

**UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION**

Transwestern Pipeline Company, LLC § Docket No. RP06-____-000

**PREPARED DIRECT TESTIMONY
OF
WILLIAM W. GRYGAR**

1 **Q. Please state your name and business address.**

2 A. My name is William W. Grygar. My business address is 5444 Westheimer Road,
3 Houston, Texas 77056.

4 **Q. By whom are you employed and in what capacity?**

5 A. I am Vice President of Rates and Regulatory Affairs for Panhandle Eastern Pipe Line
6 Company, LP ("Panhandle") and Florida Gas Transmission Company, LLC ("FGT").

7 I supervise the Rates and Regulatory Affairs Department for the Panhandle Energy
8 pipeline group of companies. In addition to Panhandle and FGT, these companies

9 include Trunkline Gas Company, LLC, Transwestern Pipeline Company, LLC,

10 Trunkline LNG Company, LLC, Sea Robin Pipeline Company, LLC and Southwest

11 Gas Storage Company.

12 **Q. What is your employment history with the Panhandle Energy pipeline group?**

13 A. Starting in February 1973, I have held various positions of increasing responsibility
14 relating to rates and regulatory affairs for the interstate pipelines.

1 **Q. What is your educational background?**

2 A. I graduated from the University of Texas in May 1969 with a Bachelor of Business
3 Administration Degree with a major in Finance. In December 1972, I received a
4 Master of Business Administration degree from Southwest Texas State University. I
5 am a certified public accountant.

6 **Q. Are you a member of any professional associations?**

7 A. Yes. I am a member of the American Institute of Certified Public Accountants, the
8 Texas Society of Certified Public Accountants, and the Rate Committee of the
9 Interstate Natural Gas Association of America ("INGAA").

10 **Q. Have you previously given testimony before the Federal Energy Regulatory**
11 **Commission?**

12 A. Yes. My most recent testimony was submitted in Panhandle Eastern Pipe Line Co.,
13 Docket No. RP92-166-000, and Trunkline Gas Co., Docket No. RP96-129-000.

14 **Q. What is the purpose of your testimony in this proceeding?**

15 A. My testimony will discuss Classification, Cost Allocation and Rate Design for the
16 Transwestern filing in this proceeding. Specifically, I will discuss: (1) certain aspects
17 of cost classification, cost allocation and rate design methodologies, and the
18 assignment and allocation of costs to Transwestern's rate areas; (2) the transportation
19 volumes and reservation units upon which the rates are based, as adjusted for actual
20 discounting experience; and (3) the roll-in justification for various Transwestern
21 expansion facilities that were placed into service subsequent to Transwestern's last
22 general Section 4 rate filing in Docket No. RP93-34-000.

1 **Q. What Base Period is utilized by Transwestern for this filing?**

2 A. Transwestern has used a Base Period reflecting the actual data for the twelve months
3 ended May 31, 2006. Adjustments were incorporated for known and measurable
4 changes which will occur during the nine months succeeding the end of the Base
5 Period, through February 28, 2007 ("Adjustment Period"). The Base Period, as
6 adjusted for changes occurring in the Adjustment Period, is referenced as the "Test
7 Period".

8 **Q. What exhibits are you responsible for in this proceeding?**

9 A. I am responsible for the following exhibits:

10	<u>Exhibit No.</u>	<u>Reference</u>	<u>Description</u>
11	TW-36		Map Depicting Rate Areas
12	TW-37	Schedule I-1	Functionalization of Cost of Service
13	TW-38	Schedule I-2	Classification of Cost of Service, Twelve
14			Months Ended May 31, 2006, As
15			Adjusted
16	TW-39	Schedule I-1(c)	Allocation of Cost of Service, by Rate
17			Areas, Twelve Months Ended
18			May 31, 2006, As Adjusted
19	TW-40	Schedule I-1(d)	Methodology to Allocate Common or
20			Joint Costs to Each Rate Area, Twelve
21			Months Ended May 31, 2006, As
22			Adjusted
23	TW-41	Statement J	Comparison of Estimated Revenues with
24			Cost of Service, Twelve Months Ended
25			May 31, 2006, As Adjusted
26	TW-42	Schedule J-2	Proposed Base Rates
27			Derivation of Rates

1	TW-43	Schedule J-1	Summary of Billing Determinants
2	TW-44	Schedule J-1.1	Discount Adjustments
3		Schedule J-1.2	
4		Schedule J-1.3	
5	TW-45	Schedule J-1.4	Roll-in Justification for Expansion
6			Projects

7
Rate Design Methodology

8 **Q. What rate design underlies the rates included in the current filing?**

9 A. Transwestern continues to use the Straight Fixed Variable ("SFV") cost classification,
10 cost allocation and rate design methodology, as previously approved in Docket No.
11 RP93-34-000, Docket No. RS92-87-000, and Docket No. RP95-271-000. For Rate
12 Schedules FTS-1, LFT, FTS-2, FTS-4, ITS-1 and PNR, Transwestern's rates are
13 designed using the cost classification, cost allocation and rate design features which
14 the Commission has approved for use on the Transwestern system, based on the
15 current cost of service. Transwestern proposes rates for each transportation rate area
16 that: (1) reflect costs directly attributable or properly allocated to each area; and (2)
17 only use those billing determinants that appropriately reflect the volumes being
18 received in, transported through and/or delivered in each transportation rate area. In
19 addition, rates for interruptible transportation continue to be derived on the 100
20 percent load factor basis. Rates for Rate Schedule FTS-2, the rate schedule applicable
21 to certain small volume shippers, continue to be a one-part rate design based on the
22 historical methodology which is a composite of the transportation rate areas. Rates
23 for Rate Schedule PNR, a parking and lending service, reflect the 100 percent load
24 factor rate for the East of Thoreau to the West of Thoreau path.

1 **Q. What rate areas is Transwestern proposing in this proceeding?**

2 A. Transwestern is proposing to use the same rate areas, which are currently in effect on
3 its system, as the parties agreed to use in the Settlements of Docket No. RP93-34-000,
4 RS92-87-000 and RP95-271-000.

5 **Q. Describe the rate areas that Transwestern utilizes for transportation service on**
6 **its pipeline system.**

7 A. Transwestern has three rate areas for transportation services. The Thoreau/San Juan,
8 New Mexico point near Thoreau in the vicinity of the Gallup compressor station is the
9 demarcation point that defines the three rate areas. The West of Thoreau area
10 includes the pipeline facilities from the Thoreau/San Juan point to the terminus of the
11 mainline at the California border. Rates in the West of Thoreau area are further
12 subdivided between deliveries to California and deliveries east of California. The
13 East of Thoreau area includes the pipeline facilities from the Thoreau/San Juan point
14 to the production areas in the Permian and Anadarko Basins in New Mexico and West
15 Texas and the Panhandle of Texas. The San Juan area includes the pipeline system
16 originating at the La Plata "A" compressor station in Colorado to Thoreau on the
17 Transwestern mainline. A system map showing the transportation rate areas is
18 included in my Exhibit No. TW-36.

19 **Q. Is Transwestern proposing any changes to those rate areas?**

20 A. No.

Functionalization

Q. How is Transwestern's cost of service functionalized?

A. Exhibit No. TW-37 sets forth the functionalization of Transwestern's Cost of Service. That exhibit reflects the Cost of Service provided by Transwestern witness Mr. Biediger. This functionalization reflects that all of Transwestern's Cost of Service is classified as transmission facilities. Transwestern does not have any storage or gathering facilities.

Classification

Q. Are these functionalized costs further classified?

A. Yes, the functionalized costs have been classified in relationship to their characteristics as either fixed or variable costs. This classification is shown in Columns (a) through (c) on Pages 1 through 4 of my Exhibit No. TW-38. Page 1 of Exhibit No. TW-38 is a summary of the classification of the transmission cost of service for the twelve months ended May 31, 2006, as adjusted. Pages 2 through 4 show the classification of the transmission cost of service for each of the transportation rate areas, East of Thoreau, West of Thoreau and San Juan.

Q. For purposes of your testimony and exhibits, how do you define fixed costs and variable costs?

A. Fixed costs are those costs which do not vary materially when gas throughput varies and variable costs are those costs which vary directly and materially with system throughput.

1 **Q. Once costs have been classified as either fixed or variable, how are they further**
2 **classified?**

3 A. Once costs have been identified as either fixed or variable, the costs are then
4 classified for purposes of cost allocation and rate design as either reservation or usage.
5 Columns (e) and (f) of Pages 1 through 4 of my Exhibit No. TW-38 reflect this
6 classification, which is based on the SFV methodology.

7 **Q. How does Transwestern use the SFV methodology in its filing?**

8 A. Transwestern uses the SFV methodology for cost classification, cost allocation and
9 rate design. Under this method, all of the transmission fixed costs including return on
10 equity and related income taxes are included in the reservation component, and all
11 variable costs are included in the usage component.

12 **Cost Assignment and Allocation**

13 **Q. What is the basis for the cost assignment and allocation underlying**
14 **Transwestern's transportation rates?**

15 A. A separate cost of service has been determined for each rate area, as shown on Exhibit
16 No. TW-36. Rate Base and Cost of Service components identifiable by area were
17 assigned directly to the appropriate rate area, while common or general components
18 were allocated based on direct plant, labor, mileage and throughput utilization factors.
19 The allocation method used is consistent with the settlements of Docket No. RP93-34-
20 000, RS92-87-000 and RP95-271-000. The methodology to develop the cost of
21 service for each transportation rate area is consistent with the Commission's policy to
22 avoid subsidization of some shippers by others. The most significant change on the

1 Transwestern system since the last rate case has been the addition of sizeable amounts
2 of new plant for the San Juan lateral area and the mainline expansion West of
3 Thoreau. In addition, historically gas flowed on the Transwestern system from
4 producing basins to the California Border. Today, substantial quantities of gas enter
5 the system on the San Juan lateral, move to the mainline at Thoreau and then are
6 transported both east and west depending on the market requirements.

7 Exhibit No. TW-39 summarizes the allocation of the cost of service for each
8 of the transportation rate areas. Pages 1 through 14 of this Exhibit set forth, by
9 component, the Transmission function Cost of Service for East of Thoreau, West of
10 Thoreau and San Juan. Transwestern has maintained its books and records in such a
11 way as to facilitate the identification of costs applicable to the Transmission function
12 for use in the derivation of rates for each transportation rate area. Supporting details
13 for the methodology used to allocate common or joint costs to each rate area are
14 included in Exhibit No. TW-40.

15 **Q. Please explain your Exhibit No. TW-40.**

16 A. Exhibit No. TW-40 reflects the method and calculations used to assign and, in
17 appropriate circumstances, to allocate common or general costs and certain
18 miscellaneous items to the transportation rate areas. Pages 1 through 5 of my Exhibit
19 No. TW-40 reflect allocation units and resulting factors used to allocate General or
20 Common Costs to the three rate areas by utilizing a ratio of direct plant, direct labor,
21 contracted reservation units or right-of-way miles. Pages 6 through 20 detail the

1 allocation of the components of the Cost of Service that are not directly assigned to
2 each transportation rate area.

3 **Derivation of Rates**

4 **Q. Please explain your Exhibit No. TW-41.**

5 A. Exhibit No. TW-41 is a reconciliation of gas transportation revenues as shown on
6 Statement G to the Total Cost of Service.

7 **Q. How are Transwestern's proposed transportation rates derived?**

8 A. Transwestern's proposed transportation rates are shown on my Exhibit No. TW-42,
9 Page 1. Exhibit No. TW-42, Page 1 shows the transportation Base rates for Rate
10 Schedules FTS-1, FTS-4, LFT, FTS-2, ITS-1 and PNR for the various transportation
11 path combinations. The total transportation Base rates are the sum of the various
12 applicable transmission rate components.

13 Exhibit No. TW-42, Page 2 shows the derivation of the transportation Base
14 rates for Rate Schedules FTS-1, FTS-4, LFT, and ITS-1 for each area. The
15 reservation components of the transportation rates have been designed to recover the
16 reservation costs allocated to each area. The reservation rate components are
17 calculated by dividing the total allocated reservation costs within each rate area by the
18 reservation design units for that rate area. The usage rate components for each rate
19 area are calculated by dividing the total allocated usage costs within each rate area by
20 the usage design units for that rate area. The rates for Rate Schedule ITS-1 are the
21 100 percent load factor equivalents of the FTS-1 rate for each of the transportation
22 rate areas.

The West of Thoreau rates are then modified to distinguish transportation service to the California border from the service to east of California. This calculation maintains the ratio of Transwestern's currently effective West of Thoreau to California and east of California reservation rates set forth in the November 23, 1993 settlement in Docket No. RP93-34. These calculations are shown on Pages 3 and 4 of Exhibit No. TW-42.

The Rate Schedule FTS-2 rate reflects the reservation and usage rates calculated from the composite rates for each transportation rate area utilized by these shippers, on a one-part rate basis. This is the historical basis used to calculate the rate for service under Rate Schedule FTS-2. The derivation of the rates for Rate Schedule FTS-2 are shown on Page 5 of Exhibit No. TW-42.

The rate for Rate Schedule PNR is based on the 100 percent load factor rate for the East of Thoreau to the West of Thoreau-California path. The derivation of the rates for Rate Schedule PNR are shown on Page 6 of Exhibit No. TW-42.

Rate Design Determinants

Q. How are Transwestern's reservation design units determined?

A. Transwestern's reservation design units take into account known and measurable changes in contractual arrangements which have become effective during the Base Period or which are to become effective before the end of the Test Period. The units used to calculate reservation rates are based on the transportation customers' contract demands or Maximum Daily Quantity (MDQ), as adjusted, in each rate area for firm Rate Schedules FTS-1 and FTS-4 transportation customers; a representative projected

1 level of imputed contract demand applicable to Rate Schedule FTS-2 transportation
2 customers; and a representative projected level of imputed contract demand applicable
3 to Rate Schedules ITS-1 and PNR transportation customers, based on projected
4 throughput volumes, all as adjusted for discounting. Transwestern currently does not
5 have any shippers that utilize Rate Schedule LFT. Exhibit No. TW-43 shows the
6 summary of billing determinants utilized to calculate Transwestern's transportation
7 rates.

8 The Test Period reservation billing determinants, shown on Exhibit No.
9 TW-43, were adjusted for discounting to determine the reservation design units. I
10 will discuss the adjustments for discounting later in my testimony.

11 **Q. Have you prepared an exhibit which reconciles the reservation and usage billing**
12 **determinants unadjusted and adjusted for discounting?**

13 A. Exhibit No. TW-43 reconciles the reservation and usage billing determinants
14 unadjusted for actual discounting experience with the reservation and usage billing
15 determinants utilized to derive Transwestern's proposed rates which are adjusted for
16 discounting.

17 **Q. Upon what design units are Transwestern's rates based?**

18 A. Transwestern's design units for the reservation component of rates for West of
19 Thoreau are 198,200,558 Dth and 261,787,920 Dth for the usage component of rates.
20 Transwestern's design units for the reservation component of rates for San Juan are
21 358,501,350 Dth and 548,807,550 Dth for the usage component of rates.
22 Transwestern's design units for the reservation component of rates for East of

1 Thoreau are 306,324,162 Dth and 300,634,945 Dth for the usage component of rates.
2 The rate design units which are shown on Exhibit No. TW-43 are based on the Test
3 Period transportation volumes stated in dekatherms for each area, as adjusted for
4 discounting.

