

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

**Transwestern Pipeline Company, LLC      §              Docket No. RP06-\_\_\_\_-000**

**PREPARED DIRECT TESTIMONY  
OF  
LAWRENCE J. BIEDIGER**

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

2    A. My name is Lawrence J. Biediger. My business address is 5444 Westheimer Road, Houston,  
3        Texas.

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

5    A. I am employed by Panhandle Eastern Pipe Line Company, LP (“Panhandle”) as Senior  
6        Director of Rates in the Rates and Regulatory Affairs Department. In addition to Panhandle,  
7        I have the same position with the other pipeline companies of the Panhandle Energy pipeline  
8        group which include Transwestern Pipeline Company, LLC (“Transwestern”), Florida Gas  
9        Transmission Company, LLC, Sea Robin Pipeline Company, LLC, Southwest Gas Storage  
10       Company, Trunkline Gas Company, LLC (“Trunkline”) and Trunkline LNG Company, LLC.  
11       My present duties include the preparation and/or supervision of the preparation of Cost of  
12       Service, tracker filings, transportation revenue and rate design data relating to certificate,  
13       general rate, and tariff filings for all the Panhandle Energy pipeline group of companies.  
14       Such data is utilized by management and for various regulatory purposes.

1 **Q. Please describe your pertinent employment history.**

2 A. From June 1979 until July 1980, I held various positions in the Controller's Department of  
3 Trunkline. In August 1980, I joined the Regulatory Affairs Department of Panhandle and  
4 Trunkline and, until April 1987, I held the positions of Economic Analyst, Rate Analyst and  
5 Senior Rate Analyst in that department. From May 1987 through August 1988, I was  
6 Assistant Manager of Purchased Gas Adjustments ("PGAs"). In September 1988, I was  
7 promoted to Manager of Rates. I was made Director of Rates in February 1991. I assumed  
8 that function for Transwestern with the acquisition of the CrossCountry Energy pipelines  
9 from Enron Corp. by Southern Union Company in November 2004. In August 2005, I was  
10 made Sr. Director of Rates.

11 **Q. Please describe your educational background.**

12 A. I graduated from Texas A&M University in 1979 with a Bachelor of Business  
13 Administration degree in Accounting.

14 **Q. Have you previously submitted testimony before the Federal Energy Regulatory  
15 Commission?**

16 A. Yes. I have submitted testimony in Trunkline Gas Company, Docket No. RP89-160-000,  
17 Trunkline Gas Company, Docket No. RP92-165-000, Trunkline Gas Company, Docket No.  
18 RP94-164-000, and Trunkline Gas Company, Docket No. RP96-129-000.

19 **Q. What is the scope of your testimony in this proceeding?**

20 A. I will testify in the following areas:

21 1) Transwestern's overall Cost of Service;

- 1        2) Transwestern's claimed Rate Base and proposed Return;
- 2        3) Accumulated Deferred Income Taxes;
- 3        4) Accumulated Provision for Depreciation;
- 4        5) Depreciation, Depletion and Amortization Expense;
- 5        6) Operation and Maintenance Expense; and
- 6        7) Income Taxes.

7        **Q. What Exhibits are you responsible for in this proceeding?**

- 8        A. I am responsible for the following exhibits and schedules which support my testimony and  
9        have been prepared by me or under my supervision:

10	<u>Exhibit No.</u>	<u>Reference</u>	<u>Description</u>
11			
12	TW-17	STATEMENT A	Overall Cost of Service
13			
14	TW-18	STATEMENT B	Rate Base and Return
15			
16	TW-19	Schedule B-1	Accumulated Deferred Income
17			Taxes
18			
19	TW-20	Schedule B-2	Regulatory Assets and Liabilities
20			
21	TW-21	STATEMENT H-2	Depreciation, Depletion and
22			Amortization Expense
23		Schedule H-2(1)	Reconciliation of Depreciable Plant
24			
25	TW-22		Gas Plant Remaining Life Analysis
26			
27	TW-23	STATEMENT H-1	Operation and Maintenance
28			Expenses
29			
30	TW-24	STATEMENT H-3	Income Taxes
31			

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

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

7 **Q. What is the total Cost of Service in this proceeding?**

8 A. Transwestern's Cost of Service, after deducting Revenue Credits, is \$210,780,870.  
9 This is summarized by each component part in my Exhibit No. TW-17.

10 **Q. Please explain Exhibit No. TW-17.**

11 A. Exhibit No. TW-17 is a summary of Transwestern's total Test Period Cost of Service  
12 reflecting the costs for twelve months ended May 31, 2006, as adjusted. The exhibit  
13 is detailed by each of the components of the Cost of Service.

14 **Q. What are the components of the total system Cost of Service as shown in your**  
15 **Exhibit No. TW-17?**

16 A. Total Operating Expenses shown on Lines 1 through 3 are \$58,285,332 and are shown in  
17 detail in my Exhibit No. TW-23. Depreciation and Amortization Expenses, shown on Line 4  
18 as \$19,353,273, are from my Exhibit No. TW-21. The Federal and State Income Taxes, on  
19 Lines 7 and 8, are \$33,400,150 and \$5,910,293, respectively, and are the subject of my  
20 Exhibit No. TW-24. Transwestern’s witness Mr. Brocato's Exhibit No. TW-29 supports  
21 Taxes-Other Than Income Taxes in the amount of \$12,300,127, on Line 5. The Return

1 component of \$81,593,923, shown on Line 6, is taken from my Exhibit No. TW-18. The Gas  
2 Revenue Credits in the amount of (\$62,228), on Line 9, are supported by Transwestern's  
3 witness Mr. Lichtenwalter's Exhibit No. TW-51.

4 **Q. Please describe your Exhibit No. TW-18.**

5 A. Exhibit No. TW-18 reflects the various components of the Rate Base to determine a net Rate  
6 Base of \$792,174,014. The Return allowance on Rate Base of \$81,593,923 is based on an  
7 Overall Rate of Return of 10.30 percent. The derivation of the 10.30 percent Overall Rate of  
8 Return is discussed in the testimony and exhibits of Transwestern's witnesses Mr. Langston  
9 and Mr. Hevert.

10 **Q. What are the components of Rate Base?**

11 A. The adjusted Rate Base includes total Gas Plant of \$1,156,186,602, as shown in Mr.  
12 Brocato's Exhibit No. TW-26. This gross Gas Plant figure is reduced by the Accumulated  
13 Provision for Depreciation of \$379,191,863, as determined in Mr. Brocato's Exhibit No.  
14 TW-27, and Accumulated Deferred Income Taxes of (\$47,635,608), which were taken from  
15 my Exhibit No. TW-19. The Working Capital allowance of \$3,448,264, taken from Mr.  
16 Brocato's Exhibit No. TW-28, and Regulatory Assets of \$59,366,619, taken from my Exhibit  
17 No. TW-20, are added to obtain the Rate Base of \$792,174,014.

18 **Q. What is the basis for the Accumulated Deferred Federal and State Income Taxes used**  
19 **to reduce Transwestern's Gas Plant for Rate Base purposes?**

20 A. Exhibit No. TW-19, Page 1, sets forth the Accumulated Deferred Income Taxes by FERC  
21 account applicable to Transwestern's Cost of Service. Column (m) on Page 1 reflects the

1 changes in the provision for Deferred Income Taxes projected to occur during the  
2 Adjustment Period, including the changes resulting from plant additions and retirements; tax  
3 and book depreciation; and other related entries projected to be recorded during the  
4 Adjustment Period. Column (n) on Page 1 eliminates the Accumulated Deferred Income  
5 Taxes not appropriately included in Transwestern's Rate Base and Column (o) reflects the  
6 resulting Test Period Accumulated Deferred Income Taxes of (\$47,635,608) used in the Rate  
7 Base calculation. Page 2 of my Exhibit No. TW-19 identifies the individual components that  
8 comprise the Accumulated Deferred Taxes in Account Nos. 190, 282 and 283, and indicates  
9 those claimed by Transwestern in Rate Base.

10 **Q. Why have you removed the Deferred Taxes on the AFUDC - Equity?**

11 A. In accordance with SFAS 109, at the time of its adoption by Transwestern, a regulatory asset  
12 was recorded for AFUDC – Equity grossed up for income taxes, as well as offsetting entries  
13 in the deferred income tax accounts. The net effect of these entries was zero. As this  
14 regulatory asset is amortized and the associated deferred income taxes unwind, the net effect  
15 of these entries continues to be zero. Transwestern has not included the regulatory asset for  
16 the gross-up in Rate Base and, likewise, the offsetting deferred taxes have not been deducted  
17 in order to avoid distorting Rate Base.

18 **Q. Please describe the Regulatory Asset balances contained in Exhibit No. TW-20.**

19 A. As shown on Page 1, line 16, Column (g) of my Exhibit No. TW-20, the sum of the balances  
20 at the end of the Test Period for Transwestern's Regulatory Assets claimed in Rate Base is  
21 \$59,366,619. Transwestern currently has no regulatory liability balance in FERC Account

1 No. 254 to offset the Regulatory Asset balance. The Regulatory Asset balance claimed at the  
2 end of the Test Period includes two Regulatory Assets recorded in FERC Account No. 182.3,  
3 one of which was established pursuant to a Stipulation and Agreement in Docket Nos. RP93-  
4 34-000, et al., as approved by Commission order dated March 30, 1994 (“South Georgia  
5 Deferred Tax Regulatory Asset”), and the other of which was established pursuant to a  
6 Commission order dated July 27, 1995 in Docket Nos. RP95-271-000, et al., (“Accumulated  
7 Reserve Adjustment Regulatory Asset”). The South Georgia Deferred Tax Regulatory Asset  
8 was established for the deficiency in Transwestern’s accumulated deferred income taxes due  
9 to the change in the corporate income tax rate enacted by the Revenue Reconciliation Act of  
10 1993. The Accumulated Reserve Adjustment Regulatory Asset resulted from the  
11 refunctionalization of certain gathering and transmission assets.

12 **Q. What makes up the remaining Regulatory Asset balance claimed in Rate Base on**  
13 **Exhibit No. TW-20?**

14 A. First, I have increased the Base Period Regulatory Asset balance by \$14,507,510. This sum  
15 represents the unamortized balances shown on Line 14 in Columns (c) through (e) of costs  
16 associated with the extension of the Laguna, Navajo, and Fort Mojave right-of-way  
17 agreements which have been amortized over the terms of their respective lease agreements in  
18 FERC Account No. 186, Miscellaneous Deferred Debits. For purposes of the derivation of  
19 the Rate Base in this proceeding, Transwestern is proposing to reflect these unamortized  
20 balances as Regulatory Assets. Similarly, Transwestern is awaiting receipt of a right-of-way  
21 grant from the Secretary of the Interior for an agreement with the Southern Ute Indian Tribe,

1 and anticipates making a September 2006 payment to be amortized over the term of the  
2 grant. The amount of \$1,627,316, shown in Column (f) of my Exhibit No. TW-20,  
3 represents the unamortized balance of this payment at the end of the Test Period. Finally,  
4 adjustments have been made for each of the other components to reflect the continued  
5 monthly amortizations of these Regulatory Assets during the Adjustment Period, which  
6 results in the projected balance at the end of the Test Period of \$59,366,619 claimed in Rate  
7 Base.

8 **Q. Do you have an exhibit reflecting the derivation of the depreciation expense?**

9 A. Yes, as shown on Page 1 of my Exhibit No. TW-21, Depreciation Expense of \$19,353,273,  
10 on Line 13, Column (h), was calculated by taking the adjusted Gas Plant in Column (a), and  
11 applying the annual depreciation rates as shown in Column (e) to obtain the total expense  
12 included in the Cost of Service. Page 2 of my Exhibit No. TW-21 provides the reconciliation  
13 of Depreciable Plant to the Total Gas Plant shown on Mr. Brocato's Exhibit No. TW-26.

14 **Q. What is the source of the depreciation rates used on Exhibit No. TW-21 for the**  
15 **depreciation of Gas Plant - Transmission?**

16 A. The Transmission depreciation rates are as set forth in Article IV of the Stipulation and  
17 Agreement dated May 21, 1996, in Docket Nos. RP94-227-000, et al., and RP95-271-000, et  
18 al., except for the San Juan 2005 Expansion. The stipulated depreciation rates were approved  
19 by the Commission's order dated October 16, 1996, for Transwestern's mainline  
20 Transmission facilities.

21 **Q. Are you proposing a new depreciation rate for the San Juan 2005 Expansion facilities?**

1 A. Yes. When depreciation rates were determined in Docket No. CP04-104-000, a rate of 2.86  
2 percent was utilized for these facilities. However, Transwestern is proposing a depreciation  
3 rate of 1.20 percent to correspond with the rate currently being applied to Transwestern's  
4 other Transmission facilities.

5 **Q. How has the depreciation rate for San Juan 2005 Expansion facilities been determined?**

6 A. Because Transwestern is proposing in the instant rate proceeding to roll-in the costs of the  
7 San Juan 2005 Expansion facilities with its existing facilities' costs, the depreciation rate for  
8 this property should reflect the same depreciation rate as the existing Transmission facilities.  
9 Rolled-in treatment is supported by the testimony and exhibits of Mr. Grygar.

10 **Q. Why is no change in depreciation rates appropriate for the Transwestern system?**

11 A. The May 21, 1996 Stipulation and Agreement reflected for settlement depreciation rates with  
12 a remaining depreciable life of 52 years for Transmission facilities. Transwestern proposes  
13 that the depreciation rate for the Transmission Gas Plant assets be continued at 1.20 percent  
14 based on the remaining depreciable life of the facilities. Utilizing the 1.20 percent  
15 depreciation rate for all Transwestern's Transmission facilities will yield a remaining  
16 depreciable life of approximately 57 years, as shown on my Exhibit No. TW-22, which  
17 Transwestern believes to be appropriate given the availability of gas supplies.

18 **Q. What depreciation rates are you proposing in this proceeding for General Plant?**

19 A. I am proposing the continued use of the depreciation rate for General Plant of 10.00 percent  
20 as set forth in Article I.B(2) of the Stipulation and Agreement dated November 23, 1993, in  
21 Docket Nos. RP93-34-000, et al., and approved by Commission order dated March 30, 1994.

1 **Q. What rates are you proposing in this proceeding for Intangible Plant?**

2 A. I am proposing to continue to use a 10.00 percent amortization rate for Transwestern's  
3 Intangible – Computer Software, which is appropriate based on useful life. In addition, I am  
4 proposing the following annual amortization of Contributions in Aid of Construction  
5 (“CIAC”) to the various areas:

6	San Juan	\$ 39,318
7	West of Thoreau	\$622,767
8	West of Thoreau	\$111,200

9 **Q. How were these amortizations determined?**

10 A. For the contributions applicable to the San Juan area, I have used a projected life of 10 years  
11 for an amortization rate of 10.00 percent of the plant balance of \$393,176. This amortization  
12 is related to a contribution to Meridian Oil Inc. For the West of Thoreau area, I have applied  
13 a 12-year amortization rate of 8.33 percent for the Pacific Gas and Electric Company  
14 contributions totaling \$7,476,199, and I have applied a 5-year amortization rate of 20.00  
15 percent for a contribution to Southwest Gas Transmission Company, LP, of \$556,000.

16 **Q. Have these amortization rates been utilized on the books?**

17 A. The \$393,176 and \$7,476,199 contributions were made prior to the end of the Base Period  
18 and the amortization rates proposed have been utilized on the books. However, the \$556,000  
19 contribution is projected to be made during the Adjustment Period.

20 **Q. Have you prepared an exhibit setting forth the Operation and Maintenance Expenses**  
21 **claimed in the Cost of Service?**

1 A. Yes, I have. My Exhibit No. TW-23 shows Transwestern's Test Period Operation and  
2 Maintenance ("O&M") Expense.

3 **Q. Please describe Exhibit No. TW-23.**

4 A. Pages 1 and 2 of my Exhibit No. TW-23, Columns (a) through (d), set forth Transwestern's  
5 O&M Expenses for the twelve months of actual experience ended May 31, 2006; the  
6 adjustments to these Base Period expenses, Columns (e) through (h); and the total claimed  
7 O&M Expenses, Columns (i) through (l). The O&M Expenses are shown by FERC account  
8 number and are subdivided between Labor, Supplies and Expenses ("S&E") and Gas Cost.  
9 The annual O&M Expense, as adjusted, is \$58,285,332 as shown at Page 2, Column (l), Line  
10 23.

