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SOUTHWEST GAS CORPORATION

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January 22, 2008

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 beginning in January 2007, 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

- c Bob Gray, ACC
- Brian Bozzo, ACC Compliance

Arizona Corporation Commission
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Southwest Gas Corporation
Pre-Approval of Cost Recovery for Participation in the Transwestern
Pipeline Phoenix Lateral Project (Docket No. G-01551A-06-0107)
January 2008 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 July 1, 2007 through December 31, 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. The remaining portion of the Project is anticipated to be in-service by October 2008. The issues regarding the crossing of Arizona Public Services' (APS) Palo Verde Nuclear Generating Station water lines have been resolved and construction of the crossing is anticipated to be completed by the required April 2008 date.

The FERC issued the Final Environmental Impact Statement (FEIS) on September 21, 2007. On November 14, 2007, Transwestern filed with FERC the Project Implementation Plan, and FERC subsequently issued on November 15, 2007 and Transwestern accepted the Certificate of Public Convenience and Necessity in Docket No. CP06-459.

As of November 30, 2007, 115 condemnation pleadings have been filed in the Arizona federal court on outstanding private land tracts. Five (5) shipper affidavits and affidavits of two (2) Transwestern representatives regarding the need for quick approval in the condemnation process were also filed with the Federal Court as of November 30, 2007.

On December 14, 2007, Transwestern submitted to El Paso Natural Gas Company the Notice to exercise the capacity option on the Santan Lateral for 203,500 Dth/day and the Santan Lateral pipeline operating and maintenance agreement between the parties is expected to be executed soon. Also Firm Transportation Agreements, (FTS-5 Agreements, including the Operator Balancing Agreements) have been executed by shippers as of January 2008.

In late December of 2007, The Town of Buckeye and several developers ("Movants") filed with FERC a joint Motion of Stay of the Certificate Order. The Movants are seeking rehearing and claim the Project route through the Town of Buckeye and nearby developments will cause irreparable harm. Southwest, Arizona Public Service Company, Salt River Project and Transwestern subsequently filed Answers to the Motion of Stay and Transwestern intends to file with FERC a Limited Answer in Opposition to Request for Rehearing.

As of December 28, 2007, 99% of pipe needed for the San Juan Loop is stored in New Mexico and approximately 30% of pipe needed for the Phoenix Lateral is stored in Arizona. In addition, 165 of the 181 permit applications needed for the Phoenix Lateral Project have been submitted to the appropriate agencies, of which 62 permits have been approved.

Estimated start date of construction for the Project is estimated for the second half of January 2008. Southwest will file its next six-month status report on the Project in July of 2008.