117	0.00117	\$ 0.00117	1st Billing Cycle in March
Gas Cost Balancing Account	0.00000	0.00000	n/a	n/a	Per Commission Order
COYL Cost Recovery	0.00101	0.00101	0.00101	n/a	Per Commission Order
EEP	(0.00387)	n/a	n/a	n/a	Per Commission Order
Total Rate Adjustment	\$ 0.00867	\$ 0.01254	\$ 0.01254	\$ 0.00117	

4/ The total monthly demand charge is equal to the unit rate shown multiplied by the customer's billing determinant.

5/ The charges for Schedule No. G-55 are subject to adjustment for applicable state and federal taxes on fuel used in motor vehicles.

6/ The gas cost for this rate schedule shall be updated seasonally, April 1 and October 1 of each year.

Issued On March 28, 2014
Docket No. G-01551A-14-0027

Issued by
Justin Lee Brown
Vice President

Effective April 1, 2014
Decision No. 74409

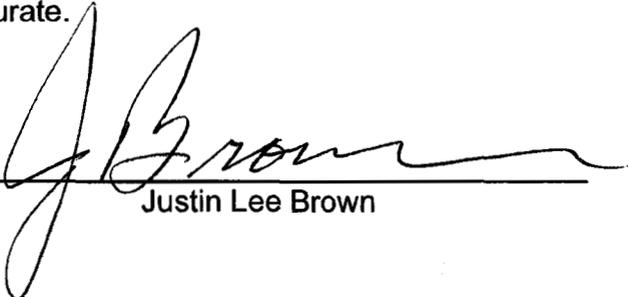
**AFFIDAVIT IN SUPPORT OF
PURCHASED GAS ADJUSTOR REPORT**

STATE OF NEVADA)
) ss.
COUNTY OF CLARK)

The undersigned, being first duly sworn, deposes and says that he has been informed and is competent to testify to the following:

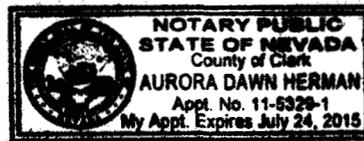
1. I am an officer of Southwest Gas Corporation, and my present position is Vice President/Regulatory Affairs.

2. I have reviewed the tariff sheets and supporting schedules reflecting revised rates effective May 1, 2014, and I am informed and believe that the information contained therein is true and accurate.


Justin Lee Brown

SUBSCRIBED and SWORN to before me this 24th day of April, 2014.


Notary Public in and for said
County and State



**ARIZONA MONTHLY GAS COST
GLOSSARY**

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

“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.

“Buyers Liquidated Damage” or “Buy Liquid Damage” or “Buyers Liq Damage” – The amount of contractual damages due to the Buyer (i.e. Southwest Gas Corporation) when a seller fails to meet a firm obligation.

“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

“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

“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. An “NC” designation indicates non-critical.

“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 sales gas cost, excluding aggregation, sales conversion, optional and procurement.

“Monthly Gas Cost Rate” – The Monthly Gas Cost (MGC) rate for schedules covered by this provision includes the sum of the rolling twelve-month average purchased gas (PGA) rate plus the Gas Cost Balancing Adjustment, if applicable.

“PGA Amortization” – The Utility establishes and maintains a Gas Cost Balancing Account, if necessary, 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 schedules except for Schedule Nos. G-30 and G-80 of the Arizona Gas Tariff.

“PGA Amortization Rate” – The authorized rate to maintain a Gas Cost Balancing Account.

“Purchased 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.

“Reverse Liquidated Damage” or “Rev Liquid Damage” or “Rev Lig Damage” – An accounting entry reversing erroneously assessed liquidated damages.

“Sales Conversion Gas Cost” – Total cost of gas for Sales Conversion customers. Transportation customers who switch to sales Service 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:

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 Cost Rate” – Gas Cost Rate for Sales Conversion customers.

“Sales Shrinkage” – The cost of the gas volumes lost, unaccounted for, or used as fuel in the transportation process and represented by the differential between the cost of gas on a sales basis and the cost of gas on a purchased basis charged to sales customers.

“Sellers Liquidated Damage” or “Sell Liquid Damage” or “Sellers Lig Damage” – The amount of contractual damages due to the Seller (i.e. Southwest Gas Corporation’s natural gas supplier) when a Southwest Gas Corporation fails to meet a firm obligation.

“Special Procurement Customer Capacity Credits” – Contracted capacity used 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

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

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

“Total Sales Therms” – Total Volumes sold to sales customers.

“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” – Gas Cost Balancing – For customers converting from sales service to transportation 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. Transportation Distribution Shrinkage – The cost of gas volumes lost, unaccounted for, or used as company fuel in the transportation process and represented by the differential between the cost of gas on a sales basis and cost of gas on a purchased basis charged to transportation customers.

“TWPL” – Transwestern Pipeline Company, LLC.