11 **Q. Have you detailed the adjustments to Transwestern's actual O&M expenses which are**  
12 **necessary to annualize the effect of changes which have actually occurred or which will**  
13 **occur during the Test Period?**

14 A. Yes. Adjustments to Transwestern's Base Period O&M expenses total (\$10,329,348) (Page  
15 2, Column (h), Line 23). Page 3 contains a summary and a narrative description of each  
16 adjustment. The components of each O&M adjustment in detail by FERC Account are  
17 shown on Pages 4 through 21. Basically, the O&M adjustments fall into the following  
18 categories: 1) salary increases for Transwestern's merit budget and increases in cost levels  
19 for S&E; 2) elimination of costs associated with company used gas; 3) elimination of costs  
20 related to sales service provided under a former rate schedule and elimination of costs  
21 associated with various tracker filings; 4) Administrative and General expenses; 5) expenses

1 related to environmental costs; 6) removal of non-recurring and out-of-period charges; and 7)  
2 removal of costs related to facilities that have been abandoned by sale during the Adjustment  
3 Period.

4 **Q. Please explain Adjustment No. 1 to O&M.**

5 A. Adjustment No. 1 for \$204,859, as shown on Page 22 of my Exhibit No. TW-23, records  
6 labor expenses incurred but not recorded for the last eight days of the month of May 2006,  
7 which were physically paid outside of Transwestern's Base Period.

8 **Q. Please explain Adjustment No. 2 to O&M.**

9 A. Adjustment No. 2 for \$303,091, as shown on Page 23 of my Exhibit No. TW-23, is for  
10 staffing positions that were vacant at the end of the Base Period; however, these positions are  
11 expected to be filled during the Adjustment Period.

12 **Q. Please explain Adjustment No. 3 to O&M.**

13 A. Adjustment No. 3 for \$510,268, as shown on Page 25 of my Exhibit No. TW-23, normalizes  
14 salary increases which became effective during the 12 month period ending May 31, 2006.  
15 This adjustment reflects salary increases necessary to continue the Company policy of  
16 maintaining compensation programs that will attract and retain employees and encourage  
17 high levels of performance.

18 **Q. Please describe Adjustment No. 4 to Supplies and Expenses.**

19 A. Adjustment No. 4 for \$757,549, on Page 26 of my Exhibit No. TW-23, annualizes the  
20 projected increases in the cost of Supplies and Expenses which have occurred and which will  
21 occur through the end of the Test Period. Since the Company does not purchase the same

1 supplies and expenses each month, and increases in the cost of materials purchased in the  
2 early months of the period do not reflect cost increases which have occurred throughout the  
3 twelve month Base Period, a series of wholesale price indices published by the Bureau of  
4 Labor Statistics was utilized to measure the effect of these cost increases on Transwestern's  
5 Base Period Cost, as shown on Page 27 of my Exhibit No. TW-23.

6 **Q. Has the Commission approved a Cost of Service including supplies and expense**  
7 **increases measured by the indices you are recommending?**

8 A. Yes, it has. Although the Commission did not address the issue directly because there was  
9 no exception to the Administrative Law Judge's ("ALJ's") Decision, Opinion No. 395 in  
10 Panhandle Eastern Pipe Line Company's proceeding in Docket No. RP91-229-000, 71 FERC  
11 ¶61,228 (1995), affirmed in pertinent part the ALJ's Decision, 68 FERC ¶63,008 at 65,094  
12 (1994), which approved cost increases which had actually occurred during the Base and Test  
13 Periods of that proceeding measured by the use of these indices.

14 **Q. Please describe Adjustment No. 5 to O&M Expenses.**

15 A. Adjustment No. 5, which is a decrease to Base Period O&M expenses of \$9,084,888, as  
16 shown on Page 29 of my Exhibit No. TW-23, eliminates entries related to gas purchase and  
17 storage accounts in accordance with the service restructuring under Order Nos. 636, et seq.,  
18 as well as gas and electric costs to be recovered through Transwestern's fuel retention  
19 percentages, as discussed in the testimony and exhibits of Mr. Langston.

20 **Q. What are the adjustments to Administrative and General ("A&G") Expenses?**

21 A. Adjustment No. 6, detailed on Page 30 of my Exhibit No. TW-23, is an adjustment to

1 A&G Expenses in the amount of \$493,351, which reflects: 1) the removal of bad  
2 debt expense and uncollectible receivables; 2) the normalization of corporate charges;  
3 3) the elimination of entries relating to periods outside the Base Period; 4) the  
4 normalization of employee incentive compensation; 5) the removal of FERC Order  
5 No. 472 Annual Charge expenses, which are collected through a separate surcharge  
6 established in Section 23 of the General Terms and Conditions of Transwestern's  
7 FERC Gas Tariff, Third Revised Volume No. 1; 6) increases in various benefit plans;  
8 7) the amortization of retirement plan termination costs; 8) the elimination of various  
9 prior settlement amortizations expiring October 2006; 9) the amortization of  
10 regulatory expenses and 10) the inclusion of asset retirement obligation ("ARO")  
11 accretion expense.

12 **Q. Has bad debt expense been eliminated?**

13 A. Yes. A credit of (\$925,465) has been applied to FERC Account No. 904, to eliminate  
14 Base Period bad debt expense of \$58,787, and removal of the amortization of  
15 uncollectible receivables of \$866,678, reflected in the rates established pursuant to  
16 the Stipulation and Agreement in Docket No. RP94-227-000, et al., which will expire  
17 on October 31, 2006.

18 **Q. Please explain the adjustments to normalize corporate charges.**

19 A. During the Base Period, corporate costs allocated to Transwestern included costs  
20 from both its previous corporate parent's service company, as well as its current  
21 structure. As shown on Page 31 of my Exhibit No. TW-23, the adjustments to FERC

1 Account Nos. 920, 921, 923, 926, and 931, establish normalized expense levels for  
2 these costs to be incurred solely by Southern Union Company on Transwestern's  
3 behalf.

4 **Q. Did you eliminate expenses that did not pertain to Transwestern's Base Period?**

5 A. Yes. Various entries recorded during the Base Period, but related to out-of-period  
6 items, have been eliminated from FERC Account Nos. 920, 921, 923, 924, 926, 930,  
7 and 931, as shown on Page 32 of my Exhibit No. TW-23.

8 **Q. Please explain the adjustment to normalize the incentive compensation.**

9 A. As reflected on Page 33 of my Exhibit No. TW-23, an adjustment of \$55,720 to  
10 FERC Account No. 920 has been made to annualize the level of costs to be incurred.  
11 Only two months of costs were recorded during the Base Period.

12 **Q. What adjustment did you make to Base Period Expenses for Employee Benefits?**

13 A. The adjustment of \$378,120 to the Base Period costs for the Medical, Dental and  
14 Vision Programs reflects the projected increase in the cost of these programs and  
15 includes an increase in Transwestern's cost of \$234,610, as shown on Page 34, Line  
16 3, of my Exhibit No. TW-23, and corporate costs charged to Transwestern in the  
17 amount of \$143,510, as shown on Page 31, Line 8, of my Exhibit No. TW-23. The  
18 adjustment of \$478,061 for the Savings Plan reflects an increase in the level of  
19 Company matching of employee contributions and includes an increase in  
20 Transwestern's cost of \$423,058, as shown on Page 35, Line 16, of my Exhibit No.  
21 TW-23, and corporate costs charged to Transwestern in the amount of \$55,003, as

1 shown on Page 31, Line 10, of my Exhibit No. TW-23.

2 **Q. Did you make other adjustments for Employee Benefits?**

3 A. Yes. Page 36 of my Exhibit No. TW-23 shows an adjustment to FERC Account No.  
4 926, to reflect the amortization over a five-year period of the cost associated with the  
5 termination of the previous Cash Balance Pension Plan, which had been administered  
6 by Enron Corp. Carrying charges have also been calculated on the remaining  
7 principal balances during the five-year amortization period.

8 **Q. Are there additional adjustments to Employee Benefits?**

9 A. Yes. As discussed previously, among the adjustments to normalize Transwestern's share of  
10 corporate charges were adjustments to FERC Account No. 926. As shown on Page 31 of my  
11 Exhibit No. TW-23, the following additional adjustments were made to Employee Benefits:

12

13 Medical/Dental/Vision	\$143,510
14 Life Insurance	38,074
15 Savings Plan	55,003
16 Pension Plan	79,843
Incentive Plans	384,896

17 Finally, an adjustment in the amount \$58,148, as shown on Page 32, Line 7, of my Exhibit  
18 No. TW-23, was made to Employee Benefits to eliminate an out-of-period entry recorded  
19 during the Base Period.

20 **Q. What other adjustments have been made to A&G expenses?**

21 A. I have credited \$453,516 to FERC Account No. 926 to remove severance and relocation  
22 amortizations reflected in the rates established in Docket Nos. RP95-271-000, et al., which  
23 will expire October 31, 2006. In addition, credits to FERC Account No. 928 eliminate the

1 FERC Annual Charges of \$1,116,792, as well as a regulatory commission expense  
2 amortization of \$116,232. In accordance with the Settlement in Docket Nos. RP95-271-000,  
3 et al., this amortization will also expire October 31, 2006.

4 **Q. What additional adjustment have you included for regulatory expenses?**

5 A. As shown on Page 37 of my Exhibit No. TW-23, FERC Account No. 928, has been adjusted  
6 to include the recovery of the estimated regulatory expenses to be incurred as a result of this  
7 rate case proceeding. Transwestern is proposing to recover these costs over a five-year  
8 period.

9 **Q. Please explain the adjustment for the accretion expense contained in FERC Account**  
10 **No. 930.2.**

11 A. Only five months of this expense were booked during the Base Period for Transwestern's  
12 ARO. This adjustment annualizes the accretion expense to reflect a full year's amortization  
13 expense, as shown on Page 38 of my Exhibit No. TW-23. The monthly accretion expense is  
14 recorded in FERC Account No. 411.10, Accretion Expense, as prescribed by the Uniform  
15 System of Accounts. This adjustment also reclassifies the ARO accretion expense to FERC  
16 Account No. 930.2 for purposes of deriving the Cost of Service in this rate case proceeding.

17 **Q. Has Transwestern included an adjustment for charitable donations in this filing?**

18 A. No. Transwestern has not included such an adjustment in this filing.

19 **Q. Please describe Adjustment No. 7 to O&M Expenses.**

20 A. Adjustment No. 7, as shown on Page 40 of my Exhibit No. TW-23, adjusts Base Period costs  
21 downward by (\$425,626) to provide for the elimination of certain Polychlorinated Bi-phenyls

1 (PCBs)-related costs in accordance with Article XIV of the Settlement filed on July 22, 1990,  
2 in Docket Nos. RP89-48, et al., and approved by Commission order dated March 20, 1991.

3 **Q. Please describe Adjustment No. 8 to O&M Expenses.**

4 A. Adjustment No. 8, as shown on Page 41 of my Exhibit No. TW-23, adjusts Base Period costs  
5 downward by (\$3,503,170) to eliminate Polychlorinated Bi-phenyls (“PCB”) and non-PCB  
6 related soil and groundwater contamination remediation expenses at a number of  
7 Transwestern’s facilities recorded during the Base Period and to provide for a normalized  
8 level of expenses of \$659,345, related to soil and groundwater contamination remediation not  
9 related to PCBs. Transwestern’s remediation program to remove these wastes and clean up  
10 Company property was established in accordance with guidelines published by the  
11 Environmental Protection Agency (“EPA”) and appropriate state agencies.

12 **Q. How was the normalized level of non-PCB environmental remediation costs**  
13 **determined?**

14 A. Transwestern established a regulatory asset for the portion of soil and groundwater  
15 remediation costs not related to PCBs and expected to be incurred on a prospective basis.  
16 The estimated cost of \$5,934,102 to complete the remediation program was divided by the  
17 remaining 9-year period of the program to arrive at a normalized amount of \$659,345 to be  
18 recovered in rates, as shown on Line 11 of Page 41 of my Exhibit No. TW-23.

19 **Q. Please describe Adjustment No. 9 to O&M Expenses.**

20 A. Adjustment No. 9, as shown on Page 42 of my Exhibit No. TW-23, adjusts Base Period costs  
21 by \$662,234 to reflect (1) increases in the Department of Transportation (“DOT”) pipeline

1 safety user fee, (2) elimination of offsetting revenues for operating and maintenance  
2 (“O&M”) fees under O&M agreements which provided for the operation and maintenance by  
3 Transwestern of electric compressor motor facilities at the Bloomfield and Bisti compressor  
4 stations, and which will expire on October 31, 2006, (3) increases in O&M associated with  
5 the addition of new facilities, (4) increases in rights-of-way costs, and (5) elimination of  
6 extraordinary environmental costs amortization which will expire on October 31, 2006,  
7 pursuant to the Settlement in Docket No. RP95-271-000, and as approved by Commission  
8 order dated October 16, 1996, in Docket Nos. RP94-227-000, et al.

9 **Q. Please describe Adjustment No. 10 to O&M Expenses.**

10 A. Adjustment No. 10 (\$247,016), on Page 43 of my Exhibit No. TW-23, reflects the  
11 elimination of the O&M expenses incurred during the Base Period attributable to the  
12 East of Canadian River facilities. Those facilities were abandoned by sale in Docket  
13 No. CP06-59-000 as approved by the Commission effective July 1, 2006.

14 **Q. What Federal and State Income Tax allowances are included in the Cost of**  
15 **Service?**

16 A. The allowances for Federal and State Income Taxes, as shown in Exhibit No. TW-24,  
17 are \$33,400,150 and \$5,910,293, respectively.

18 **Q. Please explain the Federal Income Tax computation shown on Page 1 of your**  
19 **Exhibit No. TW-24.**

20 A. The Federal Income Tax Allowance is computed based on the applicable Return, as  
21 determined on my Exhibit No. TW-18. The Return, after Federal Income Tax Adjustments,

1 is computed on this exhibit as shown on Line 4. A tax-on-tax factor is applied to the Return  
2 after Federal Income Tax Adjustments to compute Federal Income Taxes of \$33,351,618,  
3 shown on Line 5, which are based on a weighted average statutory tax rate of 34.7654  
4 percent, as reflected in the testimony of Mr. McGregor.

5 **Q. What comprises the remaining Federal Income Tax Allowance of \$33,400,150?**

6 A. An adjustment of \$48,532, on Line 6 of Exhibit No. TW-24, has been made to the Federal  
7 Income Taxes calculated on Line 5. This adjustment has been made pursuant to Article I,  
8 Section C of the Stipulation and Agreement in Docket Nos. RP93-34-000, et al., as approved  
9 by Commission order dated March 30, 1994, for Transwestern's underfunded tax reserve due  
10 to the change in the corporate income tax rate enacted by the Revenue Reconciliation Act of  
11 1993. The sum of Lines 5 and 6 in the amount of \$33,400,150 is reflected on Line 7 of  
12 Exhibit No. TW-24 and equals Transwestern's total Federal Income Tax Allowance claimed.

13 **Q. What is the basis for the interest and debt expense deduction on Exhibit No. TW-24,**  
14 **Line 2?**

15 A. Interest and debt expense of \$19,012,176 was computed by multiplying Transwestern's Rate  
16 Base by the Return factor attributable to Transwestern's debt of 2.40 percent, as shown on  
17 Mr. Langston's Exhibit No. TW-13. This computation yields the amount of debt-related  
18 Return to be deducted.

19 **Q. How were State Income Taxes computed?**

20 A. A tax-on-tax factor was applied to the sum of the Return after Federal Income Tax  
21 Adjustments and Federal Income Tax Allowance to compute the claimed State

1       Income Tax Allowance, in the amount of \$5,910,293, based on a weighted average  
2       effective state tax rate of 5.8033 percent, as reflected in the testimony of Mr.  
3       McGregor.

