ORIGINAL NEW APPLICATION

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SOUTHWEST GAS CORPORATION

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November 22, 2006

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

G-01551A-06-0746

Subject: Advice Letter No. 06-11-01

Southwest Gas Corporation (Southwest) tenders herewith the following tariff sheets applicable to its Arizona Gas Tariff No. 7:

Seventh Revised A.C.C. Sheet No. 4
Fourth Revised A.C.C. Sheet No. 51
Fourth Revised A.C.C. Sheet No. 52
Fourth Revised A.C.C. Sheet No. 53
Third Revised A.C.C. Sheet No. 54
Fourth Revised A.C.C. Sheet No. 55
Third Revised A.C.C. Sheet No. 56
Third Revised A.C.C. Sheet No. 57
Second Revised A.C.C. Sheet No. 58
First Revised A.C.C. Sheet No. 58A
First Revised A.C.C. Sheet No. 59
First Revised A.C.C. Sheet No. 60
Fourth Revised A.C.C. Sheet No. 61
First Revised A.C.C. Sheet No. 62
Third Revised A.C.C. Sheet No. 63
Fourth Revised A.C.C. Sheet No. 64
Fourth Revised A.C.C. Sheet No. 65
Fifth Revised A.C.C. Sheet No. 66
Third Revised A.C.C. Sheet No. 67
Second Revised A.C.C. Sheet No. 68
First Revised A.C.C. Sheet No. 69-76
Third Revised A.C.C. Sheet No. 108
Fourth Revised A.C.C. Sheet No. 113

Southwest seeks Arizona Corporation Commission (Commission) approval to revise its rate Schedule No. T-1, Transportation of Customer-Secured Natural Gas, to conform its tariff to recent changes implemented by El Paso Natural Gas Company (El Paso). These revisions are necessary to ensure transportation

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customers are properly allocated any upstream pipeline transportation service costs that may be incurred in conjunction with receiving transportation service under Schedule No. T-1.

Southwest's upstream pipeline service provider, El Paso, has recently implemented a comprehensive system of charges and penalties for delivery of natural gas on its system. Southwest has contracted with El Paso for a combination of baseload and hourly services necessary to provide service to its sales customers. However, Southwest has not contracted with El Paso for any services that may be required by its transportation customers. To the extent Southwest's transportation customers do not procure the level of services from El Paso to meet their needs, Southwest may incur additional charges from El Paso. The enclosed tariff revisions propose: 1) requiring customers that desire transportation service to obtain the level of service(s) on El Paso necessary to match their load requirements; 2) requiring hourly measurement equipment be installed at the customer's expense for all meters receiving transportation service; 3) further clarifying transportation customers' responsibility for any incremental El Paso charges incurred by Southwest as a result of transportation customer consumption; 4) aligning Southwest's transportation customer daily balancing requirements with the interstate pipeline balancing requirements and allowing for the adjustment of the daily imbalance tolerances as necessary to respond to conditions on the upstream pipeline; and 5) requiring transportation customers who elect sales service to remain on sales service for a period of 36 months.

Southwest respectfully requests the Commission approve the proposed tariff changes at its earliest convenience.

Respectfully submitted,

SOUTHWEST GAS CORPORATION

By Roger C. Montgomery
Roger C. Montgomery

c Mr. Robert Gray, ACC
Mr. Stephen Ahearn, RUCO

TABLE OF CONTENTS
(Continued)

Schedule No.	Title of Sheet	A.C.C. Sheet No.	
T-1	Transportation of Customer-Secured Natural Gas	51 – 68	T
	Held for Future Use	69 – 76	T
B-1	Potential Bypass/Standby Gas Service	77 – 80	
	Held for Future Use	81 – 86	
	SPECIAL SUPPLEMENTARY TARIFF		
	Purchased Gas Cost Adjustment Provision	87 – 88	
	Gas Research Fund (GRF) Rate Adjustment Provision	89	
	Low Income Rate Assistance (LIRA) Rate Adjustment Provision	90	
	Interstate Pipeline Capacity Release Service Provision	91 – 97	
	Held for Future Use	98 – 103	

Schedule No. T-1

TRANSPORTATION OF CUSTOMER-SECURED NATURAL GAS

1. AVAILABILITY

This schedule is available to any customer for transportation of natural gas by the Utility from an existing interconnection between the Utility and its upstream interstate pipeline suppliers (herein called Receipt Point) to the Delivery Point(s) on the Utility's system under the following conditions: T

1.1 The Utility has available capacity to render the requested service without construction of any additional facilities, except as provided by Section 8 hereof;

1.2 The customer has demonstrated to the Utility's satisfaction in accordance with Section 6.8(d) hereof, the assurance of natural gas supplies and third-party transportation agreements with quantities and for a term compatible with the service being requested from the Utility. Except for customers otherwise served under Schedule No. G-55, service under this schedule is limited to: (a) customers whose average monthly requirements at one of the customer's premises on an annual basis are no less than 15,000 therms, and (b) customers whose average monthly requirements at one of the customer's premises during the months of May through September are no less than 15,000 therms. Projected transportation quantities for customers otherwise served under Schedule No. G-55 shall not be less than 50,000 therms annually at one of the customer's premises.