5 The rate design units were derived by adjusting the actual quantity for all
6 transportation agreements during the twelve months ended May 31, 2006, the Base
7 Period in this proceeding. The Base Period volumes are reflected in the testimony of
8 Transwestern's witness Mr. Lichtenwalter. Test Period adjustments for
9 Transwestern's transportation volumes are provided by Transwestern's witness Ms.
10 Corman.

11 **Discount Adjustment**

12 **Q. What discount adjustment method is used to establish the reservation design**
13 **units?**

14 **A.** Transwestern uses the iterative methodology in this filing. The iterative methodology
15 is the Commission's preferred basis for determining the discount adjustment. The
16 iterative method is applied in order to assure that only transactions which are
17 discounted when compared to the final rates are given weight in a discounting
18 computation. Under that method, only reservation units and volumes associated with
19 transactions in which the discounted rate was less than the final calculated maximum
20 rates are included in the discount adjustment. The reservation units and volumes
21 which are to be reflected in the design of rates are determined by ascertaining a
22 preliminary rate which accords no weight to discounting. Any transactions provided

1 at rates below that rate are then accorded weight in the calculation by multiplying the
2 proportionate revenue contribution percentage by the discounted volumes. The
3 proportionate revenue contribution percentage of reservation units and volumes
4 associated with a particular transaction is determined by comparing the revenue
5 actually provided by the discounted reservation unit or volume with the revenues that
6 the transaction would have provided at maximum rates. This process is continued
7 through further iterations, which in successive calculations ultimately will reflect final
8 rates and all transactions which fall within the discounting threshold.

9 **Q. What discount adjustment is used to establish the reservation design units?**

10 A. My Exhibit No. TW-44 sets forth the discount adjustment which reflects discounted
11 reservation units to the extent of their projected proportionate contribution to
12 revenues, which is based on Transwestern's projection of applicable rates for firm
13 service for the Test Period. Exhibit No. TW-44 also shows the discount adjustment
14 which reflects discounted usage volumes to the extent of their projected proportionate
15 contribution to revenues, which is based on Transwestern's projection of applicable
16 revenue for interruptible service under Rate Schedule ITS-1 and Rate Schedule PNR
17 for the Test Period. The discount adjustment is calculated separately for each of the
18 transportation rate areas.

19 **Q. Why should a discount adjustment be reflected in the design of Transwestern's**
20 **rates?**

21 A. A discount adjustment in the rate design process is necessary in order to avoid
22 attributing full revenue responsibility to services that did not provide full revenue

1 recovery. Transwestern is able to achieve the level of transportation and the level of
2 firm transportation contracts upon which its rates are based only by substantially
3 discounting its services.

4 A discount adjustment is properly used in the design of rates. Rate designs
5 which inhibit discounting will be inefficient and inequitable because they would
6 remove the incentive for pipelines to discount their services in the future to capture
7 marginal firm and interruptible business.

8 Competing pipelines have adopted SFV-based rates and Transwestern and
9 other pipelines also have capacity release mechanisms in their tariffs. Interruptible
10 service on the Transwestern system has been subject to increasing price competition
11 and decreasingly attractive from a reliability perspective, when compared to firm
12 services available through capacity release mechanisms. Although the markets which
13 Transwestern serves continue to be characterized by the presence of ample capacity,
14 for many customers, released capacity is an alternative which is preferable to
15 interruptible service. These factors support Transwestern's Test Period projection for
16 interruptible transportation services of 19,746,559 Dth, which when adjusted for
17 discounting is 5,432,958 Dth for the rate design proposed, resulting in an allocation of
18 approximately \$1 million to interruptible transportation services.

19 Exhibit No. TW-47, which is included in Mr. Lichtenwalter's testimony,
20 shows that discounting of firm and interruptible transportation has continued during
21 the entire Base Period. Since the Test Period data is based on contracts which will
22 continue to be in effect, there is no reason to expect any reduction in the level of

1 discounts through the conclusion of the Test Period. Exhibit No. TW-47 also shows
2 the receipt and delivery area for each transportation contract and the affiliate
3 relationship, if any, of each transaction. By providing these transportation services,
4 Transwestern has been able to spread its fixed costs over a greater base than it would
5 have been able to in the absence of the discounting.

6 **Q. Were the discounts provided necessary for these transactions to be included as**
7 **system load?**

8 A. Yes. Transwestern was able to achieve the level of firm transportation contract
9 demand and interruptible throughput which it did achieve only because of the
10 substantial discounts which it provided. The testimony of Transwestern's witness Ms.
11 Corman describes the discounting during the Base Period and Test Period in this
12 proceeding.

13 **Q. Does Transwestern have any negotiated rate agreements?**

14 A. Yes.

15 **Q. Describe the negotiated rate agreements on Transwestern's system.**

16 A. The negotiated rate agreements are related to Transwestern's Red Rock expansion
17 (Docket No. CP01-115-000) and the San Juan 2005 Expansion (Docket No. CP04-
18 104-000). The Red Rock expansion shippers receive transportation service under
19 Rate Schedule FTS-1. Transwestern has six shippers with 92,200 Dth/d of firm
20 contracted capacity related to the Red Rock expansion. The San Juan 2005 expansion
21 shippers are provided transportation service under Rate Schedule FTS-4.
22 Transwestern has nine shippers with 333,000 Dth/d of firm contracted capacity related

1 to the San Juan 2005 expansion. Each of the negotiated rate agreements is identified
2 in the testimony and exhibits of Mr. Lichtenwalter.

3 **Q. How were negotiated rate transactions reflected in the billing determinants used**
4 **for rate design?**

5 A. Negotiated rate agreements were reflected as maximum rate shippers for purposes of
6 rate design for the reservation rates for each transportation rate area. These
7 agreements were not included in the discount adjustment.

8 **Justification for Rolled-in Rate Treatment**

9 **Q. Has Transwestern expanded its system since its last Section 4 rate case?**

10 A. Yes, since Transwestern's last rate case, Transwestern has expanded its system on
11 several occasions. Four of the expansions are associated with the San Juan lateral
12 facilities located in New Mexico. The San Juan lateral extends from the La Plata "A"
13 compressor station in La Plata County, Colorado, to a point on Transwestern's
14 mainline near Gallup, New Mexico. Transwestern originally constructed the San Juan
15 lateral in 1991 (56 FERC ¶ 61,196 (1991)) and expanded the capacity several times
16 during the last ten years. The San Juan lateral, Phase I and Phase II expansion
17 projects in Docket Nos. CP96-10-000 and CP97-516-000, 75 FERC ¶ 61,107 (1996)
18 and 81 FERC ¶ 61,217 (1997), respectively, added 255,000 Mcf/d of new capacity.
19 The Gallup compressor station expansion in Docket No. CP99-522-000, 98 FERC ¶
20 61,036 (2000), added 50,000 Mcf/d of capacity for the San Juan lateral. In addition to
21 increasing the capacity of the San Juan lateral, the new compression at the Gallup,
22 New Mexico compressor station restored 140,000 Dth per day of capacity on

1 Transwestern's West of Thoreau mainline facilities. The last San Juan lateral
2 expansion is the 2005 looping and compression project in Docket No. CP04-104-000,
3 108 FERC ¶ 61,157 (2004), which added 375,000 Mcf/d of new transportation
4 capacity. The expansion project that was not associated with the San Juan lateral is
5 the Red Rock project. This project replaced the historical compression with new and
6 increased horsepower/compressor capability at mainline stations 1, 2 and 3 and
7 increased the mainline capacity in the West of Thoreau area to 1,210,000 Dth/d. The
8 Red Rock facilities were certificated in Docket No. CP01-115-000, 96 FERC ¶ 61,078
9 (2001).

10 **Q. Please summarize your conclusion as to the proper rate treatment for these**
11 **expansion facilities.**

12 A. All of the expansion facilities satisfy the Commission's 1995 and 1999 Policy
13 Statement test for rolled-in rate treatment.

14 **Q. What were the rate determinations made by the Commission in the certificate**
15 **orders approving these projects?**

16 A. With respect to the San Juan Phase I and Phase II facilities and Red Rock
17 compression projects, the Commission placed Transwestern on notice that if in the
18 future it proposes to roll-in the costs associated with these projects into its systemwide
19 rates, it will be required to demonstrate that actual project revenues exceed project
20 costs. The San Juan 2005 expansion project was certificated with an incremental rate
21 for service, which is provided under Rate Schedule FTS-4. For the Gallup, New
22 Mexico compressor station project, the Commission's order showed that the annual

1 revenues at the discounted rates exceeded the annual costs for each of the first five
2 years of service and that rolled-in pricing would reduce the tariff rates applicable to
3 Transwestern's existing customers. The order stated that if rolled-in pricing will
4 result in reduced rates for customers, then Transwestern should roll the Gallup
5 expansion costs into the rates of its customers in the next rate proceeding.

6 **Q. What is your understanding of the Commission's policy with respect to**
7 **expansion facilities for which the pipeline seeks rolled-in rate treatment?**

8 A. In 1995, the Commission issued a Policy Statement ("1995 Policy Statement") that
9 established that the Commission will apply a presumption in favor of rolled-in rates
10 when the rate increase to existing customers from new facilities is 5% or less and the
11 pipeline makes a showing of system benefits. In 1999, the Commission issued a
12 subsequent Policy Statement ("1999 Policy Statement") that modified the
13 Commission's roll-in policy by eliminating the 5% rate increase allowance included
14 in the 1995 Policy Statement. The Commission stated in the 1999 Policy Statement
15 that the threshold requirement in establishing the public convenience and necessity for
16 existing pipelines proposing an expansion project is that the pipeline must be prepared
17 to financially support the project without relying on subsidization from its existing
18 customers. However, the Commission further clarified that changes regarding the
19 roll-in vs. incremental standards contained in the 1999 Policy Statement would not be
20 applied retroactively to cases where the certificate has already been issued and the
21 investment decisions have already been made. In the 1999 Policy Statement, the
22 Commission determined that when a pipeline constructs an expansion with an

1 incremental rate, shippers acquiring long-term firm capacity after the expansion,
2 whether from the pipeline or through permanent capacity release, must pay the same
3 rate as the expansion shippers or it would otherwise be considered unduly
4 discriminatory.

5 **Q. What methodology was used to determine the appropriate rate treatment for**
6 **Transwestern's expansion projects?**

7 A. In order to determine whether roll-in of the expansions was warranted, Transwestern
8 calculated and compared the costs of service associated with each expansion with the
9 revenues derived from shippers using the expansion facilities.

10 **Q. How was the cost of service determined for this calculation?**

11 A. An incremental cost of service for each of the expansion projects was determined in a
12 manner similar to the cost of service calculation for each of the transportation rate
13 areas. Direct costs associated with each expansion project were identified. General
14 or common costs were allocated utilizing the various allocation factors described in
15 Exhibit No. TW-40. Exhibit No. TW-39, Pages 15 to 22, details the calculated stand-
16 alone cost of service for each of the expansion projects. For purposes of these
17 calculations the San Juan lateral Phase I and Phase II expansions are aggregated.

18 **Q. How were the revenues associated with expansion projects determined?**

19 A. The San Juan Phase I and II expansion project revenues reflect Test Period shipper
20 contracts that utilize this portion of the system. Shippers receiving service under Rate
21 Schedule FTS-4, which are the San Juan 2005 expansion shippers, are excluded from
22 this revenue calculation because their revenue contribution is utilized in the roll-in

1 calculation for that expansion of the San Juan lateral. For the Gallup compression
2 project, the revenue reflects the average rate for shippers utilizing the San Juan to
3 West of Thoreau transportation path. For purposes of the roll-in calculation,
4 Tranwestern only reflects the Gallup capacity increase on the San Juan lateral which
5 is 50,000 Dth per day. The average rate for the San Juan to West of Thoreau path was
6 used because the Gallup compression also restored 140,000 Dth per day of West of
7 Thoreau mainline capacity. For the Red Rock expansion, the revenues reflect the
8 shippers that were associated with this expansion. The derivation of revenues
9 associated with each expansion is shown on Exhibit No. TW-45.

10 **Q. What is the result from the comparison of the costs and revenues for the**
11 **expansion projects?**

12 A. As reflected on Exhibit No. TW-45, the revenues generated from the capacity created
13 by the expansion facilities are greater than the cost of service for each of the projects.
14 In each instance the revenues resulting from the expansion projects is substantially in
15 excess of the incremental costs. Accordingly, roll-in rate treatment is appropriate for
16 the expansion facilities because existing shippers are not subsidizing the expansion
17 shippers.

18 **Q. Does this complete your prepared direct testimony?**

19 A. Yes, it does.

The State of Texas}
} SS.
County of Harris }

BEFORE ME, the undersigned authority, on this day personally appeared
William W. Grygar, who being by me first duly sworn, on oath deposes and says:

That he is the William W. Grygar, offering the foregoing prepared direct testimony
and that all statements of fact contained therein are true and correct to the best of his
knowledge, information and belief.

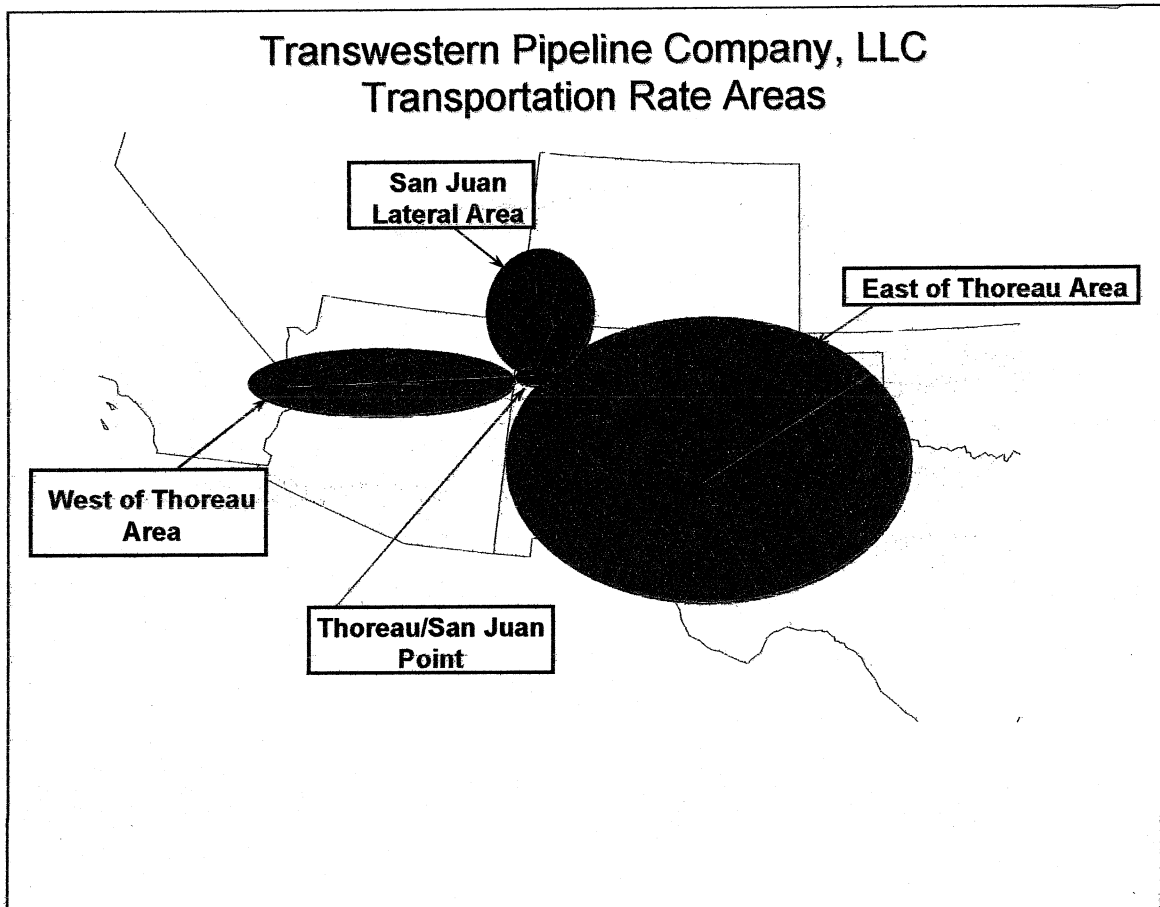
/s/ William W. Grygar
William W. Grygar

Subscribed and sworn to before me this 28th day of September, 2006.

