

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

**Southwest Gas Storage Company                    §                    Docket No. RP07-\_\_\_\_-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,  
3       Houston, 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  
6       Senior Director of Rates in the Rates and Regulatory Affairs Department. In addition  
7       to Panhandle, I have the same position with the other pipeline companies of the  
8       Panhandle Energy pipeline group which include Florida Gas Transmission Company,  
9       LLC ("Florida Gas"), Sea Robin Pipeline Company, LLC ("Sea Robin"), Southwest  
10      Gas Storage Company, ("Southwest Gas Storage"), Trunkline Gas Company, LLC  
11      ("Trunkline") and Trunkline LNG Company, LLC.

12    My present duties include the preparation and/or supervision of the preparation of  
13    Cost of Service, tracker filings, transportation revenue and rate design data relating to  
14    certificate, general rate, and tariff filings for the entire Panhandle Energy pipeline  
15    group of companies. Such data are utilized by management and for various

1 regulatory purposes.

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

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

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

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

16 **Q. Have you previously submitted testimony before the Federal Energy Regulatory**  
17 **Commission (Commission)?**

18 A. Yes. I have submitted testimony in Trunkline Gas Company, Docket No. RP89-160-  
19 000, Trunkline Gas Company, Docket No. RP92-165-000, Trunkline Gas Company,  
20 Docket No. RP94-164-000, Trunkline Gas Company, Docket No. RP96-129-000, Sea  
21 Robin Pipeline Company, Docket No. CP95-168-000, Transwestern Pipeline

1        Company, LLC, in Docket No. RP06-614-000, Southwest Gas Storage Company, in  
2        RP07-34-000, and Sea Robin Pipeline Company, LLC in Docket No. RP07-513-000.

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

4        A. I will testify to the following areas:

- 5            1) Overall Cost of Service;  
6            2) Claimed Rate Base and proposed Return;  
7            3) Accumulated Deferred Income Taxes;  
8            4) Accumulated Provision for Depreciation;  
9            5) Depreciation, Depletion and Amortization Expense;  
10          6) Operation and Maintenance Expense;  
11          7) Income Taxes;  
12          8) Revenue Credits; and  
13          9) Gas Balance.

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

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

17	<u>Exhibit No.</u>	<u>Reference</u>	<u>Description</u>
18	SGS-34	STATEMENT A	Overall Cost of Service
19	SGS-35	STATEMENT B	Rate Base and Return
20	SGS-36	Schedule B-1	Accumulated Deferred
21			Income Taxes
22	SGS-37	Schedule B-2	Regulatory Assets and
23			Liabilities

1	SGS-38	STATEMENT H-2	Depreciation, Depletion and
2			Amortization Expense
3	SGS-39	Schedule H-2(1)	Reconciliation of Depreciable
4			Plant
5	SGS-40	STATEMENT H-1	Operation and Maintenance
6			Expenses
7	SGS-41	STATEMENT H-3	Income Taxes
8	SGS-42	Schedule G-4	At Risk Revenues
9	SGS-43	Schedule G-5	Other Revenues
10	SGS-44	Schedule G-6	Miscellaneous Revenues
11	SGS-45	Schedule I-5	Gas Balance

12 **Q. What Base Period was utilized by Southwest Gas Storage for this filing?**

13 A. Southwest Gas Storage has used a Base Period reflecting the actual data for the  
14 twelve months ended April 30, 2007, in this proceeding. Adjustments were  
15 incorporated for known and measurable changes which will occur during the nine  
16 months succeeding the end of the Base Period, through January 31, 2008  
17 (“Adjustment Period”). The Base Period, as adjusted for changes in the Adjustment  
18 Period, is referenced as the “Test Period.”

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

20 A. Southwest Gas Storage's Cost of Service, after deducting Other Revenues, is  
21 \$50,448,945. This is summarized by each component part in my Exhibit No. SGS-34.

22 **Q. Please explain Exhibit No. SGS-34.**

23 A. Exhibit No. SGS-34 is a summary of Southwest Gas Storage's total Cost of Service

1 reflecting the actual costs for the period ended April 30, 2007. Actual costs have  
2 been adjusted for known and measurable changes for the period ended January 31,  
3 2008. The exhibit is detailed by each of the components of the Cost of Service.

4 **Q. What are the components of the total system Cost of Service as shown in your**  
5 **Exhibit No. SGS-34?**

6 A. Total Operating Expenses shown on Lines 1 through 3 are \$20,252,093 and are  
7 shown in detail in my Exhibit No. SGS-40. Depreciation and Amortization Expenses,  
8 shown on Line 4 as \$5,374,308, are from my Exhibit No. SGS-38. The Federal and  
9 State Income Taxes, on Lines 7 and 8, are \$5,777,955 and \$877,158, respectively, and  
10 are the subject of my Exhibit No. SGS-41. Mr. Brocato's Exhibit No. SGS-50  
11 supports Taxes Other Than Income Taxes in the amount of \$3,606,658, on Line 5.  
12 The Return component of \$14,737,491, shown on Line 6, is taken from my Exhibit  
13 No. SGS-35. The Gas Revenue Credits in the amount of (\$176,718), on Line 9, are  
14 taken from my Exhibit No. SGS-43.

15 **Q. Please describe your Exhibit No. SGS-35.**

16 A. Exhibit No. SGS-35 reflects the various components of the Rate Base to determine a  
17 net adjusted Rate Base of \$141,570,520. The Return allowance on Rate Base of  
18 \$14,737,491 is based on an Overall Rate of Return of 10.41 percent. The derivation  
19 of the 10.41 percent Overall Rate of Return is discussed in the testimonies and  
20 exhibits of Mr. Langston and Mr. Hevert.

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

1 A. The adjusted Rate Base includes total Gas Plant of \$265,959,493, as shown in Mr.  
2 Brocato's Exhibit No. SGS-47. This gross Gas Plant figure is reduced by the  
3 Accumulated Provision for Depreciation of \$122,879,458, as determined in Mr.  
4 Brocato's Exhibit No. SGS-48, and Accumulated Deferred Income Taxes of  
5 (\$703,000), which were taken from my Exhibit No. SGS-36. The Working Capital  
6 allowance of \$168,873, taken from Mr. Brocato's Exhibit No. SGS-49, a Regulatory  
7 Asset of \$187,106, taken from my Exhibit No. SGS-37, and a Regulatory Liability of  
8 (\$1,162,494), taken also from my Exhibit No. SGS-37, are added to obtain the Rate  
9 Base of \$141,570,520.

10 **Q. What is the basis for the Accumulated Deferred Federal and State Income Taxes**  
11 **used to reduce Southwest Gas Storage's Gas Plant for Rate Base purposes?**

12 A. Page 1 of my Exhibit No. SGS-36 identifies the individual components that comprise  
13 the Accumulated Deferred Taxes in Account Nos. 190, 282 and 283, and indicates  
14 those claimed by Southwest Gas Storage in Rate Base. Exhibit No. SGS-36, Page 2,  
15 sets forth the Accumulated Deferred Income Tax balances by FERC account for each  
16 month of the twelve-month period ended April 30, 2007. Column (m) on Page 2  
17 reflects the changes in the provision for Deferred Income Taxes projected to occur  
18 during the Adjustment Period, including the changes resulting from plant additions  
19 and retirements; tax and book depreciation; and other related entries projected to be  
20 recorded during the Adjustment Period. Column (n) on Page 2 eliminates the  
21 Accumulated Deferred Income Taxes that Southwest Gas Storage is not claiming in

1 Rate Base, and Column (o) reflects the resulting Accumulated Deferred Income  
2 Taxes of (\$703,000).

3 **Q. Please describe the Regulatory Asset balance claimed in Rate Base on Exhibit**  
4 **No. SGS-37.**

5 A. As shown on Page1, Line 16, Column (a) of my Exhibit No. SGS-37, the balance at  
6 the end of the Base Period for the Regulatory Asset claimed in Rate Base is \$187,106.  
7 No adjustment to this amount is proposed for the Test Period, as reflected on Lines 17  
8 and 18. The Regulatory Asset balance claimed represents the balance in FERC  
9 Account No. 182.3 for Equity AFUDC Gross-Up recorded in accordance with FASB  
10 Statement No. 109 ("FAS 109").

