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SOUTHWEST GAS CORPORATION

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AZ CORP COMMISSION
DOCKET CONTROL

July 25, 2008

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. Gallo, Director
Government & State Regulatory Affairs

Arizona Corporation Commission

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JUL 28 2008

c Bob Gray, ACC
Brian Bozzo, ACC Compliance

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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)
July 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 January 1, 2008 through July 2008.

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

Construction of San Juan (New Mexico) Lateral Loops is complete. Transwestern placed both Loops A and B in-service on July 2, 2008.

Construction of the Phoenix Lateral began, in March 2008, in the vicinity of Ash Fork. This is the location where the expansion will tie into Transwestern's east to west mainline. Approximately 90 percent of the pipeline is in the ground and covered, in the construction spread from Ash Fork to Milepost 114 (west of Sun City). Approximately 30 percent of construction is completed from Milepost 114 to the terminus of the pipeline near Coolidge.

In early April 2008, the Judge in the Project condemnation case issued an order denying immediate possession in advance of valuation hearings. The order covers approximately 10 tracts north of the APS Redhawk Plant, and about 10 tracts south of the APS Redhawk Plant. Transwestern anticipates acquiring most of these tracts from settlement negotiations, and continues to evaluate whether the delay in access to these tracts will have any impact on the Project's construction schedule.

Transwestern has reached a settlement for possession of land with the largest developers "Stardust-Tartesso", and "W. Holdings". As part of this settlement "Stardust-Tartesso" and "W. Holdings" agreed to withdraw their appeal from the D.C. Circuit Court. In addition Transwestern, in early June 2008, reached a settlement with the Town of Buckeye. The Town has agreed to drop its court challenge to the Project in exchange for Transwestern providing additional safety and security mitigation measures during the construction and operation of the pipeline.

Southwest is scheduled to begin service from the Phoenix Lateral Project starting November 1, 2008.