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BEFORE THE ARIZONA CORPORATION COMMISSION

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COMMISSIONERS

JEFF HATCH-MILLER, Chairman  
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AZ CORP COMMISSION  
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IN THE MATTER OF THE  
APPLICATION OF ARIZONA PUBLIC  
SERVICE COMPANY FOR  
DETERMINATION OF PRUDENCE AND  
APPROVAL OF RATEMAKING  
TREATMENT RELATING TO NATURAL  
GAS INFRASTRUCTURE

Docket No. E-01345A-05-0895  
**TRANSWESTERN PIPELINE  
COMPANY'S COMMENTS  
SUPPORTING ARIZONA  
PUBLIC SERVICE COMPANY'S  
APPLICATION FOR  
DETERMINATION OF  
PRUDENCE AND APPROVAL OF  
RATEMAKING RELATING TO  
NATURAL GAS  
INFRASTRUCTURE**

Transwestern Pipeline Company, LLC ("Transwestern"), a Delaware limited liability company, by and through its undersigned attorneys, offers the following comments<sup>1</sup> in support of Arizona Public Service Company's ("APS") Application in this matter.

On December 16, 2005, APS submitted an Application seeking the Commission's determination of prudence and approval of ratemaking treatment for costs APS incurred or will incur under the Phoenix Project Expansion Agreement ("Expansion Agreement") between APS and Transwestern, a copy of which is attached to APS' Application as Attachment A.

<sup>1</sup> Transwestern does not intend to intervene as a party in this matter, but instead offers these comments as an interested person pursuant to R14-3-105(C).

1 Transwestern believes the Expansion Agreement, and the Phoenix Project, will  
2 offer APS and area suppliers and consumers improved access to natural gas supplies,  
3 and will result in a more diverse natural gas market in the Phoenix area. Transwestern  
4 currently owns and operates an extensive interstate pipeline system that extends from  
5 major natural gas supply areas in Texas, New Mexico, and Colorado to markets  
6 throughout the southwestern United States. The expansion of Transwestern's system  
7 into the Phoenix area will enable Phoenix gas consumers to access these prolific and  
8 low-cost supply basins and enjoy the benefits of competition.

9 More specifically, the Expansion Agreement offers APS a flexible and  
10 competitively-priced transportation service. Under the Expansion Agreement (and the  
11 associated firm transportation agreement that will be executed by APS and  
12 Transwestern prior to the in-service date of the Phoenix Project), APS will benefit from  
13 such features as a guaranteed delivery pressure, hourly flow flexibility, and several rate  
14 options.

15 Transwestern anticipates having the Phoenix Project ready for service by April  
16 30, 2008, and initiated the pre-filing process with FERC in November 2005. A series of  
17 public meetings are to be held at various locations along the proposed route of the  
18 Phoenix Lateral during the week of January 9, 2006 through January 13, 2006. Based  
19 on input received at those meetings and in other public forums, Transwestern will  
20 finalize the routing of the project and move forward with a FERC certificate filing in the  
21 second quarter of 2006. The Commission's timely consideration of APS' request in this  
22 matter will assist both APS and Transwestern to move forward with this project in time  
23 to meet the current project timeline.

24 Transwestern thanks the Commission for its consideration of these comments.  
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1 DATED this 9<sup>th</sup> day of January, 2006.

2 RYLEY CARLOCK & APPLEWHITE

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1 ORIGINAL and 15 copies of the  
2 foregoing filed this 9th day of  
January, 2006 with:

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6 Copies of the foregoing mailed  
this 9<sup>th</sup> day of January, 2006 to:

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