

**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

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

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

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

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

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

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

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

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

A. Adjustment No. 4 for \$757,549, on Page 26 of my Exhibit No. TW-23, annualizes the projected increases in the cost of Supplies and Expenses which have occurred and which will 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

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

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

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

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

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

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

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

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

Q. Did you make other adjustments for Employee Benefits?

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

Q. Are there additional adjustments to Employee Benefits?

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

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

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

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

A. I have credited \$453,516 to FERC Account No. 926 to remove severance and relocation amortizations reflected in the rates established in Docket Nos. RP95-271-000, et al., which 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

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

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

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

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

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

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

A. Adjustment No. 9, as shown on Page 42 of my Exhibit No. TW-23, adjusts Base Period costs 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.

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

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

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

 /s/ Lawrence J. Biediger

Lawrence J. Biediger

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

 /s/ Suzanne Samano

Notary Public

My Commission Expires:

 April 6, 2010

TRANSWESTERN PIPELINE COMPANY, LLC

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 | <u>\$ (40,757,158)</u> | <u>\$ (42,931,874)</u> | <u>\$ (45,533,499)</u> | <u>\$ (54,391,175)</u> | <u>\$ (56,238,602)</u> | <u>\$ (58,321,317)</u> | <u>\$ (60,604,323)</u> | <u>\$ (62,833,734)</u> |

| 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 | <u>\$ (65,071,118)</u> | <u>\$ (66,452,300)</u> | <u>\$ (68,626,942)</u> | <u>\$ (70,837,776)</u> | <u>\$ 5,325,339</u> | <u>\$ 17,876,829</u> | <u>\$ (47,635,608)</u> |

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 | | | | | | | | | | | | | |
|----------|--|--------------------------------|---------------------------|--|-------------------------------------|-------------------------------------|--|---|----------------------|----|----------|----|-----------|----|-------------|
| | | Accumulated Reserve Adj (a) | 1/ Deferred Tax (b) | 2/ South Georgia Deferred Tax (b) | 3/ Laguna Right-of-Way (c) | 3/ Navajo Right-of-Way (d) | 3/ Fort Mojave Right-of-Way (e) | 3/ Southern Ute Right-of-Way (f) | Total Claimed (g) | | | | | | |
| 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 | 4/ | (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 | 14,998 | 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 | 6,042,253 | |
| | 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 | 1,098,682 | |
| 16 | Total Non-Depreciable Plant | 1,098,682 | |
| 17 | Gas Plant Held for Future Use | 1,507,232 | |
| 18 | Less: Transmission ARO | (873,619) | |
| | System Balancing Gas | 9,006,953 | |
| 19 | Total Gas Plant As Adjusted Per Statement C | \$ 1,156,186,602 | |

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 (i) | Total (i) |
| 1 | 805.00 | Gas Supply Expense | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 2 | 806.00 | Other Gas Purchases | - | - | (1,535,484) | (1,535,484) | - | - | 1,535,484 | 1,535,484 | - | - |
| 3 | 808.10 | Exchange Gas | - | - | 135,746,484 | 135,746,484 | - | - | (135,746,484) | (135,746,484) | - | - |
| 4 | 808.20 | Gas withdrawn from Storage - Debit | - | - | (135,275,811) | (135,275,811) | - | - | 135,275,811 | 135,275,811 | - | - |
| 5 | 810.00 | Gas delivered to Storage - Credit | - | - | (67,627,651) | (67,627,651) | - | - | 67,627,651 | 67,627,651 | - | - |
| 6 | 812.00 | Gas used for Compressor Station Fuel - Credit | - | - | 3,408,344 | 3,408,344 | - | - | (3,408,344) | (3,408,344) | - | - |
| 7 | 813.00 | Gas used for Other Utility Operations - Credit | - | - | (7,656,507) | (7,656,507) | - | - | 7,656,507 | 7,656,507 | - | - |
| 8 | | Other Gas Supply Expenses | - | 1,496,820 | - | (6,159,687) | - | (1,496,820) | - | 6,159,687 | - | - |
| | | Total Gas Supply Expense | - | 1,496,820 | (72,940,625) | (71,443,805) | - | (1,496,820) | 72,940,625 | 71,443,806 | - | - |
| 9 | | Transmission Expense | | | | | | | | | | |
| 10 | 850.00 | Operation Supervision and Engineering | 4,217,159 | 6,551,253 | - | 10,768,412 | 368,745 | (4,000,109) | - | (3,631,364) | 4,585,904 | 7,137,048 |
| 11 | 851.00 | System Control & Load Dispatching | (10,097) | - | - | (10,097) | (379) | (379) | - | - | (10,476) | (10,476) |
| 12 | 852.00 | Communication System Expenses | 108,621 | 413,129 | - | 521,750 | 1,116 | 17,378 | - | 18,494 | 109,737 | 540,244 |
| 13 | 853.00 | Compressor Station Labor and Expenses | 1,719,041 | 3,846,633 | - | 5,565,674 | 29,018 | 20,143 | - | 49,161 | 1,748,059 | 5,614,835 |
| 14 | 854.00 | Gas for Compressor Station Fuel | - | - | 67,627,651 | 67,627,651 | - | - | - | (67,627,651) | - | - |
| 15 | 855.00 | Gas for Fuel/Pwr Comp Sta | - | 8,376,274 | - | 8,376,274 | - | (8,376,274) | - | (8,376,274) | - | - |
| 16 | 856.00 | Mains Expenses | 784,865 | 1,308,559 | 6,250,126 | 8,343,550 | 78,037 | (27,500) | (4,156,702) | (4,106,165) | 862,902 | 2,143,961 |
| 17 | 857.00 | Measuring and Regulating Station Expenses | 774,698 | 345,470 | - | 1,120,168 | 8,049 | 133,857 | - | 141,906 | 782,747 | 1,262,074 |
| 18 | 858.00 | T & C by Others | - | - | - | - | - | - | - | - | - | - |
| 19 | 859.00 | Other Expenses | 68,069 | 33,455 | - | 101,524 | (1,468) | 1,423 | - | (43) | 66,603 | 101,481 |
| 20 | 860.00 | Rents | 3,826 | 6,566,026 | - | 6,569,852 | 143 | 481,294 | - | 481,437 | 3,969 | 7,051,259 |
| | | Total Operation | 7,666,182 | 27,440,799 | 71,784,353 | 106,891,334 | 483,263 | (11,749,819) | (71,784,353) | (83,050,909) | 8,149,445 | 23,840,426 |
| 21 | | Maint. Suprv & Eng - Transmission | - | 40 | - | 40 | - | 2 | - | 2 | - | 42 |
| 22 | 861.00 | Maintenance of Structures and Improvements | 15,961 | 160,388 | - | 176,349 | - | (106,873) | - | (90,924) | 16,462 | 78,987 |
| 23 | 862.00 | Maintenance of Mains | 601,126 | 1,510,863 | - | 2,112,321 | 501 | 48,235 | - | 55,730 | 608,921 | 2,168,051 |
| 24 | 863.00 | Maintenance of Compressor Station Equipment | 1,530,695 | 3,175,468 | - | 4,706,163 | 7,495 | 46,583 | - | 54,078 | 1,570,294 | 4,792,345 |
| 25 | 864.00 | Maintenance of Measuring and Regulating Station Equipment | 393,619 | 197,103 | - | 590,722 | 39,599 | 9,143 | - | 48,742 | 400,795 | 607,041 |
| 26 | 865.00 | Maintenance of Communication Equipment | 129,623 | 52,462 | - | 182,085 | 7,176 | 2,446 | - | 9,622 | 132,773 | 187,701 |
| 27 | 866.00 | Maintenance of Other Equipment | 25,823 | 348,343 | - | 374,166 | 2,950 | 342,060 | - | 339,816 | 23,579 | 713,982 |
| 28 | 867.00 | Total Maintenance | 2,697,347 | 5,453,729 | - | 8,151,076 | (2,244) | 341,596 | - | 339,352 | 2,752,824 | 8,548,149 |
| | | Total Transmission Expense | 10,363,529 | 32,894,528 | 71,784,353 | 115,042,410 | 538,740 | (11,408,222) | (71,784,353) | (82,653,835) | 10,902,269 | 32,388,575 |