11 **Q. Please describe the Regulatory Liability balance claimed in Rate Base on Exhibit**  
12 **No. SGS-37.**

13 A. The balance at the end of the Base Period for the Regulatory Liability claimed in Rate  
14 Base is (\$2,267,799), as shown on Page 1, Line 14, Column (b) of my Exhibit No.  
15 SGS-37. This Regulatory Liability was established pursuant to Commission letter  
16 order dated June 23, 1994 in Docket No. AC94-73-000 ("Regulatory Refund  
17 Obligation") and relates to the omission by Southwest Gas Storage of adjustments for  
18 Equity AFUDC and the state impact on federal deferred income taxes in the  
19 determination of excess deferred income taxes in Docket No. RP89-60-000. The  
20 Adjustment Period activity of \$38,799 on Page 1, Line 15, Column (b) of Exhibit No.  
21 SGS-37 adjusts the Base Period balance to reflect the tax-on-tax effect of the

1 Regulatory Refund Obligation at the currently effective income tax rates. The sum of  
2 Lines 14 and 15, Column (b) produces the projected Test Period balance at January  
3 31, 2008 of (\$2,229,000), as reflected on Line 16, Column (b). The adjustment of  
4 \$1,066,506 shown on Line 17, Column (b) reduces the Test Period balance to reflect  
5 the net balance claimed in Rate Base of (\$1,162,494) on Line 18. This amount  
6 represents the average remaining balance over a 12.54 amortization period as set forth  
7 on Page 2 of my Exhibit No. SGS-37. The 12.54 amortization period was the  
8 remaining life determined and set forth on Page 1, Line 10 of Workpaper Schedule N-  
9 7.2 of the Stipulation and Agreement in Docket No. RP89-60-000, as approved by the  
10 Commission on September 29, 1989.

11 **Q. Do you have an exhibit reflecting the derivation of the Depreciation Expense?**

12 A. Yes, as shown on my Exhibit No. SGS-38, Depreciation Expense of \$5,374,308, on  
13 Line 11, Column (h), was calculated by taking the adjusted Gas Plant in Column (a),  
14 and applying the annual depreciation rates, which are the subject of Southwest Gas  
15 Storage's witness, Mr. Feinstein's prepared direct testimony, as shown in Column (e)  
16 to obtain the total expense included in the Cost of Service. My Exhibit No. SGS-39  
17 provides the reconciliation of Depreciable Plant to the Total Gas Plant shown on Mr.  
18 Brocato's Exhibit No. SGS-47.

19 **Q. What is the source of the depreciation rate used on Exhibit No. SGS-38 for the**  
20 **depreciation of Gas Plant - Storage?**

21 A. The Storage depreciation rate of 1.95 percent is taken from Mr. Feinstein's Exhibit



1 No. SGS-51.

2 **Q. Have you included in the Depreciation Expense a proposed negative salvage rate**  
3 **for the Storage facilities?**

4 A. Yes. A negative salvage rate of 0.97 percent has been reflected as a component of the  
5 overall Depreciation Expense proposed in this proceeding. The negative salvage rate  
6 utilized is the subject of Mr. Feinstein's Exhibit No. SGS-51 and Mr. Taylor's Exhibit  
7 No. SGS-79.

8 **Q. What depreciation rate is proposed in this proceeding for General Plant?**

9 A. Southwest Gas Storage continues to utilize its current depreciation rates for Office  
10 Furniture and Equipment, and for Tools, Shop and Garage Equipment; however,  
11 Southwest Gas Storage has proposed a 15-year life for Power Operated Equipment,  
12 which equates to a 6.67 percent depreciation rate, an acceptable rate for these assets.  
13 Likewise, Southwest Gas Storage has modified the Office Computers' depreciation  
14 rate from 3.60 percent to 20.00 percent, which is also an acceptable rate for this type  
15 of equipment.

16 **Q. What is the depreciation rate proposed in this proceeding for Intangible Plant?**

17 A. Southwest Gas Storage continues to utilize its current 10.4611 percent amortization  
18 rate for Intangible – Computer Software, which is appropriately based on useful life.

19 **Q. Have you prepared an exhibit setting forth the Operation and Maintenance**  
20 **("O&M") Expenses claimed in the Cost of Service?**

21 A. Yes, I have. My Exhibit No. SGS-40 shows Southwest Gas Storage's O&M Expense

1 for the period ended April 30, 2007, as adjusted for known and measurable changes  
2 projected to occur to and including January 31, 2008.

3 **Q. Please describe Exhibit No. SGS-40.**

4 A. Pages 1 and 2 of my Exhibit No. SGS-40, Columns (a) through (d), set forth O&M  
5 Expenses for the twelve months of actual experience ended April 30, 2007; the  
6 adjustments to these Base Period expenses in Columns (e) through (h); and the total  
7 claimed O&M Expenses in Columns (i) through (l). The O&M Expenses are shown  
8 by FERC account number and are subdivided between Labor, Supplies and Expenses  
9 ("S&E") and Gas Cost. The annual O&M Expense, as adjusted, is \$20,252,093 as  
10 shown at Page 2, Column (l), Line 23.

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

14 A. Yes. Adjustments to the Base Period O&M Expenses total \$14,272,968 (Page 2,  
15 Column (h), Line 23). Page 3 contains a summary narrative description of each  
16 adjustment. The components of each O&M adjustment in detail by FERC Account  
17 are shown on Pages 12 through 26. Basically, the O&M adjustments fall into the  
18 following categories: 1) increase to reflect purchase of third-party storage; 2) salary  
19 increases for the employee merit budget and increases in cost levels for S&E; 3)  
20 elimination of costs associated with company used gas; 4) Administrative and  
21 General expenses, including but not limited to, the normalization of corporate costs

1       attributable to Southwest Gas Storage; and the removal of non-recurring and out-of-  
2       period charges; and 5) inclusion of costs incurred but not paid.

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

4       A. Adjustment No. 1 for \$11,165,000, as shown on Page 12 of my Exhibit No. SGS-40  
5       reflects the acquisition of third-party storage from Tenaska Gas Storage, LLC  
6       ("TGS") pursuant to an executed contract dated April 4, 2007, as more fully  
7       explained in Mr. Langston's Exhibit No. SGS-1. The monthly reservation charge to  
8       Southwest Gas Storage is \$1,015,000, or \$12,180,000, annually. Storage service  
9       under the TGS agreement commenced April 1, 2007. Copies of the invoices for  
10      storage service provided in April 2007 and May 2007 are included in Mr. Langston's  
11      prepared direct testimony as Exhibit No. SGS-10.

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

13      A. Adjustment No. 2 for \$67,410, as shown on Page 14, Line 16 of my Exhibit No.  
14      SGS-40 normalizes salary increases which became effective during the twelve-month  
15      period ending April 30, 2007, as projected through the end of January 2008. This  
16      adjustment reflects salary merit increases necessary to continue the Company policy  
17      of maintaining compensation programs that will attract and retain employees.

18      **Q. Please describe Adjustment No. 3 to Supplies and Expenses.**

19      A. Adjustment No. 3 for \$89,708, on Page 15 of my Exhibit No. SGS-40 annualizes the  
20      projected increases in the cost of Supplies and Expenses which have occurred and  
21      which will occur through the end of January 2008. Since the Company does not

1 purchase the same supplies and expenses each month, and increases in the cost of  
2 materials purchased in the early months of the period do not reflect cost increases  
3 which have occurred throughout the twelve-month period ended April 30, 2007, a  
4 series of wholesale price indices published by the Bureau of Labor Statistics were  
5 utilized to measure the effect of these cost increases on Southwest Gas Storage's  
6 O&M Expenses, as shown on Page 16 of my Exhibit No. SGS-40.

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

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

16 **Q. Please describe Adjustment No. 4 to O&M Expenses.**

17 A. Adjustment No. 4, which is an increase to O&M Expenses of \$1,284,125, as shown  
18 on Page 18 of my Exhibit No. SGS-40 eliminates entries related to other gas supply  
19 expenses in accordance with the service restructuring under Order Nos. 636, et seq.,  
20 as well as gas costs to be recovered through Southwest Gas Storage's fuel retention  
21 percentages.

1 **Q. What are the adjustments to Administrative and General (“A&G”) Expenses?**

2 A. Adjustment No. 5, detailed on Page 19 of my Exhibit No. SGS-40, is an adjustment to  
3 A&G Expenses in the amount of \$1,622,577, which reflects: 1) the elimination of  
4 entries relating to periods outside the Base Period; 2) the normalization of corporate  
5 charges; 3) increases in medical benefit costs; 4) the removal of FERC Order No. 472  
6 Annual Charge expenses, which are collected through a separate surcharge contained  
7 in Southwest Gas Storage’s FERC Gas Tariff, First Revised Volume No. 1; and 5) the  
8 amortization of regulatory expenses.

9 **Q. Did you eliminate expenses that did not pertain to Southwest Gas Storage’s Base**  
10 **Period?**

11 A. Yes. Various entries recorded during the Base Period, but related to out-of-period  
12 items, have been eliminated from FERC Account Nos. 921, 923 and 930.2, as shown  
13 on Page 20 of my Exhibit No. SGS-40.

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

15 A. During the twelve-month period ended April 30, 2007, corporate costs allocated to  
16 Southwest Gas Storage included costs from Southern Union Company. As shown on  
17 Page 21 of my Exhibit No. SGS-40, the adjustments to FERC Account Nos. 920, 921,  
18 923, 926, and 930.2 establish normalized expense levels for 2007 for these costs to be  
19 incurred solely by Southern Union Company on Southwest Gas Storage’s behalf.

20 **Q. What adjustment did you make for employee benefits?**

21 A. In addition to the adjustments to FERC Account No. 926 to normalize corporate

1 charges discussed above, an adjustment of \$14,983 to the costs for the medical, dental  
2 and vision programs was made to reflect the projected increase in the cost of these  
3 programs during 2007, as shown on Page 22, Line 9, of my Exhibit No. SGS-40.

