

NEW APPLICATION
ORIGINAL



0000013110



SOUTHWEST GAS CORPORATION

November 8, 2004

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

G-01551A-04-0807

**Re: Application for Pre-Approval of Cost Recovery for Participation
in the Line No. 1903 Project**

Southwest Gas Corporation (Southwest) herewith submits for filing an original and thirteen (13) copies of its Application for Pre-Approval of Cost Recovery for Participation in the Line No. 1903 Project.

Respectfully submitted,

Debra Jacobson
Director, Government/State Regulatory Affairs

Enclosure

Arizona Corporation Commission

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AZ CORP COMMISSION
DOCUMENT CONTROL

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SOUTHWEST GAS CORPORATION

William N. Moody, Vice President/Gas Resources

November 8, 2004

Arizona Corporation Commission
Attention: Docket Control
1200 West Washington Street
Phoenix, Arizona 85007

Re: **Application for Pre-Approval of Cost Recovery for Participation
in the Line No. 1903 Project**

Dear Commissioners:

For the reasons that follow, Southwest Gas Corporation ("Southwest") respectfully applies for Commission pre-approval of the cost recovery proposed in this filing.

Executive Summary

Southwest was allocated "Block II" capacity with San Juan basin receipt rights and Topock delivery rights on the El Paso Pipeline. The allocation was part of the FERC mandated conversion of full requirement shippers to CD (contract demand) service in September 2003. However, Southwest cannot reliably use this capacity on a primary delivery point basis to unconditionally schedule San Juan supplies to its Arizona sales customers. To gain primary delivery point rights to Phoenix, Southwest has conditionally contracted with El Paso Gas Company ("El Paso") for capacity associated with its Line No. 1903 Project ("Line 1903" or "Project"). While this project does not provide Southwest with any incremental mainline capacity to a supply source, it moves the delivery point rights for Southwest's allocated San Juan Block II capacity from Topock to Phoenix. El Paso has proposed rolled-in rate treatment for the Line 1903 Project at California Zone rates. In this filing, Southwest is seeking pre-approval from the Commission for costs associated with its participation in the Project. Further, this completes the conversion of full requirements service to reliable CD service

Background and Purpose

The Commission, on December 18, 2003, issued its Policy Statement Regarding New Natural Gas Pipeline and Storage Costs. In that policy statement, the Commission determined that the need for the development of new gas infrastructure in Arizona was essential to reliably serve the current and growing energy needs of the State of Arizona. In fact, the Commission's recognition of the current need warranted considering pre-approving cost recovery for utilities and the adoption of alternative cost recovery methods. Pursuant to this policy statement, Southwest files this application for pre-approval of cost recovery related to its participation in the Line 1903 Project. Southwest proposes to recover these costs through the existing Purchase Gas Adjustment ("PGA") mechanism. Southwest believes the facts and circumstances outlined in this application support the Commission's pre-approval of cost



recovery by demonstrating that Southwest's participation in this infrastructure project will accomplish several of the objectives specified in the policy statement.

As part of the September 1, 2003 conversion from full requirements to CD service on El Paso (FERC Docket No, RP00-336), Southwest was allocated Block II capacity with San Juan and Permian receipt point rights. All Block II capacity had primary delivery rights to the California border near Topock. Upon request, El Paso was able to relocate primary delivery rights for Block II capacity with Permian receipts to Arizona. However, El Paso was unable to relocate the primary delivery rights for Block II capacity with San Juan receipt rights to Southwest's traditional Arizona service areas due to constraints on its north-to-south crossover lines. By executing the TSA (Transportation Service Agreement) for service on Line 1903, Southwest would acquire primary delivery point rights to Phoenix for its San Juan to Topock Block II capacity. Since converting to CD service Southwest has only been able to utilize this capacity using alternate delivery points to the Phoenix area. However, alternate service has a lower priority than primary service and is therefore less reliable. This project will provide for the last step completing the conversion from full requirements to CD service, making all of Southwest delivery point rights "primary" to Southwest's city gates.

The Line 1903 Project will not increase the quantity of gas that Southwest can schedule from El Paso; it will simply move the primary delivery point of Southwest's San Juan Block II capacity from Topock to Phoenix. Southwest will then be able to reliably use this capacity on a primary delivery basis thus increasing reliable San Juan delivery service to its Arizona sales customers. Table 1 provides a summary of Southwest's current Arizona capacity on El Paso.

**Table 1 - Annual Average El Paso Pipeline Capacity
Net Dth per Day Delivered at City Gate**

Description	Monthly Average [a]	% of Total
Pre-conversion [b]	171,811	36%
Line 2000	70,158	15%
Power-Up Project	97,612	20%
Block I	1,967	0%
Block II (San Juan) [c]	75,548	16%
Block II (Permian)	59,862	12%
Block III	2,982	1%
Total	479,940	100%

[a] Volumes vary by month. This represents the average monthly volume from Jan - Dec.

[b] Based upon capacity available prior to conversion from full requirements service.

[c] Monthly capacity levels are available in Exhibit B as part of the TSA.

The primary flow path for this service would begin in the San Juan basin and extend west along El Paso's North System to Topock, continue west along the Mojave pipeline to the new Line 1903 interconnect at Cadiz, then southward down Line 1903 to Ehrenberg, and finally east on El Paso's South System to Phoenix. In addition, by segmenting this path



pursuant to FERC Order 637, Southwest could receive gas supplies at the California border for delivery to Phoenix on a primary basis. Further, Southwest would have the capability of receiving supplies from Kern River using Flow Path Secondary rights from Daggett.

General Description of Project

The Project represents an addition to El Paso Pipeline Company's interstate transmission pipeline system. In 2000, a subsidiary of El Paso purchased a 1,088 mile 30-inch diameter crude oil transmission pipeline which extends from McCamey, Texas to a point near Bakersfield, California. In November 2002, El Paso placed the segment of this pipeline extending from Texas to the California border near Ehrenberg, now known as Line No. 2000, into natural gas service (FERC Docket No. CP00-422-000 and -001). The Line 1903 project will place into service approximately 88 additional miles of this pipeline which extends from the terminus of Line 2000 near Ehrenberg to a point near Daggett, California. El Paso anticipates the in-service date for the Project to be January 1, 2006. A map depicting the Project is attached as "Exhibit A."

The Project will integrate existing facilities owned and operated by El Paso, Mojave, and Kern River and will entail: 1) the acquisition by El Paso of firm capacity on the Mojave system; 2) the construction of a new interconnect at a point between Mojave and Line 1903; 3) the modification of certain plant yard piping at the existing Kern River compressor station located at the Daggett point in order to permit the capability to flow gas east from Daggett into Mojave; and 4) the conversion of Line 1903 to natural gas service.

El Paso estimates the cost of converting 88 miles of Line 1903 (including earlier acquisition and cleaning costs) and construction of approximately 6.4 miles of interconnecting pipelines to be approximately \$73.6 million. Moreover, El Paso will provide a contribution in aid of construction to Mojave for the necessary expenditures at the Kern River Daggett interconnect. The annual cost for El Paso to acquire capacity on the Mojave system will be approximately \$17.9 million. When the Project is implemented, however, El Paso will continue to charge its existing Part 284 rates for transportation. El Paso proposes to roll-in the costs of the Project (inclusive of the cost of acquiring Mojave capacity and the cost of the Kern River compression plant yard piping facilities) in its future rate proceedings. Per the 1996 rate case settlement, El Paso is required to file a general rate case to be effective January 1, 2006.