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 (i) | Total (i) |
| 1 | 901.00 | Customer Accounts Expense | | | | | | | | | | |
| 2 | 903.00 | Supervision | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 3 | 904.00 | Customer Records & Collection | - | 363 | - | 363 | - | - | - | - | - | 363 |
| | | Uncollectible Accounts | - | 925,465 | - | 925,465 | - | (925,465) | - | (925,465) | - | - |
| 4 | | Total Customer Accounts Expense | - | 925,828 | - | 925,828 | - | (925,465) | - | (925,465) | - | 363 |
| 5 | 912.00 | Sales Expense | | | | | | | | | | |
| 6 | 913.00 | Demonstrating & Selling Exp. | - | 158,163 | - | 158,163 | - | - | - | - | - | 158,163 |
| | | Advertising Expenses | - | - | - | - | - | - | - | - | - | - |
| 7 | | Total Sales Expense | - | 158,163 | - | 158,163 | - | - | - | - | - | 158,163 |
| 8 | 920.00 | Administrative & General Expense | | | | | | | | | | |
| 9 | 921.00 | Office Supplies & General Salaries | 6,860,494 | 2,825,421 | - | 9,685,915 | 1,950,506 | (557,711) | - | 1,392,795 | 8,811,000 | 11,075,710 |
| 10 | 922.00 | Admin. Expenses Transferred | 1,073,110 | 3,552,156 | - | 4,625,266 | (1,073,110) | 1,068,212 | - | 25,102 | (263,609) | 4,650,368 |
| 11 | 923.00 | Outside Services Employed | (256,036) | (463,203) | - | (719,241) | (7,571) | (1,022,023) | - | (7,571) | - | (726,812) |
| 12 | 924.00 | Property Insurance | (107,475) | 2,011,189 | - | 1,903,714 | 107,475 | (77,063) | - | (914,546) | - | 988,166 |
| 13 | 925.00 | Injuries & Damages | - | 930,421 | - | 930,421 | - | (77,063) | - | (77,063) | - | 853,328 |
| 14 | 926.00 | Employee Pensions & Benefits | - | 1,216,886 | - | 1,216,886 | - | 2,624,915 | - | 2,624,915 | - | 1,216,886 |
| 15 | 928.00 | Regulatory Commission Expenses | - | 4,156,592 | - | 4,156,592 | - | (1,133,024) | - | (1,133,024) | - | 6,781,507 |
| 16 | 930.10 | General Advertising Expenses | - | 1,233,324 | - | 1,233,324 | - | - | - | - | - | 100,300 |
| 17 | 930.20 | Miscellaneous General Expenses | - | - | - | - | - | (39,207) | - | (39,207) | - | 58,422 |
| 18 | 931.00 | Rents | - | 97,629 | - | 97,629 | - | (65,223) | - | (65,223) | - | 736,356 |
| 19 | | Total Operation | 7,570,091 | 16,361,994 | - | 23,932,085 | 977,300 | 828,846 | - | 1,806,146 | 8,547,391 | 25,738,231 |
| 20 | | Maintenance of General Plant | - | - | - | - | - | - | - | - | - | - |
| 21 | | Total Maintenance | - | - | - | - | - | - | - | - | - | - |
| 22 | | Total Administrative and General | 7,570,091 | 16,361,994 | - | 23,932,085 | 977,300 | 828,846 | - | 1,806,146 | 8,547,391 | 25,738,231 |
| 23 | | Grand Total | \$ 17,933,620 | \$ 51,837,332 | \$ (1,156,272) | \$ 68,614,680 | \$ 1,516,040 | \$ (13,001,660) | \$ 1,156,272 | \$ (10,329,348) | \$ 19,449,660 | \$ 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 | \$ (10,329,348) |