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

5 A. FERC Account No. 928, has been adjusted by (\$59,481), as shown on Page 24 of my  
6 Exhibit No. SGS-40, to reflect the removal of FERC Order No. 472 Annual Charge  
7 expenses, which are collected through a separate surcharge as provided for in  
8 Southwest Gas Storage's FERC Gas Tariff, First Revised Volume No. 1.

9 **Q. Did you make other adjustments to regulatory expenses?**

10 A. Yes, another adjustment has been made to include the recovery of estimated  
11 regulatory expenses of \$1,000,000 to be incurred as a result of this rate case  
12 proceeding, which Southwest Gas Storage is proposing to recover over a five-year  
13 period. This adjustment is two-fold. First, as shown on Pages 23 and 24 of my  
14 Exhibit No. SGS-40, FERC Account Nos. 923 and 928 have been adjusted by  
15 (\$146,476) and (\$438,202), respectively, to eliminate legal fees recorded during the  
16 Base Period that were attributable to Southwest Gas Storage's Section 5 proceeding  
17 in Docket No. RP07-34-000. Second, as shown on Page 25 of my Exhibit No. 40,  
18 FERC Account No. 928 has also been adjusted by \$200,000 to reflect the recovery of  
19 an annual representative level of regulatory expenses to be incurred as a result of this  
20 rate case proceeding. After adjustments, the amount claimed for FERC Account No.  
21 928 is \$207,578, as shown on Page 24, Line 5, Column (c).

1 **Q. Please describe Adjustment No. 6 to O&M Expenses.**

2 A. Adjustment No. 6 for \$44,148, as shown on Page 26 of my Exhibit No. SGS-40,  
3 eliminates the effects of out-of-period labor accruals contained in the twelve-month  
4 period ended April 30, 2007 and provides for actual labor expenses incurred but not  
5 recorded for the last six business days in April 2007. Southern Union Company and  
6 its affiliates follow a biweekly payroll calendar. Labor expenses incurred for the last  
7 six business days of April 2007 were paid and recorded in May 2007.

8 **Q. Has Southwest Gas Storage included an adjustment for charitable donations in**  
9 **this filing?**

10 A. No. Southwest Gas Storage has not included such an adjustment in this filing.

11 **Q. Is Southwest Gas Storage itself subject to income taxes?**

12 A. No. As a limited liability company, Southwest Gas Storage is a pass-through entity  
13 for tax purposes and, therefore, is not itself subject to income taxes. However, the  
14 ultimate owner of Southwest Gas Storage is subject to actual or potential income tax  
15 liability on its share of Southwest Gas Storage's income.

16 **Q. Does the Commission's Policy Statement authorize an income tax allowance in**  
17 **the case of an interstate pipeline that is a pass-through entity for income tax**  
18 **purposes?**

19 A. Yes. The Policy Statement authorizes an income tax allowance in cases where  
20 partnerships or similar pass-through entities own the assets of a regulated public  
21 utility to the extent that the owner or owners of the pass-through entity are subject to

1 actual or potential income tax liability on their shares of the pass-through entity's  
2 income.

3 **Q. What factors does the Commission consider when authorizing an income tax**  
4 **allowance for a pipeline that is a pass-through entity for income tax purposes?**

5 A. The Commission considers the pipeline's owners and their tax status. If there is  
6 more than one level of pass-through entities, the Commission evaluates the owner  
7 where ultimate tax liability resides and whether such owner has actual or potential  
8 income tax liability on income from the pipeline (Id. at P 42.) An income tax  
9 allowance is authorized regardless of the type of entity or individual which  
10 ultimately owns the public utility assets, "provided that an entity or individual has an  
11 actual or potential income tax liability to be paid on that income from those assets."  
12 (Policy Statement, 111 FERC ¶61,139 at P 32.)

13 **Q. Please identify the owners of Southwest Gas Storage.**

14 A. Southwest Gas Storage, also known as Pan Gas Storage, LLC, is owned by  
15 Panhandle. The ownership of Panhandle is divided between: (1) 1 percent by  
16 general partner, Southern Union Panhandle, LLC, which is wholly-owned by  
17 Southern Union Company (Southern Union), a Delaware Corporation; and (2) 99  
18 percent by limited partner, Southern Union.

19 **Q. Is the ultimate owner of Southwest Gas Storage subject to actual or potential**  
20 **income tax liability with respect to income from Southwest Gas Storage?**

21 A. Yes. Southern Union, as a corporation, is subject to the corporate marginal tax rate



1 of 35 percent, and 100 percent of Southwest Gas Storage's income is included in the  
2 determination of Southern Union's federal and state income tax liability.

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

5 A. The allowances for Federal and State Income Taxes, as shown in Exhibit No. SGS-  
6 41, are \$5,777,955 and \$877,158, respectively.

7 **Q. Please explain the Federal Income Tax computation shown on Page 1 of your**  
8 **Exhibit No. SGS-41.**

9 A. The Federal Income Tax Allowance is computed based on the applicable Return, as  
10 determined on my Exhibit No. SGS-35. The Return, after Federal Income Tax  
11 Adjustments, is computed on this exhibit as shown on Line 5. A tax-on-tax factor is  
12 applied to the Return after Federal Income Tax Adjustments to compute Federal  
13 Income Taxes of \$5,955,706, shown on Line 6, which are based on the statutory tax  
14 rate of 35 percent.

15 **Q. What is the basis for the interest and debt expense deduction on Exhibit No.**  
16 **SGS-41, Page 1, Line 2?**

17 A. Interest and debt expense of \$3,666,676 was computed by multiplying Rate Base by  
18 the Return factor attributable to the debt component of capitalization of 2.59 percent,  
19 as shown on Mr. Langston's Exhibit No. SGS-4. This computation, as set forth on  
20 Page 6 of my Exhibit No. SGS-41, yields the amount of debt-related Return to be  
21 deducted.

1 **Q. What is the basis for the excess deferred income tax adjustment on Exhibit No.**

2 **SGS-41, Page 1, Line 3?**

3 A. The excess deferred income tax adjustment of (\$10,218) on Line 3 represents the  
4 annual amortization, grossed up for purposes of the Income Tax calculation, of  
5 Southwest Gas Storage's excess deferred income taxes projected at January 31, 2008.

6 **Q. Please explain.**

7 A. Excess deferred income taxes of (\$67,361) are calculated on Page 2 of my Exhibit  
8 No. SGS-41. This calculation incorporates the balances at April 30, 2007, as well as  
9 additions and retirements for the Adjustment Period reflected on Mr. Brocato's  
10 Exhibit No. SGS-47. The excess deferred income taxes are amortized over 17.25  
11 years, the remaining regulatory life of the depreciable assets of Southwest Gas  
12 Storage. Page 3 of my Exhibit No. SGS-41 sets forth the calculation of the regulatory  
13 remaining life, which also incorporates April 30, 2007 balances modified for  
14 additions and retirements projected for the Adjustment Period and utilizes the Test  
15 Period Depreciation Expense reflected on my Exhibit No. SGS-38. An annual  
16 amortization of (\$3,905) is derived on Line 9, Page 3 of my Exhibit No. SGS-41,  
17 which is grossed up on Line 10 for the Income Tax calculation by Southwest Gas  
18 Storage's composite Federal and State Income Tax rate of 38.2183 percent to arrive at  
19 the excess deferred income tax adjustment on Exhibit No. SGS-41, Page 1, Line 3.

20 **Q. Please explain any other adjustments to the Federal Income Tax Allowance.**

21 A. An adjustment of (\$177,751), on Page 1, Line 7 of Exhibit No. SGS-41 has been

1 made to the Federal Income Taxes calculated on Line 6. This adjustment has been  
2 made pursuant to a Commission letter order dated June 23, 1994, in Docket No.  
3 AC94-73-000, for Southwest Gas Storage's amortization of the Regulatory Refund  
4 Obligation, as discussed earlier. This adjustment is reflected as a reduction to Federal  
5 Income Taxes because the refund obligation is related to excess deferred taxes as a  
6 result of Southwest Gas Storage's adoption of SFAS 109. The net sum of Lines 6 and  
7 7 in the amount of \$5,777,955 is reflected on Page 1, Line 8 of Exhibit No. SGS-41  
8 and equals Southwest Gas Storage's total Federal Income Tax Allowance claimed.

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

10 A. A tax-on-tax factor was applied to the sum of the Return after Federal Income Tax  
11 Adjustments and Federal Income Tax Allowance to compute the claimed State  
12 Income Tax Allowance, in the amount of \$877,158, based on a weighted average  
13 effective state tax rate of 4.9513 percent. Pages 4 and 5 of my Exhibit No. SGS-41  
14 show the derivation of the effective state tax that should be utilized to calculate the  
15 State Income Tax Allowance.

16 **Q. Please explain Exhibit No. SGS-42.**

17 A. Exhibit No. SGS-42 shows that Southwest Gas Storage did not have revenues where  
18 there is a separate cost of service associated with "at-risk" facilities.