As proposed, the Project will provide approximately 502,000 Mcf/day of north/south capacity to the point of interconnection with El Paso's South System near Ehrenberg. The project will permit transportation of up to approximately 189,438 Mcf/day of Rocky Mountain supplies received from Kern River at Daggett via the Mojave system and through Line 1903, the receipt of up to 182,106 Mcf/day of San Juan Basin supplies via the North System through acquired capacity on Mojave, and approximately 130,456 Mcf/day of average annual capacity available to mitigate north-to-south displacement



concerns. Further details about the scope and nature of the Project are available in El Paso's application for a certificate of public convenience and necessity, filed with the FERC as Docket No CP05-2-000.

Benefits of Line 1903 to Southwest and other Arizona shippers

Line 1903 provides benefits to Southwest and other Arizona Shippers. The primary benefit to Southwest is the increased reliability of the allocated Block II capacity with San Juan receipt point rights emanating from primary delivery point rights to Phoenix. As discussed above, currently this capacity is only available to Southwest's central and southern Arizona customers by using alternate delivery points which have lower scheduling priority than primary points.

Southwest and other Arizona shippers on El Paso will also benefit from having an additional north-to-south crossover. Another crossover lessens the dependence on displacement volumes from south-to-north which El Paso has asserted may not always be available in the future. According to El Paso, in the highest winter month, the system relies upon roughly 205,780 Mcf/d of supplies flowing south-to-north to "displace" or offset contractual north-to-south path rights. The Project will make available approximately 130,456 Mcf/d of average annual north/south capacity to mitigate north-to-south displacement concerns.

The Line 1903 Project also provides participating Arizona shippers direct access to supplies from the Rocky Mountains via Kern River Pipeline. In the future, the Project may provide access to California storage services and proposed off-shore LNG supplies. Environmentally, the Project should have minimal impact to California and no impact to Arizona.

Contract Terms

On August 16, 2004, Southwest entered into a Precedent Agreement ("Agreement") with El Paso which establishes conditions and prerequisites for Southwest to participate in the Project. If the conditions and prerequisites are met, Southwest would enter into a ten-year firm "TSA" with El Paso. Southwest anticipates initiating the TSA on the Project's scheduled in-service date of January 1, 2006. A copy of the Agreement is attached as "Exhibit B".

El Paso proposes to roll-in the cost of the Project in its next general rate case. Presuming the zone-rate structure is preserved in the upcoming El Paso rate case, service associated with Line 1903 will be the lesser of the FT-1 tariff rate for the California zone or a monthly reservation charge of \$9.39 per dekatherm ("2004 Base Discount Rate") plus an additional usage charge, both of which escalate annually. This would be the only El Paso capacity held by Southwest to serve Arizona customers charged at a rate other than the Arizona zone rate. The essence of this application is to seek pre-approval for the cost recovery of these California zone rates. Currently, monthly reservation rates for FT-1 service for California and Arizona are \$9.39 and \$7.90 per dekatherm, respectively.



However, at this time, it cannot be determined how these rates will change as a result of the upcoming rate case. Fuel and variable charges will continue to be assessed as defined in El Paso's tariff. There will be no rate impact to Southwest until the Project is placed into service on or about January 1, 2006.

Time Line

Southwest respectfully requests a final decision from the Commission by March 1, 2005. Pursuant to the terms of the Agreement, Southwest and El Paso have the right to terminate the Agreement if Commission pre-approval is not granted in a timely manner.

Recommended Rate Treatment

The cost of current interstate pipeline capacity charges are recovered from Southwest's customers through its PGA mechanism, which Southwest files monthly with the Commission Staff. The mechanism is adjusted monthly to reflect the most recent 12-month rolling average of gas costs, subject to a floor and ceiling that limit the change in any one month. Like other transmission costs, Southwest recommends recovering Project costs contemporaneously with their incurrence, through the monthly PGA mechanism. The use of the existing PGA mechanism will not require the development and implementation of any new ratemaking methodology or mechanism.

Based on the current difference between California and Arizona Zone Rates, the estimated incremental fixed cost to Southwest would be \$1.4 million annually ($\$9.39 - \$7.90 \times 75,548 \text{ Dth} \times 12 \text{ months}$). For Southwest's Arizona service area, the total cost of capacity and gas supplies for the 2003/04 gas year is estimated to be \$386 million. Based on the estimated incremental reservation cost of \$1.4 million, the addition of the Line 1903 Project represents an overall gas cost increase of less than one percent. As demand for gas increases in Arizona, and assuming gas costs remain at current levels, the cost for the Project would represent a diminishing portion of the overall supply portfolio costs.

For the 12-month period ended September 2004, Southwest's sales volume was approximately 566 million therms. Recovery of the estimated \$1.4 million in reservation charges for the proposed participation in the Line 1903 Project over this sales volume would increase Southwest's gas cost rate by less than one cent per therm ($\$1.4 \text{ million} \div 566 \text{ million therms} = \$.002/\text{therm}$). A residential customer that consumes the average of 344 therms annually would pay an additional \$0.69 per year for the Project participation.

Conclusion and Requested Commission Action

Southwest has conditionally contracted with El Paso for capacity on the Line 1903 Project to increase the reliability of accessing San Juan supplies through use of its FERC allocated Block II capacity. Southwest believes this agreement benefits its customers and the State of Arizona. Southwest's action to obtain Line 1903 Project capacity was a result of reasoned and thoughtful judgment that balanced the cost of the acquisition with the benefits to be derived from it. The commission is urged to conclude that the



Arizona Corporation Commission
November 8, 2004
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Agreement and TSA between Southwest and El Paso, and the costs related thereto, are reasonable and prudent. Pursuant to the Commission's Policy Statement regarding New Natural Gas Pipeline and Storage Costs, Southwest respectfully requests that the Commission pre-approve recovery of these costs from Southwest's customers through its existing PGA mechanism.

Respectfully,

A handwritten signature in cursive script that reads "William N. Moody".

William N. Moody
Vice President/Gas Resources

WNM:feh
c Ernest J. Johnson

Attachments



August 24, 2004

RECEIVED

SEP 20 2004

SYSTEMS PLANNING

Mr. William Moody
Southwest Gas Corporation
5241 Spring Mountain Rd.
Las Vegas, NV 89150-0001

**Re: Precedent Agreement and Exhibit 1 Firm
Transportation Service Agreement for the
Line 1903 Expansion Project
Dated August 16, 2004**

Mr. Moody:

XX Enclosed, for execution are two (2) partially executed originals of the referenced document. **Please return one fully executed original for our records at the following address:**

El Paso Natural Gas Company
Two North Nevada
Contract Services Dept., 9th Floor
Colorado Springs, CO 80903

_____ Enclosed for your execution are two (2) originals of the referenced agreement. Please execute and date both originals and return to the address above for execution on behalf of El Paso. A fully executed original will be returned for your records.