4       **Q. Does this conclude your prepared direct testimony?**

5       A. Yes, it does.



TRANSWESTERN PIPELINE COMPANY, LLC

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

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

TRANSWESTERN PIPELINE COMPANY, LLC

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

Line No.	Description	Reference	Total (a)
1	Plant	STATEMENT C	\$ 1,156,186,602
2	Accumulated Provision for Depreciation	STATEMENT D	<u>(379,191,863)</u>
3	Net Plant		776,994,739
4	Accumulated Deferred Income Taxes	SCHEDULE B-1	(47,635,608)
5	Working Capital	STATEMENT E	3,448,264
6	Regulatory Assets	SCHEDULE B-2	<u>59,366,619</u>
7	Rate Base		<u>\$ 792,174,014</u>
8	Return on Rate Base at 10.30%		<u>\$ 81,593,923</u>

TRANSWESTERN PIPELINE COMPANY, LLC

Accumulated Deferred Income Taxes  
Twelve Months Ended May 31, 2006, As Adjusted

Line No.	Description	June 2005 (a)	July 2005 (b)	August 2005 (c)	September 2005 (d)	October 2005 (e)	November 2005 (f)	December 2005 (g)	January 2006 (h)
1	Account 190	\$ 2,002,913	\$ 2,002,908	\$ 1,997,212	\$ 1,995,867	\$ 2,214,727	\$ 2,257,931	\$ 3,734,301	\$ 3,706,330
2	Account 282	(11,202,237)	(12,859,868)	(14,525,654)	(23,004,980)	(24,547,277)	(26,133,116)	(29,992,695)	(31,720,498)
3	Account 283	(31,557,834)	(32,074,914)	(33,005,057)	(33,382,062)	(33,906,052)	(34,446,132)	(34,345,929)	(34,819,566)
4	Total Deferred Taxes	\$ (40,757,158)	\$ (42,931,874)	\$ (45,533,499)	\$ (54,391,175)	\$ (56,238,602)	\$ (58,321,317)	\$ (60,604,323)	\$ (62,833,734)

Line No.	Description	February 2006 (i)	March 2006 (j)	April 2006 (k)	May 2006 (l)	Adjustment Period Activity (m)	Test Period Adjustments (n)	Total As Adjusted (o)
5	Account 190	\$ 3,666,366	\$ 3,665,365	\$ 3,668,658	\$ 3,615,942	\$ 785,505	\$ (4,322,308)	\$ 79,139
6	Account 282	(33,447,475)	(34,366,300)	(36,095,839)	(37,800,848)	(8,910,489)	-	(46,711,337)
7	Account 283	(35,290,009)	(35,751,365)	(36,199,761)	(36,652,870)	13,450,323	22,199,137	(1,003,410)
8	Total Deferred Taxes	\$ (65,071,118)	\$ (66,452,300)	\$ (68,626,942)	\$ (70,837,776)	\$ 5,325,339	\$ 17,876,829	\$ (47,635,608)

TRANSWESTERN PIPELINE COMPANY, LLC

Deferred Income Taxes By Item  
Twelve Months Ended May 31, 2006, As Adjusted

Line No.	Description	Deferred Taxes (a)	Adjustments (b)	Deferred Taxes As Adjusted (c)	Claimed in Rate Base (d)
1	Capitalized Interest - Sec. 263A	\$ 82,291	\$ (3,152)	\$ 79,139	\$ 79,139
2	Environmental Costs	3,293,643	-	3,293,643	-
3	Reserve for Uncollectibles	38,169	758,715	796,884	-
4	Other	201,839	29,942	231,781	-
5	Total - Account No. 190	<u>3,615,942</u>	<u>785,505</u>	<u>4,401,447</u>	<u>79,139</u>
6	Tax/Book Depreciation	(37,800,848)	(8,342,301)	(46,143,149)	(46,143,149)
7	Tax/Book Gain on Sale of Assets	-	(568,188)	(568,188)	(568,188)
8	Total - Account No. 282	<u>(37,800,848)</u>	<u>(8,910,489)</u>	<u>(46,711,337)</u>	<u>(46,711,337)</u>
9	Equity AFUDC and Gross-up	(4,777,825)	374,673	(4,403,152)	-
10	Tax/Book Fair Value Amortization	(8,200,547)	(2,387,832)	(10,588,379)	-
11	South Georgia	(1,017,561)	14,151	(1,003,410)	(1,003,410)
12	Goodwill	(4,880,117)	(2,189,453)	(7,069,570)	-
13	Other	(17,776,820)	17,638,784	(138,036)	-
14	Total - Account No. 283	<u>(36,652,870)</u>	<u>13,450,323</u>	<u>(23,202,547)</u>	<u>(1,003,410)</u>
15	Total - Account Nos. 190, 282, and 283	<u>\$ (70,837,776)</u>	<u>\$ 5,325,339</u>	<u>\$ (65,512,437)</u>	<u>\$ (47,635,608)</u>

TRANSWESTERN PIPELINE COMPANY, LLC

Regulatory Assets  
Account 182.3

Line No.	Description	Claimed In Rate Base							Total Claimed (g)
		Accumulated Reserve Adj (a)	South Georgia Deferred Tax (b)	Laguna Right-of-Way (c)	Navajo Right-of-Way (d)	Fort Mojave Right-of-Way (e)	Southern Ute Right-of-Way (f)		
1	Balance at May 31, 2005	\$ 44,149,963	\$ 2,665,757	\$ 3,541,698	\$ 13,933,728	\$ 294,776	\$ -	\$ 64,585,922	
	Balance for the Months of:								
2	June 2005	44,099,868	2,661,713	3,524,913	13,680,388	293,011	-	64,259,893	
3	July 2005	44,049,774	2,657,669	3,508,127	13,427,047	291,245	-	63,933,862	
4	August 2005	43,999,679	2,653,625	3,491,342	13,173,707	289,480	-	63,607,833	
5	September 2005	43,949,585	2,649,581	3,474,557	12,920,366	287,715	-	63,281,804	
6	October 2005	43,899,490	2,645,537	3,457,771	12,667,026	285,950	-	62,955,774	
7	November 2005	43,849,396	2,641,493	3,440,986	12,413,685	284,185	-	62,629,745	
8	December 2005	43,799,301	2,637,449	3,424,201	12,160,345	282,420	-	62,303,716	
9	January 2006	43,749,207	2,633,405	3,407,415	11,907,004	280,655	-	61,977,686	
10	February 2006	43,699,112	2,629,361	3,390,630	11,653,664	278,889	-	61,651,656	
11	March 2006	43,649,018	2,625,317	3,373,845	11,400,323	277,124	-	61,325,627	
12	April 2006	43,598,923	2,621,273	3,357,060	11,146,983	275,359	-	60,999,598	
13	May 2006	43,548,829	2,617,229	3,340,274	10,893,642	273,594	-	60,673,568	
14	Balance at May 31, 2006	\$ 43,548,829	\$ 2,617,229	\$ 3,340,274	\$ 10,893,642	\$ 273,594	\$ -	\$ 60,673,568	
15	Adjustment Period Activity	(450,850)	(36,396)	(151,068)	(2,280,065)	(15,886)	1,627,316	(1,306,949)	
16	Projected Balance at February 28, 2007	\$ 43,097,979	\$ 2,580,833	\$ 3,189,206	\$ 8,613,577	\$ 257,708	\$ 1,627,316	\$ 59,366,619	

Footnotes:

1/ Regulatory asset was established pursuant to Commission Order issued July 27, 1995 in Docket Nos. RP95-271, et al.

2/ Regulatory asset was established pursuant to the Stipulation and Agreement of Settlement in Docket Nos. RP93-34 et al. approved by Commission Order issued March 30, 1994.

3/ The unamortized balances of payments associated with the extension of right-of-way agreements have been amortized over the terms of the lease agreements in Account No. 186, Miscellaneous Deferred Debits. For purposes of the derivation of the rate base in the instant filing, Transwestern proposes to reflect the unamortized balances as regulatory assets.

4/ Adjustment anticipates receipt of right-of-way grant and payment during the Adjustment Period, with amortization of payment over the term of the grant retroactive to its effective date.

TRANSWESTERN PIPELINE COMPANY, LLC

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

Line No.	Description	Adjusted Plant (a)	Depr Method (b)	Annual Rates Per Books (c)	Current Rates (d)	Proposed Rates (e)	Per Books (f)	Adjustments (g)	As Adjusted (h)
<u>Account 403 - Depreciation</u>									
1	Transmission	\$ 946,405,197	SLM	1.20%	1.20%	1.20%	11,810,066	\$ (453,204)	\$ 11,356,862
2	Transmission - San Juan 2005	120,012,087	SLM	2.86%	2.86%	1.20%	2,978,025	(1,537,880)	1,440,145
3	Transmission - ARO	873,619	SLM	Various	2.94%	2.94%	10,686	14,988	25,684
4	General	21,959,798	SLM	10.00%	10.00%	10.00%	2,051,033	144,947	2,195,980
5	Total	1,089,250,701					16,849,810	(1,831,139)	15,018,671
<u>Account 404 - Amortization</u>									
6	Intangible - CIAC - 66.67%	835,000	SLM	66.67%	-	-	501,691	(501,691)	-
7	Intangible - CIAC - 10.00%	393,176	SLM	10.00%	10.00%	10.00%	36,039	3,279	39,318
8	Intangible - CIAC - 8.33%	7,476,199	SLM	8.33%	8.33%	8.33%	570,811	51,956	622,767
9	Intangible - CIAC - 20.00%	556,000	SLM	20.00%	-	-	-	111,200	111,200
10	Intangible - CIAC - 20.00%	750,000	SLM	20.00%	-	-	150,000	(150,000)	-
11	Intangible - Computer Software	35,613,174	SLM	Various	10.00%	10.00%	2,677,465	883,852	3,561,317
12	Sub-Total - Intangible	45,623,549					3,936,006	398,596	4,334,602
13	Total Depreciation and Amortization Expense	\$ 1,134,874,250					\$ 20,785,816	\$ (1,432,543)	\$ 19,353,273

TRANSWESTERN PIPELINE COMPANY, LLC

Reconciliation of Depreciable Plant Included  
in Statement H(2) to Gas Plant Included in Statement C  
Twelve Months Ended May 31, 2006, As Adjusted

Line No.	Description	Adjusted Plant (a)	Depreciation, Depletion and Amortization As Adjusted (b)
1	Totals per Statement H(2)	\$ 1,134,874,250	\$ 19,353,273
	Plant Not Subject to Depreciation		
	<u>Fully Depreciated Plant</u>		
	General Plant		
2	Structures & Improvements	62,780	
3	Office Furniture & Equipment	238,552	
4	Trans Equip-Auto & Pickup	148,608	
5	Trans Equip-Winch,Beds & Trailers	-	
6	Trans Equip - Light Trucks	13,566	
7	Trans Equip - Heavy Trucks	987,703	
8	Tools Shop & Garage Equipment	2,581,133	
9	Laboratory Equipment	44,425	
10	Power Operated Equipment	362,640	
11	Communication Equipment	83,395	
12	Miscellaneous Equipment	8,049	
13	Intangibles	<u>6,042,253</u>	
14	Total Depreciation, Depletion and Amortization Provision	1,145,447,354	
	<u>Non-Depreciable Plant</u>		
	<u>Gas Plant in Service - Account 101 and 106</u>		
	Land and Land Owned in Fee		
15	Transmission	<u>1,098,682</u>	
16	Total Non-Depreciable Plant	<u>1,098,682</u>	
17	Gas Plant Held for Future Use	1,507,232	
18	Less: Transmission ARO	(873,619)	
	System Balancing Gas	<u>9,006,953</u>	
19	Total Gas Plant As Adjusted Per Statement C	<u>\$ 1,156,186,602</u>	

TRANSWESTERN PIPELINE COMPANY, LLC

Amortization Rate Calculation  
Intangible - Contribution  
Twelve Months Ended May 31, 2006, As Adjusted

Line No.	Description	San Juan 1/ (a)	West of Thoreau 2/ (b)	West of Thoreau 3/ (c)	Total (d)
1	Intangible - Contribution	\$ 393,176	\$ 7,476,199	\$ 556,000	
2	Projected Life of Revenues from Contribution - Years	<u>10</u>	<u>12</u>	<u>5</u>	
3	Annual Amortization Rate	<u>10%</u>	<u>8.33%</u>	<u>20%</u>	
4	Annual Amortization Amount	\$ <u>39,318</u>	\$ <u>622,767</u>	\$ <u>111,200</u>	\$ <u>773,285</u>

1/ Meridian Oil which became effective June 1994. Project remained in 107 account until unitized in January 2001. Amortization as of the end of the Test Period will total \$239,182.

2/ Contracts with Pacific Gas & Electric commencing March 2000 through January 2001. Amortization as of the end of the Test Period will total \$3,986,636.

3/ Contract with Southwest Gas will become effective September 2006. Amortization as of the end of the Test Period will total \$37,052.

TRANSWESTERN PIPELINE COMPANY, LLC

Gas Plant Remaining Life Analysis

Line No.	Description	Undepreciated Gas Plant (a)	Remaining Life - Years (b)	Annual Depreciation Expense (c)	Gross Plant (d)	Depreciation Rate (e)
	Transmission (1)					
1	Onshore	\$ 617,586,101	54.38	\$ 11,356,862	\$ 946,405,197	1.20%
2	San Juan Expansion	115,157,754	33.55	3,432,346	120,012,087	2.86%
3	Transmission - Current Incremental	<u>\$ 732,743,855</u>	49.55	<u>\$ 14,789,208</u>	<u>\$ 1,066,417,284</u>	
4	Transmission - Proposed Rolled-in	<u>\$ 732,743,855</u>	57.26	<u>\$ 12,797,007</u>	<u>\$ 1,066,417,284</u>	1.20%

(1) Excludes \$1,098,682 of Transmission Plant - Land and Land Rights.

TRANSWESTERN PIPELINE COMPANY, LLC  
 Operation and Maintenance Expenses  
 Twelve Months Ended May 31, 2006, As Adjusted

Line No.	FERC Acct.	Description	Per Books			Adjustments			As Adjusted			Total (i)							
			Labor (a)	S&E (b)	Gas (c)	Total (d)	Labor (e)	S&E (f)	Gas (g)	Total (h)	Labor (j)		S&E (k)	Gas (l)					
1	805.00	Gas Supply Expense																	
2	806.00	Other Gas Purchases	\$ -	\$ -	\$ -	\$ (1,535,484)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
3	808.10	Exchange Gas	-	-	-	135,746,484	-	-	-	-	-	-	-	-	-	-	-	-	-
4	808.20	Gas withdrawn from Storage - Debt	-	-	-	(135,746,484)	-	-	-	-	-	-	-	-	-	-	-	-	-
5	810.00	Gas delivered to Storage - Credit	-	-	-	(135,275,811)	-	-	-	-	-	-	-	-	-	-	-	-	-
6	812.00	Gas used for Compressor Station Fuel - Credit	-	-	-	(67,627,651)	-	-	-	-	-	-	-	-	-	-	-	-	-
7	813.00	Gas used for Other Utility Operations - Credit	-	-	-	3,408,344	-	-	-	-	-	-	-	-	-	-	-	-	-
		Other Gas Supply Expenses	-	-	-	(7,659,507)	-	-	-	-	-	-	-	-	-	-	-	-	-
8		Total Gas Supply Expense	-	1,496,819	(72,940,625)	(71,443,806)	-	(1,496,819)	72,940,625	-	-	-	-	-	-	-	-	-	-
		Transmission Expense																	
9	850.00	Operation Supervision and Engineering	4,217,159	6,551,253	-	10,768,412	-	368,745	-	-	-	-	-	-	-	-	-	-	-
10	851.00	System Control & Load Dispatching	(10,097)	-	-	(10,097)	-	(379)	-	-	-	-	-	-	-	-	-	-	-
11	852.00	Communication System Expenses	108,621	413,129	-	521,750	-	1,116	-	-	-	-	-	-	-	-	-	-	-
12	853.00	Compressor Station Labor and Expenses	1,719,041	3,846,633	-	5,565,674	-	29,018	-	-	-	-	-	-	-	-	-	-	-
13	854.00	Gas for Compressor Station Fuel	-	-	-	67,627,651	-	-	-	-	-	-	-	-	-	-	-	-	-
14	855.00	Oth Fuel/Pwr Cmp Sta	-	-	-	8,376,274	-	-	-	-	-	-	-	-	-	-	-	-	-
15	856.00	Mains Expenses	784,865	1,308,559	-	2,093,424	-	78,037	-	-	-	-	-	-	-	-	-	-	-
16	857.00	Measuring and Regulating Station Expenses	774,698	345,470	-	1,120,168	-	8,049	-	-	-	-	-	-	-	-	-	-	-
17	858.00	T & C by Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18	859.00	Other Expenses	68,069	33,455	-	101,524	-	(1,468)	-	-	-	-	-	-	-	-	-	-	-
19	860.00	Rents	3,826	6,566,026	-	6,569,852	-	143	-	-	-	-	-	-	-	-	-	-	-
20		Total Operation	7,666,182	27,440,739	71,784,353	106,891,334	483,263	(11,749,819)	(71,784,353)	8,149,445	15,680,961	-	-	-	-	-	-	-	-
21	861.00	Maint Suprv & Eng - Transmission	15,961	169,388	40	185,389	-	-	-	-	-	-	-	-	-	-	-	-	-
22	862.00	Maintenance of Structures and Improvements	601,126	1,510,885	-	2,112,321	-	7,495	-	-	-	-	-	-	-	-	-	-	-
23	863.00	Maintenance of Mains	1,530,695	3,175,468	-	4,706,163	-	39,599	-	-	-	-	-	-	-	-	-	-	-
24	864.00	Maintenance of Compressor Station Equipment	393,619	197,103	-	590,722	-	7,176	-	-	-	-	-	-	-	-	-	-	-
25	865.00	Maintenance of Measuring and Regulating Station Equipment	129,623	52,462	-	182,085	-	2,950	-	-	-	-	-	-	-	-	-	-	-
26	866.00	Maintenance of Communication Equipment	25,523	348,343	-	373,866	-	(2,244)	-	-	-	-	-	-	-	-	-	-	-
27	867.00	Maintenance of Other Equipment	2,697,347	5,453,729	-	8,151,076	-	55,477	-	-	-	-	-	-	-	-	-	-	-
28		Total Maintenance	10,363,529	32,694,528	71,784,353	115,042,410	538,740	(11,408,222)	(71,784,353)	10,902,269	21,486,306	-	-	-	-	-	-	-	-
29		Total Transmission Expense	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