19 **Q. Please discuss Exhibit No. SGS-43.**

20 A. Exhibit No. SGS-43 shows the revenues booked to FERC Account Nos. 490-495 for  
21 the Base Period. For these accounts, activity was only recorded in FERC Account No.

1        495, Other Gas Revenues. The unadjusted amount of \$176,718, as shown on Line 15  
2        of Exhibit No. SGS-43, is credited to the overall Cost of Service as shown on my  
3        Exhibit No. SGS-34.

4        **Q. Please describe the revenues included in Account No. 495, Other Gas Revenues.**

5        A. These revenues reflect the royalties received from certain sales of natural gas  
6        produced from lease holdings. As shown on Line 13, during the Base Period,  
7        Southwest Gas Storage recorded revenues of \$176,718. No adjustment to this amount  
8        is proposed during the Test Period.

9        **Q. Please explain Exhibit No. SGS-44.**

10       A. Exhibit No. SGS-44 shows Southwest Gas Storage had no revenues and volumes  
11       associated with penalties for the twelve months ended April 30, 2007. These amounts  
12       would be flowed back to shippers pursuant to Section 17, Flowthrough of OFO  
13       Penalties, as detailed in the General Terms and Conditions of Southwest Gas  
14       Storage's FERC Gas Tariff, First Revised Volume No. 1 and would not be a  
15       component of the overall Cost of Service.

16       **Q. Please describe Exhibit No. SGS-45.**

17       A. Exhibit No. SGS-45, Page 1 reflects the Gas Balance for the twelve months ended  
18       April 30, 2007, while Page 2 reflects the Gas Balance for the twelve months ended  
19       April 30, 2007, as adjusted. The data is in the form required by the FERC Form No.  
20       2, Pages 520 and 521. The Gas Balance accounts for all volumes of gas that are  
21       received and delivered, by month, during the Base and Test Periods.

1   **Q. What are the principal differences between the Base Period and the Test Period**  
2       **volumes reflected in Exhibit No. SGS-45?**

3    A. Test Period Storage volumes reflect the projection of throughput through January 31,  
4       2008 on Southwest Gas Storage's system. There are no adjustments to the Base  
5       Period throughput volumes. Base Period fuel and unaccounted for gas have been  
6       adjusted to reflect the Test Period throughput at the currently effective fuel and lost  
7       and unaccounted for retention rate, as reflected in Southwest Gas Storage's FERC  
8       Gas Tariff, First Revised Volume No. 1.

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

10   A. Yes, it does.

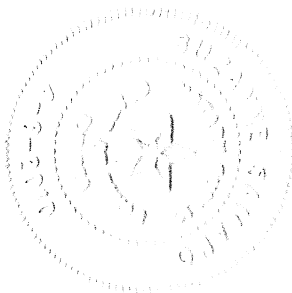
The State of Texas}
} SS.
County of Harris }

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.

Handwritten signature of Lawrence J. Biediger
Lawrence J. Biediger

Subscribed and sworn to before me this 27th day of July, 2007.



Handwritten signature of Suzanne Samano
Notary Public

My Commission Expires:

April 6, 2010

SOUTHWEST GAS STORAGE COMPANY

Cost of Service  
Twelve Months Ended April 30, 2007, As Adjusted

Line No.	Description	Reference	Total (a)
	<u>Operating Expenses</u>		
1	Operations and Maintenance		\$ 16,230,496
2	Administrative & General		<u>4,021,597</u>
3	Total Operating Expenses	STATEMENT H-1	20,252,093
4	Depreciation Expense	STATEMENT H-2	5,374,308
5	Taxes Other Than Income	STATEMENT H-4	3,606,658
6	Return @ 10.41%	STATEMENT B	14,737,491
7	Federal Income Taxes	STATEMENT H-3	5,777,955
8	State Income Taxes	STATEMENT H-3	877,158
9	Revenue Credits	Schedule G-5	<u>(176,718)</u>
10	Total		<u>\$ 50,448,945</u>

SOUTHWEST GAS STORAGE COMPANY

Rate Base and Return  
For The Period Ended April 30, 2007, As Adjusted

Line No.	Description	Reference	Total (a)
1	Plant	STATEMENT C	\$ 265,959,493
2	Accumulated Provision for Depreciation	STATEMENT D	<u>(122,879,458)</u>
3	Net Plant		143,080,035
4	Accumulated Deferred Income Taxes	Schedule B-1	(703,000)
5	Regulatory Assets	Schedule B-2	187,106
6	Regulatory Liabilities	Schedule B-2	(1,162,494)
7	Working Capital	STATEMENT E	<u>168,873</u>
8	Rate Base		<u>\$ 141,570,520</u>
9	Return on Rate Base at 10.41%		<u>\$ 14,737,491</u>



SOUTHWEST GAS STORAGE COMPANY

Deferred Income Taxes By Item  
Twelve Months Ended April 30, 2007, As Adjusted

Line No.	Description	Deferred Taxes (a)	Adjustments (b)	Deferred Taxes As Adjusted (c)	Claimed in Rate Base (d)
1	Inventory Losses - M&S	\$	\$	\$	\$
2	Insurance Reserve	(11,000)		(11,000)	-
3	Regulatory Refund Obligation	(37,000)		(37,000)	-
4	Stepped Up Tax Basis, net	874,000	(15,000)	859,000	859,000
5	Allocation of Deferred LKE Gain	41,373,000		41,373,000	-
6	Total - Account No. 190	<u>(28,155,000)</u>	<u>(15,000)</u>	<u>(28,155,000)</u>	<u>-</u>
		<u>14,044,000</u>		<u>14,029,000</u>	<u>859,000</u>
7	Tax/Book Depreciation	(1,065,000)	(414,000)	(1,479,000)	(1,479,000)
8	Tax/Book Gain on Sale of Assets	(4,000)		(4,000)	-
9	AFUDC	(24,000)		(24,000)	(24,000)
10	Total - Account No. 282	<u>(1,093,000)</u>	<u>(414,000)</u>	<u>(1,507,000)</u>	<u>(1,503,000)</u>
11	Prepaid Accounts	12,000		12,000	12,000
12	Fuel Tracker	(75,000)		(75,000)	-
13	AFUDC Equity Gross Up	(114,000)	43,000	(71,000)	(71,000)
14	Deferred Debit	42,000	(42,000)	-	-
15	FERC Annual Budget	20,000		20,000	-
16	Total Account No. 283	<u>(115,000)</u>	<u>1,000</u>	<u>(114,000)</u>	<u>(59,000)</u>
17	Total - Account Nos. 190, 282, and 283	<u>\$ 12,836,000</u>	<u>\$ (428,000)</u>	<u>\$ 12,408,000</u>	<u>\$ (703,000)</u>

SOUTHWEST GAS STORAGE COMPANY

Accumulated Deferred Income Taxes  
Twelve Months Ended April 30, 2007, As Adjusted

Line No.	Description	May 2006 (a)	June 2006 (b)	July 2006 (c)	August 2006 (d)	September 2006 (e)	October 2006 (f)	November 2006 (g)	December 2006 (h)
1	Account No. 190	\$ 14,481,000	\$ 14,421,000	\$ 14,366,000	\$ 14,311,000	\$ 14,261,000	\$ 14,206,000	\$ 14,150,000	\$ 14,202,000
2	Account No. 282	(2,356,000)	(2,400,000)	(2,487,000)	(2,346,000)	(1,579,000)	(1,393,000)	(1,250,000)	(1,207,000)
3	Account No. 283	(1,321,000)	(1,324,000)	(1,358,000)	(1,325,000)	(503,000)	(459,000)	(543,000)	(468,000)
4	Total Deferred Taxes	<u>\$ 10,804,000</u>	<u>\$ 10,697,000</u>	<u>\$ 10,521,000</u>	<u>\$ 10,640,000</u>	<u>\$ 12,179,000</u>	<u>\$ 12,354,000</u>	<u>\$ 12,357,000</u>	<u>\$ 12,527,000</u>
Line No.	Description	January 2007 (i)	February 2007 (j)	March 2007 (k)	April 2007 (l)	Adjustment Period Activity (m)	Adjustments (n)	Total As Adjusted (o)	
5	Account No. 190	\$ 14,162,000	\$ 14,122,000	14,083,000	\$ 14,044,000	\$ (15,000)	\$ (13,170,000)	\$ 859,000	
6	Account No. 282	(1,172,000)	(1,151,000)	(1,123,000)	(1,093,000)	(414,000)	4,000	(1,503,000)	
7	Account No. 283	(326,000)	(60,000)	(174,000)	(115,000)	1,000	55,000	(59,000)	
8	Total Deferred Taxes	<u>\$ 12,664,000</u>	<u>\$ 12,911,000</u>	<u>\$ 12,786,000</u>	<u>\$ 12,836,000</u>	<u>\$ (428,000)</u>	<u>\$ (13,111,000)</u>	<u>\$ (703,000)</u>	

SOUTHWEST GAS STORAGE COMPANY  
Regulatory Assets / Liabilities  
Twelve Months Ended April 30, 2007, As Adjusted