_____ Enclosed for your records is a fully executed original of the above referenced agreement.

If you have any questions, please contact Gary Muckelroy at (719) 667-7510.

A handwritten signature in cursive script that reads "Patricia B. Saenz".

Patricia B. Saenz
Contract Services Dept.

Enclosures

Precedent Agreement
(Line 1903 Expansion Project)

This Precedent Agreement ("Agreement") is made and entered into as of the 16th day of August 2004, by and between EL PASO NATURAL GAS COMPANY, a Delaware corporation, hereinafter referred to as "Transporter," and SOUTHWEST GAS CORPORATION, a California corporation, hereinafter referred to as "Shipper" (hereinafter Transporter and Shipper may individually be referred to as "Party" and may collectively be referred to as "Parties"). In consideration for the mutual promises of the Parties, Transporter and Shipper agree as follows:

1. Open Season. Transporter held an open season ("Open Season") which ended on March 31, 2004, offering incremental gas transportation capacity of up to 440,000 Mcf/d to existing and new shippers from the Topock point, through the Mojave Pipeline Company ("Mojave") system to an interconnection of the proposed Line 1903 to the Ehrenberg point or East of California ("EOC") points ("Line 1903 Expansion Project"). Shippers with firm Transportation Service Agreements ("TSAs") on Transporter's system to Topock could amend their existing applicable TSAs to re-designate the delivery point to the Ehrenberg point or EOC points with an agreement to extend the term of the existing applicable TSAs. Shipper submitted a bid during the Open Season.
2. Line 1903 Expansion Project. Subject to the terms and conditions in Transporter's Open Season and this Agreement, Transporter shall develop and construct the Line 1903 Expansion Project. Under the Line 1903 Expansion Project, Transporter plans to convert an oil pipeline to natural gas service and to construct additional pipeline facilities.
 - a. Subject to timely execution of shipper agreements, Transporter shall file an application for a certificate of public convenience and necessity ("FERC Certificate") for the construction and operation of the Line 1903 Expansion Project with the Federal Energy Regulatory Commission ("FERC") by October 31, 2004 unless a delay is necessary to facilitate FERC's processing or review of any environmental reports (including without limit any Environmental Impact Statement or Environmental Statement).
 - b. Subject to timely receipt by Transporter of a FERC Certificate and all other necessary permits and authorizations for the construction and operation of the Line 1903 Expansion Project facilities, acceptable in Transporter's sole discretion, Transporter anticipates completing the Line 1903 Expansion Project and having it ready for service by December 31, 2005.
 - c. Transporter shall file for, support and request in the certificate proceeding for the Line 1903 Expansion Project, and Shipper agrees to file in support of, a predetermination of rolled-in rate treatment for the costs of such Line 1903 Expansion Project. Transporter shall also file for and request in its next rate case proceeding to become effective January 1, 2006, and Shipper agrees to file in support of, rolled-in rate treatment of (1) the cost of the Line 1903 facilities, (2) Transporter's cost of acquiring capacity on the Mojave system, and (3) the incremental fuel costs associated with such capacity acquired by Transporter. Shipper may not challenge the prudence of the costs associated with the Line 1903 Expansion Project unless the total costs exceed the total estimated costs as filed by Transporter in its certificate

application for the Line 1903 Expansion Project. Other than the requirements in this paragraph and Agreement, nothing herein is intended to restrict Shipper's right to argue any position in such certificate and rate proceedings.

- d. Shipper requires that a firm path be established for the transportation service rendered pursuant to this Agreement: (i) from the specified San Juan Basin Receipt Points set forth on Exhibit A of Exhibit 1 of this Agreement to the interconnection between Transporter's north mainline system and Mojave Pipeline's system at Topock, (ii) along the Mojave Pipeline system to an interconnection with Transporter's south mainline system at Ehrenberg and (iii) along Transporter's south system to the Delivery Points in Arizona set forth in Exhibit A of Exhibit 1 to this Agreement. To obtain the path for (ii), in the certificate application for the Line 1903 Expansion Project, Transporter shall file and support to provide a primary path from Topock to Cadiz through Line No. 1903 to Ehrenberg. Shipper agrees to file in support of such a path. Additionally, Transporter has filed to implement the segmentation and pathing requirements of Order No. 637 in Docket No RP04-251-000 to path its mainline system and to provide limited pathing rights on delivery laterals. Transporter's current proposal in Docket No. RP04-251-000 is consistent with Shipper's path requirement. Should the FERC issue an order in Docket No. RP04-251-000, or any proceeding, disallowing the establishment of such a firm path right as well as a functional equivalent, and issue an order eliminating any functional equivalent currently in effect, this Agreement will continue in effect and Transporter and Shipper agree to meet immediately thereafter to renegotiate its terms. Should the renegotiation not result in a resolution acceptable to Shipper, Shipper may terminate this Agreement and the Line 1903 TSA one (1) month after providing written notice to Transporter. Should the Commission issue an order in the Docket No. RP04-251-000, or any other proceeding, establishing a firm path right or its functional equivalent or not issue an order eliminating any functional equivalent currently in effect, this Agreement will continue in effect and the provisions of this paragraph 2(d) shall have no further effect.
- e. Transporter originally contemplated an interconnect with Line No. 1903 at the Daggett point on the Mojave Pipeline System such that Shipper could have a primary path including Topock to Daggett to Line No. 1903. Shipper was interested in this path, in part, to obtain Flow Path Secondary ("FPS") rights at Daggett. Transporter, however, has determined that it would be more efficient to interconnect with the Mojave Pipeline System to Line No. 1903 by constructing a new line between Mojave and Line No. 1903 at Cadiz, California. To provide Shipper with some of the benefits as originally contemplated, Transporter shall file with its certificate application to construct, own, operate and maintain its Line No. 1903 facilities, tariff sheets to provide FPS rights at Daggett for shippers holding a primary path from Topock to Cadiz to Line No.1903 to Ehrenberg. Shipper agrees to support such a filing.
3. TSAs. Unless otherwise mutually agreed, within fifteen (15) days of Shipper's receipt of notice from Transporter that the conditions described in subparagraphs 4.a. through 4.d. below have been satisfied (or are waived by Transporter) and that substantial progress has occurred on the construction of the Line 1903 Expansion Project, the Parties shall:

- a. Execute a TSA for firm transportation service using the Line 1903 Expansion Project ("Line 1903 TSA"). The Line 1903 TSA shall be substantially in the form of the attached Exhibit 1.
 - b. Reduce the Transportation Contract Demand quantity rights of Contract No. 822Y. Under its terms, the Line 1903 TSA becomes effective on the In-Service date of the 1903 facilities (anticipated to be January 1, 2006). Upon its effectiveness, the Line 1903 TSA shall subsume all the Transportation Contract Demand quantity rights from San Juan to Topock contained in Transporter's Contract No. 822Y ("Amended TSA") such that Shipper's Transportation Contract Demand quantity rights under Contract No. 822Y shall be reduced by the delivery point entitlements from San Juan receipt points to the Topock delivery point.
4. Conditions to Transporter's Obligations. Transporter's obligations under this Agreement, the Line 1903 TSA and the Amended TSAs are subject to:
- a. Shipper's receipt of the Arizona Corporation Commission ("ACC") approvals described in paragraph 5.b. of this Agreement.
 - b. On or before November 1, 2004, Transporter's acquisition of sufficient capacity on the Mojave system to satisfy Shipper's and all other successful Line 1903 Expansion Project bidders' capacity requirements under terms acceptable to Transporter, in its sole discretion;
 - c. On or before November 1, 2005, Transporter's receipt and acceptance of a certificate of public convenience and necessity from the FERC, and all other permits, authorizations approvals and agreements (including without limit all environmental approvals) necessary to construct, place into service, own and operate all necessary facilities for the Line 1903 Expansion Project. Provided however, Transporter shall have no obligation to commence construction of the Line 1903 Expansion Project or to provide transportation service pursuant to this Agreement, the Line 1903 TSA or the Amended TSAs if any such certificate, permit or authorization, or any order by the FERC, imposes any conditions or requirements that make the construction and transportation service uneconomic or otherwise unacceptable to Transporter in its sole discretion;
 - d. On or before November 1, 2004, Transporter's securing sufficient transportation service commitments for the Line 1903 Expansion Project to economically justify, in Transporter's sole discretion, constructing and placing the necessary facilities into service;
 - e. On or before November 1, 2004, Transporter securing approval from appropriate management and/or Board of Directors for the Line 1903 Expansion Project;
 - f. On or before December 31, 2005, Transporter's successful completion of all necessary facilities for the construction and operation of the Line 1903 Expansion Project and placing those facilities in service; and
 - g. On or before December 31, 2005, Satisfaction by Shipper of its obligations set forth in this Agreement.

If the conditions to Transporter's obligations as set forth above are not satisfied or waived by Transporter by the date specified for each condition (and provided that such failure to satisfy or waive any of the conditions is not due to Transporter's default), Transporter may terminate this Agreement, the Line 1903 TSA and the Amended TSAs upon thirty (30) days notice to Shipper should one or more conditions to Transporter's obligations set forth above be unsatisfied. Provided however, as to the conditions set forth in subparagraph 4.g. above, except for Shipper's obligation in paragraph 3, Transporter has first given Shipper sixty (60) days' notice of any such obligations that Shipper has not complied with and such obligations remain unperformed at the end of such period prior to Transporter terminating this Agreement.

5. Conditions to Shipper's Obligations. Shipper's obligations under this Agreement, the Line 1903 TSA and the Amended TSA are subject to:

- a. The receipt by Shipper of approval from the ACC for Shipper to enter into: (i) the Line 1903 TSA; and (ii) the Amended TSA; and
- b. Compliance by Transporter with its obligations set forth in this Agreement.

Shipper shall diligently attempt to satisfy the ACC approval conditions set forth in subparagraph 5.a. above. If, by the date that is 120 days from the date of execution of this Agreement, Shipper has not notified Transporter in writing that such ACC approval conditions have been satisfied, then either Party shall have the right thereafter to terminate this Agreement, the Line 1903 TSA and the Amended TSA by providing 30 days notice to the other Party. As to the conditions set forth in subparagraph 5.b. above, Shipper may terminate this Agreement, the Line 1903 TSA and the Amended TSA upon notice to Transporter, should Transporter materially breach one or more of its obligations under this Agreement, provided that Shipper has first given Transporter sixty (60) days' notice of any such breach and such breach remains uncured at the end of such 60-day period. If Transporter fails to successfully complete the Line 1903 Expansion Project and have it ready for service by December 31, 2005, Shipper may, as its sole remedy, terminate this Agreement and the Line 1903 TSA by providing thirty (30) day written notice to Transporter, however, if Transporter completes and places the Line 1903 Expansion Project in-service within the thirty (30) day notice period, the terms and provisions of this Agreement and the Line 1903 TSA shall apply.

6. Compliance with Tariff. The Parties shall comply with the applicable provisions of Transporter's FERC Gas Tariff, Second Revised Volume No. 1-A ("Tariff"), as such provisions may be changed from time to time, including, without limitation, Shipper's obligation to provide evidence of creditworthiness to Transporter in a form and amounts as provided for in Section 20.9 of the General Terms and Conditions of the Tariff.

Should Transporter conclude, in its sole discretion, that the provisions of Section 28.14 of Transporter's General Terms and Conditions of the Tariff are applicable: (i) execution of this Agreement by Shipper constitutes authorization for Transporter to post the terms of this Agreement as a pre-arranged transaction on Transporter's Electronic Bulletin Board and to electronically approve and accept such posting on

Shipper's behalf; and (ii) Shipper agrees not to exercise its right to withdraw its pre-arranged bid prior to the awarding of such capacity.

7. Cooperation. Transporter and Shipper in good faith shall cooperate with each other and shall keep each other informed on a timely basis with respect to material developments that affect the required regulatory approvals. Consistent with the terms herein, Shipper shall support Transporter's efforts to submit all necessary applications and obtain all necessary regulatory authorizations for the Line 1903 Expansion Project and the transportation service contemplated by the Line 1903 TSA and the Amended TSAs.
8. Notices. All notices required or permitted under this Agreement shall be in writing and shall be deemed to have been properly given or delivered when delivered personally, when sent by fax or when sent by overnight delivery service, with all charges fully prepaid, and addressed to the parties hereto, respectively, as follows:

El Paso Natural Gas Company
2 North Nevada Ave.
Colorado Springs, CO 80903
Attn.: Director, Transportation Marketing Dept.
Fax: (719) 520-4878

Southwest Gas Corporation
5241 Spring Mountain Road
Las Vegas, Nevada 89150
Attn.: Vice President, Gas Supply
Fax: (702) 253-7084

Each Party has the right to change its address for all purposes of this Agreement by notifying the other Party thereof in writing.

9. Term. This Agreement shall be effective as of August 16, 2004. This Agreement shall terminate on the date that the Line 1903 Expansion Project facilities and all related necessary facilities are completed and ready for service. In the event of early termination of this Agreement, the Transportation Contract Demand quantity rights under TSA No. 822Y shall be restored.
10. Assignment. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. No assignment or transfer by Shipper hereunder shall be made without the written consent of Transporter. Such consent shall not be unreasonably withheld. As between the parties hereto, such assignment shall become effective on the first day of the month following written notice that such assignment has been effectuated and Transporter has obtained the necessary Commission authorization to assign this Agreement.
11. Amendments. This Agreement may not be amended except by an instrument in writing signed by each of the Parties.
12. Third Party Beneficiary. Nothing in this Agreement is intended to create any third-party beneficiary rights or to confer upon any person or entity, other than the Parties and their respective successors and assigns, any rights, remedies or obligations under or by reason of this Agreement, and the Parties specifically negate any such intention.

