

**PAIUTE PIPELINE COMPANY
STATEMENT F-1
RATE OF RETURN CLAIMED**

Paiute Pipeline Company requires an overall rate of return of 10.89 percent given the capital market conditions and in order to be adequately compensated for the risks of transporting and storing natural gas.

The overall rate of return is based on a hypothetical capital structure of 45.6 percent long-term debt and 54.4 percent common equity. The hypothetical capital structure was developed based on the average capital structure of the proxy group used to estimate the cost of common equity. This capital structure represents a reasonable capital structure for Paiute Pipeline Company and also reflects Paiute's status as a wholly - owned subsidiary of Southwest Gas Corporation.

In developing the cost of debt for this proceeding, Paiute used the debt cost rates of the long-term debt issued by its parent, Southwest Gas Corporation (Southwest), exclusive of tax exempt industrial development revenue bonds issued exclusively for the benefit of the residents of Clark County, Nevada and San Bernardino, California.

The cost of common equity is estimated to be 13.83 percent. The cost of common equity is developed using the Federal Energy Regulatory Commission's recommended Two-Step DCF Model. The proxy group used to estimate the cost of common equity was comprised of five natural gas pipelines. For the proxy group companies, the DCF model resulted in a median cost of equity estimate of 13.33 percent. The cost of common equity was adjusted upward by 50 basis points to reflect Paiute's higher level of contract risk. The proxy group's average common equity component was 54.4 percent at September 30, 2008. The cost of common equity and the overall rate of return meet the capital attraction and comparability standards set in Bluefield Water Works and Improvement Company v. Public Service Commission of West Virginia 262 U.S. 679 (1923) and the Federal Power Commission v. Hope Natural Gas Company 320 U.S. 591 (1944).

PAIUTE PIPELINE COMPANY
RATE OF RETURN AND COST OF CAPITAL
AS ADJUSTED FOR THE TEST PERIOD AT AUGUST 31, 2009

Line No.	Description (a)	Percent of Total Capital (b)	Cost of Capital (c)	Weighted Cost of Capital (d)	Line No.
1	Long-Term Debt	45.60%	7.39% [1]	3.37%	1
2	Common Equity	54.40%	13.83% [2]	7.52%	2
3	Total	100.00%		10.89%	3

[1] Statement F-3, Sheet 4 of 7, Line No. 18, Column (e).