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) | 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 | - | - | - | - | - | - | - |
| 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 | 822.00 | Gas Losses | - | - | - | - | - | - | - |
| | 823.00 | Other Expenses | - | - | - | - | - | - | - |
| | 824.00 | 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) | 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 | 842.20 | LNG Processing Terminal Labor and Expenses | - | - | - | - | - | - | - |
| 5 | 847.30 | Maintenance of LNG Processing Terminal Equipment | - | - | - | - | - | - | - |
| 6 | 850.00 | Operation Supervision and Engineering | 132,742 | - | - | 109,186 | - | - | 109,186 |
| 7 | 851.00 | System Control & Load Dispatching | - | - | - | - | - | - | - |
| 8 | 852.00 | Communication System Expenses | - | - | - | - | - | - | - |
| 9 | 853.00 | Compressor Station Labor and Expenses | - | - | - | - | - | - | - |
| 10 | 854.00 | Gas for Compressor Station Fuel | - | - | - | - | - | - | - |
| 11 | 855.00 | Other Fuel and Power For Compressor Stations | - | - | - | - | - | - | - |
| 12 | 856.00 | Mains Expenses | - | - | - | - | - | - | - |
| 13 | 857.00 | Measuring and Regulating Station Expenses | - | - | - | 71,653 | - | - | 71,653 |
| 14 | 858.00 | T & C by Others | - | - | - | - | - | - | - |
| 15 | 859.00 | Other Expenses | - | - | - | - | - | - | - |
| 16 | 860.00 | Rents | - | - | - | - | - | - | - |
| | | Total Operation | 132,742 | - | - | 180,839 | - | - | 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 | | Total Maintenance | - | - | - | - | - | - | - |
| 25 | | Total Transmission Expense | 132,742 | - | - | 180,839 | - | - | 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 | | |
|----------|--------|---|------------------|---------|---------|------------------|---------|-----------|
| | | | Labor (a) | S&E (b) | Gas (c) | Labor (e) | S&E (f) | Gas (g) |
| | | | | | | | | |
| | | | | | | | | Total (h) |
| 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 | Office Supplies and Expenses | 72,117 | - | - | 122,252 | - | - |
| 11 | 922.00 | Admin. Expenses Transferred | - | - | - | - | - | - |
| 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 | 72,117 | - | - | 122,252 | - | - |
| 21 | 932.00 | Maintenance of General Plant | - | - | - | - | - | - |
| 22 | | Total Maintenance | - | - | - | - | - | - |
| 23 | | Total Administrative and General Expense | 72,117 | - | - | 122,252 | - | - |
| | | Total Adjustment | 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) | 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 | - | - | - | - | - | - | - |
| | | <u>Natural Gas Storage, Terminating, and Processing Expenses</u> | | | | | | | |
| 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 | - | - | - | - | - | - | - |
| | 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 | - | - | - | - | - | - | - |
| | | Total Maintenance | - | - | - | - | - | - | - |
| 29 | | Total Natural Gas Storage, Terminating, and Processing Expenses | - | - | - | - | - | - | - |
| 30 | | | - | - | - | - | - | - | - |