Line No.	Description	Account 182.3 AFUDC		Account 254 Regulatory Refund	
		Equity	Gross Up 1/	Obligation	2/
		(a)		(b)	
1	Balance at April 30, 2006	\$	104,753	\$	(2,267,390)
	Balance for the Months of:				
2	May 2006		159,009		(2,267,390)
3	June		159,466		(2,267,390)
4	July		159,638		(2,267,390)
5	August		159,775		(2,267,390)
6	September		159,984		(2,267,390)
7	October		160,705		(2,267,390)
8	November		161,928		(2,267,390)
9	December		165,816		(2,267,799)
10	January 2007		170,951		(2,267,799)
11	February		176,236		(2,267,799)
12	March		181,342		(2,267,799)
13	April		187,106		(2,267,799)
14	Balance at April 30, 2007		187,106		(2,267,799)
15	Adjustment Period Activity		-		38,799 3/
16	Projected Balance at January 31, 2008		187,106		(2,229,000)
17	Adjustment		-		1,066,506 4/
18	Net Claimed in Rate Base	\$	<u>187,106</u>	\$	<u>(1,162,494)</u>

Footnotes:

1/ Established upon the January 1, 1993 adoption of SFAS No. 109

2/ Established pursuant to Commission letter dated June 23, 1994 in  
Docket No. AC94-73-000.

3/ Adjustment to reflect tax-on-tax effect based upon currently effective income tax rates

4/ Adjustment to reflect average ending balance. See Schedule B-2 page 2

SOUTHWEST GAS STORAGE COMPANY

Regulatory Liabilities  
Account 254

Line No.	Description	Annual Amortization (a)	1/ Ending Balance (b)
1	Projected Balance at January 31, 2008		\$ (2,229,000)
2	Year 1	\$ 177,751	(2,051,249)
3	Year 2	177,751	(1,873,498)
4	Year 3	177,751	(1,695,747)
5	Year 4	177,751	(1,517,996)
6	Year 5	177,751	(1,340,245)
7	Year 6	177,751	(1,162,494)
8	Year 7	177,751	(984,743)
9	Year 8	177,751	(806,992)
10	Year 9	177,751	(629,241)
11	Year 10	177,751	(451,490)
12	Year 11	177,751	(273,739)
13	Year 12	177,751	(95,988)
14	Year 13	95,988	-
15	Average Ending Balance		\$ <u>(1,162,494)</u>

1/ Annual amortization is based on remaining life of 12.54 years as reflected on line 10,  
Workpaper Schedule N-7.2, page 1 in Docket No. RP89-60-000.

SOUTHWEST GAS STORAGE COMPANY

Depreciation, Depletion, and Amortization Expense  
Twelve Months Ended April 30, 2007, 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	Storage	\$ 181,036,440	SLM	3.60%	3.60%	1.95%	5,341,921	\$ (1,811,710)	\$ 3,530,211
2	Storage - Negative Salvage		SLM	-	-	0.97%	-	1,756,053	1,756,053
3	General - Office Furniture & Equipment	6,702	SLM	3.60%	3.60%	3.60%	241	-	241
4	General - Computers	61,645	SLM	3.60%	3.60%	20.00%	491	11,838	12,329
5	General - Tools, Shop & Garage Equipment	163,967	SLM	3.60%	3.60%	3.60%	4,996	907	5,903
6	General - Power Operated Equipment	47,174	SLM	8.00%	8.00%	6.67%	314	2,833	3,147
7	Total	181,315,928					5,347,963	(40,079)	5,307,884
<u>Account 404 - Amortization</u>									
8	Storage	823,191	SLM	3.60%	3.60%	1.95%	40,475	(24,423)	16,052
9	Intangibles - Computer Software	481,522	SLM	10.4611%	10.4611%	10.4611%	49,083	1,289	50,372
10	Sub-Total - Intangible	1,304,713					89,558	(23,134)	66,424
11	Total Depreciation and Amortization Expense	\$ 182,620,641					\$ 5,437,521	\$ (63,213)	\$ 5,374,308

SOUTHWEST GAS STORAGE COMPANY

Reconciliation of Depreciable Plant Included  
in Statement H(2) to Gas Plant Included in Statement C  
Twelve Months Ended April 30, 2007, As Adjusted

Line No.	Description	Adjusted Plant (a)	Depreciation, Depletion and Amortization As Adjusted (b)
1	Totals per Statement H(2)	\$ 182,620,641	\$ 5,374,308
	Plant Not Subject to Depreciation		
	<u>Fully Depreciated Plant</u>		
2	Storage - Amortization	2,685,120	
	General Plant		
3	Intangible - Miscellaneous	<u>-</u>	
4	Total Depreciation, Depletion and Amortization Provision	185,305,761	
5	Recoverable/Cushion Gas	<u>80,653,732</u>	
6	Total Gas Plant As Adjusted Per Statement C	\$ <u><u>265,959,493</u></u>	

SOUTHWEST GAS STORAGE COMPANY  
Operation and Maintenance Expenses  
Twelve Months Ended April 30, 2007, As Adjusted

Line No.	FERC Acct.	Description	Per Books			Adjustments			As Adjusted			Total (l)		
			Labor (a)	S&E (b)	Gas (c)	Total (d)	Labor (e)	S&E (f)	Gas (g)	Total (h)	Labor (i)		S&E (j)	Gas (k)
1	805.00	Gas Supply Expense		\$		\$		\$		\$		\$		
2	806.00	Other Gas Purchases												
3	806.10	Exchange Gas												
4	808.20	Gas withdrawn from Storage - Debt												
5	810.00	Gas delivered to Storage - Credit												
6	812.00	Gas used for Compressor Station Fuel - Credit												
7	813.00	Gas used for Other Utility Operations - Credit												
8		Other Gas Supply Expenses												
		Total Gas Supply Expense	-			(6,634,801)		(6,634,801)						
9	814.00	Natural Gas Storage Expenses												
10	816.00	Operation Supervision and Engineering	366,715	107,953	-	464,668	50,344	4,977	55,321	407,059	112,930	-	519,989	
11	817.00	Wells Expenses	24	107,279	-	107,303	1	4,946	107,304	25	112,225	-	112,250	
12	818.00	Lines Expenses	67,447	520,427	-	587,874	2,255	23,992	26,247	124,814	544,419	-	614,231	
13	819.00	Compressor Station Expenses	120,778	732,609	-	853,387	4,036	33,773	85,387	37,809	766,382	-	891,196	
14	820.00	Compressor Station Fuel and Power				5,350,676			(5,350,676)					
15	821.00	Measuring and Regulating Station Expenses	19,315	70,665		89,980	663	3,258	3,911	19,968	73,923		93,891	
16	823.00	Purification Expenses												
17	824.00	Gas Losses												
18	824.00	Other Expenses	976,935	1,132,402	-	2,109,337	34,410	11,170,412	11,204,822	1,011,345	12,302,814	-	13,314,159	
19	825.00	Storage Well Royalties		243,646		243,646					243,646	-	243,646	
		Total Operation	1,541,214	2,814,981		9,806,871	91,699	11,241,358	5,982,381	1,632,913	14,156,339	-	15,789,252	
20	830.00	Maintenance Supervision and Engineering												
21	831.00	Maintenance of Structures and Improvements		9,714	-	9,714		448			10,162	-	10,162	
22	832.00	Maintenance of Reservoirs and Wells	3,332	7,409	-	10,741	111	7,751	448	3,443	7,751	-	11,194	
23	833.00	Maintenance of Lines	3,332	33,946	-	37,278	111	1,565	1,676	3,443	35,511	-	38,954	
24	834.00	Maintenance of Compressor Station Equipment	127,195	238,495	-	365,690	4,249	10,995	15,244	131,444	249,490	-	380,934	
25	835.00	Maintenance of Measuring and Regulating Station Equipment												
26	836.00	Maintenance of Purification Equipment												
27	837.00	Maintenance of Other Equipment												
28		Total Maintenance	133,659	289,564		423,423	4,471	13,350	17,821	138,330	302,914	-	441,244	
29		Total Natural Gas Storage Expenses	1,675,073	3,204,545		10,230,294	96,170	11,254,708	6,000,202	1,771,243	14,459,253	-	16,230,496	
30		Total Gas Supply and Natural Gas Storage Expense	1,675,073	3,204,545		(1,284,125)	96,170	11,254,708	12,635,003	1,771,243	14,459,253	-	16,230,496	

SOUTHWEST GAS STORAGE COMPANY

Operation and Maintenance Expenses  
Twelve Months Ended April 30, 2007, As Adjusted