[2] See Company witness T. Wood's Testimony

**SOUTHWEST GAS CORPORATION
TOTAL COMPANY - DEBT CAPITAL
ORIGINAL NET PROCEEDS OF ISSUES OUTSTANDING [1]**

Line No.	Description (a)	Issue Date (b)	Maturity Date (c)	Coupon Rate (d)	Offered (e)	Gross Proceeds (f)	Underwriter's Commission and Discounts		Debt and Issuance Expense		Net Proceeds	Cost of Money [1] (m)	Line No.
							Amount (g)	Percent of Gross Proceeds (h)	Amount (i)	Percent of Gross Proceeds (j)	Amount (k)	Per \$100 Unit (l)	
1	Debentures	08/05/96	08/01/26	8.00%	\$ 75,000,000	\$ 75,000,000	\$ 894,750	1.19%	\$ 150,000	0.20%	\$ 73,955,250	98.61	1
2	8.00% Debenture, Due 2026	02/13/01	02/15/11	8.38%	200,000,000	200,000,000	2,818,000	1.41%	288,784	0.14%	196,893,216	98.45	2
3	8.375% Note, Due 2011	05/06/02	05/15/12	7.63%	200,000,000	200,000,000	2,052,000	1.03%	270,042	0.14%	197,677,958	98.84	3
4	7.625 Note, Due 2012				\$ 475,000,000	\$ 475,000,000	\$ 5,764,750	1.21%	\$ 708,826	0.15%	\$ 468,526,424	98.64	4
	Total Debentures												
5	Medium Term Notes	01/17/97	01/17/17	7.59%	\$ 25,000,000	\$ 25,000,000	\$ 187,500	0.75%	\$ 33,400	0.13%	\$ 24,779,100	99.12	5
6	7.59% MTN, Due 2017	02/03/97	02/03/22	7.78%	25,000,000	25,000,000	187,500	0.75%	33,400	0.13%	24,779,100	99.12	6
7	7.78% MTN, Due 2022	08/04/97	06/04/27	7.92%	25,000,000	25,000,000	187,500	0.75%	45,761	0.18%	24,766,739	99.07	7
8	7.92% MTN, Due 2027	09/23/97	09/24/27	6.76%	7,500,000	7,500,000	46,875	0.63%	17,228	0.23%	7,435,897	99.15	8
9	6.76% MTN, Due 2027				\$ 82,500,000	\$ 82,500,000	\$ 609,375	0.74%	\$ 129,789	0.16%	\$ 81,760,836	99.10	9
	Total Medium Term Notes												
10	Tax Exempt Clark County	10/05/99	12/01/38	6.10%	\$ 12,410,000	\$ 12,410,000	\$ 85,082	0.69%	\$ 644,409	5.19%	\$ 11,680,509	94.12	10
11	1999 Series A, Due 2038 [3]	07/19/00	12/01/38	5.95%	14,320,000	14,320,000	38,342	0.27%	936,800	6.54%	13,344,858	93.19	11
12	1999 Series C, Due 2038 [3]	09/26/01	12/01/38	5.55%	8,270,000	8,270,000	21,451	0.26%	523,760	6.33%	7,724,789	93.41	12
13	1999 Series D, Due 2038 [3]	03/25/03	03/01/38	Var	50,000,000	50,000,000	128,076	0.26%	2,820,818	5.64%	47,051,106	94.10	13
14	2003 Series A, Due 2038 [3]	03/25/03	03/01/38	5.45%	30,000,000	30,000,000	200,538	0.67%	1,440,962	4.80%	28,358,500	94.53	14
15	2003 Series C, Due 2038 [3]	03/25/03	03/01/38	3.35%	20,000,000	20,000,000	133,692	0.67%	154,313	0.77%	19,711,995	98.56	15
16	2003 Series D, Due 2038 [3]	03/25/03	03/01/38	5.80%	15,000,000	15,000,000	100,269	0.67%	115,735	0.77%	14,783,996	98.56	16
17	2003 Series E, Due 2038 [3]	07/16/04	07/01/34	5.25%	65,000,000	65,000,000	1,081,500	1.66%	2,915,229	4.48%	61,003,271	93.85	17
18	2004 Series A, Due 2034 [3]	10/19/04	12/01/33	5.00%	75,000,000	75,000,000	956,250	1.28%	5,034,264	6.71%	69,009,487	92.01	18
19	2004 Series B, Due 2033 [3]	10/05/05	10/01/35	4.85%	100,000,000	100,000,000	1,350,000	1.35%	2,724,048	2.72%	95,925,952	95.93	19
20	2005 Series A, Due 2035 [3]	09/20/06	09/01/36	4.75%	56,000,000	56,000,000	686,000	1.23%	801,557	1.43%	54,512,443	97.34	20
21	2006 Series A, Due 2036 [3]	09/24/08	03/01/38	Var	50,000,000	50,000,000	128,076	0.26%	2,820,818	5.64%	47,051,106	94.10	21
22	2008 Series A, Due 2038 [2]				\$ 496,000,000	\$ 496,000,000	\$ 4,909,276	0.99%	\$ 20,932,713	4.22%	\$ 470,156,011	94.79	22
	Total Tax Exempt Clark County												
23	Tax Exempt Big Bear	12/01/93	12/01/28	Var	\$ 50,000,000	\$ 50,000,000	\$ 175,000	0.35%	\$ 656,753	1.31%	\$ 49,168,237	98.34	23
24	1993 Series A, Due 2028												
25	Term Facility [4]	05/18/07	05/15/12	Var	\$ 150,000,000	\$ 150,000,000	\$ -	0.00%	\$ 602,828	0.40%	\$ 149,397,172	99.60	24
	Total Debt Capital				\$ 1,253,500,000	\$ 1,253,500,000	\$ 11,458,401	0.91%	\$ 23,030,919	1.84%	\$ 1,219,010,680	97.25	25

[1] Based on Parent Company records.
[2] Preliminary estimate and subject to change.
[3] Effective Rate at Issuance.
[4] A Commercial Paper program was initiated in October 2002 and is backed by \$50 million of the term facility.