13. Counterparts. This Agreement may be executed in one or more counterparts (delivery of which may be made by facsimile), each of which shall be deemed an original but all of which together shall constitute one and the same.
14. Authorities. Performance hereunder is subject to all valid laws, orders, decisions, rules, and regulations of duly constituted governmental authorities having jurisdiction or control of the matter related hereto. Should either of the parties, by force of any such law, order, decision, rule, or regulation, at any time during the term of this Agreement be ordered or required to do any act inconsistent with the provisions hereof, then for the period during which the requirements of such law, order, decision, rule, or regulation are applicable, this Agreement shall be deemed modified to conform with the requirement of such law, order, decision, rule, or regulation; provided, however, nothing herein shall alter, modify, or otherwise affect the respective rights of the parties to cancel or terminate this Agreement under the terms and conditions hereof.
15. FERC Docket No. RP00-336-000. Nothing in this Agreement or the Line 1903 TSA or Amended TSA is intended to waive any rights either Transporter or Shipper would otherwise have in Docket No. RP00-336-000, its appeal or any subsequent proceedings in that docket. Should the Courts order a remand of the RP00-336-000 et al orders to the Commission, El Paso agrees that it will not contend before the Commission, or in any judicial forum, that the existence of this Agreement or the provision of transportation service under this Agreement has precluded or made impossible either the restoration of full requirements service or any other remedy that the Commission may fashion in response to such a remand. In the event the Commission orders reestablishment of Full Requirements Service and the order materially alters the terms and provisions provided for in this Agreement and the Line 1903 TSA, the parties agree to negotiate in good faith such altered terms and provisions. Should the renegotiation not result in an acceptable resolution, either party may terminate this Agreement and the Line 1903 TSA one (1) month after providing written notice to the other party.
16. Applicable Law. THIS AGREEMENT AND THE LEGAL RELATIONS BETWEEN THE PARTIES WITH RESPECT TO THIS AGREEMENT ARE SUBJECT TO ALL APPLICABLE LAWS, RULES AND REGULATIONS AND SHALL BE GOVERNED AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS WITHOUT REGARD TO THE RULES CONCERNING CONFLICTS OF LAWS.

Transporter:

EL PASO NATURAL GAS COMPANY

By: Donald J. Zinko
Donald J. Zinko
Vice President

Shipper:

SOUTHWEST GAS CORPORATION

By: Will N. Moody
Title: Vice President/Gas Resources

Exhibit "1"

TRANSPORTATION SERVICE AGREEMENT

THIS AGREEMENT, dated _____, is by and between EL PASO NATURAL GAS COMPANY, a Delaware corporation, hereinafter referred to as "El Paso," and Southwest Gas Corporation, a California Corporation, hereinafter referred to as "Shipper."

WHEREAS, El Paso owns and operates a natural gas transmission system; and

WHEREAS, El Paso has a blanket certificate authorizing transportation pursuant to Subpart G of Part 284 of the Regulations promulgated by the Federal Energy Regulatory Commission ("Commission"); and

WHEREAS, Shipper requires transportation of natural gas pursuant to Part 284, Subpart G, of the Commission's Regulations on a firm basis; and

WHEREAS, this capacity is Block II capacity as provided for in Section 4.5 of the General Terms and Conditions of El Paso's Tariff; and

WHEREAS, El Paso plans to file for authorization from the Commission to (i) construct, own, operate and place in service certain new pipeline and metering facilities, and (ii) own, place in service and operate existing pipeline facilities purchased from Plains All American Pipeline L.P. ("Line 1903") located in San Bernardino County and Riverside County, California to provide additional firm transportation services from El Paso's north mainline system; through a portion of the Mojave Pipeline system; through the Line 1903 facilities and to El Paso's south mainline system for markets in California and East of California; and

NOW THEREFORE, in consideration of the representations, covenants and conditions herein contained, El Paso and Shipper agree as of the date first above written as follows:

ARTICLE I

Gas to be Transported

1.1 Subject to the terms and provisions of this Agreement and of El Paso's Rate Schedule FT-1, El Paso agrees to receive and deliver on each day at each Receipt-Delivery Point Combination, such quantity of natural gas, if any, up to the Maximum Daily Quantity for each such Receipt-Delivery Point Combination as specified on Exhibit A, not to exceed the physical capacity of such points, as may be tendered to El Paso by Shipper (or for Shipper's account). Such volumes shall be transported on a firm basis. The sum of the monthly Maximum Daily Quantities reflected on Exhibit A shall constitute Shipper's monthly Transportation Contract Demand.

1.2 In addition to the quantity which Shipper may tender or cause to be tendered to El Paso at each Receipt Point each day for firm transportation in accordance with paragraph 1.1, Shipper shall tender or cause to be tendered to El Paso at that point that quantity of natural gas as may be required from time to time to compensate El Paso for fuel consumption, shrinkage, and lost and unaccounted for volumes associated with such

transportation. Such additional quantity is additive to (and shall not be considered as constituting a part of) Shipper's Maximum Daily Quantity at such Receipt Point.

1.3 In accordance with Section 4.1 of the General Terms and Conditions incorporated by reference in Rate Schedule FT-1, El Paso shall deliver and Shipper shall accept or cause to be accepted at the Delivery Point(s) referenced in paragraph 2.1 of Article II, a quantity of natural gas equivalent, on a dth basis, to the sum of the quantities of natural gas received by El Paso at the Receipt Points for transportation hereunder in accordance with paragraph 1.1

1.4 Upon request of Shipper, El Paso, at its reasonable discretion, may receive, transport, and deliver natural gas in excess of Shipper's Transportation Contract Demand. If El Paso elects to transport said excess gas, Shipper shall pay El Paso pursuant to the terms and conditions set forth in El Paso's Rate Schedule FT-1.

1.5 If on any day El Paso should determine that the transportation capacity of its facilities is insufficient to transport all volumes of natural gas up to the Transportation Contract Demand tendered for transportation under this Agreement and by other shippers under similar, firm transportation agreements, El Paso shall allocate the available transportation capacity on the basis set forth in the General Terms and Conditions incorporated by reference in El Paso's Rate Schedule FT-1.

ARTICLE II

Receipt Point(s), Delivery Point(s) and Delivery Pressures

2.1 The Receipt-Delivery Point combination(s) at which Shipper shall cause natural gas to be tendered to El Paso for transportation and El Paso shall deliver hereunder on a primary firm basis are described in Exhibit A to this Agreement.