Line No.	FERC Acct	Description	Per Books			Adjustments			As Adjusted					
			Labor (a)	S&E (b)	Gas (c)	Total (d)	Labor (e)	S&E (f)	Gas (g)	Total (h)	Labor (i)	S&E (j)	Gas (k)	Total (l)
1	901.00	Customer Accounts Expense												
2	903.00	Supervision	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
3	904.00	Customer Records & Collection	-	75	-	75	-	-	-	-	-	75	-	75
		Uncollectible Accounts	-	-	-	-	-	-	-	-	-	-	-	-
4		Total Customer Accounts Expense	-	75	-	75	-	-	-	-	-	75	-	75
5	912.00	Sales Expense												
6	913.00	Demonstrating & Selling Exp.	-	14,092	-	14,092	-	-	-	-	-	14,092	-	14,092
		Advertising Expenses	-	-	-	-	-	-	-	-	-	-	-	-
7		Total Sales Expense	-	14,092	-	14,092	-	-	-	-	-	14,092	-	14,092
8	920.00	Administrative & General Expense												
9	921.00	Administrative & General Salaries	401,315	287,878	-	689,193	287,381	146,914	-	414,295	688,696	434,592	-	1,103,288
10	922.00	Office Supplies & Expenses	-	391,563	-	391,563	-	1,092,231	-	1,092,231	-	1,483,794	-	1,483,794
11	923.00	Admin. Expenses Transferred	(17,268)	(50,622)	-	(67,890)	(545)	-	-	(545)	(17,813)	(50,622)	-	(68,435)
12	924.00	Outside Services Employed	-	212,106	-	212,106	-	-	-	-	-	69,245	-	69,245
13	925.00	Property Insurance	-	107,096	-	107,096	-	-	-	-	-	107,096	-	107,096
14	926.00	Injuries & Damages	-	159,485	-	159,485	-	-	-	-	-	159,485	-	159,485
15	928.00	Employee Pensions & Benefits	-	328,692	-	328,692	-	64,480	-	64,480	-	393,172	-	393,172
16	930.10	Regulatory Commission Expenses	-	505,261	-	505,261	-	-	-	-	-	207,578	-	207,578
17	930.20	General Advertising Expenses	-	-	-	-	-	(297,683)	-	(297,683)	-	-	-	-
18	931.00	Miscellaneous General Expenses	-	-	-	-	-	-	-	-	-	-	-	-
19		Rents	-	(5,679)	-	(5,679)	-	508,048	-	508,048	-	502,369	-	502,369
		Total Operation	384,047	49,838	-	433,885	266,836	1,371,129	-	1,371,129	650,883	3,356,547	-	4,007,430
20		Maintenance of General Plant												
21		Total Maintenance	-	-	-	-	-	-	-	-	-	-	-	-
22		Total Administrative and General	384,047	1,985,418	-	2,369,465	266,836	1,371,129	-	1,371,129	650,883	3,356,547	-	4,007,430
23		Grand Total	\$ 2,059,120	\$ 5,204,130	\$ (1,284,125)	\$ 5,979,125	\$ 363,006	\$ 12,625,837	\$ 1,284,125	\$ 14,272,968	\$ 2,422,126	\$ 17,829,967	\$ -	\$ 20,252,093



SOUTHWEST GAS STORAGE COMPANY

Description of Adjustments to Operation & Maintenance Expenses

Line No.	Adjustment No.	Description	Amount (a)
1	No. 1	Adjustment to Reflect Purchase of Third Party Storage	\$ 11,165,000
2	No. 2	Adjustment annualizes the increase in labor expenses resulting from the merit increases effective April 1, 2006 and April 1, 2007.	67,410
3	No. 3	Adjustment reflects projected increases in Storage S&E costs	89,708
4	No. 4	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 costs for compressor stations to be recovered through fuel retention percentages.	1,284,125
5	No. 5	Adjustment reflects the following changes in Customer Accounts and Administrative & General Expenses: 1) the elimination of entries relating to periods outside the base period; 2) the normalization of corporate charges; 3) increases in medical benefit costs; 4) the removal of ACA expenses; and 5) the amortization of regulatory expenses.	1,622,577
6	No. 6	Adjustment provides for base period labor expenses not recorded	<u>44,148</u>
7		Total Adjustments	<u>\$ 14,272,968</u>

SOUTHWEST GAS STORAGE COMPANY

Operation and Maintenance Expenses  
Adjustments By Number  
Twelve Months Ended April 30, 2007, As Adjusted

Line No.	FERC	Description	Adjustment No. 1			Adjustment No. 2			Total (h)
			Labor (a)	S&E (b)	Gas (c)	Total (d)	Labor (e)	S&E (f)	
1	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	814.00	Natural Gas Storage Expenses							
11	815.00	Operation Supervision and Engineering	-	-	-	-	12,528	-	12,528
12	816.00	Maps and Records	-	-	-	-	-	-	-
13	817.00	Wells Expenses	-	-	-	-	1	-	1
14	818.00	Lines Expenses	-	-	-	-	2,255	-	2,255
15	819.00	Compressor Station Expenses	-	-	-	-	4,036	-	4,036
16	820.00	Compressor Station Fuel and Power	-	-	-	-	-	-	-
17	821.00	Measuring and Regulating Station Expenses	-	-	-	-	653	-	653
18	823.00	Purification	-	-	-	-	-	-	-
19	824.00	Gas Losses	-	-	-	-	-	-	-
20	825.00	Other Expenses	-	11,165,000	-	11,165,000	34,410	-	34,410
		Storage Well Royalties	-	-	-	-	-	-	-
21		Total Operation	-	11,165,000	-	11,165,000	53,883	-	53,883
22	830.00	Maintenance of Supervision and Engineering	-	-	-	-	-	-	-
23	831.00	Maintenance of Structures and Improvements	-	-	-	-	-	-	-
24	832.00	Maintenance of Reservoirs and Wells	-	-	-	-	111	-	111
25	833.00	Maintenance of Lines	-	-	-	-	111	-	111
26	834.00	Maintenance of Compressor Station Equipment	-	-	-	-	4,249	-	4,249
27	835.00	Maintenance of Measuring and Regulating Station Equipment	-	-	-	-	-	-	-
28	836.00	Maintenance of Purification Equipment	-	-	-	-	-	-	-
29	837.00	Maintenance of Other Equipment	-	-	-	-	-	-	-
30		Total Maintenance	-	-	-	-	4,471	-	4,471
31		Total Natural Gas Storage Expenses	-	11,165,000	-	11,165,000	58,354	-	58,354

SOUTHWEST GAS STORAGE COMPANY

Operation and Maintenance Expenses  
Adjustments By Number  
Twelve Months Ended April 30, 2007, As Adjusted

Line No.	FERC	Description	Adjustment No. 1				Adjustment No. 2				Total (h)
			Labor (a)	S&E (b)	Gas (c)	Total (d)	Labor (e)	S&E (f)	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	-	-	-	-	-	-	-	-	-
5		Sales Expense									
6	909.00	Informational and Instructional Advertising Expense	-	-	-	-	-	-	-	-	-
7	912.00	Demonstrating and Selling Expenses	-	-	-	-	-	-	-	-	-
	913.00	Advertising Expenses	-	-	-	-	-	-	-	-	-
8		Total Sales Expense	-	-	-	-	-	-	-	-	-
9		Administrative and General Expenses									
9	920.00	Administrative and General Salaries	-	-	-	-	9,601	-	-	-	9,601
10	921.00	Office Supplies and Expenses	-	-	-	-	-	-	-	-	-
11	922.00	Admin. Expenses Transferred	-	-	-	-	(545)	-	-	-	(545)
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	-	-	-	-	9,056	-	-	-	9,056
21	932.00	Maintenance of General Plant	-	-	-	-	-	-	-	-	-
22		Total Maintenance	-	-	-	-	-	-	-	-	-
23		Total Administrative and General Expense	-	-	-	-	9,056	-	-	-	9,056
24		Total Adjustment	\$ -	\$ 11,165,000	\$ -	\$ 11,165,000	\$ 67,410	\$ -	\$ -	\$ -	\$ 67,410