1.3 The customer and the Utility have executed a service agreement for service under this schedule. A single service agreement may provide for service to any or all of the customer's separate premises, provided that all of the premises are under common ownership.

2. APPLICABILITY AND CHARACTER OF SERVICE

This schedule shall apply to gas transported by the Utility for customer pursuant to the executed service agreement.

2.1 The basic transportation service rendered under this schedule shall consist of:

(a) The receipt by the Utility for the account of the customer of the customer's gas at the Receipt Point; and

(b) The transportation and delivery of gas through the Utility's system for the account of the customer. L/T L

Schedule No. T-1

TRANSPORTATION OF CUSTOMER-SECURED NATURAL GAS
(Continued)

2. APPLICABILITY AND CHARACTER OF SERVICE *(Continued)*

2.2 The Utility may curtail or interrupt service as defined by Section 5 of this schedule or by Rule No. 7 of this Arizona Gas Tariff. In the event of curtailment or interruption, the Utility shall provide service as follows: D

(a) The Utility shall provide the customer with as much advance notice as is practical of any curtailment or interruption of service; and

(b) The Utility may, to the extent feasible, continue to receive the customer's gas at the Receipt Point on a scheduled basis during the period of curtailment or interruption and shall, to the extent feasible, redeliver such gas at the Delivery Point(s). For the period of curtailment or interruption, the Utility may waive any payments that may otherwise be due pursuant to Section 7 hereof.

2.3 Gas transported under this schedule shall be for use only by the customer, except for customers who would otherwise be served under Schedule No. G-55. Service under the provisions of this schedule shall not constitute the dedication of the Utility's pipeline system or any portion thereof to the customer.

2.4 Excluding imbalance charges, all rates and charges described herein shall apply by meter to each meter reflected in the customer's service agreement.

2.5 Any customer served under this schedule who requests service under a sales schedule must remain a sales customer for a period of not less than 36 months. C

The request must be submitted to the Utility no later than April 1 of each year for service commencing the following November 1. N N

3. RATES L

3.1 The customer shall pay the Utility monthly the sum of the following charges:

(a) Basic Service Charge. The basic service charge as set forth in the currently effective Statement of Rates of this Arizona Gas Tariff for each meter included in the transportation service agreement. Customers receiving service under contract rates shall pay the basic service charge as set forth in the customer's service agreement. L

Schedule No. T-1

TRANSPORTATION OF CUSTOMER-SECURED NATURAL GAS
(Continued)

3. RATES *(Continued)*

(b) Demand Charge. The monthly demand charge, if applicable, shall be the product of the demand charge rate set forth in the currently effective Statement of Rates of this Arizona Gas Tariff, multiplied by the customer's billing determinant. The billing determinant shall be equal to the customer's highest monthly throughput during the most recent 12-month period, ending the month prior to the current billing period. For new customers, the initial billing determinant shall be calculated by multiplying the customer's estimated average daily use by the number of days in the billing period.

(c) Volume Charge. The Commodity Charge per Therm less the Monthly Gas Cost of the Currently Effective Tariff Rate as set forth in the Statement of Rates of this Arizona Gas Tariff for each meter included in the transportation service agreement, plus an amount for distribution shrinkage as defined in Rule No. 1 and set forth in the Statement of Rates, Sheet No. 13 of this Arizona Gas Tariff. The amount collected for distribution shrinkage shall be recorded in the Gas Cost Balancing Account.

(d) Gas Cost Balancing Account Adjustment. 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 and amounts collected shall be recorded in the Gas Cost Balancing Account.

(e) Incremental Upstream Pipeline Charges. Any incremental upstream pipeline charges or penalties incurred by the Utility as a result of a transportation customer's hourly or daily burn differing from its upstream interstate pipeline rights, will be included on the customer's bill for service. All such amounts collected from customers will be credited to the Gas Cost Balancing Account. N N

(f) Imbalance charges as specified in Section 7 of this schedule. T/L

The Utility may adjust from time to time the applicable unit transportation rate to any individual customer, provided, however, that such adjusted rate shall not exceed the applicable charges as specified in Section 3.1 above.

In addition to the above charges and any applicable imbalance charges, the Utility shall include on the customer's bill any charges from upstream pipeline transporters or suppliers which have been incurred by the Utility because of the transportation service rendered for the customer under this schedule. L

Schedule No. T-1

TRANSPORTATION OF CUSTOMER-SECURED NATURAL GAS
(Continued)

3. RATES *(Continued)*

3.2 Any customer served under this schedule who requests service under a sales schedule will be permitted to change schedules to the extent that the Utility is able to procure additional gas supply and upstream pipeline resources and services to serve the customer's incremental sales volumes. Upon switching from transportation to sales service, the customer's gas cost component of the customer's commodity charge per therm will be determined as follows: T D

(a) Any customer served under this schedule who switches to a gas sales schedule 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 as stated in the Statement of Rates; or

(2) The incremental cost of gas procured by the Utility to serve the customer's additional sales volumes, including upstream interstate pipeline charges. T T

(b) Customers electing to return to sales service may be charged all, or a portion of the cost of any upstream pipeline resources incurred by the Utility to provide such service. N | N

Exclusive of any charges pursuant to Section 3.2 (b) above, after the conclusion of the initial 12-month period of receiving sales service, the customer shall be billed at the Currently Effective Tariff Rate. T

3.3 The charges specified for this schedule are subject to adjustment for the applicable proportionate part of any taxes, assessments or governmental impositions assessed on the Utility.