2.2 The delivery pressure and other pertinent factors applicable to the Delivery Point(s) are set forth in Exhibit B.

ARTICLE III

Rate, Rate Schedule(s) and General Terms and Conditions

3.1 Shipper shall pay El Paso for services rendered hereunder in accordance with El Paso's Rate Schedule FT-1, or superseding rate schedule(s), on file with and subject to the jurisdiction of the Commission and lawfully in effect from time to time. All rates, charges and fuel shall be assessed pursuant to this Agreement, subject to the following conditions:

- (a) As set forth in paragraph 5.1 below and continuing through the end of the primary term of this Agreement, Shipper shall pay El Paso the lesser of (i) the applicable maximum system-wide California reservation and applicable maximum usage rates in effect from time to time, or (ii) a discount rate composed of a monthly reservation charge of \$9.38745 plus a pro forma usage charge of \$0.0202 per dth, equal to a 100% load factor rate of \$0.32883 per dth ("2004 Base

Discount Rate”), escalated each January 1, beginning January 1, 2005 (“Escalation Adjustment”). The Escalation Adjustment shall be calculated as follows: Beginning January 1, 2005 and on each anniversary date thereafter, the Operations and Maintenance and Other Taxes (“O&M and OT”) portion of both the reservation and usage components of the Base Discount Rate in effect for the preceding year shall be increased by 93% of the increase in the Implicit Price Deflator (“IPD”) to the Gross Domestic Product (“GDP”) as published by the Department of Commerce’s Bureau of Economic Analysis (“BEA”), or a mutually agreed similar indicator should the GDP no longer be available on a continuing basis, or failing such agreement, a similar indicator as approved by the Commission. The O&M and OT portion of the reservation and usage components of the 2004 Base Discount Rate are equal to 56.927% and 56.977%, respectively. Notwithstanding the above calculation, the annual increase in the Base Discount Rate will not be less than 1% or more than 4½% of the prior year’s total Base Discount Rate. The 100% load factor equivalent of the resulting reservation and usage rates shall become the Base Discount Rate for purposes of applying the annual Escalation Adjustment for the succeeding year. Provided, however, that at any time during the primary term of this Agreement, Shipper may elect to pay the maximum applicable system-wide California reservation and usage rates as are in effect from time to time.

- (b) After the end of the primary term and continuing until this Agreement is terminated, Shipper shall pay El Paso the applicable maximum reservation and usage rates in effect from time to time.
- (c) The rate applicable to non-primary service at Daggett shall equal the rate at the primary points.
- (d) All fuel will be assessed pursuant to the Commission approved fuel collection mechanism.

3.2 The parties hereto agree that El Paso shall have the right from time to time to propose and file with the Commission, in accordance with Section 4 of the Natural Gas Act, changes, amendments, revisions and modifications in:

- (a) the rate(s) and Rate Schedule incorporated by reference as a part of this Agreement pursuant to this Article III; and
- (b) the General Terms and Conditions incorporated by reference in said Rate Schedule, which are applicable hereto;

provided, however, that Shipper shall have the right to protest any such changes before the Commission (or successor governmental agency) or other authorities and to exercise any other rights that Shipper may have with respect thereto.

3.3 This Agreement in all respects is subject to the provisions of El Paso's Rate Schedule FT-1, or superseding rate schedule(s), and applicable provisions of the

General Terms and Conditions included by reference in said transportation rate schedule filed by El Paso with the Commission, all of which are by reference made a part hereof.

3.4 Certain of the General Terms and Conditions may be adjusted for the purpose of this Agreement and any such adjustments shall be set forth in Exhibit C to this Agreement.

ARTICLE IV

Regulatory Requirements and Conditions Precedent

4.1 The transportation arrangements provided for in this Agreement are subject to the provisions of Subpart G of Part 284 of the Commission's Regulations, as amended from time to time.

4.2 Transportation of natural gas provided for under the terms and provisions of this Agreement shall not commence until the following conditions have been met: (Not Applicable)

ARTICLE V

Term

5.1 This Agreement shall become effective the later of January 1, 2006, or the date Line 1903 and all related necessary facilities are completed and ready for service as set forth in El Paso's Notice of Commencement of Service filing with the Commission ("In-Service Date"). Shipper shall pay for transportation service under this Agreement commencing on the later of January 1, 2006, or the In-Service Date. If the In-Service Date is a date other than the first day of the month, all reservation charges will be prorated accordingly.

5.2 After this Agreement becomes effective, it shall continue in full force and effect for a primary term of 10 years from the In-Service Date, and thereafter from year to year until terminated by either party with written notice so stating given no less than thirteen (13) months in advance of either (i) the end of the primary term; or (ii) any anniversary date after the primary term has ended.

5.3 Termination of this Agreement shall not relieve El Paso or Shipper of the obligation to correct any volume imbalances hereunder, or either party of the obligation, if any, to pay monies to the other party.

ARTICLE VI

Cancellation of Prior Contracts

6.1 When this Agreement becomes effective, it supersedes and cancels as of the effective date hereof the following contracts between the parties hereto: (Not Applicable)

~~PRECEDENT AGREEMENT~~ REMAINS IN EFFECT?

— NO, PRECEDENT AGREEMENT TERMINATED
WHEN 1903 IS READY FOR SERVICE.

ARTICLE VII

Notices

7.1 Any formal notice, request or demand that either party gives to the other respecting this Agreement shall be in writing and shall be mailed by registered or certified mail or delivered in hand to the following address of the other party:

El Paso: El Paso Natural Gas Company
Post Office Box 1087
2 North Nevada Ave.
Colorado Springs, CO 80901-1087
Attention: Director, Transportation Marketing Department

Shipper: Southwest Gas Corporation
5241 Spring Mountain Rd.
Las Vegas, Nevada 89150
Attention: Vice President
Gas Resources and Energy Services

Post Office Box

Southwest Gas Corporation
P.O. Box 98510
Las Vegas, Nevada 89193-8510
Attention: Vice President
Gas Resources and Energy Services

or to such other address as a party shall designate by formal written notice. Routine communications may be mailed by ordinary mail. Operating communications by telephone, facsimile or other mutually agreeable means shall be considered as duly delivered without subsequent written confirmation. Payments to El Paso for services rendered hereunder shall be made in accordance with Section 6 of the General Terms and Conditions incorporated by reference in Rate Schedule FT-1.

ARTICLE VIII

Other Operating Provisions

(NOT APPLICABLE)

ARTICLE IX

Miscellaneous

9.1 El Paso and Shipper expressly agree that the laws of the State of Texas shall govern the validity, construction, interpretation and effect of this Agreement and of the General Terms and Conditions incorporated by reference in El Paso's Rate Schedule FT-1.

9.2 All substances, whether or not of commercial value, including all liquid hydrocarbons of whatever nature, except substances expressly reserved for Shipper, that El Paso recovers in the course of transporting the quantities of natural gas tendered hereunder to Shipper shall be El Paso's sole property and El Paso shall not be obligated to account to Shipper for any value, whether or not realized by El Paso, that may attach or be said to attach to such substances.

9.3 Exhibits A, B and C, attached to this Agreement, are hereby incorporated by reference as part of this Agreement. The parties may amend Exhibits A, B or C by mutual agreement, which amendments shall be reflected in a revised Exhibit A, B or C and shall be incorporated by reference as part of this Agreement.

9.4 In the certificate proceeding for the Line 1903 Expansion Project, El Paso filed for and requested a predetermination of rolled-in rate treatment for the costs of such facilities. If any order on the certificate application of the Line 1903 Expansion project is appealed, Shipper agrees not to oppose any such predetermination of rolled-in rate treatment. El Paso shall also file for and request in its next rate case proceeding to become effective January 1, 2006, and Shipper agrees to file in support of, rolled-in rate treatment of (1) the cost of the Line 1903 facilities, (2) El Paso's cost of acquiring capacity on the Mojave system, and (3) the incremental fuel costs associated with such capacity acquired by El Paso. Shipper may not challenge the prudence of the cost associated with the Line 1903 Expansion Project unless the total costs exceed the total estimated costs as filed by Transporter in its certificate application for the Line 1903 Expansion Project. Shipper shall not oppose the rolled-in rate treatment for the costs of the Line 1903 Expansion Project during the term of this Agreement. Other than the requirements in this paragraph and Agreement, nothing herein is intended to restrict Shipper's right to argue any position in such certificate and rate proceedings.