SOUTHWEST GAS STORAGE COMPANY

Operation and Maintenance Expenses  
Adjustments By Number  
Twelve Months Ended April 30, 2007, 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	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	-	-	-	-	-	-	(662,623)	(662,623)
6	810.00	Gas delivered to Storage - Credit	-	-	-	-	-	-	1,946,748	1,946,748
7	812.00	Gas Used for Compressor Station Fuel - Credit	-	-	-	-	-	-	5,350,676	5,350,676
8	813.00	Gas Used for Other Utility Operations - Credit	-	-	-	-	-	-	-	-
9		Other Gas Supply Expenses	-	-	-	-	-	-	-	-
		Total Gas Supply Expense	-	-	-	-	-	-	6,634,801	6,634,801
10	814.00	Natural Gas Storage Expenses								
11	815.00	Operation Supervision and Engineering	-	4,977	-	-	-	-	-	-
12	816.00	Maps and Records	-	-	-	-	-	-	-	-
13	817.00	Wells Expenses	-	4,946	-	-	-	-	-	-
14	818.00	Lines Expenses	-	23,992	-	-	-	-	-	-
15	819.00	Compressor Station Expenses	-	33,773	-	-	-	-	-	-
16	820.00	Compressor Station Fuel and Power	-	-	-	-	-	-	(5,350,676)	(5,350,676)
17	821.00	Measuring and Regulating Station Expenses	-	3,258	-	-	-	-	-	-
18	823.00	Purification	-	-	-	-	-	-	-	-
19	824.00	Gas Losses	-	-	-	-	-	-	-	-
20	825.00	Other Expenses	-	5,412	-	-	-	-	-	-
		Storage Well Royalties	-	-	-	-	-	-	-	-
21		Total Operation	-	76,358	-	-	-	-	(5,350,676)	(5,350,676)
22	830.00	Maintenance of Supervision and Engineering	-	-	-	-	-	-	-	-
23	831.00	Maintenance of Structures and Improvements	-	448	-	-	-	-	-	-
24	832.00	Maintenance of Reservoirs and Wells	-	342	-	-	-	-	-	-
25	833.00	Maintenance of Lines	-	1,565	-	-	-	-	-	-
26	834.00	Maintenance of Compressor Station Equipment	-	10,995	-	-	-	-	-	-
27	835.00	Maintenance of Compressor Station Equipment	-	-	-	-	-	-	-	-
28	836.00	Maintenance of Measuring and Regulating Station Equipment	-	-	-	-	-	-	-	-
29	837.00	Maintenance of Purification Equipment	-	-	-	-	-	-	-	-
		Maintenance of Other Equipment	-	-	-	-	-	-	-	-
30		Total Maintenance	-	13,350	-	-	-	-	-	-
31		Total Natural Gas Storage Expenses	-	89,708	-	-	-	-	1,284,125	1,284,125

SOUTHWEST GAS STORAGE COMPANY

Operation and Maintenance Expenses  
Adjustments By Number  
Twelve Months Ended April 30, 2007, As Adjusted

Line No.	FERC	Description	Adjustment No. 3			Adjustment No. 4			Total (h)
			Labor (a)	S&E (b)	Gas (c)	Total (d)	Labor (e)	S&E (f)	
1	901.00	Customer Accounts Expense							
2	903.00	Supervision	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
3	904.00	Customer Records and Collection Expenses	-	-	-	-	-	-	-
		Uncollectible Accounts	-	-	-	-	-	-	-
4		Total Customer Accounts Expense	-	-	-	-	-	-	-
5		Sales Expense							
6	909.00	Informational and Instructional Advertising Expense	-	-	-	-	-	-	-
7	912.00	Demonstrating and Selling Expenses	-	-	-	-	-	-	-
	913.00	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		Maintenance of General Plant	-	-	-	-	-	-	-
22	932.00	Total Maintenance	-	-	-	-	-	-	-
23		Total Administrative and General Expense	-	-	-	-	-	-	-
24		Total Adjustment	\$ -	\$ 89,708	\$ -	\$ 89,708	\$ -	\$ 1,284,125	\$ 1,284,125

SOUTHWEST GAS STORAGE COMPANY

Operation and Maintenance Expenses  
Adjustments By Number  
Twelve Months Ended April 30, 2007, 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)
		<u>Gas Supply Expense</u>								
1	800.00	Natural Gas Well Head Purchases	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2	805.00	Other Gas Purchase	-	-	-	-	-	-	-	-
3	806.00	Exchange Gas	-	-	-	-	-	-	-	-
4	808.10	Gas withdrawn from Storage - Debit	-	-	-	-	-	-	-	-
5	808.20	Gas delivered to Storage - Credit	-	-	-	-	-	-	-	-
6	810.00	Gas Used for Compressor Station Fuel - Credit	-	-	-	-	-	-	-	-
7	812.00	Gas Used for Other Utility Operations - Credit	-	-	-	-	-	-	-	-
8	813.00	Other Gas Supply Expenses	-	-	-	-	-	-	-	-
9		Total Gas Supply Expense	-	-	-	-	-	-	-	-
		<u>Natural Gas Storage Expenses</u>								
10	814.00	Operation Supervision and Engineering	-	-	-	-	37,816	-	-	37,816
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	-	-	-	-	-	-	-	-
20	825.00	Storage Well Royalties	-	-	-	-	-	-	-	-
21		Total Operation	-	-	-	-	37,816	-	-	37,816
		<u>Maintenance of Supervision and Engineering</u>								
22	830.00	Maintenance of Structures and Improvements	-	-	-	-	-	-	-	-
23	831.00	Maintenance of Reservoirs and Wells	-	-	-	-	-	-	-	-
24	832.00	Maintenance of Lines	-	-	-	-	-	-	-	-
25	833.00	Maintenance of Compressor Station Equipment	-	-	-	-	-	-	-	-
26	834.00	Maintenance of Measuring and Regulating Station Equipment	-	-	-	-	-	-	-	-
27	835.00	Maintenance of Purification Equipment	-	-	-	-	-	-	-	-
28	836.00	Maintenance of Other Equipment	-	-	-	-	-	-	-	-
29	837.00		-	-	-	-	-	-	-	-
30		Total Maintenance	-	-	-	-	-	-	-	-
31		Total Natural Gas Storage Expenses	-	-	-	-	37,816	-	-	37,816

SOUTHWEST GAS STORAGE COMPANY

Operation and Maintenance Expenses  
Adjustments By Number  
Twelve Months Ended April 30, 2007, 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	<u>Customer Accounts Expense</u>								
2	903.00	Supervision	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
3	904.00	Customer Records and Collection Expenses	-	-	-	-	-	-	-	-
		Uncollectible Accounts	-	-	-	-	-	-	-	-
4		Total Customer Accounts Expense	-	-	-	-	-	-	-	-
5	909.00	<u>Sales Expense</u>								
6	912.00	Informational and Instructional Advertising Expense	-	-	-	-	-	-	-	-
7	913.00	Demonstrating and Selling Expenses	-	-	-	-	-	-	-	-
		Advertising Expenses	-	-	-	-	-	-	-	-
8		Total Sales Expense	-	-	-	-	-	-	-	-
9	920.00	<u>Administrative and General Expenses</u>								
10	921.00	Administrative and General Salaries	251,448	146,914	-	398,362	6,332	-	-	6,332
11	922.00	Office Supplies and Expenses	-	1,092,231	-	1,092,231	-	-	-	-
12	923.00	Admin. Expenses Transferred	-	-	-	-	-	-	-	-
13	924.00	Outside Services Employed	-	(142,861)	-	(142,861)	-	-	-	-
14	925.00	Property Insurance	-	-	-	-	-	-	-	-
15	926.00	Injuries and Damage	-	-	-	-	-	-	-	-
16	928.00	Employee Pensions and Benefits	-	64,480	-	64,480	-	-	-	-
17	930.10	Regulatory Commission Expenses	-	(297,683)	-	(297,683)	-	-	-	-
18	930.20	General Advertising Expenses	-	-	-	-	-	-	-	-
19	931.00	Miscellaneous General Expenses	-	508,048	-	508,048	-	-	-	-
		Rents	-	-	-	-	-	-	-	-
20		Total Operation	251,448	1,371,129	-	1,622,577	6,332	-	-	6,332
21	932.00	Maintenance of General Plant	-	-	-	-	-	-	-	-
22		Total Maintenance	-	-	-	-	-	-	-	-
23		Total Administrative and General Expense	251,448	1,371,129	-	1,622,577	6,332	-	-	6,332
24		Total Adjustment	\$ 251,448	\$ 1,371,129	\$ -	\$ 1,622,577	\$ 44,148	\$ -	\$ -	\$ 44,148

SOUTHWEST GAS STORAGE COMPANY

Operation and Maintenance Expenses  
Summarized Adjustments  
Twelve Months Ended April 30, 2007, As Adjusted

Line No.	FERC	Description	Total Adjustments			
			Labor (a)	S&E (b)	Gas (c)	Total (d)
		<u>Gas Supply Expense</u>				
1	800.00	Natural Gas Well Head Purchases	\$ -	\$ -	\$ -	\$ -
2	805.00	Other Gas Purchase	-	-	-	-
3	806.00	Exchange Gas	-	-	-	-
4	808.10	Gas withdrawn from Storage - Debit	-	-	(662,623)	(662,623)
5	808.20	Gas delivered to Storage - Credit	-	-	1,946,748	1,946,748
6	810.00	Gas Used for Compressor Station Fuel - Credit	-	-	5,350,676	5,350,676
7	812.00	Gas Used for Other Utility Operations - Credit	-	-	-	-
8	813.00	Other Gas Supply Expenses	-	-	-	-
9		Total Gas Supply Expense	-	-	6,634,801	6,634,801
		<u>Natural Gas Storage Expenses</u>				
10	814.00	Operation Supervision and Engineering	50,344	4,977	-	55,321
11	815.00	Maps and Records	-	-	-	-
12	816.00	Wells Expenses	1	4,946	-	4,947
13	817.00	Lines Expenses	2,255	23,992	-	26,247
14	818.00	Compressor Station Expenses	4,036	33,773	-	37,809
15	819.00	Compressor Station Fuel and Power	-	-	(5,350,676)	(5,350,676)
16	820.00	Measuring and Regulating Station Expenses	653	3,258	-	3,911
17	821.00	Purification	-	-	-	-
18	823.00	Gas Losses	-	-	-	-
19	824.00	Other Expenses	34,410	11,170,412	-	11,204,822
20	825.00	Storage Well Royalties	-	-	-	-
21		Total Operation	91,699	11,241,358	(5,350,676)	5,982,381
22	830.00	Maintenance of Supervision and Engineering	-	-	-	-
23	831.00	Maintenance of Structures and Improvements	-	448	-	448
24	832.00	Maintenance of Reservoirs and Wells	111	342	-	453
25	833.00	Maintenance of Lines	111	1,565	-	1,676
26	834.00	Maintenance of Compressor Station Equipment	4,249	10,995	-	15,244
27	835.00	Maintenance of Measuring and Regulating Station Equipment	-	-	-	-
28	836.00	Maintenance of Purification Equipment	-	-	-	-
29	837.00	Maintenance of Other Equipment	-	-	-	-
30		Total Maintenance	4,471	13,350	-	17,821
31		Total Natural Gas Storage Expenses	96,170	11,254,708	1,284,125	12,635,003