PAIUTE PIPELINE COMPANY
COST OF LONG-TERM DEBT
AS OF NOVEMBER 30, 2008[1]

Line No.	Description (a)	Principal Amount of Issue (b)	Net Proceeds At Issuance (c)	Net Per Unit (d)	Effective Cost of Money (e)	Net Outstanding Balance (f)	Annual Cost (g)	Line No.
Debentures								
1	8.0% Debenture, Due 2026	\$ 75,000,000	\$ 73,955,250	98.61	8.12%	\$ 74,131,494	\$ 6,019,477	1
2	8.375% Note, Due 2011	200,000,000	196,893,216	98.45	8.61%	199,081,906	17,140,952	2
3	7.625 Note, Due 2012	200,000,000	197,677,958	98.84	7.79%	199,001,526	15,502,219	3
4	Total Debentures	\$ 475,000,000	\$ 468,526,424	98.64	8.19%	\$ 472,214,926	\$ 38,662,648	4
Medium Term Notes								
5	7.59% MTN, Due 2017	\$ 25,000,000	\$ 24,779,100	99.12	7.68%	\$ 24,870,098	\$ 1,910,024	5
6	7.78% MTN, Due 2022	25,000,000	24,779,100	99.12	7.86%	24,835,083	1,952,038	6
7	7.92% MTN, Due 2027	25,000,000	24,766,739	99.07	8.00%	24,802,598	1,984,208	7
8	6.76% MTN, Due 2027	7,500,000	7,435,897	99.15	6.88%	7,500,000	516,000	8
9	Total Medium Term Notes	\$ 82,500,000	\$ 81,760,836	99.10	7.76%	\$ 82,007,779	\$ 6,362,269	9
10	Term Facility	\$ 150,000,000	\$ 149,397,172	99.60	1.89%	\$ 132,181,085	\$ 2,493,373	10
11	Total Debt	\$ 707,500,000	\$ 699,684,432	98.90	6.92%	\$ 686,403,789	\$ 47,518,290	11
12	Debt Maturing within 12 Months	-	-	-	-	-	-	12
13	Total Long-term Debt	\$ 707,500,000	\$ 699,684,432	98.90	6.92%	\$ 686,403,789	\$ 47,518,290	13
14	Amortization of Loss(Gain) on							14
15	Reacquired or Refunded Debt[2]						\$ 408,079	15
16	Total Annual Long-Term Debt Cost						\$ 47,926,369	16
17	Weighted Average Cost of				6.98%			17
18	Debt Capital November 30, 2008							18

Notes:

[1] Based on parent company's records. The Clark County and Big Bear tax-exempt IDRB's are excluded from computing the cost of debt for Paiute Pipeline Company as these debt issues are solely to fund qualified construction expenditures in Clark County, Nevada and San Bernardino County, California, respectively.

[2] Reference Statement F-3, Sheet 7 of 7, Line No. 43, Column (g).

PAIUTE PIPELINE COMPANY

Total Debt Capital[1]
As of November 30, 2008

Line No.	Description (a)	Total (b)	Line No.
1	Principal Amount of all Issues	\$ 707,500,000	1
2	Gross Proceeds	\$ 707,500,000	2
3	Underwriters Discount	\$ 6,374,125	3
4	Issuance Expense	\$ 1,441,443	4
5	Net Proceeds	\$ 699,684,432	5
6	Net Debt Outstanding as of Balance Sheet Date	\$ 686,403,789	6
7	Amounts due within One Year (Net)	\$ -	7
8	Net Debt Capital less Current Maturities	\$ 686,403,789	8
9	Annual Dollar Cost of Total Debt Instruments	\$ 47,518,290	9
10	Weighted Average Cost of Debt Capital	6.92%	10
11	Plus: Amortization of (Gain)/Loss on		11
12	Reacquired Debt, Annualized	\$ 408,079	12
13	Adjusted Annual Dollar Cost of Debt	\$ 47,926,369	13
14	Weighted Average Cost of Debt Capital	6.98%	14

[1] Based on parent company's records. The Clark County and Big Bear tax-exempt IDRB's are excluded from computing the cost of debt for Paiute Pipeline Company as these debt issues are solely to fund qualified construction expenditures in Clark County, Nevada and San Bernadino County, California, respectively.