TRANSWESTERN PIPELINE COMPANY, LLC  
 Operation and Maintenance Expenses  
 Twelve Months Ended May 31, 2006, As Adjusted

Line No.	FERC Acct.	Description	Per Books			Adjustments			As Adjusted					
			Labor (a)	S&E (b)	Gas (c)	Total (d)	Labor (e)	S&E (f)	Gas (g)	Total (h)	Labor (i)	S&E (j)	Gas (k)	Total (l)
1	901.00	Customer Accounts Expense												
2	903.00	Supervision												
3	904.00	Customer Records & Collection												
		Uncollectible Accounts				363								
						925,465								
4		Total Customer Accounts Expense				925,465								
5	912.00	Sales Expense												
6	913.00	Demonstrating & Selling Exp.				158,163								
		Advertising Expenses												
7		Total Sales Expense				158,163								
8	920.00	Administrative & General Expense												
9	921.00	Office Supplies & General Salaries	6,860,494	2,825,421		9,685,915								
10	922.00	Admin. Expenses Transferred	1,073,110	3,552,156		4,625,266								
11	923.00	Outside Services Employed	(256,036)	(463,203)		(719,241)								
12	924.00	Property Insurance	(107,475)	2,011,189		1,903,714								
13	925.00	Injuries & Damages		930,421		930,421								
14	926.00	Employee Pensions & Benefits		1,216,866		1,216,866								
15	928.00	Regulatory Commission Expenses		4,156,592		4,156,592								
16	930.10	General Advertising Expenses		1,233,324		1,233,324								
17	930.20	Miscellaneous General Expenses												
18	931.00	Rents		97,629		97,629								
19		Total Operation	7,570,091	16,361,994		23,932,085								
20	932.00	Maintenance of General Plant												
21		Total Maintenance												
22		Total Administrative and General	7,570,091	16,361,994		23,932,085								
23		Grand Total	\$ 17,993,620	\$ 51,837,332	\$ (1,156,272)	\$ 68,614,680	\$ (13,001,660)	\$ 1,156,272	\$ (10,329,348)	\$ 19,449,660	\$ 38,835,672	\$ -	\$ 58,995,332	

TRANSWESTERN PIPELINE COMPANY, LLC

Description of Adjustments to Operation & Maintenance Expenses

Line No.	Adjustment No.	Description	Amount (a)
1	No. 1	Adjustment provides for base period labor expenses not recorded.	\$ 204,859
2	No. 2	Adjustment provides for increase in labor costs resulting from staff additions.	303,091
3	No. 3	Adjustment annualizes the increase in labor expenses resulting from the merit increase that became effective April 1, 2006.	510,268
4	No. 4	Adjustment reflects projected increases in Transmission S&E costs.	757,549
5	No. 5	Adjustment eliminates: 1) entries related to gas purchase and storage accounts in accordance with the service restructuring under Order Nos. 636, et seq.; and 2) gas and electric power costs for compressor stations to be recovered through fuel retention percentages.	(9,084,888)
6	No. 6	Adjustment reflects the following changes in Customer Accounts and Administrative & General Expenses: 1) the removal of bad debt expense; 2) the elimination of various prior settlement amortizations expiring October 2006; 3) the normalization of corporate charges; 4) the elimination of entries relating to periods outside the base period; 5) increases in various benefit plans; 6) the amortization of retirement plan termination costs; 7) the removal of FERC Order No. 472 Annual Charges; 8) the inclusion of ARO accretion expense; and 9) the amortization of regulatory expenses.	493,351
7	No. 7	Adjustment eliminates PCB-related costs (non-reserved) pursuant to Article XIV of the Settlement filed on June 22, 1990 in Docket Nos. RP89-48, et al, and approved by Commission order dated March 20, 1991.	(425,626)
8	No. 8	Adjustment eliminates PCB and non-PCB-related environmental remediation expenses (reserved) recorded during the base period and provides for the amortization of a Non-PCB environmental regulatory asset.	(3,503,170)
9	No. 9	Adjustment reflects the following changes in Transmission Expenses: 1) the elimination of prior settlement environmental cost amortization expiring October 2006; 2) an increase in the pipeline safety user fee; 3) the removal of O&M fees for contracts expiring October 2006; 4) an O&M increase resulting from the addition of new facilities; and 5) increases in right-of-way payments.	662,234
10	No. 10	Adjustment eliminates operation and maintenance expenses attributable to the East of Canadian River Facilities, which were abandoned by sale in Docket No. CP06-59-000 on July 1, 2006.	(247,016)
11		Total Adjustments	\$ <u>(10,329,348)</u>

TRANSWESTERN PIPE LINE COMPANY, LLC  
 Operation and Maintenance Expenses  
 Adjustments By Number  
 Twelve Months Ended May 31, 2006, As Adjusted

Line No.	FERC	Description	Adjustment No. 1			Adjustment No. 2			Total (h)
			Labor (a)	S&E (b)	Gas (c)	Total (d)	Labor (e)	S&E (f)	
			\$	\$	\$	\$	\$	\$	
1		Gas Supply Expense							
2	800.00	Natural Gas Well Head Purchases							
3	805.00	Other Gas Purchase							
4	806.00	Exchange Gas							
5	808.10	Gas withdrawn from Storage - Debit							
6	808.20	Gas delivered to Storage - Credit							
7	810.00	Gas Used for Compressor Station Fuel - Credit							
8	812.00	Gas Used for Other Utility Operations - Credit							
8	813.00	Other Gas Supply Expenses							
9		Total Gas Supply Expense							
		Natural Gas Storage, Terminating, and Processing Expenses							
10	814.00	Operation Supervision and Engineering							
11	815.00	Maps and Records							
12	816.00	Wells Expenses							
13	817.00	Lines Expenses							
14	818.00	Compressor Station Expenses							
15	819.00	Compressor Station Fuel and Power							
16	820.00	Measuring and Regulating Station Expenses							
17	821.00	Purification							
18	823.00	Gas Losses							
19	824.00	Other Expenses							
19	825.00	Storage Well Royalties							
20		Total Operation							
21	830.00	Maintenance of Supervision and Engineering							
22	831.00	Maintenance of Structures and Improvements							
23	832.00	Maintenance of Reservoirs and Wells							
24	833.00	Maintenance of Lines							
25	834.00	Maintenance of Compressor Station Equipment							
26	835.00	Maintenance of Measuring and Regulating Station Equipment							
27	836.00	Maintenance of Purification Equipment							
28	837.00	Maintenance of Other Equipment							
29		Total Maintenance							
30		Total Natural Gas Storage, Terminating, and Processing Expenses							

TRANSWESTERN PIPE LINE COMPANY, LLC  
Operation and Maintenance Expenses  
Adjustments By Number  
Twelve Months Ended May 31, 2006, As Adjusted

Line No.	FERC	Description	Adjustment No. 1			Adjustment No. 2			Total (h)
			Labor (a)	S&E (b)	Gas (c)	Total (d)	Labor (e)	S&E (f)	
		<b>Transmission Expense</b>							
1	840.00	Operation Supervision and Engineering	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2	841.00	Operation Labor and Expenses	-	-	-	-	-	-	-
3	842.20	LNG Processing Terminal Labor and Expenses	-	-	-	-	-	-	-
4	847.30	Maintenance of LNG Processing Terminal Equipment	-	-	-	-	-	-	-
5	850.00	Operation Supervision and Engineering	132,742	-	-	132,742	-	-	109,186
6	851.00	System Control & Load Dispatching	-	-	-	-	-	-	-
7	852.00	Communication System Expenses	-	-	-	-	-	-	-
8	853.00	Compressor Station Labor and Expenses	-	-	-	-	-	-	-
9	854.00	Gas for Compressor Station Fuel	-	-	-	-	-	-	-
10	855.00	Other Fuel and Power For Compressor Stations	-	-	-	-	-	-	-
11	856.00	Mains Expenses	-	-	-	-	-	-	-
12	857.00	Measuring and Regulating Station Expenses	-	-	-	-	-	-	-
13	858.00	T & C by Others	-	-	-	-	-	-	-
14	859.00	Other Expenses	-	-	-	-	-	-	-
15	860.00	Rents	-	-	-	-	-	-	-
16		<b>Total Operation</b>	132,742	-	-	132,742	-	-	180,839
17	861.00	Maintenance Supervision and Engineering	-	-	-	-	-	-	-
18	862.00	Maintenance of Structures and Improvements	-	-	-	-	-	-	-
19	863.00	Maintenance of Mains	-	-	-	-	-	-	-
20	864.00	Maintenance of Compressor Station Equipment	-	-	-	-	-	-	-
21	865.00	Maintenance of Measuring and Regulating Station Equipment	-	-	-	-	-	-	-
22	866.00	Maintenance of Communication Equipment	-	-	-	-	-	-	-
23	867.00	Maintenance of Other Equipment	-	-	-	-	-	-	-
24		<b>Total Maintenance</b>	-	-	-	-	-	-	-
25		<b>Total Transmission Expense</b>	132,742	-	-	132,742	-	-	180,839

TRANSWESTERN PIPE LINE COMPANY, LLC  
 Operation and Maintenance Expenses  
 Adjustments By Number  
 Twelve Months Ended May 31, 2006, As Adjusted

Line No.	FERC	Description	Adjustment No. 1			Adjustment No. 2			Total (h)
			Labor (a)	S&E (b)	Gas (c)	Total (d)	Labor (e)	S&E (f)	
1	901.00	Customer Accounts Expense							
2	903.00	Supervision							
3	904.00	Customer Records and Collection Expenses							
		Uncollectible Accounts							
4		Total Customer Accounts Expense							
5	909.00	Sales Expense							
6	912.00	Informational and Instructional Advertising Expense							
7	913.00	Demonstrating and Selling Expenses							
		Advertising Expenses							
8		Total Sales Expense							
9	920.00	Administrative and General Expenses							
10	921.00	Administrative and General Salaries	72,117			72,117			122,252
11	922.00	Office Supplies and Expenses							
12	923.00	Admin. Expenses Transferred							
13	924.00	Outside Services Employed							
14	925.00	Property Insurance							
15	926.00	Injuries and Damage							
16	928.00	Employee Pensions and Benefits							
17	930.10	Regulatory Commission Expenses							
18	930.20	General Advertising Expenses							
19	931.00	Miscellaneous General Expenses							
		Rents							
20		Total Operation	72,117			72,117			122,252
21	932.00	Maintenance of General Plant							
22		Total Maintenance							
23		Total Administrative and General Expense	72,117			72,117			122,252
		Total Adjustment	204,859			204,859			303,091

TRANSWESTERN PIPE LINE COMPANY, LLC  
Operation and Maintenance Expenses  
Adjustments By Number  
Twelve Months Ended May 31, 2006, As Adjusted

Line No.	FERC	Description	Adjustment No. 3			Adjustment No. 4			Total (h)
			Labor (a)	S&E (b)	Gas (c)	Total (d)	Labor (e)	S&E (f)	
1	800.00	Gas Supply Expense	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
2	805.00	Natural Gas Well Head Purchases	-	-	-	-	-	-	
3	806.00	Other Gas Purchase	-	-	-	-	-	-	
4	808.10	Exchange Gas	-	-	-	-	-	-	
5	808.20	Gas withdrawn from Storage - Debit	-	-	-	-	-	-	
6	810.00	Gas delivered to Storage - Credit	-	-	-	-	-	-	
7	812.00	Gas Used for Compressor Station Fuel - Credit	-	-	-	-	-	-	
8	813.00	Gas Used for Other Utility Operations - Credit	-	-	-	-	-	-	
9		Other Gas Supply Expenses	-	-	-	-	-	-	
		Total Gas Supply Expense	-	-	-	-	-	-	
10		Natural Gas Storage, Terminating, and Processing Expenses							
11	814.00	Operation Supervision and Engineering	-	-	-	-	-	-	
12	815.00	Maps and Records	-	-	-	-	-	-	
13	816.00	Wells Expenses	-	-	-	-	-	-	
14	817.00	Lines Expenses	-	-	-	-	-	-	
15	818.00	Compressor Station Expenses	-	-	-	-	-	-	
16	819.00	Compressor Station Fuel and Power	-	-	-	-	-	-	
17	820.00	Measuring and Regulating Station Expenses	-	-	-	-	-	-	
18	821.00	Purification	-	-	-	-	-	-	
19	823.00	Gas Losses	-	-	-	-	-	-	
	824.00	Other Expenses	-	-	-	-	-	-	
	825.00	Storage Well Royalties	-	-	-	-	-	-	
20		Total Operation	-	-	-	-	-	-	
21	830.00	Maintenance of Supervision and Engineering	-	-	-	-	-	-	
22	831.00	Maintenance of Structures and Improvements	-	-	-	-	-	-	
23	832.00	Maintenance of Reservoirs and Wells	-	-	-	-	-	-	
24	833.00	Maintenance of Lines	-	-	-	-	-	-	
25	834.00	Maintenance of Compressor Station Equipment	-	-	-	-	-	-	
26	835.00	Maintenance of Measuring and Regulating Station Equipment	-	-	-	-	-	-	
27	836.00	Maintenance of Purification Equipment	-	-	-	-	-	-	
28	837.00	Maintenance of Other Equipment	-	-	-	-	-	-	
29		Total Maintenance	-	-	-	-	-	-	
30		Total Natural Gas Storage, Terminating, and Processing Expenses	-	-	-	-	-	-	

TRANSWESTERN PIPE LINE COMPANY, LLC  
Operation and Maintenance Expenses  
Adjustments By Number  
Twelve Months Ended May 31, 2006, As Adjusted