4. MINIMUM CHARGE L

The minimum charge per month is the basic service charge per month per meter and the demand charge per month per meter, if applicable. | L

Schedule No. T-1

TRANSPORTATION OF CUSTOMER-SECURED NATURAL GAS
(Continued)

5. FORCE MAJEURE

5.1 Relief From Liability: Neither party shall be liable in damages to the other on account of "force majeure" occasioned by any act, omission or circumstances occasioned by or in consequence of any act of God, strikes, insurrections, riots, epidemics, landslides, lightning, earthquakes, fires, storms, floods, washouts, arrests and restraints of rulers and people, civil disturbances, explosions, breakage or accident to machinery or lines of pipe, depletion of or temporary failure of gas supply, the binding order of any court or governmental authority which has been resisted in good faith by all reasonable legal means, and any other cause, whether of the kind herein enumerated or not, and not within the control of the party claiming suspension and which by the exercise of due diligence such party is unable to prevent or overcome. Failure to settle or prevent any strikes or other controversy with employees or with anyone purporting or seeking to represent employees shall not be considered to be a matter within the control of the party claiming suspension.

5.2 Liabilities Not Relieved: Neither the customer nor the Utility shall be relieved from liability in the event of its concurring negligence or failure on its part to use due diligence to remedy the force majeure and remove the cause with all reasonable dispatch, nor shall such causes or contingencies affecting performance of any agreement relieve either party from its obligations to make payments when due in respect of gas theretofore delivered.

6. OPERATING PROCEDURES

6.1 Nominating and Scheduling of Gas Receipts and Deliveries: NAESB guidelines will be followed regarding nominating, confirming and scheduling gas receipts and deliveries as they may be revised by the FERC from time to time. The customer shall be responsible for contacting the Utility and the upstream interstate pipeline(s) to arrange for the nominating and scheduling of receipts and deliveries hereunder, provided, however, that the customer may designate one party to serve as its Agent for such purpose. In the event the customer is receiving Title Assignment service, such contact shall be made to the Utility. The Utility and upstream interstate pipeline(s) require that specific information be provided to successfully process each nomination. It is the customer's or their Agent's responsibility to satisfy the pipeline's information requirements. L T T L

Schedule No. T-1

TRANSPORTATION OF CUSTOMER-SECURED NATURAL GAS
(Continued)

6. OPERATING PROCEDURES L

Nominations Made to the Upstream Interstate Pipeline(s): The customer or Agent must provide nomination(s) to the upstream interstate pipeline(s) via an approved method prior to the nomination deadlines set forth below: D T

Cycle 1 (Timely Nominations)	9:30 a.m. Pacific Clock Time on the day prior to flow
Cycle 2 (Evening Nominations)	4:00 p.m. Pacific Clock Time on the day prior to flow
Cycle 3 (Intraday Nominations)	8:00 a.m. Pacific Clock Time on the flow day
Cycle 4 (Intraday Nominations)	3:00 p.m. Pacific Clock Time on the flow day

Nominations Made to the Utility: The customer or Agent must provide nomination(s) to the Utility via a Utility-approved method no later than the nomination deadlines set forth below: D D

Cycle 1 (Timely Nominations)	8:00 a.m. Pacific Clock Time on the day prior to flow
Cycle 2 (Evening Nominations)	2:30 p.m. Pacific Clock Time on the day prior to flow
Cycle 3 (Intraday Nominations)	6:30 a.m. Pacific Clock Time on the flow day
Cycle 4 (Intraday Nominations)	1:30 p.m. Pacific Clock Time on the flow day

(a) Customers or their Agents may submit Nominations for multiple days (Standing Nominations), provided such Nominations are within the term of the customer's transportation service agreement. The Utility will confirm whether it has sufficient operational capacity to deliver all or a portion of the customer's gas.

(b) Nominations received after a deadline will be processed for the following cycle with the exception that late Cycle 4 Nominations will not be processed. The Utility will confirm the volumes nominated for Cycle 1 (Timely Nominations) through all four cycles regardless of upstream cuts in scheduled quantities, unless the Utility receives a revised Nomination from the responsible party for any subsequent cycle. L

Schedule No. T-1

TRANSPORTATION OF CUSTOMER-SECURED NATURAL GAS
(Continued)

6. OPERATING PROCEDURES *(Continued)* L

(c) Intraday Nominations will replace existing Standing Nominations only for the duration of the flow day requested.

(d) Balancing quantities nominated under the provisions of Section 6.9 herein as well as any gas to be scheduled under the Title Assignment provisions of the Special Supplementary Tariff — Interstate Pipeline Capacity Services Provisions must be separately identified in the Nomination. The Utility shall determine and notify the customer if there is sufficient operating flexibility to schedule such quantities. The Utility will only accept balancing and Title Assignment quantities for Cycle 1 Nominations.