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 | | | |
|----------|--------|---|------------------|---------|---------|-----------|------------------|---------|---------|-----------|
| | | | Labor (a) | S&E (b) | Gas (c) | Total (d) | Labor (e) | S&E (f) | Gas (g) | Total (h) |
| 1 | 840.00 | Transmission Expense | \$ | \$ | \$ | \$ | \$ | \$ | \$ | |
| 2 | 841.00 | Operation Supervision and Engineering | - | - | - | - | - | - | - | |
| 3 | 841.00 | Operation Labor and Expenses | - | - | - | - | - | - | - | |
| 4 | 842.20 | LNG Processing Terminal Labor and Expenses | - | - | - | - | - | - | - | |
| 5 | 847.30 | Maintenance of LNG Processing Terminal Equipment | - | - | - | - | - | - | - | |
| 6 | 850.00 | Operation Supervision and Engineering | 127,403 | - | - | 127,403 | - | 97,840 | 97,840 | |
| 7 | 851.00 | System Control & Load Dispatching | (379) | - | - | (379) | - | - | - | |
| 8 | 852.00 | Communication System Expenses | 3,368 | - | - | 3,368 | - | 19,459 | 19,459 | |
| 9 | 853.00 | Compressor Station Labor and Expenses | 52,935 | - | - | 52,935 | - | 163,840 | 163,840 | |
| 10 | 854.00 | Gas for Compressor Station Fuel | - | - | - | - | - | - | - | |
| 11 | 855.00 | Other Fuel and Power For Compressor Stations | - | - | - | - | - | - | - | |
| 12 | 856.00 | Mains Expenses | 23,803 | - | - | 23,803 | - | 57,416 | 57,416 | |
| 13 | 857.00 | Measuring and Regulating Station Expenses | 23,944 | - | - | 23,944 | - | 21,057 | 21,057 | |
| 14 | 858.00 | T & C by Others | - | - | - | - | - | - | - | |
| 15 | 859.00 | Other Expenses | 2,103 | - | - | 2,103 | - | 1,423 | 1,423 | |
| 16 | 860.00 | Rents | 143 | - | - | 143 | - | 160,657 | 160,657 | |
| | | Total Operation | 233,320 | - | - | 233,320 | - | 521,692 | 521,692 | |
| 17 | 861.00 | Maintenance Supervision and Engineering | - | - | - | - | - | 2 | 2 | |
| 18 | 862.00 | Maintenance of Structures and Improvements | 501 | - | - | 501 | - | 2,841 | 2,841 | |
| 19 | 863.00 | Maintenance of Mains | 18,641 | - | - | 18,641 | - | 70,336 | 70,336 | |
| 20 | 864.00 | Maintenance of Compressor Station Equipment | 47,860 | - | - | 47,860 | - | 149,813 | 149,813 | |
| 21 | 865.00 | Maintenance of Measuring and Regulating Station Equipment | 12,205 | - | - | 12,205 | - | 9,143 | 9,143 | |
| 22 | 866.00 | Maintenance of Communication Equipment | 4,055 | - | - | 4,055 | - | 2,446 | 2,446 | |
| 23 | 867.00 | Maintenance of Other Equipment | 725 | - | - | 725 | - | 1,276 | 1,276 | |
| | | Total Maintenance | 83,987 | - | - | 83,987 | - | 235,857 | 235,857 | |
| 25 | | Total Transmission Expense | 317,307 | - | - | 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) | Labor (e) | S&E (f) | Gas (g) | |
| 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 | - | - | - | - | - | - | - |
| | | 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 | 200,532 | - | - | - | - | - | - |
| 10 | 921.00 | Office Supplies and Expenses | - | - | - | - | - | - | - |
| 11 | 922.00 | Admin. Expenses Transferred | (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 | - | - | - | - | - | - |
| 21 | 932.00 | Maintenance of General Plant | - | - | - | - | - | - | - |
| 22 | | Total Maintenance | - | - | - | - | - | - | - |
| 23 | | Total Administrative and General Expense | 192,961 | - | - | - | - | - | - |
| | | Total Adjustment | \$ 510,268 | \$ - | \$ - | \$ - | \$ 757,549 | \$ - | \$ 757,549 |

| Line No. | FERC | Description | Adjustment No. 5 | | | | Adjustment No. 6 | | | |
|----------|--------|---|------------------|-------------|---------------|-----------|------------------|---------|---------|-----------|
| | | | Labor (a) | S&E (b) | Gas (c) | Total (d) | Labor (e) | S&E (f) | Gas (g) | Total (h) |
| 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 | - | - | - | - | |
| 5 | 808.20 | Gas withdrawn from Storage - Debit | - | - | 1,535,484 | - | - | - | - | |
| 6 | 810.00 | Gas delivered to Storage - Credit | - | - | (135,746,484) | - | - | - | - | |
| 7 | 812.00 | Gas Used for Compressor Station Fuel - Credit | - | - | 135,275,811 | - | - | - | - | |
| 8 | 813.00 | Gas Used for Other Utility Operations - Credit | - | - | 67,627,651 | - | - | - | - | |
| | | Other Gas Supply Expenses | - | (1,496,820) | (3,408,344) | - | - | - | - | |
| 9 | | Total Gas Supply Expense | - | (1,496,820) | 7,655,507 | - | - | - | - | |
| 10 | 814.00 | Natural Gas Storage, Terminating, and Processing Expenses | - | (1,496,819) | 72,940,625 | - | - | - | - | |
| 11 | 815.00 | Operation Supervision and Engineering | - | - | - | - | - | - | - | |
| 12 | 816.00 | Maps and Records | - | - | - | - | - | - | - | |
| 13 | 817.00 | Wells Expenses | - | - | - | - | - | - | - | |
| 14 | 818.00 | Lines Expenses | - | - | - | - | - | - | - | |
| 15 | 819.00 | Compressor Station Expenses | - | - | - | - | - | - | - | |
| 16 | 820.00 | Compressor Station Fuel and Power | - | - | - | - | - | - | - | |
| 17 | 821.00 | Measuring and Regulating Station Expenses | - | - | - | - | - | - | - | |
| 18 | 823.00 | Purification | - | - | - | - | - | - | - | |
| 19 | 825.00 | Gas Losses | - | - | - | - | - | - | - | |
| | | 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 | - | (1,496,819) | 72,940,625 | - | - | - | - | |