/s/ Suzanne Samano
Notary Public

My Commission Expires:

April 6, 2010



TRANSWESTERN PIPELINE COMPANY, LLC

Functionalization of Cost of Service
Twelve Months Ended May 31, 2006, As Adjusted

Line No.	Description	Reference	Total (a)	Transmission (b)
	<u>Operating Expenses</u>			
1	Operations and Maintenance		\$ 32,388,575	\$ 32,388,575
2	Administrative & General		<u>25,896,757</u>	<u>25,896,757</u>
3	Total Operating Expenses	STATEMENT H-1	58,285,332	58,285,332
4	Depreciation Expense	STATEMENT H-2	19,353,273	19,353,273
5	Taxes Other Than Income	STATEMENT H-4	12,300,127	12,300,127
6	Return @ 10.30%	STATEMENT B	81,593,923	81,593,923
7	Federal Income Taxes	STATEMENT H-3	33,400,150	33,400,150
8	State Income Taxes	STATEMENT H-3	5,910,293	5,910,293
9	Revenue Credits	SCHEDULE G-5	<u>(62,228)</u>	<u>(62,228)</u>
10	Total		<u>\$ 210,780,870</u>	<u>\$ 210,780,870</u>

TRANSWESTERN PIPELINE COMPANY, LLC

Classification of Transmission Cost of Service
Twelve Months Ended May 31, 2006, As Adjusted

Line No.	Acct. No.	Description	Total (a)	Fixed (b)	Variable (c)	Total (d)	Reservation (e)	Usage (f)
<u>Natural Gas Storage, Terminating and Processing Expenses</u>								
<u>Operation</u>								
1	850.00	Operation Supervision and Engineering	\$ 7,137,048	\$ 7,137,048	\$ -	\$ 7,137,048	\$ 7,137,048	\$ -
2	851.00	System Control and Load Dispatching	(10,476)	(10,476)	-	(10,476)	(10,476)	-
3	852.00	Communication System Expenses	540,244	540,244	-	540,244	540,244	-
4	853.00	Compressor Station Labor and Expenses	5,614,835	1,748,059	3,866,776	5,614,835	1,748,059	3,866,776
5	854.00	Gas for Compressor Station Fuel	-	-	-	-	-	-
6	855.00	Other Fuel and Power For Compressor Stations	-	-	-	-	-	-
7	856.00	Mains Expenses	2,143,961	2,143,961	-	2,143,961	2,143,961	-
8	857.00	Measuring and Regulating Station Expenses	1,262,074	1,262,074	-	1,262,074	1,262,074	-
9	858.00	Transmission and Compression of Gas by Others	-	-	-	-	-	-
10	859.00	Other Expenses	101,481	101,481	-	101,481	101,481	-
11	860.00	Rents	7,051,259	7,051,259	-	7,051,259	7,051,259	-
12		Total Operation	23,840,426	19,973,650	3,866,776	23,840,426	19,973,650	3,866,776
<u>Maintenance</u>								
13	861.00	Maintenance Supervision and Engineering	42	42	-	42	42	-
14	862.00	Maintenance of Structures and Improvements	78,987	78,987	-	78,987	78,987	-
15	863.00	Maintenance of Mains	2,168,051	2,168,051	-	2,168,051	2,168,051	-
16	864.00	Maintenance of Compressor Station Equipment	4,792,345	1,570,294	3,222,051	4,792,345	1,570,294	3,222,051
17	865.00	Maintenance of Measuring and Regulating Station Equipment	607,041	607,041	-	607,041	607,041	-
18	866.00	Maintenance of Communication Equipment	187,701	187,701	-	187,701	187,701	-
19	867.00	Maintenance of Other Equipment	713,982	713,982	-	713,982	713,982	-
20		Total Maintenance	8,548,149	5,326,098	3,222,051	8,548,149	5,326,098	3,222,051
21		Administrative & General Expense	25,896,757	25,896,757	-	25,896,757	25,896,757	-
22		Total Operating Expenses	58,285,332	51,196,505	7,088,827	58,285,332	51,196,505	7,088,827
23		Depreciation, Depl. And Amortization	19,353,273	19,353,273	-	19,353,273	19,353,273	-
24		Taxes-Other than Income	12,300,127	12,300,127	-	12,300,127	12,300,127	-
25		Return @ 10.30%	81,593,923	81,593,923	-	81,593,923	81,593,923	-
26		Federal Income Taxes	33,400,150	33,400,150	-	33,400,150	33,400,150	-
27		State Income Taxes	5,910,293	5,910,293	-	5,910,293	5,910,293	-
28		Other Gas Revenue	(62,228)	(62,228)	-	(62,228)	(62,228)	-
29		Total Transmission Cost of Service	\$ 210,780,870	\$ 203,692,043	\$ 7,088,827	\$ 210,780,870	\$ 203,692,043	\$ 7,088,827

TRANSWESTERN PIPELINE COMPANY, LLC

Classification of Transmission Cost of Service
East of Thoreau
Twelve Months Ended May 31, 2006, As Adjusted

Line No.	Acct. No.	Description	Total (a)	Fixed (b)	Variable (c)	Total (d)	Reservation (e)	Usage (f)
<u>Natural Gas Storage, Terminating and Processing Expenses</u>								
<u>Operation</u>								
1	850.00	Operation Supervision and Engineering	\$ 2,071,472	\$ 2,071,472	\$ -	\$ 2,071,472	\$ 2,071,472	\$ -
2	851.00	System Control and Load Dispatching	(3,004)	(3,004)	-	(3,004)	(3,004)	-
3	852.00	Communication System Expenses	288,427	288,427	-	288,427	288,427	-
4	853.00	Compressor Station Labor and Expenses	3,127,904	1,025,765	2,102,139	3,127,904	1,025,765	2,102,139
5	854.00	Gas for Compressor Station Fuel	-	-	-	-	-	-
6	855.00	Other Fuel and Power For Compressor Stations	-	-	-	-	-	-
7	856.00	Mains Expenses	-	-	-	-	-	-
8	857.00	Measuring and Regulating Station Expenses	1,670,679	1,670,679	-	1,670,679	1,670,679	-
9	858.00	Transmission and Compression of Gas by Others	768,167	768,167	-	768,167	768,167	-
10	859.00	Other Expenses	-	-	-	-	-	-
11	860.00	Rents	93,478	93,478	-	93,478	93,478	-
12		Total Operation	1,033,752	1,033,752	-	1,033,752	1,033,752	-
			9,050,875	6,948,736	2,102,139	9,050,875	6,948,736	2,102,139
<u>Maintenance</u>								
13	861.00	Maintenance Supervision and Engineering	-	-	-	-	-	-
14	862.00	Maintenance of Structures and Improvements	54,022	54,022	-	54,022	54,022	-
15	863.00	Maintenance of Mains	931,798	931,798	-	931,798	931,798	-
16	864.00	Maintenance of Compressor Station Equipment	2,605,469	1,148,389	1,457,080	2,605,469	1,148,389	1,457,080
17	865.00	Maintenance of Measuring and Regulating Station Equipment	376,134	376,134	-	376,134	376,134	-
18	866.00	Maintenance of Communication Equipment	155,699	155,699	-	155,699	155,699	-
19	867.00	Maintenance of Other Equipment	695,454	695,454	-	695,454	695,454	-
20		Total Maintenance	4,818,576	3,361,496	1,457,080	4,818,576	3,361,496	1,457,080
21		Administrative & General Expense	7,451,658	7,451,658	-	7,451,658	7,451,658	-
22		Total Operating Expenses	21,321,109	17,761,890	3,559,219	21,321,109	17,761,890	3,559,219
23		Depreciation, Depl. And Amortization	6,425,759	6,425,759	-	6,425,759	6,425,759	-
24		Taxes-Other than Income	3,714,456	3,714,456	-	3,714,456	3,714,456	-
25		Return @ 10.30%	24,415,702	24,415,702	-	24,415,702	24,415,702	-
26		Federal Income Taxes	9,998,047	9,998,047	-	9,998,047	9,998,047	-
27		State Income Taxes	1,768,562	1,768,562	-	1,768,562	1,768,562	-
28		Other Gas Revenue	(32,228)	(32,228)	-	(32,228)	(32,228)	-
29		Total Transmission Cost of Service	\$ 67,611,407	\$ 64,052,188	\$ 3,559,219	\$ 67,611,407	\$ 64,052,188	\$ 3,559,219

TRANSWESTERN PIPELINE COMPANY, LLC

Classification of Transmission Cost of Service
West of Thoreau

Twelve Months Ended May 31, 2006, As Adjusted

Line No.	Acct. No.	Description	Total (a)	Fixed (b)	Variable (c)	Total (d)	Reservation (e)	Usage (f)
<u>Natural Gas Storage, Terminating and Processing Expenses</u>								
<u>Operation</u>								
1	850.00	Operation Supervision and Engineering	\$ 1,907,090	\$ 1,907,090	\$ -	\$ 1,907,090	\$ 1,907,090	\$ -
2	851.00	System Control and Load Dispatching	(2,793)	(2,793)	-	(2,793)	(2,793)	-
3	852.00	Communication System Expenses	132,282	132,282	-	132,282	132,282	-
4	853.00	Compressor Station Labor and Expenses	1,521,386	469,338	1,052,048	1,521,386	469,338	1,052,048
5	854.00	Gas for Compressor Station Fuel	-	-	-	-	-	-
6	855.00	Other Fuel and Power For Compressor Stations	-	-	-	-	-	-
7	856.00	Mains Expenses	-	-	-	-	-	-
8	857.00	Measuring and Regulating Station Expenses	407,485	407,485	-	407,485	407,485	-
9	858.00	Transmission and Compression of Gas by Others	323,966	323,966	-	323,966	323,966	-
10	859.00	Other Expenses	-	-	-	-	-	-
11	860.00	Rents	1,300	1,300	-	1,300	1,300	-
12		Total Operation	4,386,461	4,386,461	-	4,386,461	4,386,461	-
			8,677,177	7,625,129	1,052,048	8,677,177	7,625,129	1,052,048
<u>Maintenance</u>								
13	861.00	Maintenance Supervision and Engineering	42	42	-	42	42	-
14	862.00	Maintenance of Structures and Improvements	24,143	24,143	-	24,143	24,143	-
15	863.00	Maintenance of Mains	1,116,250	1,116,250	-	1,116,250	1,116,250	-
16	864.00	Maintenance of Compressor Station Equipment	1,500,002	222,186	1,277,816	1,500,002	222,186	1,277,816
17	865.00	Maintenance of Measuring and Regulating Station Equipment	88,463	88,463	-	88,463	88,463	-
18	866.00	Maintenance of Communication Equipment	19,891	19,891	-	19,891	19,891	-
19	867.00	Maintenance of Other Equipment	11,424	11,424	-	11,424	11,424	-
20		Total Maintenance	2,760,215	1,482,399	1,277,816	2,760,215	1,482,399	1,277,816
21		Administrative & General Expense	6,785,543	6,785,543	-	6,785,543	6,785,543	-
22		Total Operating Expenses	18,222,935	15,893,071	2,329,864	18,222,935	15,893,071	2,329,864
23		Depreciation, Depl. And Amortization	6,680,269	6,680,269	-	6,680,269	6,680,269	-
24		Taxes-Other than Income	5,878,393	5,878,393	-	5,878,393	5,878,393	-
25		Return @ 10.30%	28,497,144	28,497,144	-	28,497,144	28,497,144	-
26		Federal Income Taxes	11,664,967	11,664,967	-	11,664,967	11,664,967	-
27		State Income Taxes	2,064,204	2,064,204	-	2,064,204	2,064,204	-
28		Other Gas Revenue	-	-	-	-	-	-
29		Total Transmission Cost of Service	\$ 73,007,912	\$ 70,678,048	\$ 2,329,864	\$ 73,007,912	\$ 70,678,048	\$ 2,329,864

TRANSWESTERN PIPELINE COMPANY, LLC

Classification of Transmission Cost of Service

San Juan
Twelve Months Ended May 31, 2006, As Adjusted

Line No.	Acct. No.	Description	Total (a)	Fixed (b)	Variable (c)	Total (d)	Reservation (e)	Usage (f)
<u>Natural Gas Storage, Terminating and Processing Expenses</u>								
<u>Operation</u>								
1	850.00	Operation Supervision and Engineering	\$ 3,158,486	\$ 3,158,486	\$ -	\$ 3,158,486	\$ -	-
2	851.00	System Control and Load Dispatching	(4,679)	(4,679)	-	(4,679)	(4,679)	-
3	852.00	Communication System Expenses	119,535	119,535	-	119,535	119,535	-
4	853.00	Compressor Station Labor and Expenses	965,545	252,956	712,589	965,545	252,956	712,589
5	854.00	Gas for Compressor Station Fuel	-	-	-	-	-	-
6	855.00	Other Fuel and Power For Compressor Stations	-	-	-	-	-	-
7	856.00	Mains Expenses	65,797	65,797	-	65,797	65,797	-
8	857.00	Measuring and Regulating Station Expenses	169,941	169,941	-	169,941	169,941	-
9	858.00	Transmission and Compression of Gas by Others	-	-	-	-	-	-
10	859.00	Other Expenses	6,703	6,703	-	6,703	6,703	-
11	860.00	Rents	1,631,046	1,631,046	-	1,631,046	1,631,046	-
12		Total Operation	6,112,374	5,399,785	712,589	6,112,374	5,399,785	712,589
<u>Maintenance</u>								
13	861.00	Maintenance Supervision and Engineering	-	-	-	-	-	-
14	862.00	Maintenance of Structures and Improvements	822	822	-	822	822	-
15	863.00	Maintenance of Mains	120,003	120,003	-	120,003	120,003	-
16	864.00	Maintenance of Compressor Station Equipment	686,874	199,719	487,155	686,874	199,719	487,155
17	865.00	Maintenance of Measuring and Regulating Station Equipment	142,444	142,444	-	142,444	142,444	-
18	866.00	Maintenance of Communication Equipment	12,111	12,111	-	12,111	12,111	-
19	867.00	Maintenance of Other Equipment	7,104	7,104	-	7,104	7,104	-
20		Total Maintenance	969,358	482,203	487,155	969,358	482,203	487,155
21		Administrative & General Expense	11,659,556	11,659,556	-	11,659,556	11,659,556	-
22		Total Operating Expenses	18,741,288	17,541,544	1,199,744	18,741,288	17,541,544	1,199,744
23		Depreciation, Depl. And Amortization	6,247,245	6,247,245	-	6,247,245	6,247,245	-
24		Taxes-Other than Income	2,707,278	2,707,278	-	2,707,278	2,707,278	-
25		Return @ 10.30%	28,681,077	28,681,077	-	28,681,077	28,681,077	-
26		Federal Income Taxes	11,737,136	11,737,136	-	11,737,136	11,737,136	-
27		State Income Taxes	2,077,527	2,077,527	-	2,077,527	2,077,527	-
28		Other Gas Revenue	(30,000)	(30,000)	-	(30,000)	(30,000)	-
29		Total Transmission Cost of Service	\$ 70,161,551	\$ 68,961,807	\$ 1,199,744	\$ 70,161,551	\$ 68,961,807	\$ 1,199,744