Line No.	FERC	Description	Adjustment No. 3			Adjustment No. 4			Total
			Labor (a)	S&E (b)	Gas (c)	Labor (e)	S&E (f)	Gas (g)	
1	840.00	Transmission Expense	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
2	841.00	Operation Supervision and Engineering	-	-	-	-	-	-	-
3	842.00	Operation Labor and Expenses	-	-	-	-	-	-	-
4	847.30	LNG Processing Terminal Labor and Expenses	-	-	-	-	-	-	-
5	850.00	Maintenance of LNG Processing Terminal Equipment	-	-	-	-	-	-	-
6	851.00	Operation Supervision and Engineering	127,403	-	-	-	97,840	-	97,840
7	852.00	System Control & Load Dispatching	(379)	-	-	-	-	-	-
8	851.00	Communication System Expenses	3,368	-	-	-	19,459	-	19,459
9	854.00	Compressor Station Labor and Expenses	52,935	-	-	-	163,840	-	163,840
10	855.00	Gas for Compressor Station Fuel	-	-	-	-	-	-	-
11	855.00	Other Fuel and Power For Compressor Stations	-	-	-	-	-	-	-
12	857.00	Mains Expenses	23,803	-	-	-	57,416	-	57,416
13	857.00	Measuring and Regulating Station Expenses	23,944	-	-	-	21,057	-	21,057
14	859.00	T & C by Others	-	-	-	-	-	-	-
15	860.00	Other Expenses	2,103	-	-	-	1,423	-	1,423
		Rents	143	-	-	-	160,657	-	160,657
16		Total Operation	233,320	-	-	-	521,692	-	521,692
17	861.00	Maintenance Supervision and Engineering	-	-	-	-	2	-	2
18	862.00	Maintenance of Structures and Improvements	501	-	-	-	2,841	-	2,841
19	863.00	Maintenance of Mains	18,641	-	-	-	70,336	-	70,336
20	864.00	Maintenance of Compressor Station Equipment	47,860	-	-	-	149,813	-	149,813
21	865.00	Maintenance of Measuring and Regulating Station Equipment	12,205	-	-	-	9,143	-	9,143
22	866.00	Maintenance of Communication Equipment	4,055	-	-	-	2,446	-	2,446
23	867.00	Maintenance of Other Equipment	725	-	-	-	1,276	-	1,276
24		Total Maintenance	83,987	-	-	-	235,857	-	235,857
25		Total Transmission Expense	317,307	-	-	-	757,549	-	757,549

TRANSWESTERN PIPE LINE COMPANY, LLC  
 Operation and Maintenance Expenses  
 Adjustments By Number  
 Twelve Months Ended May 31, 2006, As Adjusted

Line No.	FERC	Description	Adjustment No. 3			Adjustment No. 4			Total (h)
			Labor (a)	S&E (b)	Gas (c)	Total (d)	Labor (e)	S&E (f)	
1	901.00	Customer Accounts Expense							
2	903.00	Supervision							
3	904.00	Customer Records and Collection Expenses							
		Uncollectible Accounts							
4		Total Customer Accounts Expense							
		<b>Sales Expense</b>							
5	909.00	Informational and Instructional Advertising Expense							
6	912.00	Demonstrating and Selling Expenses							
7	913.00	Advertising Expenses							
8		Total Sales Expense							
		<b>Administrative and General Expenses</b>							
9	920.00	Administrative and General Salaries	200,532				200,532		
10	921.00	Office Supplies and Expenses							
11	922.00	Admin. Expenses Transferred	(7,571)				(7,571)		
12	923.00	Outside Services Employed							
13	924.00	Property Insurance							
14	925.00	Injuries and Damage							
15	926.00	Employee Pensions and Benefits							
16	928.00	Regulatory Commission Expenses							
17	930.10	General Advertising Expenses							
18	930.20	Miscellaneous General Expenses							
19	931.00	Rents							
20		Total Operation	192,961				192,961		
21	932.00	Maintenance of General Plant							
22		Total Maintenance							
23		Total Administrative and General Expense	192,961				192,961		
		Total Adjustment	510,268				510,268		757,549

TRANSWESTERN PIPE LINE COMPANY, LLC  
Operation and Maintenance Expenses  
Adjustments By Number  
Twelve Months Ended May 31, 2006, As Adjusted

Line No.	FERC	Description	Adjustment No. 5			Adjustment No. 6			Total (h)
			Labor (a)	S&E (b)	Gas (c)	Total (d)	Labor (e)	S&E (f)	
1	800.00	Gas Supply Expense	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2	805.00	Natural Gas Well Head Purchases	-	-	-	-	-	-	-
3	806.00	Other Gas Purchase	-	-	-	-	-	-	-
4	808.10	Exchange Gas	-	1	1,535,484	1,535,484	-	-	-
5	808.20	Gas withdrawn from Storage - Debit	-	-	(135,746,484)	(135,746,484)	-	-	-
6	810.00	Gas delivered to Storage - Credit	-	-	135,275,811	135,275,811	-	-	-
7	812.00	Gas Used for Compressor Station Fuel - Credit	-	-	67,627,651	67,627,651	-	-	-
8	813.00	Gas Used for Other Utility Operations - Credit	-	-	(3,406,344)	(3,406,344)	-	-	-
		Other Gas Supply Expenses	-	(1,496,820)	7,656,507	6,159,687	-	-	-
9		Total Gas Supply Expense	-	(1,496,819)	72,940,625	71,443,806	-	-	-
10	814.00	Natural Gas Storage, Terminaling, and Processing Expenses							
11	815.00	Operation Supervision and Engineering	-	-	-	-	-	-	-
12	816.00	Maps and Records	-	-	-	-	-	-	-
13	817.00	Lines Expenses	-	-	-	-	-	-	-
14	818.00	Compressor Station Expenses	-	-	-	-	-	-	-
15	819.00	Compressor Station Fuel and Power	-	-	-	-	-	-	-
16	820.00	Measuring and Regulating Station Expenses	-	-	-	-	-	-	-
17	821.00	Purification	-	-	-	-	-	-	-
18	823.00	Gas Losses	-	-	-	-	-	-	-
19	824.00	Other Expenses	-	-	-	-	-	-	-
19	825.00	Storage Well Royalties	-	-	-	-	-	-	-
20		Total Operation	-	-	-	-	-	-	-
21	830.00	Maintenance of Supervision and Engineering	-	-	-	-	-	-	-
22	831.00	Maintenance of Structures and Improvements	-	-	-	-	-	-	-
23	832.00	Maintenance of Reservoirs and Wells	-	-	-	-	-	-	-
24	833.00	Maintenance of Lines	-	-	-	-	-	-	-
25	834.00	Maintenance of Compressor Station Equipment	-	-	-	-	-	-	-
26	835.00	Maintenance of Measuring and Regulating Station Equipment	-	-	-	-	-	-	-
27	836.00	Maintenance of Purification Equipment	-	-	-	-	-	-	-
28	837.00	Maintenance of Other Equipment	-	-	-	-	-	-	-
29		Total Maintenance	-	-	-	-	-	-	-
30		Total Natural Gas Storage, Terminaling, and Processing Expenses	-	(1,496,819)	72,940,625	71,443,806	-	-	-

TRANSWESTERN PIPE LINE COMPANY, LLC  
Operation and Maintenance Expenses  
Adjustments By Number  
Twelve Months Ended May 31, 2006, As Adjusted

Line No.	FERC	Description	Adjustment No. 5			Adjustment No. 6			Total (h)
			Labor (a)	S&E (b)	Gas (c)	Total (d)	Labor (e)	S&E (f)	
1	840.00	Transmission Expense	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2	841.00	Operation Supervision and Engineering	-	-	-	-	-	-	-
3	842.00	Operation Labor and Expenses	-	-	-	-	-	-	-
4	847.30	LNG Processing Terminal Labor and Expenses	-	-	-	-	-	-	-
5	850.00	Maintenance of LNG Processing Terminal Equipment	-	-	-	-	-	-	-
6	851.00	Operation Supervision and Engineering	-	-	-	-	-	-	-
7	852.00	System Control & Load Dispatching	-	-	-	-	-	-	-
8	853.00	Communication System Expenses	-	-	-	-	-	-	-
9	854.00	Compressor Station Labor and Expenses	-	(368,067)	-	(368,067)	-	-	-
10	855.00	Gas for Compressor Station Fuel	-	(8,376,274)	(67,627,651)	(8,376,274)	-	-	-
11	856.00	Mains Expenses	-	-	(4,156,702)	(4,156,702)	-	-	-
12	857.00	Measuring and Regulating Station Expenses	-	-	-	-	-	-	-
13	858.00	T & C by Others	-	-	-	-	-	-	-
14	859.00	Other Expenses	-	-	-	-	-	-	-
15	860.00	Rents	-	-	-	-	-	-	-
16		Total Operation	-	(8,744,341)	(71,784,353)	(80,528,694)	-	-	-
17	861.00	Maintenance Supervision and Engineering	-	-	-	-	-	-	-
18	862.00	Maintenance of Structures and Improvements	-	-	-	-	-	-	-
19	863.00	Maintenance of Mains	-	-	-	-	-	-	-
20	864.00	Maintenance of Compressor Station Equipment	-	-	-	-	-	-	-
21	865.00	Maintenance of Measuring and Regulating Station Equipment	-	-	-	-	-	-	-
22	866.00	Maintenance of Communication Equipment	-	-	-	-	-	-	-
23	867.00	Maintenance of Other Equipment	-	-	-	-	-	-	-
24		Total Maintenance	-	-	-	-	-	-	-
25		Total Transmission Expense	-	(8,744,341)	(71,784,353)	(80,528,694)	-	-	-



TRANSWESTERN PIPE LINE COMPANY, LLC  
 Operation and Maintenance Expenses  
 Adjustments By Number  
 Twelve Months Ended May 31, 2006, As Adjusted

Line No.	FERC	Description	Adjustment No. 7			Adjustment No. 8			Total (h)
			Labor (a)	S&E (b)	Gas (c)	Total (d)	Labor (e)	S&E (f)	
1	800.00	Gas Supply Expense	\$	\$	\$	\$	\$	\$	
2	805.00	Natural Gas Well Head Purchases	-	-	-	-	-	-	
3	806.00	Other Gas Purchase	-	-	-	-	-	-	
4	808.10	Exchange Gas	-	-	-	-	-	-	
5	808.20	Gas withdrawn from Storage - Debit	-	-	-	-	-	-	
6	810.00	Gas delivered to Storage - Credit	-	-	-	-	-	-	
7	812.00	Gas Used for Compressor Station Fuel - Credit	-	-	-	-	-	-	
8	813.00	Gas Used for Other Utility Operations - Credit	-	-	-	-	-	-	
9		Other Gas Supply Expenses	-	-	-	-	-	-	
		Total Gas Supply Expense	-	-	-	-	-	-	
		<b>Natural Gas Storage, Terminating, and Processing Expenses</b>							
10	814.00	Operation Supervision and Engineering	-	-	-	-	-	-	
11	815.00	Maps and Records	-	-	-	-	-	-	
12	816.00	Wells Expenses	-	-	-	-	-	-	
13	817.00	Lines Expenses	-	-	-	-	-	-	
14	818.00	Compressor Station Expenses	-	-	-	-	-	-	
15	819.00	Compressor Station Fuel and Power	-	-	-	-	-	-	
16	820.00	Measuring and Regulating Station Expenses	-	-	-	-	-	-	
17	821.00	Purification	-	-	-	-	-	-	
18	823.00	Gas Losses	-	-	-	-	-	-	
19	824.00	Other Expenses	-	-	-	-	-	-	
		Storage Well Royalties	-	-	-	-	-	-	
20		Total Operation	-	-	-	-	-	-	
21	830.00	Maintenance of Supervision and Engineering	-	-	-	-	-	-	
22	831.00	Maintenance of Structures and Improvements	-	-	-	-	-	-	
23	832.00	Maintenance of Reservoirs and Wells	-	-	-	-	-	-	
24	833.00	Maintenance of Lines	-	-	-	-	-	-	
25	834.00	Maintenance of Compressor Station Equipment	-	-	-	-	-	-	
26	835.00	Maintenance of Measuring and Regulating Station Equipment	-	-	-	-	-	-	
27	836.00	Maintenance of Purification Equipment	-	-	-	-	-	-	
28	837.00	Maintenance of Other Equipment	-	-	-	-	-	-	
29		Total Maintenance	-	-	-	-	-	-	
30		Total Natural Gas Storage, Terminating, and Processing Expenses	-	-	-	-	-	-	

TRANSWESTERN PIPE LINE COMPANY, LLC  
 Operation and Maintenance Expenses  
 Adjustments By Number  
 Twelve Months Ended May 31, 2006, As Adjusted

Line No.	FERC	Description	Adjustment No. 7			Adjustment No. 8			Total (h)
			Labor (a)	S&E (b)	Gas (c)	Total (d)	Labor (e)	S&E (f)	
1	840.00	Transmission Expense	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
2	841.00	Operation Supervision and Engineering	-	-	-	-	-	-	-
3	842.00	Operation Labor and Expenses	-	-	-	-	-	-	-
4	847.30	LNG Processing Terminal Labor and Expenses	-	-	-	-	-	-	-
5	850.00	Maintenance of LNG Processing Terminal Equipment	-	-	-	-	-	-	-
6	851.00	Operation Supervision and Engineering	-	-	-	-	(4,350,128)	-	(4,350,714)
7	852.00	System Control & Load Dispatching	-	-	-	-	-	-	-
8	853.00	Communication System Expenses	-	-	-	-	-	-	-
9	854.00	Compressor Station Labor and Expenses	-	-	-	-	190,849	-	190,849
10	855.00	Gas for Compressor Station Fuel	-	-	-	-	-	-	-
11	856.00	Mains Expenses	-	-	-	-	-	-	-
12	857.00	Measuring and Regulating Station Expenses	-	-	-	-	(2)	-	(2)
13	858.00	T & C by Others	-	-	-	-	-	-	-
14	859.00	Other Expenses	-	-	-	-	-	-	-
15	860.00	Rents	-	-	-	-	-	-	-
16		Total Operation	-	-	-	-	(4,159,281)	-	(4,159,967)
17	861.00	Maintenance Supervision and Engineering	-	-	-	-	-	-	-
18	862.00	Maintenance of Structures and Improvements	-	-	-	-	-	-	-
19	863.00	Maintenance of Mains	-	(109,714)	-	(109,714)	-	-	-
20	864.00	Maintenance of Compressor Station Equipment	-	-	-	-	-	-	-
21	865.00	Maintenance of Measuring and Regulating Station Equipment	-	-	-	-	1	-	1
22	866.00	Maintenance of Communication Equipment	-	-	-	-	-	-	-
23	867.00	Maintenance of Other Equipment	-	(315,912)	-	(315,912)	-	-	(315,912)
24		Total Maintenance	-	(425,626)	-	(425,626)	-	-	(425,626)
25		Total Transmission Expense	-	(425,626)	-	(425,626)	(696)	(656,697)	(3,503,170)

TRANSWESTERN PIPE LINE COMPANY, LLC  
 Operation and Maintenance Expenses  
 Adjustments By Number  
 Twelve Months Ended May 31, 2006, As Adjusted

Line No.	FERC	Description	Adjustment No. 7			Adjustment No. 8			Total (h)
			Labor (a)	S&E (b)	Gas (c)	Total (d)	Labor (e)	S&E (f)	
1	901.00	Customer Accounts Expense							
2	903.00	Supervision	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
3	904.00	Customer Records and Collection Expenses							
		Uncollectible Accounts							
4		Total Customer Accounts Expense							
5	909.00	Sales Expense							
6	912.00	Informational and Instructional Advertising Expense							
7	913.00	Demonstrating and Selling Expenses							
		Advertising Expenses							
8		Total Sales Expense							
9	920.00	Administrative and General Expenses							
10	921.00	Administrative and General Salaries							
11	922.00	Office Supplies and Expenses							
12	923.00	Admin. Expenses Transferred							
13	924.00	Outside Services Employed							
14	925.00	Property Insurance							
15	926.00	Injuries and Damage							
16	928.00	Employee Pensions and Benefits							
17	930.10	Regulatory Commission Expenses							
18	930.20	General Advertising Expenses							
19	931.00	Miscellaneous General Expenses							
20		Rents							
		Total Operation							
21	932.00	Maintenance of General Plant							
22		Total Maintenance							
23		Total Administrative and General Expense							
		Total Adjustment	\$ -	\$ (425,626)	\$ -	\$ (425,626)	\$ (586)	\$ (3,502,584)	\$ (3,503,170)

TRANSWESTERN PIPE LINE COMPANY, LLC  
 Operation and Maintenance Expenses  
 Adjustments By Number  
 Twelve Months Ended May 31, 2006, As Adjusted