(e) Nominations for multiple customer premises must specify the quantity of gas to be scheduled at each of the Utility's receipt points with its upstream interstate pipeline(s). The customer or Agent must specify, prior to the flow day, the method to be used by the Utility for allocating imbalances among individual customers. If the allocation method is not specified prior to the flow day, the Utility will allocate any imbalances pro rata from the Cycle 1 Nomination. T

6.2 Limitation Upon the Utility's Transportation Obligations: Customer shall cause deliveries into the Utility's system of volumes to be transported hereunder to be made at approximately a uniform rate. On any operating day, the Utility may refuse to accept quantities of gas that result in fluctuations in excess of 20 percent from the volumes transported during the previous operating day. Fluctuations in excess of 20 percent shall only be allowed if prior approval has been obtained from the Utility's dispatcher.

6.3 Records of Scheduled Quantities:

(a) The Utility shall keep accurate records of the quantities of gas scheduled for transportation and any imbalances, which records shall be made available to the customer at its request. If the customer's gas is commingled with other gas at the Receipt Point or at the Delivery Point(s), the scheduling arrangements and the Utility's records shall include procedures for the division of the total quantity at such points.

(b) On any day when a customer's metered quantity differs from the sum of the customer's scheduled transportation quantity and approved imbalance adjustment, the difference shall be balanced subject to Sections 6.9 and 7 herein. L

Schedule No. T-1

TRANSPORTATION OF CUSTOMER-SECURED NATURAL GAS
(Continued)

6. OPERATING PROCEDURES *(Continued)* L

6.4 Arrangements Prior to Receipt and After Delivery: It shall be the customer's obligation to make arrangements with other parties for delivery of gas into the Utility's system at the Receipt Point and for receipt of gas after transportation to the Delivery Point(s). The customer shall be obligated in such arrangements to require dispatching and operating coordination by such other parties with the Utility and access to appropriate charts and records. Such arrangements must be satisfactory to the Utility.

6.5 Operating Information and Estimates: Upon request of the Utility, the customer shall from time to time submit its best estimates of the daily, monthly and annual volumes of gas to be transported, including peak hour and peak day requirements, together with such other operating data as the Utility may require in order to schedule its operations. T

6.6 Quantities: All quantities referred to in Section 6 shall be provided as MMBtus (one million British Thermal Units).

6.7 Deliverability: The Utility shall not be liable for its failure to deliver gas when such failure to deliver gas is due to unavailability of gas supply or interruption of third party transportation services. T

6.8 Processing Requests for Transportation Service: Requests for transportation hereunder shall be made by, and shall be deemed to be complete upon, the customer providing the following information to the Utility:

(a) Gas Quantities. The Maximum Hourly and Daily Quantity applicable to each Receipt Point and to each Delivery Point, and estimated total quantities to be received and transported over the delivery period must be provided for each Receipt Point and each point of delivery. T D T/D

(b) Delivery Point(s). Point(s) of delivery by the Utility to the customer.

(c) Term of Service.

(1) Date service requested to commence; and

(2) Date service requested to terminate, if applicable. L

Schedule No. T-1

TRANSPORTATION OF CUSTOMER-SECURED NATURAL GAS
(Continued)

6. OPERATING PROCEDURES *(Continued)*

(d) Upstream Pipeline Resources. Demonstration of upstream interstate pipeline resources and services that are equivalent to the level of service requested from the Utility. Customers must notify the Utility immediately upon the acquisition of, or any change in, upstream interstate pipeline resources and services. D/N

Upon receipt of all of the information specified above, the Utility shall prepare and tender to the customer for execution a transportation service agreement. If the customer fails to execute the service agreement within 30 days of the date tendered, the customer's request shall be deemed null and void. L T/D L

6.9 Balancing: Notwithstanding all other provisions of this schedule, customers must endeavor to schedule supplies at the Utility's Receipt Points that match the customer's demands. Imbalances, defined as the difference between metered quantity and scheduled transportation quantity, established in excess of the customer's applicable daily or monthly operating windows, will be subject to imbalance charges as set forth in Section 7 of this schedule. Any imbalance (plus or minus) carried forward, as well as any Utility-approved imbalance nomination, shall be considered first through the meter during the next applicable daily or monthly period. T/N

(a) Daily Balancing: Transportation customers are provided a daily operating window consistent with upstream interstate pipeline tariffs and the customer's upstream interstate pipeline resources and services. The daily imbalance is defined as the difference between the customer's daily transportation quantities scheduled for burn and the customer's daily metered quantity, including the effect of any adjustment for cycle billing.