**PAIUTE PIPELINE COMPANY
COST OF LONG-TERM DEBT
AS ADJUSTED FOR THE TEST PERIOD AT AUGUST 31, 2009[1]**

Line No.	Description (a)	Principal Amount of Issue (b)	Net Proceeds At Issuance (c)	Net Per Unit (d)	Effective Cost of Money (e)	Net Outstanding Balance (f)	Annual Cost (g)	Line No.
Debentures								
1	8.0% Debenture, Due 2026	\$ 75,000,000	\$ 73,955,250	98.61	8.12%	\$ 74,148,815	\$ 6,020,884	1
2	8.375% Note, Due 2011	200,000,000	196,893,216	98.45	8.61%	199,378,179	17,166,461	2
3	7.625 Note, Due 2012	200,000,000	197,677,958	98.84	7.79%	199,199,223	15,517,619	3
4	Total Utility Debentures	\$ 475,000,000	\$ 468,526,424	98.64	8.19%	\$ 472,726,216	\$ 38,704,964	4
Medium Term Notes								
5	7.59% MTN, Due 2017	\$ 25,000,000	\$ 24,779,100	99.12	7.68%	\$ 24,879,034	\$ 1,910,710	5
6	7.78% MTN, Due 2022	25,000,000	24,779,100	99.12	7.86%	24,840,649	1,952,475	6
7	7.92% MTN, Due 2027	25,000,000	24,766,739	99.07	8.00%	24,806,252	1,984,500	7
8	6.76% MTN, Due 2027	7,500,000	7,435,897	99.15	6.88%	7,500,000	516,000	8
9	Total Medium Term Notes	\$ 82,500,000	\$ 81,760,836	99.10	7.76%	\$ 82,025,934	\$ 6,363,685	9
10	Term Facility	\$ 150,000,000	\$ 149,397,172	99.60	4.46%	\$ 149,665,945	\$ 6,670,149	10
11	Total Debt	\$ 707,500,000	\$ 699,684,432	98.90	7.34%	\$ 704,418,096	\$ 51,738,798	11
12	Debt Maturing within 12 Months	-	-	-	0.00%	-	-	12
13	Total Long-term Debt	\$ 707,500,000	\$ 699,684,432	98.90	7.34%	\$ 704,418,096	\$ 51,738,798	13
14	Amortization of Loss(Gain) on							14
15	Reacquired or Refunded Debt[2]						\$ 352,391	15
16	Total Annual Long-Term Debt Cost						\$ 52,091,189	16
17	Weighted Average Cost of							17
18	Debt Capital August 31, 2009				7.39%			18

Notes:

[1] Based on parent company's records. The Clark County and Big Bear tax-exempt IDRB's are excluded from computing the cost of debt for Paiute Pipeline Company as these debt issues are solely to fund qualified construction expenditures in Clark County, Nevada and San Bernardino County, California, respectively.

[2] Reference Statement F-3, Sheet 7 of 7, Line No. 45, Column (g).

PAIUTE PIPELINE COMPANY

Total Debt Capital[1]
As Adjusted For the Test Period At August 31, 2009

Line No.	Description (a)	Total (b)	Line No.
1	Principal Amount of all Issues	\$ 707,500,000	1
2	Gross Proceeds	\$ 707,500,000	2
3	Underwriters Discount	\$ 6,374,125	3
4	Issuance Expense	\$ 1,441,443	4
5	Net Proceeds	\$ 699,684,432	5
6	Net Debt Outstanding as of Balance Sheet Date	\$ 704,418,096	6
7	Amounts due within One Year	\$ -	7
8	Net Debt Capital less Current Maturities	\$ 704,418,096	8
9	Annual Dollar Cost of Total Debt Instruments	\$ 51,738,798	9
10	Weighted Average Cost of Debt Capital	7.34%	10
11	Plus: Amortization of (Gain)/Loss on		11
12	Reacquired Debt, Annualized	\$ 352,391	12
13	Adjusted Annual Dollar Cost of Debt	\$ 52,091,189	13
14	Weighted Average Cost of Debt Capital	7.39%	14

[1] Based on parent company's records. The Clark County and Big Bear tax-exempt IDRB's are excluded from computing the cost of debt for Paiute Pipeline Company as these debt issues are solely to fund qualified construction expenditures in Clark County, Nevada and San Bernadino County, California, respectively.