Line No.	FERC	Description	Adjustment No. 9			Adjustment No. 10			Total (h)
			Labor (a)	S&E (b)	Gas (c)	Labor (e)	S&E (f)	Gas (g)	
1	800.00	Gas Supply Expense							
2	805.00	Natural Gas Well Head Purchases	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
3	806.00	Other Gas Purchase	-	-	-	-	-	-	-
4	808.10	Exchange Gas	-	-	-	-	-	-	-
5	808.20	Gas withdrawn from Storage - Debit	-	-	-	-	-	-	-
6	810.00	Gas delivered to Storage - Credit	-	-	-	-	-	-	-
7	812.00	Gas Used for Compressor Station Fuel - Credit	-	-	-	-	-	-	-
8	813.00	Gas Used for Other Utility Operations - Credit	-	-	-	-	-	-	-
		Other Gas Supply Expenses	-	-	-	-	-	-	-
9		Total Gas Supply Expense	-	-	-	-	-	-	-
		Natural Gas Storage, Terminating, and Processing Expenses							
10	814.00	Operation Supervision and Engineering	-	-	-	-	-	-	-
11	815.00	Maps and Records	-	-	-	-	-	-	-
12	816.00	Wells Expenses	-	-	-	-	-	-	-
13	817.00	Lines Expenses	-	-	-	-	-	-	-
14	818.00	Compressor Station Expenses	-	-	-	-	-	-	-
15	819.00	Compressor Station Fuel and Power	-	-	-	-	-	-	-
16	820.00	Measuring and Regulating Station Expenses	-	-	-	-	-	-	-
17	821.00	Purification	-	-	-	-	-	-	-
18	823.00	Gas Losses	-	-	-	-	-	-	-
19	824.00	Other Expenses	-	-	-	-	-	-	-
		Storage Well Royalties	-	-	-	-	-	-	-
20		Total Operation	-	-	-	-	-	-	-
21	830.00	Maintenance of Supervision and Engineering	-	-	-	-	-	-	-
22	831.00	Maintenance of Structures and Improvements	-	-	-	-	-	-	-
23	832.00	Maintenance of Reservoirs and Wells	-	-	-	-	-	-	-
24	833.00	Maintenance of Lines	-	-	-	-	-	-	-
25	834.00	Maintenance of Compressor Station Equipment	-	-	-	-	-	-	-
26	835.00	Maintenance of Measuring and Regulating Station Equipment	-	-	-	-	-	-	-
27	836.00	Maintenance of Purification Equipment	-	-	-	-	-	-	-
28	837.00	Maintenance of Other Equipment	-	-	-	-	-	-	-
29		Total Maintenance	-	-	-	-	-	-	-
30		Total Natural Gas Storage, Terminating, and Processing Expenses	-	-	-	-	-	-	-

TRANSWESTERN PIPE LINE COMPANY, LLC  
 Operation and Maintenance Expenses  
 Adjustments By Number  
 Twelve Months Ended May 31, 2006, As Adjusted

Line No.	FERC	Description	Adjustment No. 9			Adjustment No. 10			Total (h)
			Labor (a)	S&E (b)	Gas (c)	Total (d)	Labor (e)	S&E (f)	
1	840.00	Transmission Expense	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
2	841.00	Operation Supervision and Engineering	-	-	-	-	-	-	-
3	842.00	Operation Labor and Expenses	-	-	-	-	-	-	-
4	847.30	LNG Processing Terminal Labor and Expenses	-	-	-	-	-	-	-
5	850.00	Maintenance of LNG Processing Terminal Equipment	-	252,179	-	252,179	-	-	-
6	851.00	Operation Supervision and Engineering	-	-	-	-	-	-	-
7	852.00	System Control & Load Dispatching	-	-	-	-	-	-	-
8	853.00	Communication System Expenses	-	-	-	-	-	-	-
9	854.00	Compressor Station Labor and Expenses	-	60,000	-	60,000	-	-	(4,333)
10	855.00	Gas for Compressor Station Fuel	-	-	-	-	-	-	(50,396)
11	856.00	Other Fuel and Power For Compressor Stations	-	-	-	-	-	-	-
12	857.00	Mains Expenses	-	-	-	-	-	-	-
13	858.00	Measuring and Regulating Station Expenses	-	112,800	-	112,800	-	-	(102,333)
14	859.00	T & C by Others	-	-	-	-	-	-	(15,895)
15	860.00	Other Expenses	-	-	-	-	-	-	-
		Rents	-	320,607	-	320,607	-	-	(3,569)
16		Total Operation	-	745,586	-	745,586	(63,052)	(113,474)	(176,526)
17	861.00	Maintenance Supervision and Engineering	-	-	-	-	-	-	-
18	862.00	Maintenance of Structures and Improvements	-	-	-	-	-	-	-
19	863.00	Maintenance of Mains	-	-	-	-	-	-	-
20	864.00	Maintenance of Compressor Station Equipment	-	(83,352)	-	(83,352)	(11,146)	(22,101)	(33,247)
21	865.00	Maintenance of Measuring and Regulating Station Equipment	-	-	-	-	(8,261)	(19,879)	(28,140)
22	866.00	Maintenance of Communication Equipment	-	-	-	-	(5,029)	-	(5,029)
23	867.00	Maintenance of Other Equipment	-	-	-	-	(1,105)	-	(1,105)
24		Total Maintenance	-	(83,352)	-	(83,352)	(28,510)	(41,980)	(70,490)
25		Total Transmission Expense	-	662,234	-	662,234	(91,562)	(155,454)	(247,016)



TRANSWESTERN PIPE LINE COMPANY, LLC

Operation and Maintenance Expenses  
Summarized Adjustments  
Twelve Months Ended May 31, 2006, As Adjusted

Line No.	FERC	Description	Labor (a)	Total Adjustments			Total (d)
				S&E (b)	Gas (c)		
			\$	\$	\$	\$	
1	800.00	Gas Supply Expense	-	-	-	-	-
2	805.00	Natural Gas Well Head Purchases	-	-	-	-	1,535,484
3	806.00	Other Gas Purchase	-	-	1,535,484	-	(135,746,484)
4	808.10	Exchange Gas	-	-	-	-	135,275,811
5	808.20	Gas withdrawn from Storage - Debit	-	-	-	-	67,627,651
6	810.00	Gas delivered to Storage - Credit	-	-	-	-	(3,408,344)
7	812.00	Gas Used for Compressor Station Fuel - Credit	-	-	-	-	7,656,507
8	813.00	Other Gas Supply Expenses	-	(1,496,820)	-	-	-
9		Total Gas Supply Expense	-	(1,496,819)	72,940,625	-	71,443,806
		<b>Natural Gas Storage, Terminating, and Processing Expenses</b>					
10	814.00	Operation Supervision and Engineering	-	-	-	-	-
11	815.00	Maps and Records	-	-	-	-	-
12	816.00	Wells Expenses	-	-	-	-	-
13	817.00	Lines Expenses	-	-	-	-	-
14	818.00	Compressor Station Expenses	-	-	-	-	-
15	819.00	Compressor Station Fuel and Power	-	-	-	-	-
16	820.00	Measuring and Regulating Station Expenses	-	-	-	-	-
17	821.00	Purification	-	-	-	-	-
18	823.00	Gas Losses	-	-	-	-	-
19	824.00	Other Expenses	-	-	-	-	-
		Storage Well Royalties	-	-	-	-	-
20		Total Operation	-	-	-	-	-
		<b>Maintenance of Supervision and Engineering</b>					
21	830.00	Maintenance of Structures and Improvements	-	-	-	-	-
22	831.00	Maintenance of Reservoirs and Wells	-	-	-	-	-
23	832.00	Maintenance of Lines	-	-	-	-	-
24	833.00	Maintenance of Compressor Station Equipment	-	-	-	-	-
25	834.00	Maintenance of Measuring and Regulating Station Equipment	-	-	-	-	-
26	835.00	Maintenance of Purification Equipment	-	-	-	-	-
27	836.00	Maintenance of Other Equipment	-	-	-	-	-
28	837.00	Total Maintenance	-	-	-	-	-
29		Total Natural Gas Storage, Terminating, and Processing Expenses	-	-	-	-	-
30			-	-	-	-	-

TRANSWESTERN PIPE LINE COMPANY, LLC  
Operation and Maintenance Expenses  
Summarized Adjustments  
Twelve Months Ended May 31, 2006, As Adjusted

Line No.	FERC	Description	Labor (a)	Total Adjustments			Total (d)
				S&E (b)	Gas (c)		
			\$	\$	\$	\$	
1	840.00	Transmission Expense					
2	841.00	Operation Supervision and Engineering					
3	842.00	Operation Labor and Expenses					
4	847.30	LNG Processing Terminal Labor and Expenses					
5	850.00	Maintenance of LNG Processing Terminal Equipment					
6	851.00	Operation Supervision and Engineering	368,745	(4,000,109)		(3,631,364)	
7	852.00	System Control & Load Dispatching	(379)			(379)	
8	853.00	Communication System Expenses	1,116			1,116	
9	854.00	Compressor Station Labor and Expenses	29,018	20,143		49,161	
10	855.00	Gas for Compressor Station Fuel			(67,627,651)	(67,627,651)	
11	856.00	Other Fuel and Power For Compressor Stations					
12	857.00	Mains Expenses	78,037	(8,376,274)		(8,376,274)	
13	858.00	Measuring and Regulating Station Expenses	8,049	(27,500)		(27,500)	
14	859.00	T & C by Others		133,857		133,857	
15	860.00	Other Expenses	(1,466)			(1,466)	
		Rents	143			143	
16		Total Operation	483,263	(11,749,818)	(71,784,353)	(83,050,908)	
17	861.00	Maintenance Supervision and Engineering					
18	862.00	Maintenance of Structures and Improvements					
19	863.00	Maintenance of Mains	501	(106,873)		(106,372)	
20	864.00	Maintenance of Compressor Station Equipment	7,495	48,235		55,730	
21	865.00	Maintenance of Measuring and Regulating Station Equipment	39,599	46,583		86,182	
22	866.00	Maintenance of Communication Equipment	7,176	9,143		16,319	
23	867.00	Maintenance of Other Equipment	2,950	2,446		5,396	
			(2,244)	342,060		339,816	
24		Total Maintenance	55,477	341,596		397,073	
25		Total Transmission Expense	538,740	(11,408,222)	(71,784,353)	(82,653,835)	

TRANSWESTERN PIPE LINE COMPANY, LLC  
 Operation and Maintenance Expenses  
 Summarized Adjustments  
 Twelve Months Ended May 31, 2006, As Adjusted

Line No.	FERC	Description	Total Adjustments			
			Labor (a)	S&E (b)	Gas (c)	Total (d)
1	901.00	Customer Accounts Expense				
2	903.00	Supervision	\$ -	\$ -	\$ -	\$ -
3	904.00	Customer Records and Collection Expenses	-	-	-	-
		Uncollectible Accounts	-	(925,465)	-	(925,465)
4		Total Customer Accounts Expense	-	(925,465)	-	(925,465)
		Sales Expense				
5	909.00	Informational and Instructional Advertising Expense	-	-	-	-
6	912.00	Demonstrating and Selling Expenses	-	-	-	-
7	913.00	Advertising Expenses	-	-	-	-
8		Total Sales Expense	-	-	-	-
		Administrative and General Expenses				
9	920.00	Administrative and General Salaries	1,950,506	(557,711)	-	1,392,795
10	921.00	Office Supplies and Expenses	(1,073,110)	1,098,212	-	25,102
11	922.00	Admin. Expenses Transferred	(7,571)	-	-	(7,571)
12	923.00	Outside Services Employed	107,475	(1,022,023)	-	(914,548)
13	924.00	Property Insurance	-	(77,093)	-	(77,093)
14	925.00	Injuries and Damage	-	-	-	-
15	926.00	Employee Pensions and Benefits	-	2,624,915	-	2,624,915
16	928.00	Regulatory Commission Expenses	-	(1,133,024)	-	(1,133,024)
17	930.10	General Advertising Expenses	-	-	-	-
18	930.20	Miscellaneous General Expenses	-	(39,207)	-	(39,207)
19	931.00	Rents	-	(65,223)	-	(65,223)
20		Total Operation	977,300	828,846	-	1,806,146
21	932.00	Maintenance of General Plant	-	-	-	-
22		Total Maintenance	-	-	-	-
23		Total Administrative and General Expense	977,300	828,846	-	1,806,146
24		Grand Total	\$ 1,516,040	\$ (13,001,660)	\$ 1,156,272	\$ (10,329,348)

TRANSWESTERN PIPELINE COMPANY, LLC

Adjustment No. 1  
Adjustment To Provide for Labor Charges Not Recorded on the Books

Line No.	Acct. No.	Description	Detail (a)	Amount (b)
1	850.00	8 Days Labor Expense - May 22 thru May 31, 2006	\$ 319,309	
2	920.00	8 Days Labor Expense - May 22 thru May 31, 2006	<u>185,278</u>	
3		Total 8 Days Labor Expense - May 22 thru May 31, 2006		\$ 504,587
4	850.00	5 Days Labor Expense - March 27 thru March 31, 2006	(186,567)	
5	920.00	5 Days Labor Expense - March 27 thru March 31, 2006	<u>(113,161)</u>	
6		Total 5 Days Labor Expense - March 27 thru March 31, 2006		<u>(299,728)</u>
7		Total Adjustment		\$ <u><u>204,859</u></u>

TRANSWESTERN PIPELINE COMPANY, LLC

Adjustment No. 2  
Adjustment To Provide for Additional Staffing Cost

Line No.	Acct. No.	Description	Labor Costs Attributed to Transwestern (a)	Adjustment (b)
	850.00	Operation Supervision and Engineering		
1		Associate Engineer	\$ 2,446	\$
2		Design Drafter	10,471	
3		Director, Contracts	2,018	
4		Manager, Right-of-Way	3,462	
5		Sr. Reliability Engineer	44,942	
6		Sr. Contracts Analyst	7,385	
7		Sr. Technical Specialist	24,231	
8		Technical Specialist	14,231	
9	Total 850.00			109,186
	856.00	Mains Expenses		
10		Sr. O&M Tech - Flagstaff	16,719	
11		Sr. O&M Tech - Gallup	54,934	
12	Total 856.00			71,653
	920.00	Administrative & General Salaries		
13		Accountant	624	
14		Accountant/Sr. Accountant 1	1,514	
15		Associate IT Specialist	7,920	
16		Financial Analyst	7,077	
17		Human Resources Generalist	860	
18		IT Project Coordinator/Sr. Coordinator	2,631	
19		IT Specialist	30,154	
20		Senior Account Analyst/Clerk	1,266	
21		Specialist/Sr. Specialist	554	
22		Sr. Accountant 1/Sr. Accountant 2/Sr. Lead	2,131	
23		Sr. Counsel	25,754	
24		Sr. Financial Planning Specialist	15,355	
25		Supervisor/Manager, Real Time Application	4,258	
26		Technical Specialist	22,154	
27	Total 920.00			122,252
28		Total Adjustment	\$	<u>303,091</u>

TRANSWESTERN PIPELINE COMPANY, LLC

Adjustment No. 3  
Adjustment to Reflect Labor Cost Increase

Line No.	Acct. No.	Description	Base Period Labor (a)	Adjustment No. 3 (b)	Adjustment No. 1 5 Days March 06 Labor (c)	Adjustment No. 10 (d)	Less: April & May 2006 Labor (e)	As Adjusted June 05 - March 06 Labor (f)	Total Adjustment 1/ (g)
1	850.00	Operation Supervision and Engineering	\$ 4,217,159	\$ (586)	\$ (186,567)	\$ -	\$ (632,594)	\$ 3,397,412	\$ 127,403
2	851.00	System Control and Load Dispatching	(10,097)	-	-	(10,097)	-	(10,097)	(379)
3	852.00	Communication System Expenses	108,621	-	-	(2,252)	(16,565)	89,804	3,368
4	853.00	Compressor Station Labor and Expenses	1,719,041	-	-	(23,917)	(283,526)	1,411,598	52,935
5	854.00	Gas for Compressor Station Fuel	-	-	-	-	-	-	-
6	855.00	Other Fuel and Power For Compressor Stations	-	-	-	-	-	-	-
7	856.00	Mains Expenses	784,865	-	-	(17,419)	(132,700)	634,746	23,803
8	857.00	Measuring and Regulating Station Expenses	774,698	-	-	(15,895)	(120,307)	638,496	23,944
9	858.00	Transmission and Compression of Gas by Others	-	-	-	-	-	-	-
10	859.00	Other Expenses	68,069	-	-	(3,569)	(8,412)	56,088	2,103
11	860.00	Rents	3,826	-	-	-	-	3,826	143
12		Total Operation	7,666,192	(586)	(186,567)	(63,052)	(1,194,104)	6,221,873	233,320
13	861.00	Maintenance Supervision and Engineering	-	-	-	-	-	-	-
14	862.00	Maintenance of Structures and Improvements	15,961	-	-	-	(2,598)	13,363	501
15	863.00	Maintenance of Mains	601,426	-	-	(11,146)	(93,197)	497,083	18,641
16	864.00	Maintenance of Compressor Station Equipment	1,530,695	-	-	(8,261)	(246,165)	1,276,269	47,860
17	865.00	Maintenance of Measuring and Regulating Station Equipment	383,619	-	-	(5,029)	(63,116)	325,474	12,205
18	866.00	Maintenance of Communication Equipment	129,823	-	-	(1,105)	(20,597)	108,121	4,055
19	867.00	Maintenance of Other Equipment	25,823	-	-	(2,969)	(3,525)	19,329	725
20		Total Maintenance	2,697,347	-	-	(28,510)	(429,198)	2,239,639	83,987
21		Total Transmission Expense	10,363,529	(586)	(186,567)	(91,562)	(1,623,302)	8,461,512	317,907

Footnotes:

1/ Merit increase of 3.75% became effective April 1, 2006.