EXHIBIT B

**SOUTHWEST GAS CORPORATION
ARIZONA JURISDICTION
COMPUTATION OF GAS COST BALANCING
ACCOUNT ADJUSTMENT**

Line No.	Description (a)	Rate Per Therm (b)	Amount (c)	Line No.
1	Account No. 191 Balance as of March 31, 2014		\$ 42,877,764	1
2	Sales Volumes for 12 months (Therms) [1]		467,489,933	2
	<u>Account No. 191</u>			
	Gas Cost Balancing Account Adjustment if the balance is collected over 12 months			
3	(Line 1 / Line 2)	\$ 0.09172		3
4	Currently Effective Gas Cost Balancing Account Adjustment	\$ -		4
5	Annual Increase/(Decrease) in Gas Cost Balancing Account Adjustment	<u>\$ 0.09172</u>	<u>\$ 42,878,177</u>	5

[1] Based on actual sales excluding Transportation, Optional and G-80 for the 12 months ended March 31, 2014.

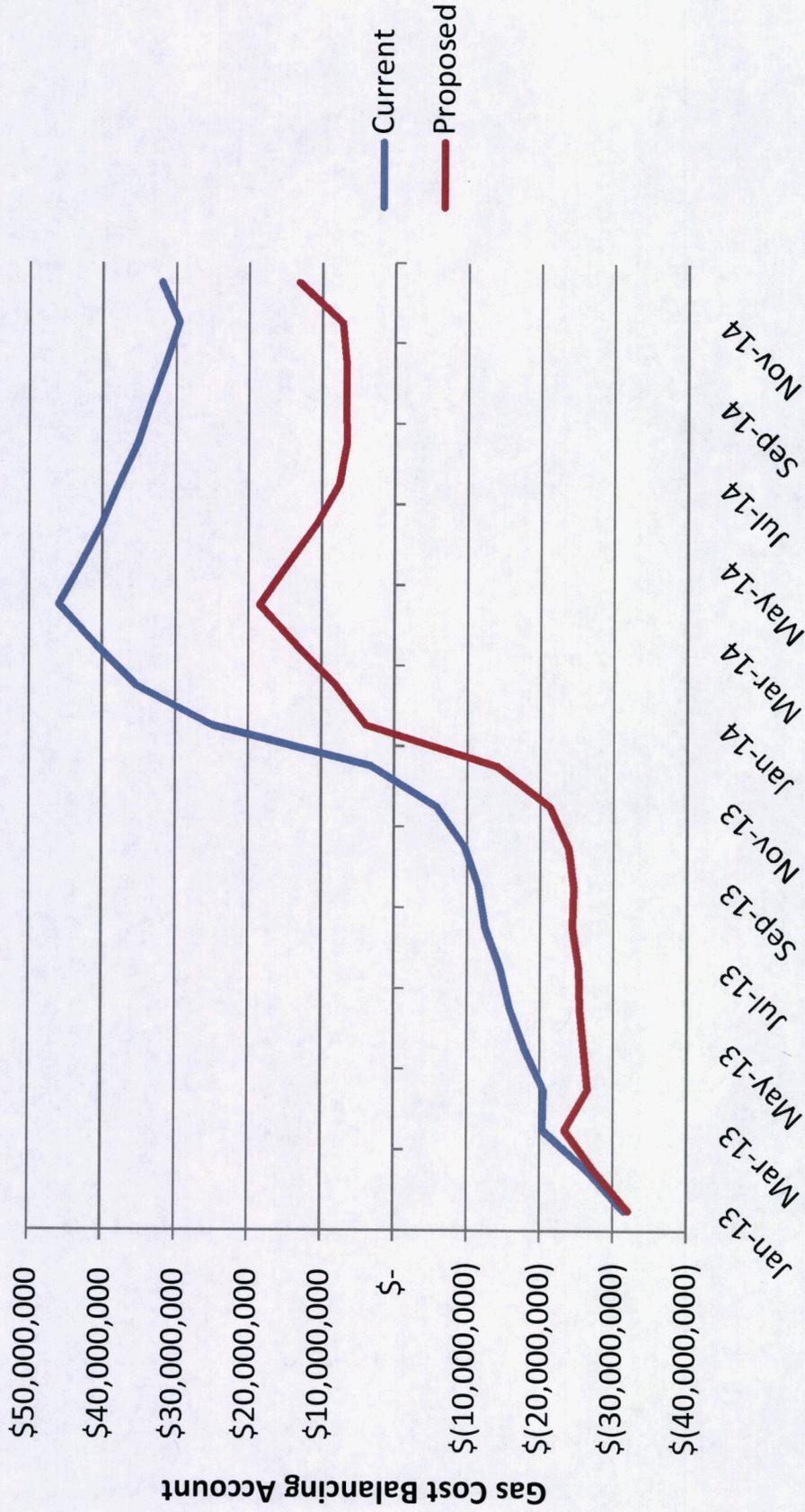
