

TRANSWESTERN PIPELINE COMPANY, LLC
Phoenix Project – Update
May, 2005

Earlier this year, Transwestern Pipeline conducted an Open Season to determine shipper interest in the extension of its natural gas pipeline system in Northern Arizona to serve growing markets in the Phoenix area. Transwestern proposes to offer transportation services by (a) constructing a new Phoenix Lateral, extending 258 miles from the Transwestern's mainline in Yavapai County to delivery points in the Phoenix, AZ area, (b) utilizing unsubscribed capacity on the San Juan lateral and mainline, and (c) expanding the San Juan lateral to receive incremental San Juan and Rockies gas supplies. Transwestern estimates a project in-service date in the 2nd quarter of 2007.

The proposed Phoenix Project will provide 500 MMcf/day of gas supply access from the Rockies and San Juan producing basins to fast growing markets in the Southwest (Yavapai, Maricopa and Pinal Counties). It will also add supply reliability and flexibility to the central and southern Arizona markets. Additionally, the project provides Transwestern's' existing shippers, many of whom are marketers and producers, with access to additional markets for natural gas.

Currently, Transwestern is negotiating Expansion Agreements with parties who submitted requests during the Open Season. Transwestern anticipates initiating a request to participate in the FERC National Environmental Policy Act ("NEPA") Pre-Filing Process in June 2005, completing expansion contracts in July 2005, and filing a FERC certificate application by the end of the year.

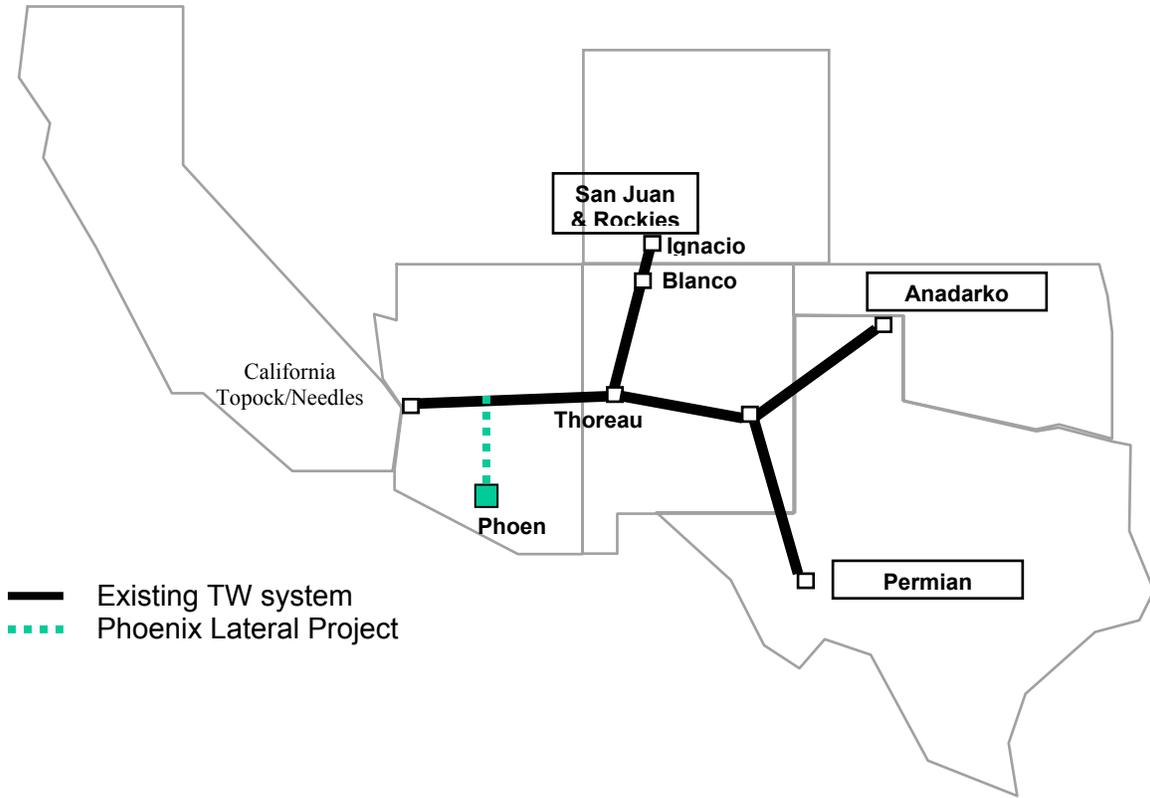
As noted above, a portion of the capacity to be utilized for the Phoenix Lateral Project will come from existing unsubscribed capacity on the San Juan Lateral and the mainline. Upon completion of customer negotiations, Transwestern intends to reserve such capacity in accordance with Section 24.5 of the General Terms and Conditions of its FERC Gas Tariff. Capacity so reserved will be available on a limited term basis for open access transportation during the interim period preceding the in-service date of the Phoenix Lateral Project. Transwestern will also solicit offers of turnback of San Juan or mainline capacity in accordance with the tariff.

Proposed Delivery Points and Points of Interconnection for the project include:

- Unisource's facilities in Yavapai County
- Southwest Gas
- Redhawk Power Plant
- Mesquite Power Plant
- Arlington Valley Power Plant
- Gila Bend Power Plant, at the point of interconnection with EPNG
- EPNG's south mainline system near the Palo Verde Hub
- Desert Basin Power Plant
- Sundance Power Plant
- SRP Santan Lateral

For more information regarding the Phoenix Pipeline Project please contact Lorraine Lindberg at (713) 989-2693 or Mark McConnell at (713) 989-2694.

Transwestern Pipeline Company System Map



- Existing TW system
- - - Phoenix Lateral Project