TRANSWESTERN PIPELINE COMPANY, LLC

Adjustment No. 3  
Adjustment To Reflect Labor Cost Increase

Line No.	Acct. No.	Description	Base Period Labor (a)	Adjustment No. 6 (Corp Charges) (b)	Adjustment No. 6 (Out-of-Period) (c)	Adjustment No. 1 5 Days March 06 Labor (d)	Less: April & May 2006 Labor (e)	As Adjusted June 05 - March 06 Labor (f)	Total Adjustment 1/ (g)
1	920.00	Administrative & General Expense	\$ 6,860,494	\$ (1,760,513)	\$ 1,332,303	\$ (113,161)	\$ (971,605)	\$ 5,347,518	\$ 200,532
2	921.00	Office Supplies & General Salaries	1,073,110	(1,073,110)	-	-	-	-	-
3	922.00	Office Expenses	(256,038)	-	-	-	54,153	(201,885)	(7,571)
4	923.00	Admin. Expenses Transferred	(107,475)	-	107,475	-	-	-	-
5	924.00	Outside Services Employed	-	-	-	-	-	-	-
6	925.00	Property Insurance	-	-	-	-	-	-	-
7	926.00	Injuries & Damages	-	-	-	-	-	-	-
8	928.00	Employee Pensions & Benefits	-	-	-	-	-	-	-
9	930.10	Regulatory Commission Expenses	-	-	-	-	-	-	-
10	930.20	General Advertising Expenses	-	-	-	-	-	-	-
11	931.00	Miscellaneous General Expenses	-	-	-	-	-	-	-
12		Rents	-	-	-	-	-	-	-
		Total Operation	<u>7,570,091</u>	<u>(2,833,623)</u>	<u>1,439,778</u>	<u>(113,161)</u>	<u>(917,452)</u>	<u>5,145,633</u>	<u>192,961</u>
13	932.00	Maintenance of General Plant	-	-	-	-	-	-	-
14		Total Maintenance	-	-	-	-	-	-	-
15		Total Administrative and General	<u>\$ 7,570,091</u>	<u>\$ (2,833,623)</u>	<u>\$ 1,439,778</u>	<u>\$ (113,161)</u>	<u>\$ (917,452)</u>	<u>\$ 5,145,633</u>	<u>\$ 192,961</u>
16		Total Labor Adjustment No. 3							<u>\$ 510,268</u>

Footnotes:

1/ Merit increase of 3.75% became effective April 1, 2006.

TRANSWESTERN PIPELINE COMPANY, LLC

Adjustment No. 4  
Adjustment To Reflect S & E Cost Increase

Line No.	Acct. No.	Description	Base Period S & E (a)	Adjustment No. 7 (b)	Adjustment No. 5 (c)	Adjustment No. 8 (d)	Adjustment No. 9 (O&M Fees) (e)	Adjustment No. 9 (New Facilities) (f)	Adjustment No. 10 (g)	Miscellaneous Adjustments 1/ (h)	Net S & E Subject To Cost Increase (i)	Adjustment 2/ (j)
1	850.00	Operation Supervision and Engineering	\$ 6,551,253	\$ -	\$ -	\$ (4,350,128)	\$ -	\$ -	\$ -	\$ (145,665)	\$ 2,055,460	\$ 97,840
2	851.00	System Control and Load Dispatching	-	-	-	-	-	-	-	-	-	-
3	852.00	Communication System Expenses	413,129	-	-	-	-	-	(4,333)	-	408,796	19,459
4	853.00	Compressor Station Labor and Expenses	3,846,633	-	(388,067)	190,849	(60,000)	-	(60,396)	(116,997)	3,442,022	163,840
5	854.00	Gas for Compressor Station Fuel	-	-	-	-	-	-	-	-	-	-
6	855.00	Other Fuel and Power For Compressor Stations	-	-	(8,376,274)	-	-	-	-	-	-	-
7	856.00	Mains Expenses	8,376,274	-	-	(2)	-	-	(102,333)	-	1,206,224	57,416
8	857.00	Measuring and Regulating Station Expenses	1,308,559	-	-	-	-	112,800	(15,895)	-	442,375	21,057
9	858.00	Transmission and Compression of Gas by Others	345,470	-	-	-	-	-	-	-	-	-
10	859.00	Other Expenses	-	-	-	-	-	-	-	-	-	-
11	860.00	Rents	33,455	-	-	-	-	-	(3,569)	-	29,886	1,423
12		Total Operation	6,566,026	-	(8,744,341)	(4,155,281)	(60,000)	112,800	(176,526)	(3,190,877)	3,375,149	160,657
			27,440,799	-	-	-	-	-	-	(3,453,539)	10,959,912	521,692
13	861.00	Maintenance Supervision and Engineering	-	-	-	-	-	-	-	-	-	-
14	862.00	Maintenance of Structures and Improvements	40	-	-	-	-	-	-	-	40	2,841
15	863.00	Maintenance of Mains	169,398	(109,714)	-	-	-	-	-	-	59,684	70,336
16	864.00	Maintenance of Compressor Station Equipment	1,510,895	-	-	-	-	-	(63,247)	-	1,477,648	149,813
17	865.00	Maintenance of Measuring and Regulating Station Equipment	3,175,468	-	-	1	-	-	(28,140)	-	3,147,329	9,143
18	866.00	Maintenance of Communication Equipment	197,103	-	-	-	-	-	(5,029)	-	192,074	2,446
19	867.00	Maintenance of Other Equipment	52,482	-	-	-	-	-	(1,105)	-	51,377	1,276
20		Total Maintenance	348,343	(315,912)	-	(2,648)	-	-	(2,969)	-	26,813	235,857
			5,453,729	(425,626)	-	(2,648)	-	-	(70,490)	-	4,954,965	235,857
21		Total Transmission Expense	32,894,528	(425,626)	(8,744,341)	(4,161,929)	(60,000)	112,800	(247,016)	(3,453,539)	15,914,877	757,549

Footnotes:

- 1/ Additional base period O&M not subject to cost increase
- 2/ Increase of 4.76%

TRANSWESTERN PIPELINE COMPANY, LLC

Derivation of S & E Cost Increase Factor

Line No.	Year	Machinery & Equipment (a)	Metals & Metal Products (b)	Pulp, Paper & Allied Products (c)	Chemicals & Allied Products (d)	Transportation Equipment (e)	Average (f)
1	2000	124.0	128.1	183.7	151.0	143.8	
2	2001	123.7	125.4	184.8	151.8	145.2	
3	2002	122.9	125.9	185.9	151.9	144.6	
4	2003	121.9	129.2	190.0	161.8	145.7	
5	2004	122.1	149.6	195.7	174.4	148.6	
6	2000 to 2004	-1.53%	16.78%	6.53%	15.50%	3.34%	
7	4 year average	-0.38%	4.20%	1.63%	3.87%	0.83%	2.03%
8	Rate applicable to 9-month Test period						1.52%
9	Increases during 12-month Base Period - Schedule H-1.4(a), Page 2						<u>3.24%</u>
10	Total S&E Factor						<u><u>4.76%</u></u>

TRANSWESTERN PIPELINE COMPANY, LLC

Derivation of S & E Cost Increase Factor

Line No.	Year	Machinery & Equipment (a)	Metals & Metal Products (b)	Pulp, Paper & Allied Products (c)	Chemicals & Allied Products (d)	Transportation Equipment (e)	Average (f)
1	June 2005	123.7	157.6	202.6	187.2	149.7	
2	July	123.8	157.4	202.6	189.3	150.1	
3	August	123.9	158.4	202.3	189.9	150.0	
4	September	123.8	161.1	202.9	194.9	150.2	
5	October	123.9	161.9	203.5	202.3	152.9	
6	November	123.8	165.0	203.8	201.4	151.8	
7	December	123.7	166.7	204.3	201.3	151.2	
8	January 2006	124.0	168.6	205.4	203.7	152.1	
9	February	124.2	170.9	206.8	203.4	152.4	
10	March	124.4	171.3	208.0	203.2	152.2	
11	April	124.7	174.9	208.2	203.7	152.7	
12	May	125.0	181.6	209.0	205.8	152.7	
13	Base Period Average	124.1	166.3	205.0	198.8	151.5	
14	Increase June 2005 over 12-month Period	0.75%	9.21%	1.98%	3.50%	0.79%	3.24%

Source: U. S. Department of Labor  
Bureau of Labor Statistics [website at <http://www.bls.gov>]

TRANSWESTERN PIPELINE COMPANY, LLC

Adjustment No. 5

Adjustment to Eliminate Other Gas Supply Expenses, Gas Costs, and Fuel And Power For Compressor Stations

Line No.	Acct. No.	Description	Supplies And Expenses (a)	Gas (b)	Total (c)
1	805.00	Other Gas Purchases	\$ 1	\$ -	\$ 1
2	806.00	Exchange Gas	-	1,535,484	1,535,484
3	808.10	Gas withdrawn from Storage - Debit	-	(135,746,484)	(135,746,484)
4	808.20	Gas delivered to Storage - Credit	-	135,275,811	135,275,811
5	810.00	Gas Used for Compressor Station Fuel - Credit	-	67,627,651	67,627,651
6	812.00	Gas Used for Other Utility Operations - Credit	-	(3,408,344)	(3,408,344)
7	813.00	Other Gas Supply Expenses	(1,496,820)	7,656,507	6,159,687
8		Total Gas Supply	(1,496,819)	72,940,625	71,443,806
9	853.00	Compressor Station Labor and Expenses	(368,067)	-	(368,067)
10	854.00	Gas for Compressor Station Fuel	-	(67,627,651)	(67,627,651)
11	855.00	Other Fuel and Power For Compressor Stations	(8,376,274)	-	(8,376,274)
12	856.00	Mains Expenses	-	(4,156,702)	(4,156,702)
13		Total Transmission	(8,744,341)	(71,784,353)	(80,528,694)
14		Total Adjustment	\$ (10,241,160)	\$ 1,156,272	\$ (9,084,888)

TRANSWESTERN PIPELINE COMPANY, LLC  
Adjustment No. 6  
Adjustment to Reflect Various Changes In  
Administrative and General Expenses

Line No.	Acct. No.	Description	Reference	Detail (a)	Adjustment (b)	Explanation (c)
1	904.00	Uncollectible Accounts - S&E		\$ (58,787) \$		Adjustment to remove bad debt expense
2				(866,679)		Adjustment to remove Uncollectible Receivables Amortization 1/
3		Total Account No. 904			(925,465)	
4	920.00	Administrative & General Salaries	H-1.6(c)	223,302		Adjustment to normalize corporate charges (Labor)
5			H-1.6(e)	1,332,303		Adjustment to eliminate out-of-period entries (Labor)
6			H-1.6(c)	175,001		Adjustment to normalize corporate charges (S&E)
7			H-1.6(e)	(788,432)		Adjustment to eliminate out-of-period entries (S&E)
8			H-1.6(g)	55,720		Adjustment to normalize incentive compensation (S&E)
9		Total Account No. 920			997,894	
10	921.00	Office Supplies & Expenses	H-1.6(c)	(1,073,110)		Adjustment to normalize corporate charges (Labor)
11			H-1.6(c)	1,129,114		Adjustment to normalize corporate charges (S&E)
12			H-1.6(e)	(30,902)		Adjustment to eliminate out-of-period entries (S&E)
13		Total Account No. 921			25,102	
14	923.00	Outside Services Employed	H-1.6(e)	107,475		Adjustment to eliminate out-of-period entries (Labor)
15			H-1.6(e)	(760,152)		Adjustment to eliminate out-of-period entries (S&E) 1/
16			H-1.6(c)	(273,793)		Adjustment to normalize corporate charges (S&E)
17			H-1.6(e)	11,922		Adjustment to eliminate out-of-period entries (S&E)
18		Total Account No. 923			(914,548)	
19	924.00	Property Insurance - S&E	H-1.6(e)		(77,093)	Adjustment to eliminate out-of-period entries
20	926.00	Employee Pensions & Benefits - S&E	H-1.6(f)	(453,516)		Adjustment to remove Severance/Relocation Amortization 2/
21			H-1.6(a)	234,610		Adjustment to reflect increase in medical benefit costs
22			H-1.6(b)	1,661,289		Adjustment to reflect five-year amortization of cash balance plan termination costs
23			H-1.6(c)	701,326		Adjustment to normalize corporate charges
24			H-1.6(e)	58,148		Adjustment to eliminate out-of-period entries
25			H-1.6(f)	423,058		Adjustment to reflect increase in savings plan costs
26		Total Account No. 926			2,624,915	
27	928.00	Regulatory Commission Expense - S&E	H-1.6(g)	(1,116,792)		Adjustment to remove FERC Order No. 472 Annual Charge
28			H-1.6(h)	(116,232)		Adjustment to remove regulatory commission expense amortization 2/
29		Total Account No. 928			(1,133,024)	Adjustment to reflect five-year amortization of regulatory expenses
30	930.20	Miscellaneous General Expenses - S&E	H-1.6(d)	58,380		Adjustment to annualize accretion expense on ARO liability
31			H-1.6(e)	(97,587)		Adjustment to eliminate out-of-period entries
32		Total Account No. 930.2			(39,207)	
33	931.00	Rents - S&E	H-1.6(c)	(65,263)		Adjustment to normalize corporate charges
34		Total Account No. 931			(65,263)	Adjustment to eliminate out-of-period entries
35		Total Adjustment			\$ 483,351	

Footnote:  
1/ Amortization of these costs over the term of the Docket No. RP95-271 Settlement was approved by Commission order dated October 16, 1996 in Docket Nos. RP94-227, et al.  
Such amortization will terminate October 31, 2006

2/ Amortization of these costs over the term of the Docket No. RP95-271 Settlement was approved by Commission order dated July 27, 1995. Such amortization will terminate October 31, 2006.

TRANSWESTERN PIPELINE COMPANY, LLC

Adjustment No. 6  
Adjustment To Normalize Corporate Charges

Line No.	Acct. No.	Description	2006 Current Estimate (a)	1/ Base Period Costs (b)	Adjustment Col. (a) - (b) (c)
1	920.00	Administrative & General Salaries - Labor	\$ 1,983,815	\$ 1,760,513	\$ 223,302
2	920.00	Administrative & General Salaries - S&E	-	(175,001)	175,001
3		Total 920.00	<u>1,983,815</u>	<u>1,585,512</u>	<u>398,303</u>
4	921.00	Office Supplies & Expenses - Labor	-	1,073,110	(1,073,110)
5	921.00	Office Supplies & Expenses - S&E	3,035,980	1,906,866	1,129,114
6		Total 921.00	<u>3,035,980</u>	<u>2,979,976</u>	<u>56,004</u>
7	923.00	Outside Services Employed - S&E	-	273,793	(273,793)
8	926.00	Employee Pensions & Benefits - S&E			
		Medical/Dental/Vision	143,510	-	143,510
9		Life Insurance	38,074	-	38,074
10		Savings Plan	55,003	-	55,003
11		Pension Plan	79,843	-	79,843
12		Incentive Plans	384,896	-	384,896
13		Total 926.00	<u>701,326</u>	<u>-</u>	<u>701,326</u>
14	931.00	Rents	-	65,263	(65,263)
15		Total	<u>\$ 5,721,121</u>	<u>\$ 4,904,544</u>	<u>\$ 816,577</u>

1/ Current estimate includes year-to-date actuals through June 2006 and projected costs for July through December 2006.