PAIUTE PIPELINE COMPANY
Amortization of Loss (Gain) on Reacquired and Refunded Debt

Line No.	Description (a)	9.0% Series A Debenture Due 10/01/11 (b)	9.0% Series B Debenture Due 11/01/11 (c)	8.75% Series C Debenture Due 12/01/11 (d)	9.375% Sinking Fund Series D Debenture Due 02/01/17 (e)	8.75% Series E Debenture Due 8/01/13 (f)	Total Amortization (g)	Line No.
1	(Gain)/ Loss							1
2	1996	\$ 1,795,522	\$ 2,071,999	\$ 1,286,961	\$ 3,699,273	\$ 603,421	\$ 9,457,176	2
3	1997	-	-	-	-	-	-	3
4	1998	-	-	-	-	-	-	4
5	1999	-	-	-	-	-	-	5
6	2000	-	-	-	-	-	-	6
7	2001	-	-	-	-	-	-	7
8	2002	-	-	-	-	-	-	8
9	2003	-	-	-	-	-	-	9
10	2004	-	-	-	-	-	-	10
11	2005	-	-	-	-	-	-	11
12	2006	-	-	-	-	-	-	12
13	2007	-	-	-	-	-	-	13
14	2008	-	-	-	-	-	-	14
15	2009	-	-	-	-	-	-	15
16	Total	\$ 1,795,522	\$ 2,071,999	\$ 1,286,961	\$ 3,699,273	\$ 603,421	\$ 9,457,176	16
17	Amortization [1]							17
18	1996	\$ 64,269	\$ 73,841	\$ 47,918	\$ 112,955	\$ 11,890	\$ 310,873	18
19	1997	186,520	213,891	138,600	338,865	35,670	913,545	19
20	1998	176,462	202,442	130,618	323,333	35,670	868,526	20
21	1999	166,404	190,993	122,637	306,390	35,670	822,094	21
22	2000	156,347	179,544	114,655	289,447	35,670	775,662	22
23	2001	146,289	168,095	106,673	272,504	35,670	729,231	23
24	2002	136,231	156,646	98,691	255,560	35,670	682,799	24
25	2003	126,174	145,197	90,710	238,617	35,670	636,368	25
26	2004	116,116	133,748	82,728	221,674	35,670	589,936	26
27	2005	106,058	122,299	74,746	204,731	35,670	543,504	27
28	2006	96,001	110,850	66,765	187,788	35,670	497,073	28
29	2007	85,943	99,401	58,783	170,844	35,670	450,641	29
30	2008	75,885	87,952	50,801	153,901	35,670	404,209	30

PAUTE PIPELINE COMPANY
Amortization of Loss (Gain) on Recquired and Refunded Debt

Line No.	Description (a)	9.0% Series A Debenture Due 10/01/11 (b)	9.0% Series B Debenture Due 11/01/11 (c)	8.75% Series C Debenture Due 12/01/11 (d)	9.375% Sinking Fund Series D Debenture Due 02/01/17 (e)	8.75% Series E Debenture Due 8/01/13 (f)	Total Amortization (g)	Line No.
31	2009	65,828	76,503	42,819	136,958	35,670	357,778	31
32	2010	55,770	65,054	34,838	120,015	35,670	311,346	32
33	2011	35,227	45,545	24,978	103,071	35,670	244,492	33
34	2012	-	-	-	86,128	35,670	121,798	34
35	2013	-	-	-	69,185	20,808	89,993	35
36	2014	-	-	-	52,242	-	52,242	36
37	2015	-	-	-	35,298	-	35,298	37
38	2016	-	-	-	18,355	-	18,355	38
39	2017	-	-	-	1,412	-	1,412	39
40	2018	-	-	-	-	-	-	40
41	Total	<u>\$ 1,795,522</u>	<u>\$ 2,071,999</u>	<u>\$ 1,286,961</u>	<u>\$ 3,699,273</u>	<u>\$ 603,421</u>	<u>\$ 9,457,176</u>	41
42	Base Period							42
43	Amortization[2]	<u>\$ 76,723</u>	<u>\$ 88,906</u>	<u>\$ 51,466</u>	<u>\$ 155,313</u>	<u>\$ 35,670</u>	<u>\$ 408,079</u>	43
44	Test Period							44
45	Amortization[3]	<u>\$ 64,570</u>	<u>\$ 74,118</u>	<u>\$ 42,487</u>	<u>\$ 135,546</u>	<u>\$ 35,670</u>	<u>\$ 352,391</u>	45

[1] Annual amortization computed on a straight-line basis over the life of the old issue.

[2] Based on amortization schedule for the period December 1, 2007 through November 30, 2008.

[3] Based on annualizing the month of August 2009.

**PAIUTE PIPELINE COMPANY
STATEMENT F-4
PREFERRED STOCK CAPITAL**

The capital structure used to develop the rate of return is based on a hypothetical capital structure and does not include any preferred or preference stock.