TRANSWESTERN PIPELINE COMPANY, LLC

Cost of Service

Twelve Months Ended May 31, 2006, As Adjusted

Line No.	Description	Total (a)	East of Thoreau (b)	West of Thoreau (c)	San Juan (d)
	<u>Operating Expenses</u>				
1	Operations and Maintenance	\$ 32,388,575	\$ 13,869,451	\$ 11,437,392	\$ 7,081,732
2	Administrative & General	25,896,757	7,451,658	6,785,543	11,659,556
3	Total Operating Expenses	58,285,332	21,321,109	18,222,935	18,741,288
4	Depreciation Expense	19,353,273	6,425,759	6,680,269	6,247,245
5	Taxes Other Than Income	12,300,127	3,714,456	5,878,393	2,707,278
6	Return @ 10.30%	81,593,923	24,415,702	28,497,144	28,681,077
7	Federal Income Taxes	33,400,150	9,998,047	11,664,967	11,737,136
8	State Income Taxes	5,910,293	1,768,562	2,064,204	2,077,527
9	Revenue Credits	(62,228)	(32,228)	-	(30,000)
10	Total	\$ 210,780,870	\$ 67,611,407	\$ 73,007,912	\$ 70,161,551

TRANSWESTERN PIPELINE COMPANY

OPERATION AND MAINTENANCE EXPENSES - EAST OF THOREAU
Twelve Months Ended May 31, 2006, As Adjusted

Line No.	FERC Acct	Description	As-Adjusted			
			Labor (a)	S&E (b)	Gas (c)	Total (d)
		<u>Transmission Expense</u>				
1	850.00	Operation Supervision and Engineering	\$ 1,311,192	\$ 760,280	\$ -	\$ 2,071,472
2	851.00	System Control and Load Dispatching	(3,004)	-	-	(3,004)
3	852.00	Communication System Expenses	69,907	218,520	-	288,427
4	853.00	Compressor Station Labor and Expenses	1,025,765	2,102,139	-	3,127,904
5	854.00	Gas for Compressor Station Fuel	-	-	-	-
6	855.00	Other Fuel and Power For Compressor Stations	-	-	-	-
7	856.00	Mains Expenses	571,593	1,099,086	-	1,670,679
8	857.00	Measuring and Regulating Station Expenses	449,845	318,322	-	768,167
9	858.00	Transmission and Compression of Gas by Others	-	-	-	-
10	859.00	Other Expenses	64,526	28,952	-	93,478
11	860.00	Rents	1,172	1,032,580	-	1,033,752
12		Total Operation	<u>3,490,996</u>	<u>5,559,879</u>	<u>-</u>	<u>9,050,875</u>
13	861.00	Maintenance Supervision and Engineering	-	-	-	-
14	862.00	Maintenance of Structures and Improvements	-	54,022	-	54,022
15	863.00	Maintenance of Mains	412,207	519,591	-	931,798
16	864.00	Maintenance of Compressor Station Equipment	1,148,389	1,457,080	-	2,605,469
17	865.00	Maintenance of Measuring and Regulating Station Equipment	258,227	117,907	-	376,134
18	866.00	Maintenance of Communication Equipment	109,736	45,963	-	155,699
19	867.00	Maintenance of Other Equipment	18,176	677,278	-	695,454
20		Total Maintenance	<u>1,946,735</u>	<u>2,871,841</u>	<u>-</u>	<u>4,818,576</u>
21		Total Transmission Expense	<u>\$ 5,437,731</u>	<u>\$ 8,431,720</u>	<u>\$ -</u>	<u>\$ 13,869,451</u>

TRANSWESTERN PIPELINE COMPANY

OPERATION AND MAINTENANCE EXPENSES - WEST OF THOREAU
Twelve Months Ended May 31, 2006, As Adjusted

Line No.	FERC Acct	Description	As-Adjusted			
			Labor (a)	S&E (b)	Gas (c)	Total (d)
		<u>Transmission Expense</u>				
1	850.00	Operation Supervision and Engineering	\$ 1,233,085	\$ 674,005	\$ -	\$ 1,907,090
2	851.00	System Control and Load Dispatching	(2,793)	-	-	(2,793)
3	852.00	Communication System Expenses	24,938	107,344	-	132,282
4	853.00	Compressor Station Labor and Expenses	469,338	1,052,048	-	1,521,386
5	854.00	Gas for Compressor Station Fuel	-	-	-	-
6	855.00	Other Fuel and Power For Compressor Stations	-	-	-	-
7	856.00	Mains Expenses	168,567	238,918	-	407,485
8	857.00	Measuring and Regulating Station Expenses	200,355	123,611	-	323,966
9	858.00	Transmission and Compression of Gas by Others	-	-	-	-
10	859.00	Other Expenses	776	524	-	1,300
11	860.00	Rents	1,046	4,385,415	-	4,386,461
12		Total Operation	<u>2,095,312</u>	<u>6,581,865</u>	<u>-</u>	<u>8,677,177</u>
13	861.00	Maintenance Supervision and Engineering	-	42	-	42
14	862.00	Maintenance of Structures and Improvements	16,462	7,681	-	24,143
15	863.00	Maintenance of Mains	130,134	986,116	-	1,116,250
16	864.00	Maintenance of Compressor Station Equipment	222,186	1,277,816	-	1,500,002
17	865.00	Maintenance of Measuring and Regulating Station Equipment	66,099	22,364	-	88,463
18	866.00	Maintenance of Communication Equipment	14,343	5,548	-	19,891
19	867.00	Maintenance of Other Equipment	5,403	6,021	-	11,424
20		Total Maintenance	<u>454,627</u>	<u>2,305,588</u>	<u>-</u>	<u>2,760,215</u>
21		Total Transmission Expense	<u>\$ 2,549,939</u>	<u>\$ 8,887,453</u>	<u>\$ -</u>	<u>\$ 11,437,392</u>

TRANSWESTERN PIPELINE COMPANY

OPERATION AND MAINTENANCE EXPENSES - SAN JUAN
Twelve Months Ended May 31, 2006, As Adjusted

Line No.	FERC Acct	Description	As-Adjusted			
			Labor (a)	S&E (b)	Gas (c)	Total (d)
		<u>Transmission Expense</u>				
1	850.00	Operation Supervision and Engineering	\$ 2,041,627	\$ 1,116,859	\$ -	\$ 3,158,486
2	851.00	System Control and Load Dispatching	(4,679)	-	-	(4,679)
3	852.00	Communication System Expenses	14,892	104,643	-	119,535
4	853.00	Compressor Station Labor and Expenses	252,956	712,589	-	965,545
5	854.00	Gas for Compressor Station Fuel	-	-	-	-
6	855.00	Other Fuel and Power For Compressor Stations	-	-	-	-
7	856.00	Mains Expenses	122,742	(56,945)	-	65,797
8	857.00	Measuring and Regulating Station Expenses	132,547	37,394	-	169,941
9	858.00	Transmission and Compression of Gas by Others	-	-	-	-
10	859.00	Other Expenses	1,301	5,402	-	6,703
11	860.00	Rents	1,751	1,629,295	-	1,631,046
12		Total Operation	<u>2,563,137</u>	<u>3,549,237</u>	<u>-</u>	<u>6,112,374</u>
13	861.00	Maintenance Supervision and Engineering	-	-	-	-
14	862.00	Maintenance of Structures and Improvements	-	822	-	822
15	863.00	Maintenance of Mains	66,580	53,423	-	120,003
16	864.00	Maintenance of Compressor Station Equipment	199,719	487,155	-	686,874
17	865.00	Maintenance of Measuring and Regulating Station Equipment	76,469	65,975	-	142,444
18	866.00	Maintenance of Communication Equipment	8,694	3,417	-	12,111
19	867.00	Maintenance of Other Equipment	-	7,104	-	7,104
20		Total Maintenance	<u>351,462</u>	<u>617,896</u>	<u>-</u>	<u>969,358</u>
21		Total Transmission Expense	<u>\$ 2,914,599</u>	<u>\$ 4,167,133</u>	<u>\$ -</u>	<u>\$ 7,081,732</u>

TRANSWESTERN PIPELINE COMPANY, LLC

Depreciation, Depletion and Amortization
Twelve Months Ended May 31, 2006, As Adjusted

Line No.	Description	Depreciable Plant 1/ (a)	Depreciation Rate (b)	Depreciation Expense (c)
<u>Account 403 - Depreciation</u>				
1	Transmission East of Thoreau	\$ 397,367,208	1.20%	\$ 4,768,406
2	West of Thoreau	318,059,734	1.20%	3,816,717
3	Expansion Facilities Red Rock Project	49,558,406	1.20%	594,701
4	Total West of Thoreau	367,618,140		4,411,418
5	San Juan	121,991,870	1.20%	1,463,902
6	Expansion Facilities San Juan Phase I & II	43,600,321	1.20%	523,204
7	Gallup Project	15,618,916	1.20%	187,427
8	San Juan 2005	120,012,087	1.20%	1,440,145
9	Total San Juan	301,223,194		3,614,678
10	Transmission - ARO West of Thoreau	873,619	2.94%	25,684
11	Transmission - Allocated East of Thoreau	60,064	1.20%	721
12	West of Thoreau	54,696	1.20%	656
13	San Juan	93,982	1.20%	1,128
14	General Plant - Allocated East of Thoreau	6,318,816	10.00%	631,882
15	West of Thoreau	5,753,971	10.00%	575,397
16	San Juan	9,887,011	10.00%	988,701
17	Intangible Allocated East of Thoreau	10,247,506	10.00%	1,024,750
18	West of Thoreau	9,331,467	10.00%	933,147
19	San Juan	16,034,201	10.00%	1,603,420
20	Sub-Total	1,124,863,875		18,579,988

1/ See Schedule I-1(d), Page 8

TRANSWESTERN PIPELINE COMPANY, LLC

Depreciation, Depletion and Amortization
Twelve Months Ended May 31, 2006, As Adjusted

Line No.	Description	Depreciable Plant 1/ (a)	Depreciation Rate (b)	Depreciation Expense (c)
<u>Account 403 - Depreciation - Cont'd</u>				
1	Intangible Contribution - 10.00% San Juan	\$ 393,176	10.00%	\$ 39,318
2	Intangible Contribution - 8.33% West of Thoreau	7,476,199	8.33%	622,767
3	Intangible Contribution - 20.00% West of Thoreau	<u>556,000</u>	20.00%	<u>111,200</u>
4	Sub-Total	<u>8,425,375</u>		<u>773,285</u>
5	Total Depreciation, Depletion and Amortization	\$ <u><u>1,133,289,250</u></u>		\$ <u><u>19,353,273</u></u>

1/ See Schedule I-1(d), Page 8

TRANSWESTERN PIPELINE COMPANY, LLC

Summary - Other Taxes
Twelve Months Ended May 31, 2006, As Adjusted

Line No.	Description	Reference	Total (a)	East of Thoreau (b)	West of Thoreau (c)	San Juan (d)
1	Ad Valorem	Schedule 1-1(d), Page 16	\$ 9,744,407	\$ 2,652,152	\$ 5,260,282	\$ 1,831,973
2	Franchise	Schedule 1-1(d), Page 17	200	75	69	56
3	Gross Receipts	Schedule 1-1(d), Page 17	706,563	263,485	243,484	199,594
4	Payroll	Schedule 1-1(d), Page 17	1,601,425	798,744	374,558	428,123
5	Colorado Compressor Fuel Tax	Schedule 1-1(d), Page 17	247,476	-	-	247,476
6	Colorado License Fees	Schedule 1-1(d), Page 17	56	-	-	56
7	Total Taxes Other Than Income		\$ 12,300,127	\$ 3,714,456	\$ 5,878,393	\$ 2,707,278

TRANSWESTERN PIPELINE COMPANY, LLC

Rate Base and Return
Twelve Months Ended May 31, 2006, As Adjusted

Line No.	Description	Reference	Total (a)	East of Thoreau (b)	West of Thoreau (c)	San Juan (d)
1	Plant	Schedule 1-1(c), Page 7	\$ 1,156,186,602	\$ 422,291,343	\$ 397,543,974	\$ 336,351,285
2	Accumulated Provision for Depreciation	Schedule 1-1(c), Page 8	(379,191,863)	(189,076,787)	(128,249,711)	(61,865,365)
3	Net Plant		776,994,739	233,214,556	269,294,263	274,485,920
4	Accumulated Deferred Income Taxes	Schedule 1-1(d), Page 18	(47,635,608)	(17,763,861)	(16,415,378)	(13,456,369)
5	Working Capital	Schedule 1-1(d), Page 15	3,448,264	773,004	1,784,959	890,301
6	Regulatory Asset	Schedule 1-1(d), Page 19	59,366,619	20,821,948	22,007,468	16,537,203
7	Rate Base		\$ 792,174,014	\$ 237,045,647	\$ 276,671,312	\$ 278,457,055
8	Return on Rate Base at 10.30%		\$ 81,593,923	\$ 24,415,702	\$ 28,497,144	\$ 28,681,077

TRANSWESTERN PIPELINE COMPANY, LLC

Gas Plant In Service
Twelve Months Ended May 31, 2006, As Adjusted

Line No.	Description	Reference	Total (a)	East of Thoreau (b)	West of Thoreau (c)	San Juan (d)
1	<u>Plant</u> Transmission	Schedule I-1(d), Page 7, Line 1	\$ 1,067,307,224	\$ 398,011,054	\$ 367,797,387	\$ 301,498,783
2	Gas Plant Held for Future Use	Schedule I-1(d), Page 7, Line 2	1,507,232	1,507,232	-	-
3	Allocated Transmission Plant	Schedule I-1(d), Page 7, Line 6	208,742	60,064	54,696	93,982
4	Allocated General Plant	Schedule I-1(d), Page 7, Line 16	26,490,649	7,622,545	6,941,157	11,926,947
5	Allocated Intangible Plant	Schedule I-1(d), Page 7, Line 20	40,830,427	11,748,744	10,698,507	18,383,176
6	Intangible - Contribution	Schedule I-1(d), Page 7, Line 28	10,835,375	750,000	9,692,199	393,176
7	System Balancing Gas	Schedule I-1(d), Page 7, Line 30	9,006,953	2,591,704	2,360,028	4,055,221
8	Total Plant		\$ 1,156,186,602	\$ 422,291,343	\$ 397,543,974	\$ 336,351,285