EXHIBIT C

Gas Cost Balancing Account Adjustment Example

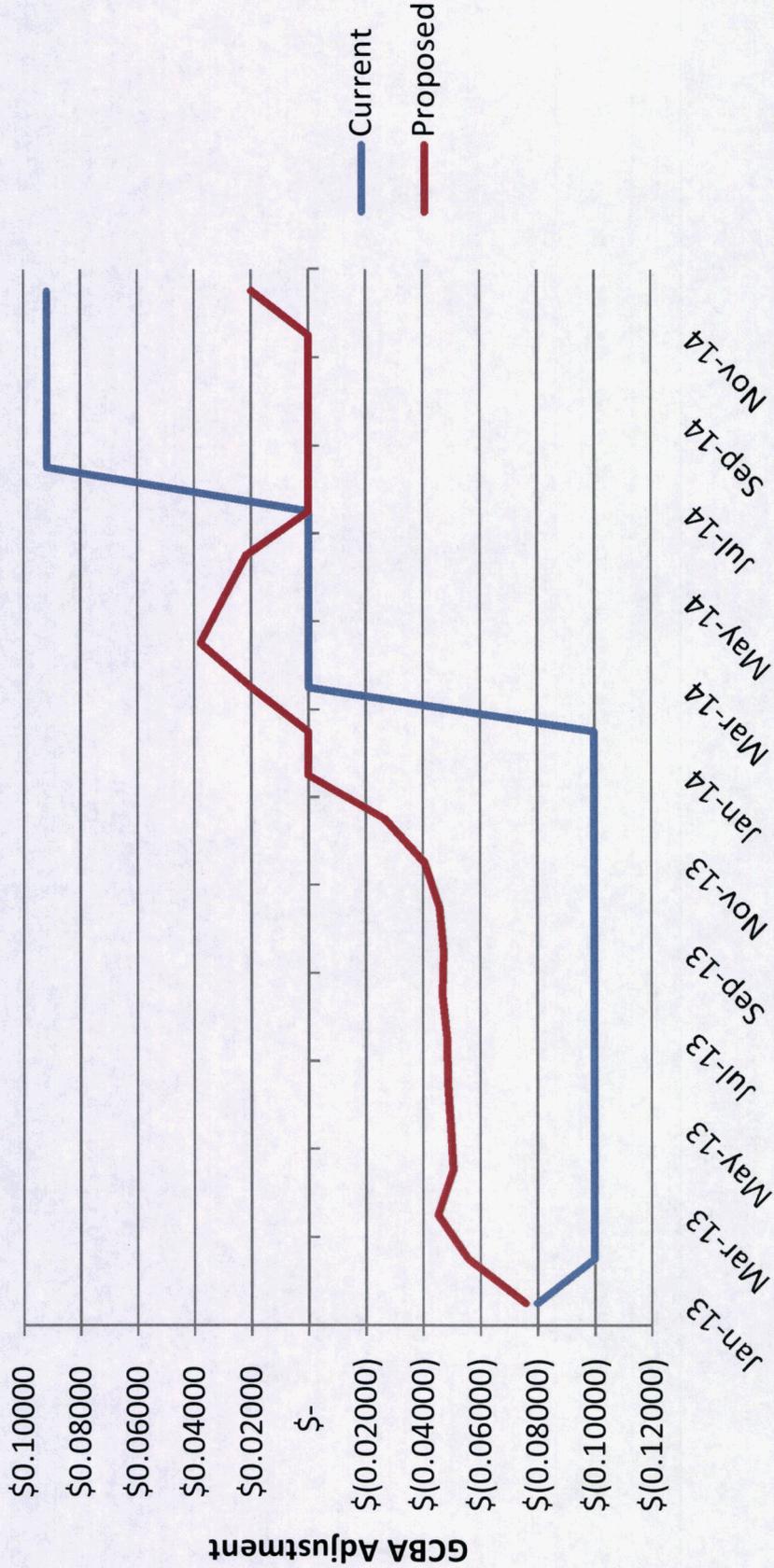
- Month 1 GCBA balance is a credit of \$7 million, the GCBA Adjustment would be zero
- Month 2 GCBA balance is a credit of \$11 million and the PGA volumes are 550,000,000 therms, the GCBA Adjustment would be equal to \$(0.02000) per therm [minus \$11 million divided by 550,000,000 therms]
- Month 3 GCBA balance is a credit of \$16 million and the PGA volumes are 500,000,000 therms, the GCBA Adjustment would be equal to \$(0.03200) [minus \$16 million divided by 500,000,000 therms]
- Month 4 GCBA balance is a debit of \$6 million, the GCBA Adjustment would be zero

EXHIBIT D

Gas Cost Balancing Account Balance



Gas Cost Balancing Account Rate



Monthly Gas Cost Rate