TRANSWESTERN PIPELINE COMPANY, LLC

Adjustment No. 6  
Adjustment To Eliminate Out-of-Period Entries

<u>Line No.</u>	<u>Acct. No.</u>	<u>Description</u>	<u>Amount</u> (a)
1	920	Administrative & General Salaries - Labor	\$ 1,332,303
2	920	Administrative & General Salaries - S&E	(788,432)
3	921	Office Supplies & Expenses - S&E	(30,902)
4	923	Outside Services Employed - Labor	107,475
5	923	Outside Services Employed - S&E	11,922
6	924	Property Insurance - S&E	(77,093)
7	926	Employee Pensions & Benefits - S&E	58,148
8	930	Miscellaneous General Expenses - S&E	(97,587)
9	931	Rents	<u>40</u>
10		Total Adjustment	\$ <u><u>515,874</u></u>

TRANSWESTERN PIPELINE COMPANY, LLC

Adjustment to Normalize Incentive Compensation  
Twelve Months Ended May 31, 2006, As Adjusted

<u>Line No.</u>	<u>Acct. No.</u>	<u>Description</u>	<u>Amount</u> (a)
	920.00	Administrative & General Salaries - S&E	
1		Base Period Incentive Compensation	\$ 11,144
2		Base Period Annualized	<u>66,864</u>
3		Adjustment (Line 2 - Line 1)	<u>\$ 55,720</u>

TRANSWESTERN PIPELINE COMPANY, LLC

Adjustment to Reflect Increase In Medical Benefit Costs  
Twelve Months Ended May 31, 2006, As Adjusted

<u>Line No.</u>	<u>Acct. No.</u>	<u>Description</u>	<u>Amount</u>
			(a)
	926.00	Employee Pensions & Benefits	
1		Test Period Medical Cost	\$ 2,189,697
2		Base Period Medical Cost	<u>1,955,087</u>
3		Adjustment	\$ <u><u>234,610</u></u>

TRANSWESTERN PIPELINE COMPANY, LLC

Adjustment No. 6  
Adjustment To Reflect Increase in Savings Plan Costs

Line No.	Acct. No.	Description	Base Period Expenses (a)	Increase Factor 1/ (b)	Adjustment (c)
	926.00	Employee Pensions & Benefits			
1		Transwestern Direct	\$ 204,276		\$
2		Allocated To CCES	(592)		
3		Allocated To FGT	(1,246)		
4		Allocated To LNG	(337)		
5		Allocated To PEPL	(1,549)		
6		Allocated To PGS	(50)		
7		Allocated To SR	(107)		
8		Allocated To TGC	(717)		
9		Capitalized	(72,116)		
10		Subtotal - Net Transwestern Direct	<u>127,562</u>	1.3775	175,717
11		Allocated From CCES	<u>114,089</u>	1.3775	157,158
12		Allocated From FGT	<u>2,839</u>	1.3910	3,949
13		Allocated From PEPL	58,889		
14		Allocated From TGC	1,461		
15		Subtotal - Panhandle/Trunkline	<u>60,350</u>	1.4289	<u>86,234</u>
16		Total	\$ <u>304,840</u>		\$ <u>423,058</u>

1/ Savings plan revision to reflect the increase in Transwestern's cost over its current expense.

TRANSWESTERN PIPELINE COMPANY, LLC

Adjustment No. 6  
Adjustment to Reflect Five-Year Amortization of Cash Balance Plan Termination Costs

<u>Line No.</u>	<u>Acct. No.</u>	<u>Description</u>	<u>Amount</u> (a)
	926.00	Employee Pensions & Benefits	
1		Principal amount remitted	\$ 5,967,798
2		Carrying charges from payment date through October 31, 2006	664,481
3		Additional carrying charges during amortization period	<u>1,674,165</u>
4		Total	\$ <u>8,306,444</u>
5		Annual Amortization Over 5 Years	\$ <u>1,661,289</u>

TRANSWESTERN PIPELINE COMPANY, LLC

Adjustment to Reflect Five-Year Amortization of Regulatory Expenses  
Twelve Months Ended May 31, 2006, As Adjusted

Line No.	Acct. No.	Description	Amount (a)
	928.00	Regulatory Commission Expense - S&E	
1		Projected Expenses in Instant Rate Proceeding Outside Consultants	\$ 150,000
2		Outside Legal Counsel	250,000
3		Settlement Conferences / Hearings	50,000
4		Miscellaneous (e.g., Copying, Postage, etc.)	<u>50,000</u>
5		Total	<u>\$ 500,000</u>
6		Annual Amortization Over 5 Years	<u>\$ 100,000</u>

TRANSWESTERN PIPELINE COMPANY, LLC

Adjustment No. 6  
Adjustment To Annualize Accretion Expense on ARO Liability

Line No.	Acct. No.	Description	Detail (a)	Adjustment (b)
	930.20	Miscellaneous General Expenses		
1		Base Period Accretion Expense	\$ <u>24,325</u>	
2		Base Period Annualized 1/		\$ <u>58,380</u>

Footnote:

- 1/ Adjustment annualizes accretion expense recorded on asset retirement obligations and reclassifies the annualized amount from Account No. 411.10, Accretion Expense, to Account 930.2, Miscellaneous General Expenses, for derivation of the cost of service in the instant filing.

TRANSWESTERN PIPELINE COMPANY, LLC

Summary Schedule Supporting Non-Rate Base Costs Relating to Asset Retirement Obligations  
Twelve Months Ended May 31, 2006, As Adjusted

Line No.	Year	Pipeline Coatings (a)	2/	Transite Siding (b)	2/	Exhaust Insulation (c)	2/	Gaskets (d)	2/	Total (e)		
1	1	1/	\$	21,930	\$	513	\$	20,000	\$	1,540	\$	43,983
2	2			22,478		526		20,500		1,579		45,083
3	3			23,040		539		21,013		1,618		46,210
4	4			23,616		552		21,538		1,658		47,365
5	5			24,207		566		22,076		1,700		48,549
6	6			24,812		580		22,628		1,742		49,763
7	7			25,432		595		23,194		1,786		51,007
8	8			26,068		610		23,774		1,831		52,282
9	9			26,720		625		24,368		1,876		53,589
10	10			27,388		641		24,977		1,923		54,929
11	11			28,072		657		25,602		1,971		56,302
12	12			28,774		673		26,242		2,021		57,710
13	13			29,493		690		26,898		2,071		59,152
14	14			30,231		707		27,570		2,123		60,631
15	15			30,987		725		28,259		2,176		62,147
16	16			31,761		743		28,966		2,230		63,700
17	17			32,555		762		29,690		2,286		65,293
18	18			33,369		781		30,432		2,343		66,925
19	19			34,203		800		31,193		2,402		68,598
20	20			35,058		820		31,973		2,462		70,313
21	21			35,935		841		-		2,523		39,299
22	22			36,833		862		-		2,587		40,281
23	23			37,754		883		-		2,651		41,288
24	24			38,698		905		-		2,718		42,321
25	25			39,665		928		-		2,785		43,379
26	26			40,657		951		-		2,855		44,463
27	27			41,673		975		-		2,926		45,575
28	28			42,715		999		-		3,000		46,714
29	29			43,783		1,024		-		3,075		47,882
30	30			44,878		1,050		-		3,151		49,079
31	31			46,000		1,076		-		3,230		50,306
32	32			47,150		1,103		-		3,311		51,564
33	33			48,328		1,131		-		3,394		52,853
34	34			49,537		1,159		-		3,479		54,174
35	35			50,775		1,188		-		3,566		55,528
36	36			52,044		1,217		-		3,655		56,917
37	37			53,345		1,248		-		3,746		58,339
38	38			54,679		-		-		3,840		58,519
39	39			56,046		-		-		3,936		59,982
40	40			57,447		-		-		4,034		61,481
41	41			58,883		-		-		4,135		63,018
42	42			60,356		-		-		4,238		64,594
43	43			61,864		-		-		4,344		66,209
44	44			63,411		-		-		4,453		67,864
45	45			64,996		-		-		4,564		69,561
46	46			66,621		-		-		4,678		71,300
47	47			68,287		-		-		4,795		73,082
48	48			69,994		-		-		4,915		74,909
49	49			71,744		-		-		5,038		76,782
50	50			73,537		-		-		5,164		78,701
51	51			75,376		-		-		5,293		80,669
52	52			-		-		-		5,425		5,425
53	53			-		-		-		5,561		5,561
54	54			-		-		-		5,700		5,700
55	55			-		-		-		5,843		5,843
56	56			-		-		-		5,989		5,989
57	57			-		-		-		6,138		6,138
58	58			-		-		-		6,292		6,292
59	59			-		-		-		6,449		6,449
60	60			-		-		-		6,610		6,610
61	61			-		-		-		6,776		6,776
62	62			-		-		-		6,945		6,945
63	63			-		-		-		7,119		7,119
64	64			-		-		-		7,297		7,297
65	Asset Retirement Obligation - NPV 3/		\$	<u>536,447</u>	\$	<u>10,795</u>	\$	<u>285,507</u>	\$	<u>40,870</u>	\$	<u>873,619</u>
66	Test Period ARO Accretion Expense per Schedule H-1.6(d), page 1										\$	<u>58,380</u>
67	Test Period ARO Depreciation Expense per Statement H-2 4/										\$	<u>25,684</u>

1/ Amounts for Year 1 represent estimated annual remediation/removal costs for asbestos and asbestos-containing materials. The amounts for pipeline coatings, transite siding, and gaskets reflect estimated manpower costs of collecting and drumming coating/siding material, hauling to approved landfill, and disposal fee. Exhaust insulation represents costs for third-party asbestos abatement contractors.  
2/ Annual inflation rate of 2.50% was used in succeeding years based on the average U.S. inflation rate of 2.47% for the years 1994 through 2004.  
3/ The net present value was calculated using a discount rate of 5.76% based on a credit adjusted risk free rate of 4.51%, adjusted by 1.25%.  
4/ Test Period ARO Depreciation Expense is based on the average remaining life of the depreciable gas plant.

TRANSWESTERN PIPELINE COMPANY, LLC

Adjustment No. 7  
Adjustment to Eliminate PCB-Related Costs (Non-Reserved)

<u>Line No.</u>	<u>Acct. No.</u>	<u>Description</u>	<u>Amount</u>	<u>1/</u>
			(a)	
1	862.00	Maintenance of Structures and Improvements	\$ (109,714)	
2	867.00	Maintenance of Other Equipment	<u>(315,912)</u>	
3		Total Adjustment	<u><u>\$ (425,626)</u></u>	

Footnote:

- 1/ PCB-related costs have been eliminated in accordance with Article XIV of the Settlement filed on June 22, 1990 in Docket Nos. RP89-48, et al. and approved by Commission order dated March 20, 1991.

TRANSWESTERN PIPELINE COMPANY, LLC

Adjustment No. 8  
Adjustment To Provide For The Amortization Of Non-PCB Environmental Remediation Expenditures

Line No.	Acct. No.	Description	Detail (a)	Amount (b)
<b><u>Eliminate PCB and Non-PCB Environmental Remediation Expenses (Reserved)</u></b>				
1	850.00	Operation Supervision and Engineering	\$ (586)	
2		Total Labor		\$ (586)
3	850.00	Operation Supervision and Engineering	(4,350,128)	
4	853.00	Compressor Station Labor and Expenses	190,849	
5	856.00	Mains Expenses	(2)	
6	864.00	Maintenance of Compressor Station Equipment	1	
7	867.00	Maintenance of Other Equipment	(2,649)	
8		Total S&E		(4,161,929)
<b><u>Amortization Of Non-PCB Environmental Regulatory Asset</u></b>				
	867.00	Maintenance of Other Equipment (S&E)		
9		Non-PCB Environmental Regulatory Asset	\$ 5,934,102	
10		Amortization Period (Years)	9	
11		Annual Amortization		659,345
12		Total Adjustment		\$ <u>(3,503,170)</u>

TRANSWESTERN PIPELINE COMPANY, LLC

Adjustment No. 9  
Adjustment To Reflect Various Changes In Transmission Expenses

Line No.	Acct. No.	Description	Reference	Detail (a)	Test Period Adjustment (b)	Explanation (c)
1	850.00	Operation Supervision and Engineering				
2		DOT Fees - Test Period Cost		\$ 397,844		Adjustment to reflect increase in DOT pipeline safety user fee
3		Less: Twelve Months Ended, May 31, 2006		145,665		
		Total Account 850			252,179	
4	853.00	Compressor Station Labor and Expenses				
5		Total Account 853		60,000 1/	60,000	Adjustment to eliminate operating and maintenance fees
6	857.00	Measuring and Regulating Station Expenses				
7		Total Account 857	H-1.9(a)	112,800	112,800	Adjustment to provide for O & M increase due to the addition of new facilities
8	860.00	Rents				
9		Total Account 860	H-1.9(b)	320,607	320,607	Adjustment to reflect increases in right-of-way costs
10	864.00	Maintenance Of Compressor Station Equipment				
11		Total Account 864		(83,352) 2/	(83,352)	Adjustment to eliminate extraordinary environmental cost amortization
12		Total Adjustment			\$ 662,234	

Footnote:

- 1/ O&M Agreements, which provide for the operation and maintenance by Transwestern of electric compressor motor facilities at the Bloomfield and Bisti compressor stations, will expire October 31, 2006.
- 2/ The amortization of extraordinary environmental compliance costs over the term of the Docket No. RP95-271 Settlement was approved by Commission order dated October 16, 1996 in Docket Nos. RP94-227, et.al. Such amortization will terminate October 31, 2006.

TRANSWESTERN PIPELINE COMPANY, LLC

Adjustment No. 10  
Adjustment to Eliminate East of Canadian River Facilities O&M 1/

Line No.	Acct. No.	Description	Labor (a)	S & E (b)	Adjustment (c)
1	852.00	Communication System Expenses	\$ (2,252)	\$ (2,081)	\$ (4,333)
2	853.00	Compressor Station Labor and Expenses	(23,917)	(26,479)	(50,396)
3	856.00	Mains Expenses	(17,419)	(84,914)	(102,333)
4	857.00	Measuring and Regulating Station Expenses	(15,895)	-	(15,895)
5	859.00	Other Expenses	(3,569)	-	(3,569)
6	863.00	Maintenance of Mains	(11,146)	(22,101)	(33,247)
7	864.00	Maintenance of Compressor Station Equipment	(8,261)	(19,879)	(28,140)
8	865.00	Maintenance of Measuring and Regulating Station Equipment	(5,029)	-	(5,029)
9	866.00	Maintenance of Communication Equipment	(1,105)	-	(1,105)
10	867.00	Maintenance of Other Equipment	(2,969)	-	(2,969)
11		Total Adjustment	\$ <u>(91,562)</u>	\$ <u>(155,454)</u>	\$ <u>(247,016)</u>

Footnote:

1/ Adjustment eliminates operation and maintenance expenses attributable to Transwestern's East of Canadian River Facilities, which were abandoned by sale on July 1, 2006 under Docket No. CP06-59-000.

TRANSWESTERN PIPELINE COMPANY, LLC

Income Taxes  
Twelve Months Ended May 31, 2006, As Adjusted

Line No.	Description	Reference	Total (a)
	<u>Federal Income Tax</u>		
1	Return on Rate Base @ 10.30%	STATEMENT B	\$ <u>81,593,923</u>
	<u>Federal Income Tax Adjustments</u>		
2	Interest and Debt Expense	Schedule H-3(4)	<u>(19,012,176)</u>
3	Net FIT Adjustment		<u>(19,012,176)</u>
4	Return after FIT Adjustments		\$ <u><u>62,581,747</u></u>
5	Federal Income Taxes @ 34.7654% Tax on Tax Rate of 53.292884%	Schedule H-3(3), Page 1	\$ 33,351,618
6	South Georgia - Federal Tax Deficiency 1/		<u>48,532</u>
7	Total Federal Income Tax		\$ <u><u>33,400,150</u></u>
8	State Tax Rate @ 5.8033% Tax on Tax Rate of 6.160832%	Schedule H-3(3), Page 1	\$ <u><u>5,910,293</u></u>

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.