TRANSWESTERN PIPELINE COMPANY, LLC

Accumulated Provision for Depreciation, Depletion and Amortization
Twelve Months Ended May 31, 2006, As Adjusted

Line No.	Description	Reference	Total (a)	East of Thoreau (b)	West of Thoreau (c)	San Juan (d)
	Account 108 Accumulated Provisions for Depreciation of Gas Plant in Service					
1	Transmission	Schedule I-1(d), Page 13, Line 1	\$ (290,504,164)	\$ (160,301,661)	\$ (97,795,070)	\$ (32,407,433)
2	Gas Plant Held for Future Use	Schedule I-1(d), Page 13, Line 2	(1,060,400)	(1,060,400)	-	-
3	Transmission - ARO	Schedule I-1(d), Page 13, Line 3	-	-	-	-
4	Allocated Transmission	Schedule I-1(d), Page 13, Line 4 & 5	(71,286)	(20,512)	(18,679)	(32,095)
5	Allocated Regulatory Asset	Schedule I-1(d), Page 13, Line 6	(43,097,979)	(16,071,728)	(14,851,697)	(12,174,554)
6	Allocated General Plant	Schedule I-1(d), Page 13, Line 17	(18,811,907)	(5,413,030)	(4,929,149)	(8,469,728)
7	Allocated Intangible Plant	Schedule I-1(d), Page 13, Line 21	(18,973,257)	(5,459,456)	(4,971,428)	(8,542,373)
8	Intangible - Contribution	Schedule I-1(d), Page 13, Line 29	(6,672,870)	(750,000)	(5,683,688)	(239,182)
9	Subtotal		(379,191,863)	(189,076,787)	(128,249,711)	(61,865,365)
10	Retirement Work In Progress		-	-	-	-
11	Total Accumulated Provision		\$ (379,191,863)	\$ (189,076,787)	\$ (128,249,711)	\$ (61,865,365)

TRANSWESTERN PIPELINE COMPANY, LLC

Working Capital
Twelve Months Ended May 31, 2006, As Adjusted

Line No.	Description	Reference	Total (a)	East of Thoreau (b)	West of Thoreau (c)	San Juan (d)
1	Cash Working Capital		\$ -	\$ -	\$ -	\$ -
2	Materials and Supplies	Schedule I-1(d), Page 15	953,207	355,462	328,478	269,267
3	Prepayments	Schedule I-1(d), Page 15	2,495,057	417,542	1,456,481	621,034
4	Total Working Capital		\$ 3,448,264	\$ 773,004	\$ 1,784,959	\$ 890,301

TRANSWESTERN PIPELINE COMPANY, LLC

Income Taxes

Twelve Months Ended May 31, 2006, As Adjusted

Line No.	Description	Reference	Total (a)	East of Thoreau (b)	West of Thoreau (c)	San Juan (d)
	<u>Federal Income Tax</u>					
1	Return on Rate Base @ 10.30%	Schedule I-1(c), Page 6	\$ 81,593,923	\$ 24,415,702	\$ 28,497,144	\$ 28,681,077
	<u>Federal Income Tax Adjustments</u>					
2	Interest and Debt Expense	Schedule I-1(c), Page 11	(19,012,176)	(5,689,096)	(6,640,111)	(6,682,969)
3	Net FIT Adjustment		(19,012,176)	(5,689,096)	(6,640,111)	(6,682,969)
4	Return after FIT Adjustments		62,581,747	18,726,606	21,857,033	21,998,108
5	Federal Income Taxes @ 34.7654% Tax on Tax Rate of 53.292884%		33,351,618	9,979,949	11,648,243	11,723,426
6	South Georgia - Federal Tax Deficiency 1/	Schedule I-1(d), Page 18	48,532	18,098	16,724	13,710
7	Total Federal Income Tax		\$ 33,400,150	\$ 9,998,047	\$ 11,664,967	\$ 11,737,136
8	State Tax Rate @ 5.8033% Tax on Tax Rate of 6.160832%		\$ 5,910,293	\$ 1,768,562	\$ 2,064,204	\$ 2,077,527

1/ This amount represents the annual amortization of Transwestern's underfunded tax reserve provided for in Article I, Section C of the Stipulation and Agreement in Docket Nos. RP93-34, et al., approved by Commission order issued March 30, 1994.

TRANSWESTERN PIPELINE COMPANY, LLC

Federal and State Income Tax Deductions
Interest and Debt Expense
Twelve Months Ended May 31, 2006, As Adjusted

Line No.	Description	Reference	Total (a)	East of Thoreau (b)	West of Thoreau (c)	San Juan (d)
1	Rate Base	Schedule 1-1(c), Page 6	\$ 792,174,014	\$ 237,045,647	\$ 276,671,312	\$ 278,457,055
2	Rate of Return on Long Term Debt		2.40%	2.40%	2.40%	2.40%
3	Interest and Debt Expense		\$ 19,012,176	\$ 5,689,096	\$ 6,640,111	\$ 6,682,969

TRANSWESTERN PIPELINE COMPANY, LLC

Revenue Credits
Twelve Months Ended May 31, 2006, As Adjusted

Line No.	Description	Total (a)	East of Thoreau (b)	West of Thoreau (c)	San Juan (d)
1	Revenue Credits	\$ (62,228)	\$ (32,228)	\$ -	\$ (30,000)

TRANSWESTERN PIPELINE COMPANY, LLC

Cost of Service
Expansion Facilities

Twelve Months Ended May 31, 2006, As Adjusted

Line No.	Description	Reference	San Juan 2005 (a)	San Juan Phase I & II (b)	Gallup Project (c)	Red Rock Project (d)
<u>Operating Expenses</u>						
1	Operations and Maintenance	Schedule I-1(c)(1), Page 2, 3, 4, & 5	\$ 404,266	\$ 829,175	\$ 152,938	\$ 1,016,085
2	Administrative & General	Schedule I-1(d), Page 21	22,301	97,687	24,651	95,797
3	Total Operating Expenses		426,567	926,862	177,589	1,111,882
4	Depreciation Expense	Schedule I-1(c), Page 5	1,440,145	523,204	187,427	594,701
5	Taxes Other Than Income	Schedule I-1(d), Page 16 & 17	725,936	560,533	74,555	745,306
6	Return @ 10.30%	Schedule I-1(c)(1), Page 6	11,307,157	3,552,735	906,686	4,534,954
7	Federal Income Taxes	Schedule I-1(c)(1), Page 7	4,621,815	1,452,185	370,609	1,853,668
8	State Income Taxes	Schedule I-1(c)(1), Page 7	819,039	257,344	65,676	328,491
9	Revenue Credits		-	-	-	-
10	Total		\$ 19,340,659	\$ 7,272,863	\$ 1,782,542	\$ 9,169,002

TRANSWESTERN PIPELINE COMPANY

OPERATION AND MAINTENANCE EXPENSES

Expansion Facilities - San Juan 2005

Twelve Months Ended May 31, 2006, As Adjusted

Line No.	FERC Acct	Description	As-Adjusted				Total (d)
			Labor (a)	S&E (b)	Gas (c)		
1	850.00	Transmission Expense					
2	851.00	Operation Supervision and Engineering	\$ -	\$ -	-	\$ -	-
3	852.00	System Control and Load Dispatching	-	-	-	-	-
4	853.00	Communication System Expenses	-	-	-	-	-
5	854.00	Compressor Station Labor and Expenses	40,105	207,082	-	-	247,187
6	855.00	Gas for Compressor Station Fuel	-	-	-	-	-
7	856.00	Other Fuel and Power For Compressor Stations	-	-	-	-	-
8	857.00	Mains Expenses	12,147	6,225	-	-	18,372
9	858.00	Measuring and Regulating Station Expenses	-	-	-	-	-
10	859.00	Transmission and Compression of Gas by Others	-	-	-	-	-
11	860.00	Other Expenses	-	-	-	-	-
12		Rents	-	-	-	-	-
		Total Operation	52,252	213,307	-	-	265,559
13	861.00	Maintenance Supervision and Engineering	-	-	-	-	-
14	862.00	Maintenance of Structures and Improvements	-	-	-	-	-
15	863.00	Maintenance of Mains	8,108	277	-	-	8,385
16	864.00	Maintenance of Compressor Station Equipment	23,935	106,387	-	-	130,322
17	865.00	Maintenance of Measuring and Regulating Station Equipment	-	-	-	-	-
18	866.00	Maintenance of Communication Equipment	-	-	-	-	-
19	867.00	Maintenance of Other Equipment	-	-	-	-	-
20		Total Maintenance	32,043	106,664	-	-	138,707
21		Total Transmission Expense	\$ 84,295	\$ 319,971	\$ -	\$ -	\$ 404,266

TRANSWESTERN PIPELINE COMPANY

OPERATION AND MAINTENANCE EXPENSES
Expansion Facilities - San Juan Phase I & II
Twelve Months Ended May 31, 2006, As Adjusted

Line No.	FERC Acct	Description	As-Adjusted			
			Labor (a)	S&E (b)	Gas (c)	Total (d)
1	850.00	Transmission Expense				
2	851.00	Operation Supervision and Engineering	\$ -	356 \$	-	356
3	852.00	System Control and Load Dispatching	-	-	-	-
4	853.00	Communication System Expenses	3,670	79	-	3,749
5	854.00	Compressor Station Labor and Expenses	102,879	313,227	-	416,106
6	855.00	Gas for Compressor Station Fuel	-	-	-	-
7	856.00	Other Fuel and Power For Compressor Stations	-	-	-	-
8	857.00	Mains Expenses	39,594	22,070	-	61,664
9	858.00	Measuring and Regulating Station Expenses	54,848	1,674	-	56,522
10	859.00	Transmission and Compression of Gas by Others	-	-	-	-
11	860.00	Other Expenses	-	-	-	-
12		Rents	-	-	-	-
		Total Operation	200,991	337,406	-	538,397
13	861.00	Maintenance Supervision and Engineering	-	-	-	-
14	862.00	Maintenance of Structures and Improvements	-	-	-	-
15	863.00	Maintenance of Mains	33,262	15,801	-	49,063
16	864.00	Maintenance of Compressor Station Equipment	87,950	106,718	-	194,668
17	865.00	Maintenance of Measuring and Regulating Station Equipment	45,308	-	-	45,308
18	866.00	Maintenance of Communication Equipment	1,739	-	-	1,739
19	867.00	Maintenance of Other Equipment	-	-	-	-
20		Total Maintenance	168,259	122,519	-	290,778
21		Total Transmission Expense	\$ 369,250	\$ 459,925	\$ -	\$ 829,175

TRANSWESTERN PIPELINE COMPANY

OPERATION AND MAINTENANCE EXPENSES
Expansion Facilities - Gallup Project
Twelve Months Ended May 31, 2006, As Adjusted

Line No.	FERC Acct	Description	As-Adjusted				Total (d)
			Labor (a)	S&E (b)	Gas (c)		
1	850.00	Transmission Expense					
2	851.00	Operation Supervision and Engineering	\$ -	\$ -	\$ -		-
3	852.00	System Control and Load Dispatching	-	-	-		-
4	853.00	Communication System Expenses	-	-	-		-
5	854.00	Compressor Station Labor and Expenses	50,902	20,564	-		71,466
6	855.00	Gas for Compressor Station Fuel	-	-	-		-
7	856.00	Other Fuel and Power For Compressor Stations	-	-	-		-
8	857.00	Mains Expenses	-	-	-		-
9	858.00	Measuring and Regulating Station Expenses	-	-	-		-
10	859.00	Transmission and Compression of Gas by Others	-	-	-		-
11	860.00	Other Expenses	-	-	-		-
12		Rents	-	-	-		-
		Total Operation	50,902	20,564	-		71,466
13	861.00	Maintenance Supervision and Engineering	-	-	-		-
14	862.00	Maintenance of Structures and Improvements	-	-	-		-
15	863.00	Maintenance of Mains	-	-	-		-
16	864.00	Maintenance of Compressor Station Equipment	42,277	39,195	-		81,472
17	865.00	Maintenance of Measuring and Regulating Station Equipment	-	-	-		-
18	866.00	Maintenance of Communication Equipment	-	-	-		-
19	867.00	Maintenance of Other Equipment	-	-	-		-
20		Total Maintenance	42,277	39,195	-		81,472
21		Total Transmission Expense	\$ 93,179	\$ 59,759	\$ -		\$ 152,938

TRANSWESTERN PIPELINE COMPANY

OPERATION AND MAINTENANCE EXPENSES
Expansion Facilities - Red Rock Project
Twelve Months Ended May 31, 2006, As Adjusted

Line No.	FERC Acct	Description	As-Adjusted			
			Labor (a)	S&E (b)	Gas (c)	Total (d)
1	850.00	Transmission Expense				
2	851.00	Operation Supervision and Engineering	\$ -	\$ -	\$ -	-
3	852.00	System Control and Load Dispatching	-	-	-	-
4	853.00	Communication System Expenses	-	-	-	-
5	854.00	Compressor Station Labor and Expenses	243,715	199,338	-	443,053
6	855.00	Gas for Compressor Station Fuel	-	-	-	-
7	856.00	Other Fuel and Power For Compressor Stations	-	-	-	-
8	857.00	Mains Expenses	-	-	-	-
9	858.00	Measuring and Regulating Station Expenses	-	-	-	-
10	859.00	Transmission and Compression of Gas by Others	-	-	-	-
11	860.00	Other Expenses	-	-	-	-
12		Rents	-	-	-	-
		Total Operation	243,715	199,338	-	443,053
13	861.00	Maintenance Supervision and Engineering	-	-	-	-
14	862.00	Maintenance of Structures and Improvements	-	-	-	-
15	863.00	Maintenance of Mains	-	-	-	-
16	864.00	Maintenance of Compressor Station Equipment	118,393	454,639	-	573,032
17	865.00	Maintenance of Measuring and Regulating Station Equipment	-	-	-	-
18	866.00	Maintenance of Communication Equipment	-	-	-	-
19	867.00	Maintenance of Other Equipment	-	-	-	-
20		Total Maintenance	118,393	454,639	-	573,032
21		Total Transmission Expense	362,108	653,977	-	1,016,085

TRANSWESTERN PIPELINE COMPANY, LLC

Rate Base and Return
Expansion Facilities
Twelve Months Ended May 31, 2006, As Adjusted