The Utility may reduce a transportation customer's daily operating window as necessary to protect system integrity or to respond to upstream pipeline conditions. The daily window will be adjusted pursuant to the following conditions: N

Schedule No. T-1

TRANSPORTATION OF CUSTOMER-SECURED NATURAL GAS
(Continued)

6. OPERATING PROCEDURES *(Continued)*

(1) The Utility will notify the customer(s) of any adjustments as soon as possible on the day prior to the day of gas flow; however, the Utility reserves the right to notify the customer(s) of adjustments to the daily window at any time. N

(2) Notice will be provided electronically and/or by other means mutually acceptable to the Utility and the Customer. The notice will contain (1) the starting time and degree of adjustment to the daily window, (2) the anticipated duration of the adjustment to the daily window, (3) the extent and reason(s) for the adjustment. The Utility will notify the transportation customer(s) immediately upon relief from conditions requiring adjustment to the daily window.

(3) If a transportation customer's daily imbalance exceeds the adjusted daily window (excess volumes), in addition to the Utility's imbalance charges as set forth Section 7, the transportation customer(s) will be charged a pro rata share of any upstream pipeline charges and/or penalties that were incurred by the Utility for such excess volumes. Any charges collected pursuant to this provision will be credited to the Gas Cost Balancing Account. The Utility shall not assess imbalance charges more than once on the same volumes of excess deliveries.

(b) Monthly Balancing. Transportation customers are provided a monthly operating window under which the customer's cumulative daily imbalances must be within plus or minus five percent (±5%) of the month's total of daily scheduled transportation quantities, including any Utility-approved imbalance adjustment quantity, or 1,500 therms, whichever is greater. N

6.10 Adjustments: Periodically, volume adjustments may be made by Upstream Interstate Pipeline Suppliers or the customer's Agent. In such instances, the daily quantities invoiced will be compared with the customer's daily scheduled transportation quantities. Should adjustments to the customer's scheduled transportation quantities become necessary, such adjustments will be reflected in the month in which the quantities were actually scheduled for purposes of administering this schedule. L L

Schedule No. T-1

TRANSPORTATION OF CUSTOMER-SECURED NATURAL GAS
(Continued)

6. OPERATING PROCEDURES *(Continued)*

6.11 Customer's Default: The Utility shall not be required to perform or continue service on behalf of any customer that fails to comply with the terms contained in this schedule and the terms of the customer's Service Agreement with the Utility. The Utility shall have the right to waive any one or more specific defaults by any customer under any provision of this schedule or the service agreement, provided, however, that no such waiver shall operate or be construed as a waiver of any other existing or future default or defaults, whether of a like or different character. L

6.12 Customer's Creditworthiness: The Utility shall not be required to perform or to continue service under this schedule on behalf of any customer who is or has become insolvent or who, at the Utility's request, fails within a reasonable period to demonstrate creditworthiness, provided, however, such customer may receive service under this schedule if the customer prepays for such service or furnishes good and sufficient security, as determined by the Utility in its reasonable discretion, an amount equal to the cost of performing the service requested by the customer for a six-month period. For purposes of this schedule, the insolvency of a customer shall be evidenced by the filing by such customer or any parent entity thereof (hereinafter collectively referred to as the customer) of a voluntary petition in bankruptcy or the entry of a decree or order by a court having jurisdiction in the premises adjudging the customer as bankrupt or insolvent, or approving as properly filed a petition seeking reorganization, arrangement, adjustment or composition of or in respect of the customer under the Federal Bankruptcy Act or any other applicable federal or state law, or appointing a receiver, liquidator, assignee, trustee, sequestrator (or other similar official) of the customer or of any substantial part of its property, or the ordering of the winding-up or liquidation of its affairs, with said order or decree continuing unstayed and in effect for a period of 60 consecutive days.

6.13 Operational Curtailment: The Utility reserves the right to impose, at anytime, any reasonable conditions upon the transportation of the customer's gas which the Utility, in its sole good faith judgment, deems necessary to maintain the safe and efficient operation of its distribution system, or to make the operating terms and conditions of service hereunder compatible with those of its upstream interstate suppliers. Under such circumstances, the following conditions shall apply: T

(a) Any customer that does not comply with a notice of operational curtailment shall be subject to, in addition to any otherwise applicable charges, a penalty of $10.00 per therm for all unauthorized quantities during the curtailment period. L

Schedule No. T-1

TRANSPORTATION OF CUSTOMER-SECURED NATURAL GAS
(Continued)

6. OPERATING PROCEDURES *(Continued)*

6.13 Operational Curtailment: *(Continued)* L

(b) The Utility shall endeavor to provide notice of such operational curtailment 48 hours prior to the commencement of the applicable gas daily.

(c) Notwithstanding condition (b), the Utility may impose an operational curtailment on the current gas day. In the event an operational curtailment is imposed on the current gas day, a minimum one-hour grace period will be allowed before penalties begin to apply.

(d) A customer will not be charged for incremental upstream pipeline charges or penalties incurred by the Utility as a result of its compliance with a notice of operation curtailment. N N

7. TRANSPORTATION IMBALANCE SERVICE

The Utility will provide an Imbalance Service for individual customers when their monthly metered quantities differ from the sum of the monthly scheduled transportation quantities to the Utility's system, plus any Utility-approved imbalance quantities. The Imbalance Service provided hereunder has two components: an Imbalance Trading Service and Payment for Excess Imbalances.