9.5 Nothing in this Agreement is intended to waive any rights either El Paso or Shipper would otherwise have in Docket No. RP00-336-000, its appeal, or any subsequent proceedings in that docket. Should the Courts order a remand of the RP00-336-000 et al orders to the Commission, El Paso agrees that it will not contend before the Commission, or in any judicial forum, that the existence of this Agreement or the provision of transportation service under this Agreement has precluded or made possible either the restoration of full requirements service or any other remedy that the Commission may fashion in response to such a remand. In the event the Commission orders re-establishment of Full Requirements Service and the order materially alters the terms and provisions provided for in this Agreement and the Line 1903 TSA, the parties agree to negotiate in good faith such altered terms and provisions. Should the renegotiation not result in an acceptable resolution, either party may terminate this Agreement and the Line 1903 TSA one (1) month after providing written notice to the other party.

IN WITNESS HEREOF, the parties have caused this Agreement to be executed in two (2) original counterparts, by their duly authorized officers, the day and year first set forth herein.

ATTEST:

EL PASO NATURAL GAS COMPANY

By _____
Assistant Secretary

By _____
Donald J. Zinko
Vice President

ATTEST:

SOUTHWEST GAS CORPORATION

By _____
Assistant Secretary

By _____
Title _____

Exhibit A

To The

Transportation Service Agreement

Dated _____

Between El Paso Natural Gas Company and Southwest Gas Corporation

Effective Month 1/	Receipt Point(s)/Location(s) 2/	Receipt DRN Code(s)	Delivery Point(s)/Location(s) (Scheduling Code(s))	Delivery DRN Code(s)	Maximum Daily Quantity (Mcf/d) 3/
January	BLANCO	216748	DSWG PHX	216808	58,318
January	BONDADST	340827	DSWG PHX	216808	42,019
JANUARY TRANSPORTATION CONTRACT DEMAND (Mcf/d)					100,337

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To The

Transportation Service Agreement

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Between El Paso Natural Gas Company and Southwest Gas Corporation

Effective Month 1/	Receipt Point(s)/Location(s) 2/	Receipt DRN Code(s)	Delivery Point(s)/Location(s) (Scheduling Code(s))	Delivery DRN Code(s)	Maximum Daily Quantity (Mcf/d) 3/
February	BLANCO	216748	DSWG PHX	216808	51,366
February	BONDADST	340827	DSWG PHX	216808	37,009
FEBRUARY TRANSPORTATION CONTRACT DEMAND (Mcf/d)					88,375

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To The

Transportation Service Agreement

Dated

Between El Paso Natural Gas Company and Southwest Gas Corporation

Effective Month 1/	Receipt Point(s)/Location(s) 2/	Receipt DRN Code(s)	Delivery Point(s)/Location(s) (Scheduling Code(s))	Delivery DRN Code(s)	Maximum Daily Quantity (Mcf/d) 3/
March	BLANCO	216748	DSWG PHX	216808	49,758
March	BONDADST	340827	DSWG PHX	216808	35,641
MARCH TRANSPORTATION CONTRACT DEMAND (Mcf/d)					85,399

Exhibit A
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 Between El Paso Natural Gas Company and Southwest Gas Corporation

Effective Month 1/	Receipt Point(s)/Location(s) 2/	Receipt DRN Code(s)	Delivery Point(s)/Location(s) (Scheduling Code(s))	Delivery DRN Code(s)	Maximum Daily Quantity (Mcf/d) 3/
April	BLANCO	216748	DSWG PHX	216808	39,420
April	BONDADST	340827	DSWG PHX	216808	28,635
APRIL TRANSPORTATION CONTRACT DEMAND (Mcf/d)					68,055

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To The

Transportation Service Agreement

Dated

Between El Paso Natural Gas Company and Southwest Gas Corporation

Effective Month 1/	Receipt Point(s)/Location(s) 2/	Receipt DRN Code(s)	Delivery Point(s)/Location(s) (Scheduling Code(s))	Delivery DRN Code(s)	Maximum Daily Quantity (Mcf/d) 3/
May	BLANCO	216748	DSWG PHX	216808	39,906
May	BONDADST	340827	DSWG PHX	216808	29,137
MAY TRANSPORTATION CONTRACT DEMAND (Mcf/d)					69,043

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To The

Transportation Service Agreement

Dated

Between El Paso Natural Gas Company and Southwest Gas Corporation

Effective Month 1/	Receipt Point(s)/Location(s) 2/	Receipt DRN Code(s)	Delivery Point(s)/Location(s) (Scheduling Code(s))	Delivery DRN Code(s)	Maximum Daily Quantity (Mcf/d) 3/
June	BLANCO	216748	DSWG PHX	216808	35,771
June	BONDADST	340827	DSWG PHX	216808	26,563
JUNE TRANSPORTATION CONTRACT DEMAND (Mcf/d)					62,334

Exhibit A

To The

Transportation Service Agreement

Dated

Between El Paso Natural Gas Company and Southwest Gas Corporation

Effective Month 1/	Receipt Point(s)/Location(s) 2/	Receipt DRN Code(s)	Delivery Point(s)/Location(s) (Scheduling Code(s))	Delivery DRN Code(s)	Maximum Daily Quantity (Mcf/d) 3/
July	BLANCO	216748	DSWG PHX	216808	34,889
July	BONDADST	340827	DSWG PHX	216808	26,003
JULY TRANSPORTATION CONTRACT DEMAND (Mcf/d)					60,892

**Exhibit A
To The**

Transportation Service Agreement

Dated _____

Between El Paso Natural Gas Company and Southwest Gas Corporation

Effective Month ^{1/}	Receipt Point(s)/Location(s) ^{2/}	Receipt DRN Code(s)	Delivery Point(s)/Location(s) (Scheduling Code(s))	Delivery DRN Code(s)	Maximum Daily Quantity (Mcf/d) ^{3/}
August	BLANCO	216748	DSWG PHX	216808	34,896
August	BONDADST	340827	DSWG PHX	216808	25,981
AUGUST TRANSPORTATION CONTRACT DEMAND (Mcf/d)					60,877

Exhibit A
To The
 Transportation Service Agreement

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 Between El Paso Natural Gas Company and Southwest Gas Corporation

Effective Month 1/	Receipt Point(s)/Location(s) 2/	Receipt DRN Code(s)	Delivery Point(s)/Location(s) (Scheduling Code(s))	Delivery DRN Code(s)	Maximum Daily Quantity (Mcf/d) 3/
September	BLANCO	216748	DSWG PHX	216808	34,537
September	BONDADST	340827	DSWG PHX	216808	25,339
SEPTEMBER TRANSPORTATION CONTRACT DEMAND (Mcf/d)					59,876