Line No.	Description	Reference	San Juan 2005 (a)	San Juan Phase I & II (b)	Gallup Project (c)	Red Rock Project (d)
1	Plant		\$ 121,331,594	\$ 43,723,619	\$ 10,333,565	\$ 49,558,862
2	Accumulated Provision for Depreciation		(6,337,986)	(7,351,608)	(1,086,604)	(3,399,939)
3	Net Plant		114,993,608	36,372,011	9,246,961	46,158,923
4	Accumulated Deferred Income Taxes	Schedule I-1(d), Page 18	(5,415,221)	(1,951,455)	(461,203)	(2,211,869)
5	Working Capital	Schedule I-1(d), Page 15	199,836	72,013	17,019	81,623
6	Rate Base		\$ 109,778,223	\$ 34,492,569	\$ 8,802,777	\$ 44,028,677
7	Return on Rate Base at 10.30%		\$ 11,307,157	\$ 3,552,735	\$ 906,686	\$ 4,534,954

TRANSWESTERN PIPELINE COMPANY, LLC

Income Taxes
Expansion Facilities

Twelve Months Ended May 31, 2006, As Adjusted

Line No.	Description	Reference	San Juan 2005 (a)	San Juan Phase I & II (b)	Gallup Project (c)	Red Rock Project (d)
	<u>Federal Income Tax</u>					
1	Return on Rate Base @ 10.30%	Schedule I-1(c)(1), Page 6	\$ 11,307,157	\$ 3,552,735	\$ 906,686	\$ 4,534,954
	<u>Federal Income Tax Adjustments</u>					
2	Interest and Debt Expense	Schedule I-1(c)(1), Page 8	(2,634,677)	(827,822)	(211,267)	(1,056,688)
3	Net FIT Adjustment		(2,634,677)	(827,822)	(211,267)	(1,056,688)
4	Return after FIT Adjustments		8,672,480	2,724,913	695,419	3,478,266
5	South Georgia - Federal Tax Deficiency		-	-	-	-
6	Total Federal Income Tax		\$ 8,672,480	\$ 2,724,913	\$ 695,419	\$ 3,478,266
7	Federal Income Taxes @ 34.7654% Tax on Tax Rate of 53.292884%		\$ 4,621,815	\$ 1,452,185	\$ 370,609	\$ 1,853,668
8	State Tax Rate @ 5.8033% Tax on Tax Rate of 6.160832%		\$ 819,039	\$ 257,344	\$ 65,676	\$ 328,491

TRANSWESTERN PIPELINE COMPANY, LLC

Federal and State Income Tax Deductions
Interest and Debt Expense
Expansion Facilities

Twelve Months Ended May 31, 2006, As Adjusted

Line No.	Description	Reference	San Juan 2005 (a)	San Juan Phase I & II (b)	Gallup Project (c)	Red Rock Project (d)
1	Rate Base	Schedule I-1(c), Page 6	\$ 109,778,223	\$ 34,492,569	\$ 8,802,777	\$ 44,028,677
2	Rate of Return on Long Term Debt		2.40%	2.40%	2.40%	2.40%
3	Interest and Debt Expense		\$ 2,634,677	\$ 827,822	\$ 211,267	\$ 1,056,688

TRANSWESTERN PIPELINE COMPANY, LLC

Basis of Allocation of General or Common Costs to Transmission Area
Twelve Months Ended May 31, 2006, As Adjusted

No.	Description	Direct Plant, As Adjusted		Direct Labor, As Adjusted	
		Amount (a)	Percentage (b)	Amount (d)	Percentage (e)
1	Total Pipeline System	\$ 1,156,186,602	100.00000%	\$ 19,449,660	100.00000%
	Transmission				
2	East of Thoreau	\$ 398,011,054	37.29114%	\$ 5,437,731	49.87709%
3	West of Thoreau	367,797,387	34.46031%	2,549,939	23.38905%
4	San Juan	301,498,783	28.24855%	2,914,599	26.73386%
5	Total Transmission	1,067,307,224	100.00000%	10,902,269	100.00000%
6	Allocable Transmission	208,742			
7	Intangible	51,665,802			
8	General	26,490,649		8,547,391	
9	Other				
9	Gas Plant Held for Future Use	1,507,232			
10	System Balancing Gas	9,006,953			
11	Total Pipeline System	\$ 1,156,186,602		\$ 19,449,660	

TRANSWESTERN PIPELINE COMPANY, LLC

Basis of Allocation of General or Common Costs to Transmission Area
Twelve Months Ended May 31, 2006, As Adjusted

No.	Description	Direct Plant, As Adjusted		Direct Labor, As Adjusted	
		Amount (a)	Pipeline Percentage (b)	Amount (c)	Pipeline Percentage (d)
1	Total Pipeline System	\$ 1,156,186,602	100.000000%	\$ 19,449,660	100.000000%
2	Transmission				
	East of Thoreau	\$ 398,011,054	37.29114%	\$ 5,437,731	49.87709%
3	West of Thoreau	318,238,981	29.81700%	2,187,831	20.06765%
4	Expansion Facilities Red Rock Project	49,558,406	4.64331%	362,108	3.32140%
5	Total West of Thoreau	367,797,387	34.46031%	2,549,939	23.38905%
6	San Juan	126,110,005	11.81572%	2,367,875	21.71908%
7	Expansion Facilities				
	San Juan Phase I & II	43,723,619	4.09663%	369,250	3.38691%
8	Gallup Project	10,333,565	0.96819%	93,179	0.85468%
9	San Juan 2005	121,331,594	11.36801%	84,295	0.77319%
9	Total San Juan	301,498,783	28.24855%	2,914,599	26.73386%
10	Total Transmission	\$ 1,067,307,224	100.000000%	\$ 10,902,269	100.000000%

TRANSWESTERN PIPELINE COMPANY, LLC

Basis of Allocation of General or Common Costs to Transmission Area
Twelve Months Ended May 31, 2006, As Adjusted

No.	Description	Non-Discounted Adjusted Reservation Units	
		Volume (a)	Percentage (b)
	Transmission		
1	East of Thoreau	389,835,078	28.77448%
2	West of Thoreau	354,987,197	26.20229%
3	San Juan	609,972,304	45.02323%
4	Total Transmission	<u>1,354,794,579</u>	<u>100.00000%</u>

TRANSWESTERN PIPELINE COMPANY, LLC

Basis of Allocation of Navajo Regulatory Asset and Prepayment to Transmission Area
Twelve Months Ended May 31, 2006, As Adjusted

No.	Description	Right-of-Way Miles of Pipe	
		Amount (a)	Percentage (b)
	Navajo Right-of-Way		
1	East of Thoreau	24.17	6.94940%
2	West of Thoreau	242.62	69.75848%
3	San Juan	81.01	23.29212%
4	Total Transmission	347.80	100.00000%

TRANSWESTERN PIPELINE COMPANY, LLC

Basis of Allocation of Ad Valorem Taxes to Transmission Areas
Twelve Months Ended May 31, 2006, As Adjusted

No.	Description	Direct Plant, As Adjusted	
		Amount (a)	Percentage (b)
	Arizona		
1	West of Thoreau	\$ 317,195,561	86.48729%
	Expansion Facilities		
2	Red Rock Project	49,558,406	13.51271%
3	Total Arizona	366,753,967	100.00000%
	California		
4	West of Thoreau	905,192	100.00000%
	Colorado		
5	San Juan	2,548,615	11.10121%
	Expansion Facilities		
6	San Juan Phase I & II	19,275,448	83.95959%
7	Gallup Project	1,133,942	4.93920%
8	Total Colorado	22,958,005	100.00000%
	New Mexico		
9	East of Thoreau	288,898,725	50.90029%
10	West of Thoreau	138,228	0.02435%
11	San Juan	123,561,390	21.76995%
	Expansion Facilities		
12	San Juan Phase I & II	24,448,171	4.30746%
13	Gallup Project	9,199,623	1.62086%
14	San Juan 2005	121,331,594	21.37709%
15	Total New Mexico	567,577,731	100.00000%
	Oklahoma		
16	East of Thoreau	3,254,957	100.00000%
	Texas		
17	East of Thoreau	105,857,372	100.00000%
18	Total Texas	105,857,372	100.00000%

TRANSWESTERN PIPELINE COMPANY, LLC
Twelve Months Ended May 31, 2006, As Adjusted

Allocation of A&G

Line No.	FERC Acct.	Description	Percentage	Reference	Expenses As Adjusted (a)	East of Thoreau (b)	West of Thoreau (c)	San Juan (d)
1	Customer Accounts Expense							
2	903.00	Customer Records & Collections			\$ 363			
3	904.00	Uncollectible Accounts						
		Total Customer Accounts Expense			363			
4	Sales Expense							
5	909.00	Office Supplies & Expenses						
6	912.00	Demonstrating & Selling Expense			158,163			
7	913.00	Advertising Expenses						
		Total Sales Expense			158,163			
	Administrative & General							
8	920.00	Administrative & General Expenses			11,078,710			
9	921.00	Office Supplies & Expenses			4,650,368			
10	922.00	Admin. Expenses Transferred			(726,812)			
11	923.00	Outside Services Employed			989,166			
12	924.00	Property Insurance			853,328			
13	925.00	Injuries & Damages			1,216,886			
14	926.00	Employee Pensions & Benefits			6,781,507			
15	928.00	Regulatory Commission Expenses			100,300			
16	930.10	General Advertising Expense						
17	930.20	Miscellaneous General Expenses						
18	931.00	Rents			58,422			
19	932.00	Maintenance of General Plant			736,356			
		Total Administrative & General			25,896,757			
21	Zone Allocation							
22	East of Thoreau		28.77448%	Schedule I-1(d), Page 4	\$ 7,451,658	\$ 7,451,658	\$	\$
23	West of Thoreau		26.20229%	Schedule I-1(d), Page 4	6,785,543		6,785,543	
	San Juan		45.02323%	Schedule I-1(d), Page 4	11,659,556			11,659,556
24	Total A&G Expense				\$ 25,896,757	\$ 7,451,658	\$ 6,785,543	\$ 11,659,556

TRANSWESTERN PIPELINE COMPANY, LLC

Total Plant With Allocations
Twelve Months Ended May 31, 2006, As Adjusted

Line No.	Description	East of Thoreau (a)	West of Thoreau (b)	San Juan (c)	Total (d)
	Direct Plant				
	Transmission				
1	Gas Plant In Service	\$ 398,011,054	\$ 367,797,387	\$ 301,498,783	\$ 1,067,307,224
2	Gas Plant Held for Future Use	1,507,232	-	-	1,507,232
3	Transmission - ARO	-	-	-	-
	Allocated				
	Transmission 1/				
4	Measuring & Regulating Equipment	2,091	1,905	3,272	7,268
5	Communication Equipment	57,973	52,791	90,710	201,474
6	Total Allocated Transmission Plant	60,064	54,696	93,982	208,742
	General Plant 1/				
7	Structures & Improvements	18,064	16,450	28,266	62,780
8	Office Furniture & Equipment	1,683,281	1,532,811	2,633,820	5,849,912
9	Computer Equipment	731,708	666,300	1,144,898	2,542,906
10	Transportation Equipment	2,523,065	2,297,525	3,947,823	8,768,413
11	Tools Shop & Garage Equipment	2,430,309	2,213,061	3,802,688	8,446,058
12	Laboratory Equipment	12,783	11,640	20,002	44,425
13	Power Operated Equipment	141,254	128,628	221,020	490,902
14	Communication Equipment	65,267	59,431	102,121	226,819
15	Miscellaneous Equipment	16,814	15,311	26,309	58,434
16	Total Allocated General Plant	7,622,545	6,941,157	11,926,947	26,490,649
	Intangible 1/				
17	Organization	720	656	1,126	2,502
18	Franchise & Consents	-	-	-	-
19	Computer Software	11,748,024	10,697,851	18,382,050	40,827,925
20	Total Allocated Intangible Plant	11,748,744	10,698,507	18,383,176	40,830,427
21	Sub-Total	418,949,639	385,491,747	331,902,888	1,136,344,274
22	Intangible Contribution - 00.00%	-	825,000	-	825,000
23	Intangible Contribution - 66.67%	-	835,000	-	835,000
24	Intangible Contribution - 10.00%	-	-	393,176	393,176
25	Intangible Contribution - 8.33%	-	7,476,199	-	7,476,199
26	Intangible Contribution - 20%	750,000	-	-	750,000
27	Intangible Contribution - 20%	-	556,000	-	556,000
28	Total Intangible Contributions	750,000	9,692,199	393,176	10,835,375
29	Total Gas Plant In Service	\$ 419,699,639	\$ 395,183,946	\$ 332,296,064	\$ 1,147,179,649
30	System Balancing Gas 1/	\$ 2,591,704	\$ 2,360,028	\$ 4,055,221	\$ 9,006,953
31	Total Gas Plant	\$ 422,291,343	\$ 397,543,974	\$ 336,351,285	\$ 1,156,186,602

1/ Allocated using Reservation Units on Schedule I-1(d), Page 4

TRANSWESTERN PIPELINE COMPANY, LLC

Total Depreciable Plant With Allocations
Twelve Months Ended May 31, 2006, As Adjusted

Line No.	Description	East of Thoreau (a)	West of Thoreau (b)	San Juan (c)	Total (d)
	Direct Plant				
	Transmission				
1	Gas Plant In Service	\$ 397,367,208	\$ 367,618,140	\$ 301,223,194	\$ 1,066,208,542
2	Gas Gas Plant Held for Future Use	-	-	-	-
3	Transmission - ARO	-	-	-	-
	Allocated				
	Transmission				
4	Measuring & Regulating Equipment	2,091	1,905	3,272	7,268
5	Communication Equipment	57,973	52,791	90,710	201,474
6	Total Allocated Transmission Plant	60,064	54,696	93,982	208,742
	General Plant				
7	Structures & Improvements	-	-	-	-
8	Office Furniture & Equipment	1,614,639	1,470,305	2,526,416	5,611,360
9	Computer Equipment	731,708	666,300	1,144,898	2,542,906
10	Transportation Equipment	2,192,194	1,996,231	3,430,111	7,618,536
11	Tools Shop & Garage Equipment	1,687,601	1,536,745	2,640,579	5,864,925
12	Laboratory Equipment	-	-	-	-
13	Power Operated Equipment	36,906	33,608	57,748	128,262
14	Communication Equipment	41,270	37,580	64,574	143,424
15	Miscellaneous Equipment	14,498	13,202	22,685	50,385
16	Total Allocated General Plant	6,318,816	5,753,971	9,887,011	21,959,798
	Intangible				
17	Organization	-	-	-	-
18	Franchise & Consents	-	-	-	-
19	Computer Software	10,247,506	9,331,467	16,034,201	35,613,174
20	Total Allocated Intangible Plant	10,247,506	9,331,467	16,034,201	35,613,174
21	Total Transmission, General & Intangible Allocated	413,993,594	382,758,274	327,238,388	1,123,990,256
22	Intangible Contribution - 0.00%	-	-	-	-
23	Intangible Contribution - 66.67%	-	-	-	-
24	Intangible Contribution - 10.00%	-	-	393,176	393,176
25	Intangible Contribution - 8.33%	-	7,476,199	-	7,476,199
26	Intangible Contribution - 20%	-	-	-	-
27	Intangible Contribution - 20%	-	556,000	-	556,000
28	Total Intangible Contributions	-	8,032,199	393,176	8,425,375
29	Total Gas Plant In Service - Depreciable	\$ 413,993,594	\$ 390,790,473	\$ 327,631,564	\$ 1,132,415,631

TRANSWESTERN PIPELINE COMPANY, LLC

Total Non-Depreciable Plant With Allocations
Twelve Months Ended May 31, 2006, As Adjusted