7.1 Imbalance Trading:

(a) The Imbalance Trading Service will be facilitated through the Utility's electronic bulletin board (Southwest Vista). Customers taking service under this schedule may trade their imbalances with other customers served under this schedule. The customer's cumulative monthly imbalances will be stated on an imbalance report provided separately from the monthly bill. The imbalance report will serve as notice of current imbalances. Imbalance trading is allowed for monthly imbalances only. No trades of daily imbalances will be allowed. Only those imbalances occurring in the same time period are eligible for trading. Beginning at 8:00 a.m. Mountain Clock Time on the tenth calendar day of the month following notification, customers may enter Southwest Vista to post available imbalances. The trading period will end at 5:00 p.m. Mountain Clock Time on the twenty-fifth calendar day of the month. If the twenty-fifth falls on a weekend or holiday, the trade period will close the following business day. L

Schedule No. T-1

TRANSPORTATION OF CUSTOMER-SECURED NATURAL GAS
(Continued)

7. TRANSPORTATION IMBALANCE SERVICE *(Continued)*

7.1 Imbalance Trading: *(Continued)* L

(b) Trading of imbalance quantities may not reduce a customer's monthly imbalance beyond a zero imbalance level. A customer may not trade to establish an imbalance in the opposite direction of the customer's original imbalance.

(c) Once customers have agreed on the terms of a trade, both parties must complete, and send to the Utility by facsimile, a copy of the Imbalance Trading Request Form (Form No. 879.0). The Utility will then validate the trade and adjust the participants' accounts. The Imbalance Trading Request Form must be received by the Utility within twenty-four (24) hours of the close of the trading period. No confirmation of an imbalance trade will be made until signed (hard copy) forms are received via mail or facsimile from both parties. The customer is solely responsible to monitor Southwest Vista to confirm whether the trade is validated.

(d) After the imbalance trading period, excess imbalance charges (see Sections 7.2 and 7.3) will be applied to all imbalance quantities in excess of the applicable monthly operating window.

(e) Cumulative imbalances for customers with multiple meters under a single transportation service agreement will be determined by subtracting the customer's aggregated metered volume, including the effect of any adjustment for cycle billing, from the total volume scheduled under the customer's service agreement. Imbalances will be allocated between the customer's meters based on metered volumes, including the effect of any adjustment for cycle billing. Customers with multiple meters will not be allowed to trade imbalances based on individual meters or sales accounts.

(f) The customer is solely responsible for contacting other transportation customers to explore opportunities for trading imbalances.

(1) Southwest assesses its transportation volume charges based on the transportation billing quantities, adjusted for any volumes traded pursuant to this section.

(2) It is the customer's sole responsibility to consider all gas supply, interstate and intrastate cost impacts when transacting imbalance trades. L

Schedule No. T-1

TRANSPORTATION OF CUSTOMER-SECURED NATURAL GAS
(Continued)

7. TRANSPORTATION IMBALANCE SERVICE *(Continued)*

7.1 Imbalance Trading: *(Continued)*

(g) If, as the result of a billing error, metering error, or adjustments of scheduled supply, a customer trades an incorrect imbalance quantity based on notification by the Utility, the Utility will not be liable for any financial losses or damages incurred by customer nor will the Utility be financially liable to any of the customer's imbalance trading partners. If, as a result of such error, the Utility overbills the customer, the Utility shall refund the difference without interest. If the Utility underbills the customer, the customer shall be liable for the undercharge, including any associated excess imbalance charges. For purposes of determining imbalances and any applicable charges hereunder, the Utility will include billing adjustments to the volume in prior periods as part of the current month's activity. Trades occurring in prior periods will not be affected by such billing adjustments.

7.2 Payment for Excess Imbalances:

Customers will be assessed imbalance charges if, an imbalance exists in excess of applicable daily or monthly operating windows set forth in Section 6.9 hereof. (Monthly imbalances will be adjusted to reflect imbalance trading activity before assessing any imbalance charge.) The customer's daily imbalance is defined as the difference between the customer's daily metered quantities and the sum of the customer's daily scheduled transportation quantity plus any Utility-approved daily imbalance adjustment quantity. The customer's monthly imbalance is defined as the difference between the customer's total monthly metered quantity, including the effect of any adjustment for cycle billing of the customer's meters, and the customer's total monthly scheduled transportation quantity. The portion of any imbalance quantity established by a customer in excess of the applicable monthly operating window is defined as an excess imbalance quantity. In addition to the charges payable under this schedule and the customer's otherwise applicable sales schedule, any monthly excess imbalance quantity shall be billed as follows:

(a) Positive Excess Imbalance

When the customer's scheduled transportation quantity (plus any approved daily imbalance adjustment quantity for daily imbalances) exceeds the customer's metered quantity by more than the applicable daily or monthly operating window, the excess imbalance shall be retained by the Utility and the excess imbalance eliminated after the customer's bill is credited with any respective unit transportation rate assessments plus the lower of the following two gas costs for each therm retained:

Schedule No. T-1

TRANSPORTATION OF CUSTOMER-SECURED NATURAL GAS
(Continued)

7. TRANSPORTATION IMBALANCE SERVICE *(Continued)*

7.2 Payment for Excess Imbalances: *(Continued)* L

(1) Fifty percent (50%) of the Monthly Gas Cost component contained in the customer's otherwise applicable sales schedule as stated in the Statement of Rates, excluding the currently effective Gas Cost Balancing Account Adjustment; or

(2) The lowest incremental cost of gas, including all upstream interstate transportation charges, purchased by the Utility during the same month.