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 | | | |
|----------|--------|---|------------------|-------------|--------------|--------------|------------------|---------|---------|-----------|
| | | | Labor (a) | S&E (b) | Gas (c) | Total (d) | Labor (e) | S&E (f) | Gas (g) | Total (h) |
| 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 | - | - | (67,627,651) | (67,627,651) | - | - | - | |
| 11 | 856.00 | Other Fuel and Power For Compressor Stations | - | (8,376,274) | - | (8,376,274) | - | - | - | |
| 12 | 857.00 | Mains Expenses | - | - | (4,156,702) | (4,156,702) | - | - | - | |
| 13 | 858.00 | Measuring and Regulating Station Expenses | - | - | - | - | - | - | - | |
| 14 | 859.00 | T & C by Others | - | - | - | - | - | - | - | |
| 15 | 860.00 | Other Expenses | - | - | - | - | - | - | - | |
| 16 | | Rents | - | - | - | - | - | - | - | |
| | | 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. 5 | | | Adjustment No. 6 | | | | | |
|----------|--------|---|------------------|-----------------|--------------|------------------|------------|-------------|-------------|-----------|-------------|
| | | | Labor (a) | S&E (b) | Gas (c) | Total (d) | Labor (e) | S&E (f) | Gas (g) | Total (h) | |
| 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) |
| 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 | Office Supplies and General Salaries | - | - | - | - | - | - | (557,711) | - | 997,894 |
| 11 | 922.00 | Admin. Expenses Transferred | - | - | - | - | - | - | 1,098,212 | - | 25,102 |
| 12 | 923.00 | Outside Services Employed | - | - | - | - | - | - | (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 | - | - | - | - | - | - | - | - | - |
| 16 | 928.00 | Regulatory Commission Expenses | - | - | - | - | - | - | 2,624,915 | - | 2,624,915 |
| 17 | 930.10 | General Advertising Expenses | - | - | - | - | - | - | (1,133,024) | - | (1,133,024) |
| 18 | 930.20 | Miscellaneous General Expenses | - | - | - | - | - | - | (39,207) | - | (39,207) |
| 19 | 931.00 | Rents | - | - | - | - | - | - | (65,223) | - | (65,223) |
| 20 | | Total Operation | - | - | - | - | - | - | 828,846 | - | 1,418,816 |
| 21 | 932.00 | Maintenance of General Plant | - | - | - | - | - | - | - | - | - |
| 22 | | Total Maintenance | - | - | - | - | - | - | - | - | - |
| 23 | | Total Administrative and General Expense | - | - | - | - | - | - | - | - | - |
| | | Total Adjustment | \$ - | \$ (10,241,160) | \$ 1,156,272 | \$ (9,084,888) | \$ 589,970 | \$ (96,619) | \$ (96,619) | \$ - | \$ 493,351 |

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) | 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 | - | - | - | - | - | - | - |
| | | <u>Natural Gas Storage, Terminating, and Processing Expenses</u> | | | | | | | |
| 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 | - | - | - | - | - | - | - |
| | | Total Maintenance | - | - | - | - | - | - | - |
| 29 | | Total Natural Gas Storage, Terminating, and Processing Expenses | - | - | - | - | - | - | - |
| 30 | | | - | - | - | - | - | - | - |

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) | Labor (e) | S&E (f) | Gas (g) | |
| 1 | 840.00 | Transmission Expense | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | - |
| 2 | 841.00 | Operation Supervision and Engineering | - | - | - | - | - | - | - |
| 3 | 841.00 | Operation Labor and Expenses | - | - | - | - | - | - | - |
| 4 | 842.20 | LNG Processing Terminal Labor and Expenses | - | - | - | - | - | - | - |
| 5 | 847.30 | Maintenance of LNG Processing Terminal Equipment | - | - | - | - | - | - | - |
| 6 | 850.00 | Operation Supervision and Engineering | - | - | - | (586) | (4,350,128) | - | (4,350,714) |
| 7 | 851.00 | System Control & Load Dispatching | - | - | - | - | - | - | - |
| 8 | 852.00 | Communication System Expenses | - | - | - | - | - | - | - |
| 9 | 853.00 | Compressor Station Labor and Expenses | - | - | - | - | 190,849 | - | 190,849 |
| 10 | 854.00 | Gas for Compressor Station Fuel | - | - | - | - | - | - | - |
| 11 | 855.00 | Mains Expenses | - | - | - | - | (2) | - | (2) |
| 12 | 857.00 | Other Fuel and Power For Compressor Stations | - | - | - | - | - | - | - |
| 13 | 858.00 | Measuring and Regulating Station Expenses | - | - | - | - | - | - | - |
| 14 | 859.00 | T & C by Others | - | - | - | - | - | - | - |
| 15 | 860.00 | Other Expenses | - | - | - | - | - | - | - |
| 16 | | Rents | - | - | - | - | - | - | - |
| | | Total Operation | - | - | - | (586) | (4,159,281) | - | (4,159,867) |
| 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 | - | - | - | - | - | - | - |
| | | Total Maintenance | - | (315,912) | - | - | 656,696 | - | 656,696 |
| 24 | | Total Transmission Expense | - | (425,626) | - | - | 656,697 | - | 656,697 |
| 25 | | | - | (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. 7 | | | Adjustment No. 8 | | | | | |
|----------|--------|---|------------------|---------|--------------|------------------|--------------|----------|----------------|-----------|----------------|
| | | | Labor (a) | S&E (b) | Gas (c) | Total (d) | Labor (e) | S&E (f) | Gas (g) | Total (h) | |
| 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 | Office Supplies 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 | 926.00 | Employee Pensions and Benefits | | | | | | | | | |
| 17 | 928.00 | Regulatory Commission Expenses | | | | | | | | | |
| 18 | 930.10 | General Advertising Expenses | | | | | | | | | |
| 19 | 930.20 | Miscellaneous General Expenses | | | | | | | | | |
| | 931.00 | Rents | | | | | | | | | |
| 20 | | 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 | | | |
|----------|--------|--|------------------|---------|---------|-----------|-------------------|---------|---------|-----------|
| | | | Labor (a) | S&E (b) | Gas (c) | Total (d) | Labor (e) | S&E (f) | Gas (g) | Total (h) |
| | | | \$ | \$ | \$ | \$ | \$ | \$ | \$ | |
| 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 | - | - | - | - | - | - | - | |
| | | | - | - | - | - | - | - | - | |
| | | <u>Natural Gas Storage, Terminating, and Processing Expenses</u> | | | | | | | | |
| 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 | - | - | - | - | - | - | - | |
| 17 | 823.00 | Gas Losses | - | - | - | - | - | - | - | |
| 18 | 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. 9 | | | | Adjustment No. 10 | | | |
|----------|--------|---|------------------|----------|---------|-----------|-------------------|-----------|-----------|-----------|
| | | | Labor (a) | S&E (b) | Gas (c) | Total (d) | Labor (e) | S&E (f) | Gas (g) | Total (h) |
| 1 | 840.00 | Transmission Expense | \$ | \$ | \$ | \$ | \$ | \$ | \$ | |
| 2 | 841.00 | Operation Supervision and Engineering | - | - | - | - | - | - | - | |
| 3 | 841.00 | Operation Labor and Expenses | - | - | - | - | - | - | - | |
| 4 | 842.20 | LNG Processing Terminal Labor and Expenses | - | - | - | - | - | - | - | |
| 5 | 847.30 | Maintenance of LNG Processing Terminal Equipment | - | - | - | - | - | - | - | |
| 6 | 850.00 | Operation Supervision and Engineering | - | 252,179 | - | 252,179 | - | - | - | |
| 7 | 851.00 | System Control & Load Dispatching | - | - | - | - | - | - | - | |
| 8 | 852.00 | Communication System Expenses | - | - | - | - | - | - | - | |
| 9 | 853.00 | Compressor Station Labor and Expenses | - | 60,000 | - | 60,000 | (2,252) | (2,081) | (4,333) | |
| 10 | 854.00 | Gas for Compressor Station Fuel | - | - | - | - | (23,917) | (26,479) | (50,396) | |
| 11 | 855.00 | Other Fuel and Power For Compressor Stations | - | - | - | - | - | - | - | |
| 12 | 856.00 | Mains Expenses | - | - | - | - | - | - | - | |
| 13 | 857.00 | Measuring and Regulating Station Expenses | - | 112,800 | - | 112,800 | (17,419) | (84,914) | (102,333) | |
| 14 | 858.00 | T & C by Others | - | - | - | - | (15,895) | - | (15,895) | |
| 15 | 859.00 | Other Expenses | - | - | - | - | - | - | - | |
| 16 | 860.00 | Rents | - | 320,607 | - | 320,607 | (3,569) | - | (3,569) | |
| | | 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) | |
| | | Total Maintenance | - | (83,352) | - | (83,352) | (2,969) | - | (2,969) | |
| 24 | | Total Transmission Expense | - | 662,234 | - | 662,234 | (28,510) | (41,980) | (70,490) | |
| 25 | | | - | | - | | (91,562) | (155,454) | (247,016) | |