Line No.	Description	East of Thoreau (a)	West of Thoreau (b)	San Juan (c)	Total (d)
	Direct Plant				
	Transmission				
1	Gas Plant In Service	\$ 643,846	\$ 179,247	\$ 275,589	\$ 1,098,682
2	Gas Gas Plant Held for Future Use	1,507,232	-	-	1,507,232
3	Transmission - ARO	-	-	-	-
	Allocated				
	Transmission				
4	Measuring & Regulating Equipment	-	-	-	-
5	Communication Equipment	-	-	-	-
6	Total Allocated Transmission Plant	-	-	-	-
	General Plant				
7	Structures & Improvements	18,064	16,450	28,266	62,780
8	Office Furniture & Equipment	68,642	62,506	107,404	238,552
9	Computer Equipment	-	-	-	-
10	Transportation Equipment	330,871	301,294	517,712	1,149,877
11	Tools Shop & Garage Equipment	742,708	676,316	1,162,109	2,581,133
12	Laboratory Equipment	12,783	11,640	20,002	44,425
13	Power Operated Equipment	104,348	95,020	163,272	362,640
14	Communication Equipment	23,997	21,851	37,547	83,395
15	Miscellaneous Equipment	2,316	2,109	3,624	8,049
16	Total Allocated General Plant	1,303,729	1,187,186	2,039,936	4,530,851
	Intangible				
17	Organization	720	656	1,126	2,502
18	Franchise & Consents	-	-	-	-
19	Computer Software	1,500,518	1,366,384	2,347,849	5,214,751
20	Total Allocated Intangible Plant	1,501,238	1,367,040	2,348,975	5,217,253
21	Total Transmission, General & Intangible Allocated	4,956,045	2,733,473	4,664,500	12,354,018
22	Intangible Contribution - 0.00%	-	825,000	-	825,000
23	Intangible Contribution - 66.67%	-	835,000	-	835,000
24	Intangible Contribution - 10.00%	-	-	-	-
25	Intangible Contribution - 8.33%	-	-	-	-
26	Intangible Contribution - 20%	750,000	-	-	750,000
27	Intangible Contribution - 20%	-	-	-	-
28	Total Intangible Contributions	750,000	1,660,000	-	2,410,000
29	Total Gas Plant In Service - Non-Depr	\$ 5,706,045	\$ 4,393,473	\$ 4,664,500	\$ 14,764,018

TRANSWESTERN PIPELINE COMPANY, LLC

General Plant Allocation - Summary
Twelve Months Ended May 31, 2006, As Adjusted

Line No.	Description	East of Thoreau (a)	West of Thoreau (b)	San Juan (c)	Total (d)
Allocated					
<u>Transmission 1/</u>					
1	Measuring & Regulating Equipment	\$ 2,091	\$ 1,905	\$ 3,272	\$ 7,268
2	Communication Equipment	57,973	52,791	90,710	201,474
3	Total Allocated Transmission Plant	60,064	54,696	93,982	208,742
<u>General Plant 1/</u>					
4	Structures & Improvements	18,064	16,450	28,266	62,780
5	Office Furniture & Equipment	1,683,281	1,532,811	2,633,820	5,849,912
6	Computer Equipment	731,708	666,300	1,144,898	2,542,906
7	Transportation Equipment	2,523,065	2,297,525	3,947,823	8,768,413
8	Tools Shop & Garage Equipment	2,430,309	2,213,061	3,802,688	8,446,058
9	Laboratory Equipment	12,783	11,640	20,002	44,425
10	Power Operated Equipment	141,254	128,628	221,020	490,902
11	Communication Equipment	65,267	59,431	102,121	226,819
12	Miscellaneous Equipment	16,814	15,311	26,309	58,434
13	Total Allocated General Plant	7,622,545	6,941,157	11,926,947	26,490,649
<u>Intangible 1/</u>					
14	Organization	720	656	1,126	2,502
15	Franchise & Consents	-	-	-	-
16	Computer Software	11,748,024	10,697,851	18,382,050	40,827,925
17	Total Allocated Intangible Plant	11,748,744	10,698,507	18,383,176	40,830,427
18	Total Transmission, General & Intangible Allocated	19,431,353	17,694,360	30,404,105	67,529,818
19	Intangible Contribution - 0.00%	-	825,000	-	825,000
20	Intangible Contribution - 66.67%	-	835,000	-	835,000
21	Intangible Contribution - 10.00%	-	-	393,176	393,176
22	Intangible Contribution - 8.33%	-	7,476,199	-	7,476,199
23	Intangible Contribution - 20%	750,000	556,000	-	1,306,000
24	Total Intangible Contributions	750,000	9,692,199	393,176	10,835,375
25	Total Gas Plant In Service	\$ 20,181,353	\$ 27,386,559	\$ 30,797,281	\$ 78,365,193
26	System Balancing Gas 1/	\$ 2,591,704	\$ 2,360,028	\$ 4,055,221	\$ 9,006,953
27	1/ Reservation Unit Allocation Percentages	28.77448%	26.20229%	45.02323%	100.00000%

TRANSWESTERN PIPELINE COMPANY, LLC

General Plant Allocation - Depreciable
Twelve Months Ended May 31, 2006, As Adjusted

Line No.	Description	East of Thoreau (a)	West of Thoreau (b)	San Juan (c)	Total (d)
Allocated					
Transmission 1/					
1	Measuring & Regulating Equipment	\$ 2,091	\$ 1,905	\$ 3,272	\$ 7,268
2	Communication Equipment	57,973	52,791	90,710	201,474
3	Total Allocated Transmission Plant	60,064	54,696	93,982	208,742
General Plant 1/					
4	Structures & Improvements	-	-	-	-
5	Office Furniture & Equipment	1,614,639	1,470,305	2,526,416	5,611,360
6	Computer Equipment	731,708	666,300	1,144,898	2,542,906
7	Transportation Equipment	2,192,194	1,996,231	3,430,111	7,618,536
8	Tools Shop & Garage Equipment	1,687,601	1,536,745	2,640,579	5,864,925
9	Laboratory Equipment	-	-	-	-
10	Power Operated Equipment	36,906	33,608	57,748	128,262
11	Communication Equipment	41,270	37,580	64,574	143,424
12	Miscellaneous Equipment	14,498	13,202	22,685	50,385
13	Total Allocated General Plant	6,318,816	5,753,971	9,887,011	21,959,798
Intangible 1/					
14	Organization	-	-	-	-
15	Franchise & Consents	-	-	-	-
16	Computer Software	10,247,506	9,331,467	16,034,201	35,613,174
17	Total Allocated Intangible Plant	10,247,506	9,331,467	16,034,201	35,613,174
18	Total Transmission, General & Intangible Allocated	16,626,386	15,140,134	26,015,194	57,781,714
19	Intangible Contribution - 0.00%	-	-	-	-
20	Intangible Contribution - 66.67%	-	-	-	-
21	Intangible Contribution - 10.00%	-	-	393,176	393,176
22	Intangible Contribution - 8.33%	-	7,476,199	-	7,476,199
23	Intangible Contribution - 20%	-	-	-	-
24	Intangible Contribution - 20%	-	556,000	-	556,000
25	Total Intangible Contributions	-	8,032,199	393,176	8,425,375
26	Total Gas Plant In Service - Depreciable	\$ 16,626,386	\$ 23,172,333	\$ 26,408,370	\$ 66,207,089
27	System Balancing Gas 1/	\$ 2,591,704	\$ 2,360,028	\$ 4,055,221	\$ 9,006,953
28	1/ Reservation Unit Allocation Percentages	28.77448%	26.20229%	45.02323%	100.00000%

TRANSWESTERN PIPELINE COMPANY, LLC

General Plant Allocation - Non Depreciable
Twelve Months Ended May 31, 2006, As Adjusted

Line No.	Description	East of Thoreau (a)	West of Thoreau (b)	San Juan (c)	Total (d)
Allocated					
<u>Transmission 1/</u>					
1	Measuring & Regulating Equipment	\$ -	\$ -	\$ -	\$ -
2	Communication Equipment	-	-	-	-
3	Total Allocated Transmission Plant	-	-	-	-
<u>General Plant 1/</u>					
4	Structures & Improvements	18,064	16,450	28,266	62,780
5	Office Furniture & Equipment	68,642	62,506	107,404	238,552
6	Computer Equipment	-	-	-	-
7	Transportation Equipment	330,871	301,294	517,712	1,149,877
8	Tools Shop & Garage Equipment	742,708	676,316	1,162,109	2,581,133
9	Laboratory Equipment	12,783	11,640	20,002	44,425
10	Power Operated Equipment	104,348	95,020	163,272	362,640
11	Communication Equipment	23,997	21,851	37,547	83,395
12	Miscellaneous Equipment	2,316	2,109	3,624	8,049
13	Total Allocated General Plant	1,303,729	1,187,186	2,039,936	4,530,851
<u>Intangible 1/</u>					
14	Organization	720	656	1,126	2,502
15	Franchise & Consents	-	-	-	-
16	Computer Software	1,500,518	1,366,384	2,347,849	5,214,751
17	Total Allocated Intangible Plant	1,501,238	1,367,040	2,348,975	5,217,253
18	Total Transmission, General & Intangible Allocated	2,804,967	2,554,226	4,388,911	9,748,104
19	Intangible Contribution - 0.00%	-	825,000	-	825,000
20	Intangible Contribution - 66.67%	-	835,000	-	835,000
21	Intangible Contribution - 10.00%	-	-	-	-
22	Intangible Contribution - 8.33%	-	-	-	-
23	Intangible Contribution - 20%	750,000	-	-	750,000
	Intangible Contribution - 20%	-	-	-	-
24	Total Intangible Contributions	750,000	1,660,000	-	2,410,000
25	Total Gas Plant In Service - Non-Depr	\$ 3,554,967	\$ 4,214,226	\$ 4,388,911	\$ 12,158,104
26	System Balancing Gas 1/	\$ -	\$ -	\$ -	\$ -
27	1/ Reservation Unit Allocation Percentages	28.77448%	26.20229%	45.02323%	100.00000%

TRANSWESTERN PIPELINE COMPANY, LLC

Total Plant Provision for Accumulated Depreciation, Depletion and Amortization Summary
Twelve Months Ended May 31, 2006, As Adjusted

Line No.	Description	East of Thoreau (a)	West of Thoreau (b)	San Juan (c)	Total (d)
	Direct Plant				
	Transmission				
1	Gas Plant In Service	\$ (160,301,661)	\$ (97,795,070)	\$ (32,407,433)	\$ (290,504,164)
2	Gas Plant Held For Future Use	(1,060,400)	-	-	(1,060,400)
3	Transmission - ARO	-	-	-	-
	<u>Allocated</u>				
	Transmission				
4	Measuring & Regulating Equipment 1/	(127)	(116)	(199)	(442)
5	Communication Equipment 1/	(20,385)	(18,563)	(31,896)	(70,844)
6	Regulatory Asset 2/	(16,071,728)	(14,851,697)	(12,174,554)	(43,097,979)
7	Total Allocated Transmission Plant	(16,092,240)	(14,870,376)	(12,206,649)	(43,169,265)
	<u>General Plant 1/</u>				
8	Structures & Improvements	(18,065)	(16,449)	(28,266)	(62,780)
9	Office Furniture & Equipment	(1,506,667)	(1,371,983)	(2,357,471)	(5,236,121)
10	Computer Equipment	(270,189)	(246,037)	(422,763)	(938,989)
11	Transportation Equipment	(1,698,472)	(1,546,643)	(2,657,587)	(5,902,702)
12	Tools Shop & Garage Equipment	(1,706,298)	(1,553,769)	(2,669,832)	(5,929,899)
13	Laboratory Equipment	(14,284)	(13,007)	(22,350)	(49,641)
14	Power Operated Equipment	(131,715)	(119,941)	(206,093)	(457,749)
15	Communication Equipment	(54,633)	(49,749)	(85,483)	(189,865)
16	Miscellaneous Equipment	(12,707)	(11,571)	(19,883)	(44,161)
17	Total Allocated General Plant	(5,413,030)	(4,929,149)	(8,469,728)	(18,811,907)
	<u>Intangible 1/</u>				
18	Organization	(720)	(656)	(1,126)	(2,502)
19	Franchise & Consents	-	-	-	-
20	Computer Software	(5,458,736)	(4,970,772)	(8,541,247)	(18,970,755)
21	Total Allocated Intangible Plant	(5,459,456)	(4,971,428)	(8,542,373)	(18,973,257)
22	Sub-Total	(188,326,787)	(122,566,023)	(61,626,183)	(372,518,993)
23	Intangible Contribution - 0.00%	-	(825,000)	-	(825,000)
24	Intangible Contribution - 66.67%	-	(835,000)	-	(835,000)
25	Intangible Contribution - 10.00%	-	-	(239,182)	(239,182)
26	Intangible Contribution - 8.33%	-	(3,986,636)	-	(3,986,636)
27	Intangible Contribution - 20%	(750,000)	-	-	(750,000)
28	Intangible Contribution - 20%	-	(37,052)	-	(37,052)
29	Total Intangible Contributions	(750,000)	(5,683,688)	(239,182)	(6,672,870)
30	Total Accumulated DD & A	\$ (189,076,787)	\$ (128,249,711)	\$ (61,865,365)	\$ (379,191,863)

1/ Allocated using Reservation Units on Schedule I-1(d), Page 4

2/ Allocated using Direct Plant on Schedule I-1(d), Page 3

TRANSWESTERN PIPELINE COMPANY, LLC

General Plant Provision for Accumulated Depreciation, Depletion and Amortization
Twelve Months Ended May 31, 2006, As Adjusted