(b) Negative Excess Imbalance

When the sum of the customer's scheduled transportation quantity (plus any approved daily imbalance adjustment quantity for daily imbalances) is less than the customer's metered quantity by more than the applicable daily or monthly operating window, the excess imbalance shall be eliminated after the customer is billed the higher of the following two gas costs for each therm of the excess imbalance in addition to the customer's applicable transportation volume charge:

(1) One hundred-fifty percent (150%) of the Monthly Gas Cost component contained in the customer's otherwise applicable sales schedule as stated in the Statement of Rates, excluding the currently effective Gas Cost Balancing Account Adjustment; or

(2) The weighted average cost of gas for the highest incremental purchases during the same month. The average will be determined by first weighting the highest priced gas purchased by the Utility during the month by the number of therms purchased at that price. The total therms to be allocated in this manner are equivalent to the total number of negative excess imbalance therms to be cashed out for the month. The weighted average cost of gas will also include any applicable upstream interstate transportation charges, such as fuel and variable transportation charges. A charge equal to the Utility's monthly average interstate transportation reservation cost is also included in the weighted average cost of gas. L

Schedule No. T-1

TRANSPORTATION OF CUSTOMER-SECURED NATURAL GAS
(Continued)

7. TRANSPORTATION IMBALANCE SERVICE *(Continued)*

7.3 Subject to mitigation through imbalance trading, if a customer is assessed an imbalance charge based on Utility billing information that is later determined to be in error, the portion of the imbalance charge not assessable based on the corrected billing information shall be reversed on the customer's bill without interest. If a customer is not assessed an imbalance charge based on Utility billing information that is later determined to be in error, the customer shall be billed for any applicable imbalance charges determined to be assessable based on the revised billing information. The original negative imbalance charge rate that is calculated for the applicable month will be used in any subsequent billings. L

7.4 Should a customer elect to discontinue taking service under this schedule and change to a sales service schedule, the Utility may allow, in its sole good faith judgment, any remaining imbalance within the applicable operating window to be cleared as follows:

(a) The Utility shall credit the customer for any positive imbalance quantity at a price equal to the lowest incremental cost of gas purchased by the Utility during the prior month for gas delivered to the Utility within the state of Arizona.

(b) For any remaining negative imbalance quantity, the customer shall pay the Utility for the imbalance quantity at the otherwise applicable gas sales tariff rate excluding the Gas Cost Balancing Account Adjustment.

(c) The customer may trade any remaining imbalance pursuant to this section; however, if a customer does not enter into a trade for any remaining imbalance quantity, the Utility will clear the remaining imbalance by utilizing paragraph (a) or (b) above, as applicable.

7.5 Under no circumstances shall Sections 7.2 and 7.4 above be considered as giving the customer any right to take excess imbalance quantities, nor shall Sections 7.2 and 7.4 or payment thereunder be considered as a substitute for any other remedy available to the Utility against the offending customer for failure to respect its obligation to stay within the authorized quantities.

7.6 All gas cost imbalance charges received by the Utility will be credited to the Gas Cost Balancing Account. T T/L

Schedule No. T-1

TRANSPORTATION OF CUSTOMER-SECURED NATURAL GAS
(Continued)

8. FACILITY ADDITIONS

All customers requesting transportation service are required to have hourly flow measurement, recording and communication equipment installed at the customer's expense for each meter location at which the customer desires to receive transportation service under this schedule. D/N D/N

9. THIRD PARTY CHARGES L

The customer shall reimburse the Utility for any charges rendered or billed to the Utility by its upstream interstate pipeline suppliers and by any other upstream pipeline transporters, suppliers or gas gatherers, either before or after termination of the service agreement, which the Utility, in its sole good faith opinion, determines have been incurred because of the transportation of customer's gas hereunder and should, therefore, appropriately be borne by the customer. Such charges, whether levied in dollars or gas, may include, but shall not be limited to, standby charges or reservation fees, prepayments, applicable taxes, applicable fuel reimbursement, shrinkage, lost and unaccounted for volumes, surcharges, penalty charges and filing fees. The customer will reimburse the Utility for all such charges incurred by the Utility as rendered, irrespective of the actual quantities of natural gas delivered to the customer. T T D

10. POSSESSION OF GAS AND RESPONSIBILITY

As between the Utility and the customer, the customer shall be deemed to be in control and possession of the gas until it has been delivered to the Utility for transportation at the Receipt Point. The Utility shall thereupon be deemed to be in control and possession of the gas until the gas shall have been delivered to the customer at the Delivery Point(s), after which the customer shall be deemed to be in control and possession. The customer shall have no responsibility with respect to any gas after it has been delivered to the Utility at the Receipt Point on account of anything which may be done, happen or arise with respect to said gas, until said gas is delivered to the customer at the Delivery Point(s).

