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July 19, 2007

AZ CORP COMMISSION
DOCKET CONTROL

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

Re: **Docket No. G-01551A-06-0107; Decision No. 68753**

Pursuant to Commission Decision No. 68753, dated June 5, 2006, Southwest Gas Corporation (Southwest) hereby submits its status report in compliance with its participation in the Transwestern Pipeline Phoenix Project (Project). Southwest is required, every six months, or until either Southwest begins taking service from Transwestern or Southwest's participation in the Project is terminated, to file a status report with Docket Control.

If you have any questions concerning the information provided above, please contact me at 702-876-7163.

Respectfully submitted,

Debra S. Jacobson, Director
Government & State Regulatory Affairs

Arizona Corporation Commission
DOCKETED

JUL 19 2007

c Bob Gray, ACC
Compliance Section, ACC

DOCKETED BY

Southwest Gas Corporation
Pre-Approval of Cost Recovery for Participation in the Transwestern
Pipeline Phoenix Lateral Project (Docket No. G-01551A-06-0107)
July 2007 Status Report

Pursuant to Decision No. 68753, in Docket No. G-01551A-06-0107, Southwest Gas Corporation (Southwest) hereby submits its six-month status report on activities related to Transwestern Pipeline's (Transwestern) Phoenix Lateral Project (Project) that have transpired from January 1, 2007 through June 30, 2007.

Background

On June 5, 2006, the Arizona Corporation Commission issued Decision No. 68753 granting pre-approval of Southwest's cost recovery of the reservation charges, volumetric rate, fuel rate and applicable surcharges related to contracting for capacity in Transwestern's Project. The proposed Project comprises approximately 259 miles of pipeline that can deliver up to 500,000 Dth/day of natural gas supplies to central Arizona from Transwestern's mainline. The project will provide shippers direct access to San Juan basin supplies and indirect access to Rocky Mountain basin supplies. The project consists of three segments, as described in the Staff Report, and Southwest has subscribed to, under a precedent agreement, 75,000 Dth/day of winter capacity (November through March) and 1,000 Dth/day of summer capacity (April through October).

Project Status

The in-service date for the Phoenix Lateral from Ash Fork to the Palo Verde Plant site (approximately milepost No. 164) is anticipated to be July 2008. However, in order for this segment of the project to be in-service by July 2008, the issues regarding the crossing of Arizona Public Services' (APS) Palo Verde Nuclear Generating Station water line must be resolved and construction of the crossing must be completed by April 2008. The remaining portion of the Project is anticipated to be in-service by October 2008.

Transwestern has filed with the FERC responses to Environmental Data Requests (CP06-459). The Data Requests focused mainly on the route issues in the Buckeye and Casa Grande areas. A draft environmental impact statement (DEIS) was issued by the FERC on April 27, 2007, and the comment period on the DEIS ended June 18, 2007. Four FERC public meetings were held in Arizona and New Mexico to receive comments on the Draft EIS.

The Transwestern Rate Case (RP06-614) has been settled. The Rate Case settlement resulted in the fuel percentage for the Phoenix Lateral to be set at 2.3 percent.

The Resources Committee of the Navajo Nation Council approved Transwestern's right-of-way request. Transwestern has executed an agreement which will be presented to the Navajo president for signature.

Agreements with the two selected engineering and construction firms to build the two spreads of the Phoenix Lateral have been finalized. All long-lead time materials and equipment have been ordered and the project remains within budget. Work is also progressing well with Salt River Project and APS on collocation agreements and the final EIS is expected during the August/September 2007 timeframe.

Southwest will file its next six-month status report on the Project in January 2008.