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 | | |
|----------|--------|---|------------------|------------|------------|-------------------|--------------|--------------|
| | | | Labor (a) | S&E (b) | Gas (c) | Labor (e) | S&E (f) | Gas (g) |
| | | | | | Total (d) | | | Total (h) |
| 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 | | Administrative and General Expenses | | | | | | |
| 10 | 920.00 | Administrative and General Salaries | - | - | - | - | - | - |
| 11 | 921.00 | Office Supplies and Expenses | - | - | - | - | - | - |
| 12 | 922.00 | Admin. Expenses Transferred | - | - | - | - | - | - |
| 13 | 923.00 | Outside Services Employed | - | - | - | - | - | - |
| 14 | 924.00 | Property Insurance | - | - | - | - | - | - |
| 15 | 925.00 | Injuries and Damage | - | - | - | - | - | - |
| 16 | 926.00 | Employee Pensions and Benefits | - | - | - | - | - | - |
| 17 | 928.00 | Regulatory Commission Expenses | - | - | - | - | - | - |
| 18 | 930.10 | General Advertising Expenses | - | - | - | - | - | - |
| 19 | 930.20 | Miscellaneous General Expenses | - | - | - | - | - | - |
| | 931.00 | Rents | - | - | - | - | - | - |
| 20 | | Total Operation | - | - | - | - | - | - |
| 21 | 932.00 | Maintenance of General Plant | - | - | - | - | - | - |
| 22 | | Total Maintenance | - | - | - | - | - | - |
| 23 | | Total Administrative and General Expense | - | - | - | - | - | - |
| | | Total Adjustment | \$ - | \$ 662,234 | \$ - | \$ (91,562) | \$ (155,454) | \$ - |
| | | | | | \$ 662,234 | | | \$ (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 | Total Adjustments | | | |
|----------|--------|--|-------------------|-------------|---------------|---------------|
| | | | Labor (a) | S&E (b) | Gas (c) | Total (d) |
| | | Gas Supply Expense | | | | |
| 1 | 800.00 | Natural Gas Well Head Purchases | \$ - | \$ - | \$ - | \$ - |
| 2 | 805.00 | Other Gas Purchase | - | - | - | - |
| 3 | 806.00 | Exchange Gas | - | - | 1,535,484 | 1,535,484 |
| 4 | 808.10 | Gas withdrawn from Storage - Debit | - | - | (135,746,484) | (135,746,484) |
| 5 | 808.20 | Gas delivered to Storage - Credit | - | - | 135,275,811 | 135,275,811 |
| 6 | 810.00 | Gas Used for Compressor Station Fuel - Credit | - | - | 67,627,851 | 67,627,851 |
| 7 | 812.00 | Gas Used for Other Utility Operations - Credit | - | - | (3,408,344) | (3,408,344) |
| 8 | 813.00 | 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 |
| | | 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 | - | - | - | - |
| 17 | 823.00 | Gas Losses | - | - | - | - |
| 18 | 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
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 | 840.00 | Transmission Expense | | | | |
| 2 | 841.00 | Operation Supervision and Engineering | \$ - | \$ - | \$ - | \$ - |
| 3 | 841.00 | Operation Labor and Expenses | - | - | - | - |
| 4 | 842.20 | LNG Processing Terminal Labor and Expenses | - | - | - | - |
| 5 | 847.30 | Maintenance of LNG Processing Terminal Equipment | - | - | - | - |
| 6 | 850.00 | Operation Supervision and Engineering | 388,745 | (4,000,109) | - | (3,631,364) |
| 7 | 851.00 | System Control & Load Dispatching | (379) | - | - | (379) |
| 8 | 852.00 | Communication System Expenses | 1,116 | 17,378 | - | 18,494 |
| 9 | 853.00 | Compressor Station Labor and Expenses | 29,018 | 20,143 | - | 49,161 |
| 10 | 854.00 | Gas for Compressor Station Fuel | - | - | (67,627,651) | (67,627,651) |
| 11 | 855.00 | Other Fuel and Power For Compressor Stations | 78,037 | (8,376,274) | - | (8,376,274) |
| 12 | 856.00 | Mains Expenses | 8,049 | (27,500) | (4,156,702) | (4,156,702) |
| 13 | 857.00 | Measuring and Regulating Station Expenses | - | 133,857 | - | 133,857 |
| 14 | 858.00 | T & C by Others | (1,466) | - | - | (1,466) |
| 15 | 859.00 | Other Expenses | 143 | 1,423 | - | 1,566 |
| 16 | 860.00 | Rents | - | 481,264 | - | 481,264 |
| 17 | | Total Operation | 483,263 | (11,749,818) | (71,784,353) | (83,050,908) |
| 18 | 861.00 | Maintenance Supervision and Engineering | - | 2 | - | 2 |
| 19 | 862.00 | Maintenance of Structures and Improvements | 501 | (106,873) | - | (106,372) |
| 20 | 863.00 | Maintenance of Mains | 7,495 | 48,235 | - | 55,730 |
| 21 | 864.00 | Maintenance of Compressor Station Equipment | 39,599 | 46,583 | - | 86,182 |
| 22 | 865.00 | Maintenance of Measuring and Regulating Station Equipment | 7,176 | 9,143 | - | 16,319 |
| 23 | 866.00 | Maintenance of Communication Equipment | 2,950 | 2,446 | - | 5,396 |
| 24 | 867.00 | Maintenance of Other Equipment | (2,244) | 342,060 | - | 339,816 |
| 25 | | Total Maintenance | 55,477 | 341,596 | - | 397,073 |
| | | 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) |
| | | Customer Accounts Expense | | | | |
| 1 | 901.00 | Supervision | \$ - | \$ - | \$ - | \$ - |
| 2 | 903.00 | Customer Records and Collection Expenses | - | - | - | - |
| 3 | 904.00 | 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 | - | - | - | - |
| 16 | 928.00 | Regulatory Commission Expenses | - | 2,624,915 | - | 2,624,915 |
| 17 | 930.10 | General Advertising Expenses | - | (1,133,024) | - | (1,133,024) |
| 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 | \$ | 303,091 |