The Utility shall have no responsibility with respect to said gas prior to its delivery to the Utility at the Receipt Point, or after its delivery to the customer at the Delivery Point(s), or on account of anything which may be done, happen or arise with respect to said gas prior to such receipt or after such delivery. L

Schedule No. T-1

TRANSPORTATION OF CUSTOMER-SECURED NATURAL GAS
(Continued)

11. WARRANTY OF TITLE L

The Utility accepts the customer's gas at the Receipt Point subject to the understanding that the customer warrants that it will, at the time of delivery of gas to the Utility for transportation, have good title to all gas so delivered to the Utility free and clear of all liens, encumbrances and claims whatsoever, that it will at such time of delivery have the right to deliver such gas to the Utility and that it will indemnify the Utility and hold the Utility harmless from all adverse claims of any and all persons to such gas.

The Utility warrants that, at the time of delivery of the transported gas to the customer at the delivery point(s), it will not have encumbered the gas in any manner whatsoever from the time the gas is accepted at the receipt point until the gas is delivered to the customer at the delivery point(s).

12. MEASUREMENT BASE

Refer to Rule No. 7 of this Arizona Gas Tariff.

13. HEAT CONTENT

Refer to Rule No. 7 of this Arizona Gas Tariff.

14. BILLING AND PAYMENT

14.1 Billing: The Utility shall render a bill to the customer on or before the 10th day of each month for all service rendered to the customer during the preceding calendar month.

14.2 Payment: On or before the 25th day of each month, the customer shall pay the Utility for the service rendered hereunder during the preceding month as billed by the Utility. Such payment shall be made in immediately available funds on or before the due date to a depository designated by the Utility. If the 25th falls on a day that the designated depository is not open in the normal course of business to receive the customer's payment, then payment shall be made on or before the last business day preceding the 25th that such depository is available.

14.3 Late Charge: Should the customer fail to pay all of the amount of any bill for gas delivered under the executed service agreement as herein provided, when such amount is due, a late charge of 1.5 percent of the delinquent amount shall be assessed. L

Schedule No. T-1

TRANSPORTATION OF CUSTOMER-SECURED NATURAL GAS
(Continued)

14. BILLING AND PAYMENT *(Continued)* L

14.4 Delayed Bill: If presentation of a bill to the customer by the Utility is delayed after the 10th day of the month, then the time of payment shall be extended accordingly unless the customer is responsible for such delay.

14.5 Adjustment of Errors: In the event an error is discovered in any invoice that the Utility renders, such error shall be adjusted within 30 days of the determination thereof, provided, however, that any claim for adjustment must be made within 12 months from the date of such invoice. L

HELD FOR FUTURE USE L/N

RULE NO. 1

DEFINITIONS
(Continued)

Daily Nomination:	A Nomination submitted to the Utility for one or more Gas Days. Daily Nominations must be submitted at least one calendar day prior to the effective Gas Day, subject to the provisions outlined in Section 6.1 of Schedule No. T-1.
Daily Operating Window:	A transportation operating constraint governing the allowable daily difference between the customer's metered quantity and the sum of the customer's scheduled transportation quantities, plus any Utility-approved imbalance adjustment quantity. D
Date of Presentation:	The mailing date shown upon a bill or notice.
Day:	Calendar day.
Distribution Customer:	Any customer who purchases gas from the Utility pursuant to the Utility's tariffs solely for his own use and not for resale.
Distribution Main:	A gas line of the Utility to which service lines may be attached.
Domestic Customer:	Where the entire consumption of natural gas is in the living quarters of the customer.
Elderly	A person who is 62 years of age or older.
Electronic Bill/Statement:	A regular bill or statement that is presented to the customer electronically.
Electronic Billing:	Also referred to as "Paperless Billing." A billing option residential customers may elect whereby the customer receives, views, and pays their gas bill electronically

RULE NO. 1

DEFINITIONS
(Continued)

Meter:	The instrument for measuring and recording the volume of natural gas that has passed through it.
Meter Tampering:	A situation where a meter or meter piping has been illegally altered. Common examples are meter bypassing and other unauthorized connections.
Minimum Charge:	The amount the customer must pay for the availability of gas service as specified in the Utility's tariffs.
Mobile Home:	A residential unit designed and built to be towed on its own chassis. It is without a permanent foundation and is designed for year-round living.
Monthly Operating Window:	A transportation operating constraint governing the allowable monthly difference between the customer's metered quantities and the sum of the customer's scheduled transportation quantities, plus any Utility-approved imbalance adjustment quantity. D
Mountain Clock Time (MCT):	Mountain Standard Time or Mountain Daylight Time, whichever is currently in effect in the majority of the Mountain Time Zone, regardless of which time the State of Arizona is operating under.
Multi-Family Residential:	Any structure where more than one permanent residential dwelling receives the benefits of natural gas service through individual meters.
Off-Peak Irrigation Season:	The six-month period beginning October 1 and ending March 31.
Operating Day:	The 24-hour period beginning 7:00 a.m. Mountain Standard Time.