Line No.	Description	East of Thoreau (a)	West of Thoreau (b)	San Juan (c)	Total (d)
Allocated					
<u>Transmission</u>					
1	Measuring & Regulating Equipment 1/	\$ (127)	\$ (116)	\$ (199)	\$ (442)
2	Communication Equipment 1/	(20,385)	(18,563)	(31,896)	(70,844)
3	Regulatory Asset 2/	<u>(16,071,728)</u>	<u>(14,851,697)</u>	<u>(12,174,554)</u>	<u>(43,097,979)</u>
4	Total Allocated Transmission Plant	<u>(16,092,240)</u>	<u>(14,870,376)</u>	<u>(12,206,649)</u>	<u>(43,169,265)</u>
<u>General Plant 1/</u>					
5	Structures & Improvements	(18,065)	(16,449)	(28,266)	(62,780)
6	Office Furniture & Equipment	(1,506,667)	(1,371,983)	(2,357,471)	(5,236,121)
7	Computer Equipment	(270,189)	(246,037)	(422,763)	(938,989)
8	Transportation Equipment	(1,698,472)	(1,546,643)	(2,657,587)	(5,902,702)
9	Tools Shop & Garage Equipment	(1,706,298)	(1,553,769)	(2,669,832)	(5,929,899)
10	Laboratory Equipment	(14,284)	(13,007)	(22,350)	(49,641)
11	Power Operated Equipment	(131,715)	(119,941)	(206,093)	(457,749)
12	Communication Equipment	(54,633)	(49,749)	(85,483)	(189,865)
13	Miscellaneous Equipment	<u>(12,707)</u>	<u>(11,571)</u>	<u>(19,883)</u>	<u>(44,161)</u>
14	Total Allocated General Plant	<u>(5,413,030)</u>	<u>(4,929,149)</u>	<u>(8,469,728)</u>	<u>(18,811,907)</u>
<u>Intangible 1/</u>					
15	Organization	(720)	(656)	(1,126)	(2,502)
16	Franchise & Consents	-	-	-	-
17	Computer Software	<u>(5,458,736)</u>	<u>(4,970,772)</u>	<u>(8,541,247)</u>	<u>(18,970,755)</u>
18	Total Allocated Intangible Plant	<u>(5,459,456)</u>	<u>(4,971,428)</u>	<u>(8,542,373)</u>	<u>(18,973,257)</u>
19	Sub-Total	(26,964,726)	(24,770,953)	(29,218,750)	(80,954,429)
20	Intangible Contribution - 0.00%	-	(825,000)	-	(825,000)
21	Intangible Contribution - 66.67%	-	(835,000)	-	(835,000)
22	Intangible Contribution - 10.00%	-	-	(239,182)	(239,182)
23	Intangible Contribution - 8.33%	-	(3,986,636)	-	(3,986,636)
24	Intangible Contribution - 20%	(750,000)	-	-	(750,000)
25	Intangible Contribution - 20%	<u>-</u>	<u>(37,052)</u>	<u>-</u>	<u>(37,052)</u>
26	Total Intangible Contributions	<u>(750,000)</u>	<u>(5,683,688)</u>	<u>(239,182)</u>	<u>(6,672,870)</u>
27	Total Allocated Accumulated DD & A	<u>\$ (27,714,726)</u>	<u>\$ (30,417,589)</u>	<u>\$ (29,457,932)</u>	<u>\$ (87,590,247)</u>
28	1/ Reservation Unit Allocation Percentages	28.77448%	26.20229%	45.02323%	100.00000%
29	2/ Direct Plant Allocation Percentages	37.29114%	34.46031%	28.24855%	100.00000%

TRANSWESTERN PIPELINE COMPANY, LLC

Working Capital Allocated
Twelve Months Ended May 31, 2006, As Adjusted

Line No.	Description	Reference	Percentages (a)	Total As Adjusted (b)	Allocated Amount (c)
1	Materials and Supplies			\$ 953,207	\$
2	East of Thoreau	Schedule I-1(d), Page 2	37.29114%		355,462
3	West of Thoreau	Schedule I-1(d), Page 2	29.81700%		284,218
4	Expansion Facilities Red Rock Project	Schedule I-1(d), Page 2	4.64331%		44,260
5	Total West of Thoreau				328,478
6	San Juan	Schedule I-1(d), Page 2	11.81572%		112,628
7	Expansion Facilities				
8	San Juan Phase I & II	Schedule I-1(d), Page 2	4.09663%		39,049
9	Gallup Project	Schedule I-1(d), Page 2	0.96819%		9,229
10	San Juan 2005	Schedule I-1(d), Page 2	11.36801%		108,361
11	Total San Juan				269,267
12	Prepayments - Insurance			622,753	
13	East of Thoreau	Schedule I-1(d), Page 2	37.29114%		232,231
14	West of Thoreau	Schedule I-1(d), Page 2	29.81700%		185,687
15	Expansion Facilities Red Rock Project	Schedule I-1(d), Page 2	4.64331%		28,916
16	Total West of Thoreau				214,603
17	San Juan	Schedule I-1(d), Page 2	11.81572%		73,583
18	Expansion Facilities				
19	San Juan Phase I & II	Schedule I-1(d), Page 2	4.09663%		25,512
20	Gallup Project	Schedule I-1(d), Page 2	0.96819%		6,029
21	San Juan 2005	Schedule I-1(d), Page 2	11.36801%		70,795
22	Total San Juan				175,919
23	Prepayments - Rents			1,690,389	
24	East of Thoreau	Schedule I-1(d), Page 5	6.94940%		117,472
25	West of Thoreau	Schedule I-1(d), Page 5	69.75848%		1,179,190
26	San Juan	Schedule I-1(d), Page 5	23.29212%		393,727
27	Prepayments - Other			181,915	
28	East of Thoreau	Schedule I-1(d), Page 2	37.29114%		67,839
29	West of Thoreau	Schedule I-1(d), Page 2	29.81700%		54,241
30	Expansion Facilities Red Rock Project	Schedule I-1(d), Page 2	4.64331%		8,447
31	Total West of Thoreau				62,688
32	San Juan	Schedule I-1(d), Page 2	11.81572%		21,495
33	Expansion Facilities				
34	San Juan Phase I & II	Schedule I-1(d), Page 2	4.09663%		7,452
35	Gallup Project	Schedule I-1(d), Page 2	0.96819%		1,761
36	San Juan 2005	Schedule I-1(d), Page 2	11.36801%		20,680
37	Total San Juan				51,388
38	Total Working Capital			\$ 3,448,264	\$ 3,448,264

TRANSWESTERN PIPELINE COMPANY, LLC

Ad Valorem Taxes Allocated
Twelve Months Ended May 31, 2006, As Adjusted

Line No.	Description	Reference	Percentages (a)	Total As Adjusted (b)	Allocated Amount (c)
1	Ad Valorem				
2	Arizona			\$ 5,110,587	
3	West of Thoreau	Schedule I-1(d), Page 6	86.48729%		\$ 4,420,008
4	Expansion Facilities				
5	Red Rock	Schedule I-1(d), Page 6	13.51271%		690,579
6	Total West of Thoreau				5,110,587
7	California			8,030	
8	West of Thoreau	Schedule I-1(d), Page 6	100.00000%		8,030
9	Colorado			136,945	
10	San Juan	Schedule I-1(d), Page 6	11.10121%		15,203
11	Expansion Facilities				
12	San Juan Phase I & II	Schedule I-1(d), Page 6	83.95959%		114,978
13	Gallup Project	Schedule I-1(d), Page 6	4.93920%		6,764
14	Total San Juan				136,945
15	New Mexico			3,337,832	
16	East of Thoreau	Schedule I-1(d), Page 6	50.90029%		1,698,966
17	West of Thoreau	Schedule I-1(d), Page 6	0.02435%		813
18	San Juan	Schedule I-1(d), Page 6	21.76995%		726,644
19	Expansion Facilities				
20	San Juan Phase I & II	Schedule I-1(d), Page 6	4.30746%		143,776
21	Gallup Project	Schedule I-1(d), Page 6	1.62086%		54,102
22	San Juan 2005	Schedule I-1(d), Page 6	21.37709%		713,531
23	Total San Juan				1,638,053
24	Oklahoma			74,167	
25	East of Thoreau	Schedule I-1(d), Page 6	100.00000%		74,167
26	Texas			834,062	
27	East of Thoreau	Schedule I-1(d), Page 6	100.00000%		834,062
28	Texas - Corporate			81,951	
29	East of Thoreau	Schedule I-1(d), Page 1	37.29114%		30,560
30	West of Thoreau	Schedule I-1(d), Page 1	34.46031%		28,241
31	San Juan	Schedule I-1(d), Page 1	28.24855%		23,150
32	Navajo Nation			145,222	
33	East of Thoreau	Schedule I-1(d), Page 5	6.94940%		10,092
34	West of Thoreau	Schedule I-1(d), Page 5	69.75848%		101,305
35	San Juan	Schedule I-1(d), Page 5	23.29212%		33,825
36	Fort Mojave Indian Reservation			11,306	
37	West of Thoreau	Schedule I-1(d), Page 6	86.48729%		9,778
38	Expansion Facilities				
39	Red Rock	Schedule I-1(d), Page 6	13.51271%		1,528
40	Total West of Thoreau				11,306
41	Pueblo de Acoma			4,305	
42	East of Thoreau		100.00000%		4,305
43	Total Ad Valorem Taxes			\$ 9,744,407	\$ 9,744,407

TRANSWESTERN PIPELINE COMPANY, LLC

Miscellaneous Taxes Other Than Income Taxes Allocated
Twelve Months Ended May 31, 2006, As Adjusted

Line No.	Description	Reference	Percentages (a)	Total As Adjusted (b)	Allocated Amount (c)
1	Franchise (Delaware)			\$ 200	
2	East of Thoreau	Schedule I-1(d), Page 2	37.29114%		75
3	West of Thoreau	Schedule I-1(d), Page 2	29.81700%		60
4	Expansion Facilities Red Rock	Schedule I-1(d), Page 2	4.64331%		9
5	Total West of Thoreau				69
6	San Juan	Schedule I-1(d), Page 2	11.81572%		23
7	Expansion Facilities				
8	San Juan Phase I & II	Schedule I-1(d), Page 2	4.09663%		8
9	Gallup Project	Schedule I-1(d), Page 2	0.96819%		2
10	San Juan 2005	Schedule I-1(d), Page 2	11.36801%		23
11	Total San Juan				56
12	Gross Receipts (Navajo Business Activity Tax)			706,563	
13	East of Thoreau	Schedule I-1(d), Page 1	37.29114%		263,485
14	West of Thoreau	Schedule I-1(d), Page 1	34.46031%		243,484
15	San Juan	Schedule I-1(d), Page 1	28.24855%		199,594
16	Payroll			1,601,425	
17	East of Thoreau	Schedule I-1(d), Page 2	49.87709%		798,744
18	West of Thoreau	Schedule I-1(d), Page 2	20.06765%		321,368
19	Expansion Facilities Red Rock	Schedule I-1(d), Page 2	3.32140%		53,190
20	Total West of Thoreau				374,558
21	San Juan	Schedule I-1(d), Page 2	21.71908%		347,815
22	San Juan Phase I & II	Schedule I-1(d), Page 2	3.38691%		54,239
23	Gallup Project	Schedule I-1(d), Page 2	0.85468%		13,687
24	San Juan 2005	Schedule I-1(d), Page 2	0.77319%		12,382
25	Total San Juan				428,123
26	Colorado Compressor Fuel Tax			247,476	
27	San Juan Phase I & II	Schedule I-1(d), Page 1	100.00000%		247,476
28	Colorado License Fees			56	
29	San Juan Phase I & II	Schedule I-1(d), Page 1	100.00000%		56
30	Total Miscellaneous Taxes Other Than Income			2,555,720	2,555,720
31	Total Taxes Other Than Income			\$ 12,300,127	\$ 12,300,127

TRANSWESTERN PIPELINE COMPANY, LLC

Deferred Income Taxes Allocated - Expansion Facilities
Twelve Months Ended May 31, 2006, As Adjusted

Line No.	Description	Reference	Percentages (a)	Total As Adjusted (b)	Allocated Amount (c)
1	Deferred Income Taxes			\$ (47,635,608)	\$
2	East of Thoreau	Schedule I-1(d), Page 2	37.29114%		(17,763,861)
3	West of Thoreau	Schedule I-1(d), Page 2	29.81700%		(14,203,509)
4	Expansion Facilities Red Rock	Schedule I-1(d), Page 2	4.64331%		(2,211,869)
5	Total West of Thoreau				(16,415,378)
6	San Juan	Schedule I-1(d), Page 2	11.81572%		(5,628,490)
7	Expansion Facilities San Juan Phase I & II	Schedule I-1(d), Page 2	4.09663%		(1,951,455)
8	Gallup Project	Schedule I-1(d), Page 2	0.96819%		(461,203)
9	San Juan 2005	Schedule I-1(d), Page 2	11.36801%		(5,415,221)
10	Total San Juan				(13,456,369)
11	Total Deferred Income Taxes			\$ (47,635,608)	\$ (47,635,608)
12	South Georgia - Federal Tax Deficiency			\$ 48,532	\$
13	East of Thoreau	Schedule I-1(d), Page 1	37.29114%		18,098
14	West of Thoreau	Schedule I-1(d), Page 1	34.46031%		16,724
15	San Juan	Schedule I-1(d), Page 1	28.24855%		13,710
16	Total South Georgia - Federal Tax Deficiency			\$ 48,532	\$ 48,532

TRANSWESTERN PIPELINE COMPANY, LLC

Regulatory Assets
Twelve Months Ended May 31, 2006, As Adjusted

Line No.	Description	Reference	Percentages (a)	Total As Adjusted (b)	Allocated Amount (c)
1	Accumulated Reserve Adj			\$ 43,097,979	\$
2	East of Thoreau	Schedule I-1(d), Page 1	37.29114%		16,071,728
3	West of Thoreau	Schedule I-1(d), Page 1	34.46031%		14,851,697
4	San Juan	Schedule I-1(d), Page 1	28.24855%		12,174,554
5	South Georgia Deferred Tax			2,580,833	
6	East of Thoreau	Schedule I-1(d), Page 1	37.29114%		962,422
7	West of Thoreau	Schedule I-1(d), Page 1	34.46031%		889,363
8	San Juan	Schedule I-1(d), Page 1	28.24855%		729,048
9	Laguna Right-of-Way			3,189,206	
10	East of Thoreau		100.00000%		3,189,206
11	Navajo Right-of-Way			8,613,577	
12	East of Thoreau	Schedule I-1(d), Page 5	6.94940%		598,592
13	West of Thoreau	Schedule I-1(d), Page 5	69.75848%		6,008,700
14	San Juan	Schedule I-1(d), Page 5	23.29212%		2,006,285
15	Fort Mojave Right-of-Way			257,708	
16	West of Thoreau		100.00000%		257,708
17	Southern Ute Right-of-Way			1,627,316	
18	San Juan		100.00000%		1,627,316
19	Total Regulatory Assets			\$ 59,366,619	\$ 59,366,619

TRANSWESTERN PIPELINE COMPANY, LLC
Twelve Months Ended May 31, 2006, As Adjusted

Allocation of Pensions & Benefits - Incrementals

Line No.	FERC Acct.	Description	Reference	Percentage (a)	Expenses As Adjusted (b)	San Juan 2005 (c)	San Juan Phase I & II (d)	Gallup Project (e)	Red Rock Project (f)
		<u>Administrative & General</u>							
1	926.00	Employee Pensions & Benefits			\$ 2,333,207				
2		Medical/Dental/Vision	Schedule H-1(2)(f)		181,273				
3		Life Insurance	Schedule H-1(2)(f)		39,948				
4		Long-Term Disability Insurance	Schedule H-1(2)(f)		782,901				
5		Savings Plan	Schedule H-1(2)(f)		1,015,718				
6		Pension Plan	Schedule H-1(2)(f)		376,826				
7		Post-Retirement Benefits Other Than Pension	Schedule H-1(2)(f)		414,563				
8		Incentive Plans	Schedule H-1(2)(f)		1,062				
9		Short-Term Disability	Schedule H-1(2)(f)						
		Total			\$ 5,145,498				
10		Total Labor, as Adjusted	Schedule H-1(1)(a), Page 5		\$ 19,449,680				
11		Benefits Load Percentage	Line 9 / Line 10	26.45547%					
12		Total Labor, as Adjusted - Incrementals	Schedule I-1(c)(1), pp. 2 - 5			\$ 84,295	\$ 369,250	\$ 93,179	\$ 362,108
13		Allocation of Pensions & Benefits - Incrementals	Line 12 x Line 11			\$ 22,301	\$ 97,687	\$ 24,651	\$ 95,797