TRANSWESTERN PIPELINE COMPANY, LLC

Adjustment No. 3
Adjustment to Reflect Labor Cost Increase

| Line No. | Acct. No. | Description | Base Period Labor (a) | Adjustment No. 8 (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) | (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 | 7,666,182 | (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 | 393,619 | - | - | (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 | 317,307 |

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 | | | | | | | |
| 2 | 921.00 | Office Supplies & General Salaries | \$ 6,860,494 | \$ (1,760,513) | \$ 1,332,303 | \$ (113,161) | \$ (971,605) | \$ 5,347,518 | \$ 200,532 |
| 3 | 922.00 | Admin. Expenses Transferred | 1,073,110 | (1,073,110) | - | - | - | - | - |
| 4 | 923.00 | Outside Services Employed | (256,036) | - | - | - | 54,153 | (201,885) | (7,571) |
| 5 | 924.00 | Property Insurance | (107,475) | - | 107,475 | - | - | - | - |
| 6 | 925.00 | Injuries & Damages | - | - | - | - | - | - | - |
| 7 | 926.00 | Employee Pensions & Benefits | - | - | - | - | - | - | - |
| 8 | 928.00 | Regulatory Commission Expenses | - | - | - | - | - | - | - |
| 9 | 930.10 | General Advertising Expenses | - | - | - | - | - | - | - |
| 10 | 930.20 | Miscellaneous General Expenses | - | - | - | - | - | - | - |
| 11 | 931.00 | Rents | - | - | - | - | - | - | - |
| 12 | | 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>\$</u> | <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) | \$ - | \$ - | \$ - | \$ - | \$ 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) | - | (50,396) | (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 | - | - | - | - | - | (102,333) | - | 1,206,224 | 57,416 |
| 8 | 857.00 | Measuring and Regulating Station Expenses | 1,308,559 | - | - | (2) | - | 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) | (4,159,281) | (60,000) | 112,800 | (176,526) | (3,190,877) | 3,375,149 | 180,657 |
| | | | 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 | (109,714) | - | - | - | - | - | - | 40 | 2 |
| 15 | 863.00 | Maintenance of Mains | 169,398 | - | - | - | - | - | - | - | 59,684 | 2,841 |
| 16 | 864.00 | Maintenance of Compressor Station Equipment | 1,510,895 | - | - | - | - | - | (33,247) | - | 1,477,648 | 70,336 |
| 17 | 865.00 | Maintenance of Measuring and Regulating Station Equipment | 3,175,468 | - | - | 1 | - | - | (28,140) | - | 3,147,329 | 149,813 |
| 18 | 866.00 | Maintenance of Communication Equipment | 197,103 | - | - | - | - | - | (5,029) | - | 192,074 | 9,143 |
| 19 | 867.00 | Maintenance of Other Equipment | 52,482 | - | - | - | - | - | (1,105) | - | 51,377 | 2,446 |
| 20 | | Total Maintenance | 348,343 | (315,912) | - | (2,649) | - | - | (2,969) | - | 26,813 | 1,276 |
| | | | 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 | | | | | | 3.24% |
| 10 | Total S&E Factor | | | | | | 4.76% |