Exhibit A
To The

Transportation Service Agreement

Dated

Between El Paso Natural Gas Company and Southwest Gas Corporation

Effective Month 1/	Receipt Point(s)/Location(s) 2/	Receipt DRN Code(s)	Delivery Point(s)/Location(s) (Scheduling Code(s))	Delivery DRN Code(s)	Maximum Daily Quantity (Mcf/d) 3/
October	BLANCO	216748	DSWG PHX	216808	34,214
October	BONDADST	340827	DSWG PHX	216808	24,501
OCTOBER TRANSPORTATION CONTRACT DEMAND (Mcf/d)					58,715

Exhibit A

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Transportation Service Agreement

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Between El Paso Natural Gas Company and Southwest Gas Corporation

Effective Month 1/	Receipt Point(s)/Location(s) 2/	Receipt DRN Code(s)	Delivery Point(s)/Location(s) (Scheduling Code(s))	Delivery DRN Code(s)	Maximum Daily Quantity (Mcf/d) 3/
November	BLANCO	216748	DSWG PHX	216808	45,106
November	BONDADST	340827	DSWG PHX	216808	31,957
NOVEMBER TRANSPORTATION CONTRACT DEMAND (Mcf/d)					77,063

Exhibit A

To The

Transportation Service Agreement

Dated

Between El Paso Natural Gas Company and Southwest Gas Corporation

Effective Month 1/	Receipt Point(s)/Location(s) 2/	Receipt DRN Code(s)	Delivery Point(s)/Location(s) (Scheduling Code(s))	Delivery DRN Code(s)	Maximum Daily Quantity (Mcf/d) 3/
December	BLANCO	216748	DSWG PHX	216808	55,686
December	BONDADST	340827	DSWG PHX	216808	39,537
DECEMBER TRANSPORTATION CONTRACT DEMAND (Mcf/d)					95,223

- 1/ The calendar month the specified receipt-delivery point/location combinations and MDQs are in effect during the term of the Agreement.
- 2/ Necessary pressure to enter the El Paso System and, except as otherwise noted, not in excess of.
- 3/ The sum of the monthly MDQs is equal to Shipper's Transportation Contract Demand for that month.

A. Effective Date of this Exhibit A: _____

B. Supersedes Exhibit A Effective: This is an initial Exhibit A.

SOUTHWEST GAS CORPORATION

EL PASO NATURAL GAS COMPANY

By _____

By _____

Donald J. Zinko
Vice President

Date _____

Date _____

Exhibit B
 To The
 Transportation Service Agreement
 Dated _____
 between El Paso Natural Gas Company and Southwest Gas Corporation

Delivery Point(s)/Location(s) (Scheduling Code(s))	Delivery DRN Code(s)	Meter No.	Meter DRN Code(s)	Description	Delivery Pressure (p.s.i.g.)
DSWG PHX	216808	14967 01	289555	Glendale Airport	
DSWG PHX	216808	14968 01	289275	Chandler No. 4 (Edgar Smoke)	
DSWG PHX	216808	20024 67	300	Laveen	100
DSWG PHX	216808	20041 67	299	St. John's Mission	
DSWG PHX	216808	20409 12	125828	Lone Butte	220
DSWG PHX	216808	20415 15	301	Hi Town	
DSWG PHX	216808	20427 59	254	New River	175
DSWG PHX	216808	20475 67	247	Arrowhead Ranches	400
DSWG PHX	216808	20524 15	43494	Pima-Chandler Industrial Park	
DSWG PHX	216808	20588 67	43489	Anozira	200
DSWG PHX	216808	20590 11	228	Ventana Lakes Subdivision	60
DSWG PHX	216808	30029 15	304	Chandler #1	300
DSWG PHX	216808	30030 15	307	Chandler #2	not less than 230
DSWG PHX	216808	30031 67	291	Guadalupe	275
DSWG PHX	216808	30032 67	280	Lateral 16	275
DSWG PHX	216808	30198 67	283	Mainline Taps Phoenix, AZ	
DSWG PHX	216808	30249 67	43482	Lateral 25	275
DSWG PHX	216808	30433 67	237	Glendale City Gate	not less than 400
DSWG PHX	216808	30467 67	313	South Tempe	250
DSWG PHX	216808	30855 67	317	Scottsdale	not less than 300
DSWG PHX	216808	31079 67	234	Olive Avenue	375
DSWG PHX	216808	31368 15	43486	Chandler #3	300
DSWG PHX	216808	31376 67	281	Southern Avenue	275
DSWG PHX	216808	31531 15	1003	Mainline Taps Chandler, AZ	
DSWG PHX	216808	31656 67	230	Bell Road	400
DSWG PHX	216808	31663 67	308	The Lakes	300
DSWG PHX	216808	34227 67	125831	North Phoenix (Pinnacle Peak)	500
DSWG PHX	216808	34265 11	244556	Ventana Lakes Subdivision	60
DSWG PHX	216808	34636 15	320	West Chandler Community Gin	100
DSWG PHX	216808	34780 01	125830	SWG Dodsom Road	200
DSWG PHX	216808	34782 01	310	SWG Capitol Foundry	200
DSWG PHX	216808	34796 01	157798	SWG Garden Lakes	not less than 400
DSWG PHX	216808	34797 01	157799	SWG Bell Ranch	not less than 400

Exhibit B
To The

Transportation Service Agreement
Dated _____

between El Paso Natural Gas Company and Southwest Gas Corporation

Delivery Point(s)/Location(s) (Scheduling Code(s))	Delivery DRN Code(s)	Meter No.	Meter DRN Code(s)	Description	Delivery Pressure (p.s.i.g.) 1/
DSWG PHX	216808	34806 01	122785	SWG Gilbert City Gate	
DSWG PHX	216808	34-790	126332	Footfills Club West	175
DSWG PHX	216808	14-906	134619	Desert Hills	not less than 400

1/ Unless otherwise specified on this Exhibit B, the Delivery Pressure(s) for the point(s)/location(s) listed above shall be the pressure existing from time to time at the metering facility; provided however, El Paso reserves the right to deliver quantities at pressures up to the MAOP of that facility.

- A. Effective Date of this Exhibit B: _____
- B. Supersedes Exhibit B Effective: This is an initial Exhibit B.

SOUTHWEST GAS CORPORATION

EL PASO NATURAL GAS COMPANY

By _____

By _____
Donald J. Zinko
Vice President

Date _____

Date _____

Exhibit C

To The
Transportation Service Agreement
Dated _____
Between El Paso Natural Gas Company
and Southwest Gas Corporation

The following shall apply in substitution for the identified provisions of the
General Terms and Conditions of El Paso's Tariff:

Section of
General Terms
and Conditions

Substitute Provision

(THIS EXHIBIT IS NOT APPLICABLE TO THIS AGREEMENT)

A. Effective Date of this Exhibit C: _____ X X X X X _____

B. Supersedes Exhibit C Effective: _____ X X X X X _____

By _____ X X X X X _____

By _____ X X X X X _____

Date _____ X X X X X _____

Date _____ X X X X X _____