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

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 | | | | (866,678) | | Adjustment to remove Uncollectible Receivables Amortization 1/ |
| 3 | | Total Account No. 904 | | | (925,465) | |
| 4 | 920.00 | Administrative & General Salaries | | | | Adjustment to normalize corporate charges (Labor) |
| 5 | | | H-1.6(c) | 223,302 | | Adjustment to eliminate out-of-period entries (Labor) |
| 6 | | | H-1.6(e) | 1,332,303 | | Adjustment to normalize corporate charges (S&E) |
| 7 | | | H-1.6(c) | 175,001 | | Adjustment to eliminate out-of-period entries (S&E) |
| 8 | | | H-1.6(e) | (788,432) | | Adjustment to normalize incentive compensation (S&E) |
| 9 | | Total Account No. 920 | H-1.6(g) | 55,720 | 997,894 | |
| 10 | 921.00 | Office Supplies & Expenses | | | | Adjustment to normalize corporate charges (Labor) |
| 11 | | | H-1.6(c) | (1,073,110) | | Adjustment to normalize corporate charges (S&E) |
| 12 | | | H-1.6(e) | 1,129,114 | | Adjustment to eliminate out-of-period entries (S&E) |
| 13 | | Total Account No. 921 | H-1.6(e) | (30,902) | 25,102 | |
| 14 | 923.00 | Outside Services Employed | | | | Adjustment to eliminate out-of-period entries (Labor) |
| 15 | | | H-1.6(e) | 107,475 | | Adjustment to remove Litigation Cost Amortization (S&E) 1/ |
| 16 | | | H-1.6(c) | (760,152) | | Adjustment to normalize corporate charges (S&E) |
| 17 | | | H-1.6(e) | (273,793) | | Adjustment to eliminate out-of-period entries (S&E) |
| 18 | | Total Account No. 923 | H-1.6(e) | 11,922 | (914,548) | |
| 19 | 924.00 | Property Insurance - S&E | | | | Adjustment to eliminate out-of-period entries |
| 20 | | | H-1.6(e) | (77,093) | | |
| 21 | 926.00 | Employee Pensions & Benefits - S&E | | | | Adjustment to remove Severance/Relocation Amortization 2/ |
| 22 | | | H-1.6(f) | (453,516) | | Adjustment to reflect increase in medical benefit costs |
| 23 | | | H-1.6(a) | 234,610 | | Adjustment to reflect five-year amortization of cash balance plan termination costs |
| 24 | | | H-1.6(b) | 1,661,289 | | Adjustment to normalize corporate charges |
| 25 | | | H-1.6(c) | 701,326 | | Adjustment to eliminate out-of-period entries |
| 26 | | Total Account No. 926 | H-1.6(f) | 58,148 | 2,624,915 | Adjustment to reflect increase in savings plan costs |
| 27 | 928.00 | Regulatory Commission Expense - S&E | | | | Adjustment to remove FERC Order No. 472 Annual Charge |
| 28 | | | H-1.6(g) | (1,116,792) | | Adjustment to remove regulatory commission expense amortization 2/ |
| 29 | | Total Account No. 928 | H-1.6(h) | (118,232) | (1,133,024) | Adjustment to reflect five-year amortization of regulatory expenses |
| 30 | 930.20 | Miscellaneous General Expenses - S&E | | | | Adjustment to annualize accretion expense on ARO liability |
| 31 | | | H-1.6(d) | 58,380 | | Adjustment to eliminate out-of-period entries |
| 32 | | Total Account No. 930.2 | H-1.6(e) | (97,587) | (39,207) | |
| 33 | 931.00 | Rents - S&E | | | | Adjustment to normalize corporate charges |
| 34 | | Total Account No. 931 | H-1.6(e) | (65,263) | (65,223) | Adjustment to eliminate out-of-period entries |
| 35 | | Total Adjustment | | 40 | \$ 493,351 | |

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 | <u>3,035,980</u> | <u>1,906,866</u> | <u>1,129,114</u> |
| 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 | <u>-</u> | <u>273,793</u> | <u>(273,793)</u> |
| | 926.00 | Employee Pensions & Benefits - S&E | | | |
| 8 | | 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 | <u>384,896</u> | <u>-</u> | <u>384,896</u> |
| 13 | | Total 926.00 | <u>701,326</u> | <u>-</u> | <u>701,326</u> |
| 14 | 931.00 | Rents | <u>-</u> | <u>65,263</u> | <u>(65,263)</u> |
| 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

| Line No. | Acct. No. | Description | Amount (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 (a)</u> |
|---------------------|----------------------|---|-----------------------|
| | 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

| Line No. | Acct. No. | Description | Amount (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 | |
| | | Projected Expenses in Instant Rate Proceeding | |
| 1 | | 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><u>500,000</u></u> |
| 6 | | Annual Amortization Over 5 Years | \$ <u><u>100,000</u></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/ | \$ 536,447 | \$ | 10,795 | \$ | 285,507 | \$ | 40,870 | \$ | 873,619 |
| 66 | Test Period ARO Accretion Expense per Schedule H-1.6(d), page 1 | | | | | | | | \$ | 58,380 |
| 67 | Test Period ARO Depreciation Expense per Statement H-2 4/ | | | | | | | | \$ | 25,684 |

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)

| Line No. | Acct. No. | Description | Amount | 1/ |
|-------------|--------------|--|----------------------------|----|
| | | | (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) |
|---|--------------|---|---------------|-----------------------|
| <u>Eliminate PCB and Non-PCB Environmental Remediation Expenses (Reserved)</u> | | | | |
| 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) |
| <u>Amortization Of Non-PCB Environmental Regulatory Asset</u> | | | | |
| | 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.