SOUTHWEST GAS STORAGE COMPANY

Operation and Maintenance Expenses  
Summarized Adjustments  
Twelve Months Ended April 30, 2007, As Adjusted

Line No.	FERC	Description	Total Adjustments			
			Labor (a)	S&E (b)	Gas (c)	Total (d)
		<u>Customer Accounts Expense</u>				
1	901.00	Supervision	\$ -	\$ -	\$ -	\$ -
2	903.00	Customer Records and Collection Expenses	-	-	-	-
3	904.00	Uncollectible Accounts	-	-	-	-
4		Total Customer Accounts Expense	-	-	-	-
		<u>Sales Expense</u>				
5	909.00	Informational and Instructional Advertising Expense	-	-	-	-
6	912.00	Demonstrating and Selling Expenses	-	-	-	-
7	913.00	Advertising Expenses	-	-	-	-
8		Total Sales Expense	-	-	-	-
		<u>Administrative and General Expenses</u>				
9	920.00	Administrative and General Salaries	267,381	146,914	-	414,295
10	921.00	Office Supplies and Expenses	-	1,092,231	-	1,092,231
11	922.00	Admin. Expenses Transferred	(545)	-	-	(545)
12	923.00	Outside Services Employed	-	(142,861)	-	(142,861)
13	924.00	Property Insurance	-	-	-	-
14	925.00	Injuries and Damage	-	-	-	-
15	926.00	Employee Pensions and Benefits	-	64,480	-	64,480
16	928.00	Regulatory Commission Expenses	-	(297,683)	-	(297,683)
17	930.10	General Advertising Expenses	-	-	-	-
18	930.20	Miscellaneous General Expenses	-	508,048	-	508,048
19	931.00	Rents	-	-	-	-
20		Total Operation	266,836	1,371,129	-	1,637,965
21	932.00	Maintenance of General Plant	-	-	-	-
22		Total Maintenance	-	-	-	-
23		Total Administrative and General Expense	266,836	1,371,129	-	1,637,965
24		Grand Total	\$ 363,006	\$ 12,625,837	\$ 1,284,125	\$ 14,272,968

SOUTHWEST GAS STORAGE COMPANY

Adjustment No. 1  
Adjustment to Reflect Purchase of Third Party Storage

Line No.	Description	Detail (a)	Adjustment 1/ (b)
	Account No. 824		
1	Annualize Cost	\$ 12,180,000	
2	Less: April 07 Charge	<u>1,015,000</u>	
3	Total Adjustment		<u>\$ 11,165,000</u>

1/ Reflects the acquisition of third party storage from Tenaska Gas Storage, LLC  
pursuant to an executed contract dated April 4, 2007

SOUTHWEST GAS STORAGE COMPANY

Adjustment No. 2  
Adjustment to Reflect Labor Cost Increase

FERC		May-06 thru Mar-07	2007 Merit Increase	1/
Acct	Description	Labor from Sch H-1(1)(a)	Adjustment Column (a) x 3.80%	
		(a)	(b)	
	<u>Natural Gas Storage Expenses</u>			
1	814.00	Operation Supervision and Engineering	\$ 329,689	\$ 12,528
2	816.00	Wells Expenses	24	1
3	817.00	Lines Expenses	59,355	2,255
4	818.00	Compressor Station Expenses	106,213	4,036
5	819.00	Compressor Station Fuel and Power	-	-
6	820.00	Measuring and Regulating Station Expenses	17,197	653
7	821.00	Purification	-	-
8	823.00	Gas Losses	-	-
9	824.00	Other Expenses	905,514	34,410
10	825.00	Storage Well Royalties	-	-
11		Total Operation	<u>1,417,992</u>	<u>53,883</u>
12	830.00	Maintenance Supervision and Engineering	-	-
13	831.00	Maintenance of Structures and Improvements	-	-
14	832.00	Maintenance of Reservoirs and Wells	2,927	111
15	833.00	Maintenance of Lines	2,927	111
16	834.00	Maintenance of Compressor Station Equipment	111,822	4,249
17	835.00	Maintenance of Measuring and Regulating Station Equipment	-	-
18	836.00	Maintenance of Purification Equipment	-	-
19	837.00	Maintenance of Other Equipment	-	-
20		Total Maintenance	<u>117,676</u>	<u>4,471</u>
21		Total Natural Gas Storage Expenses	<u>\$ 1,535,668</u>	<u>\$ 58,354</u>

Footnotes:

1/ A 2007 merit increase of 3.80% became effective 3/25/2007 and was reflected for the first time in the biweekly paychecks issued 4/13/2007.

SOUTHWEST GAS STORAGE COMPANY

Adjustment No. 2  
Adjustment to Reflect Labor Cost Increase

FERC Acct	Description	May-06 thru Mar-07		Net Labor Adjusted (c)	2007 Merit Increase Adjustment Column (c) x 3.80% 1/	
		May-06 thru Mar-07 Labor from Sch H-1(1)(a) (a)	May-06 thru Mar-07 Southern Union Labor Exclusion Sch H-1(2)(j) (b)		(d)	
	<u>Administrative &amp; General Expense</u>					
1	920.00 Administrative & General Exp.	\$ 361,401	\$ 108,748	\$ 252,653	\$ 9,601	
2	921.00 Office Supplies & Expenses	-	-	-	-	
3	922.00 Admin. Expenses Transferred	(14,338)	-	(14,338)	(545)	
4	923.00 Outside Services Employed	-	-	-	-	
5	924.00 Property Insurance	-	-	-	-	
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>347,063</u>	<u>108,748</u>	<u>238,315</u>	<u>9,056</u>	
13	932.00 Maintenance of General Plant	-	-	-	-	
14	Total Maintenance	-	-	-	-	
15	Total Administrative and General	<u>\$ 347,063</u>	<u>\$ 108,748</u>	<u>\$ 238,315</u>	<u>\$ 9,056</u>	
16	Total Adjustment, pages 1 and 2					\$ <u>67,410</u>

Footnotes:

1/ A 2007 merit increase of 3.80% became effective 3/25/2007 and was reflected for the first time in the biweekly paychecks issued 4/13/2007.

SOUTHWEST GAS STORAGE COMPANY

Adjustment No. 3  
S & E Cost Increase

Line No.	FERC Acct	Description	Base Period S & E (a)	Base Period Adjustment (b)	1/ Adjusted Base Period S & E (c)	Adjustment (d)
		<u>Natural Gas Storage Expenses</u>				
1	814.00	Operation Supervision and Engineering	\$ 107,953	\$ -	\$ 107,953	\$ 4,977
2	816.00	Wells Expenses	107,279	-	107,279	4,946
3	817.00	Lines Expenses	520,427	-	520,427	23,992
4	818.00	Compressor Station Expenses	732,609	-	732,609	33,773
5	819.00	Compressor Station Fuel and Power	-	-	-	-
6	820.00	Measuring and Regulating Station Expenses	70,665	-	70,665	3,258
7	821.00	Purification	-	-	-	-
8	823.00	Gas Losses	-	-	-	-
9	824.00	Other Expenses	1,132,402	(1,015,000)	117,402	5,412
10	825.00	Storage Well Royalties	243,646	(243,646)	-	-
11		Total Operation	<u>2,914,981</u>	<u>(1,258,646)</u>	<u>1,656,335</u>	<u>76,358</u>
12	830.00	Maintenance Supervision and Engineering	-	-	-	-
13	831.00	Maintenance of Structures and Improvements	9,714	-	9,714	448
14	832.00	Maintenance of Reservoirs and Wells	7,409	-	7,409	342
15	833.00	Maintenance of Lines	33,946	-	33,946	1,565
16	834.00	Maintenance of Compressor Station Equipment	238,495	-	238,495	10,995
17	835.00	Maintenance of Measuring and Regulating Station Equipment	-	-	-	-
18	836.00	Maintenance of Purification Equipment	-	-	-	-
19	837.00	Maintenance of Other Equipment	-	-	-	-
20		Total Maintenance	<u>289,564</u>	<u>-</u>	<u>289,564</u>	<u>13,350</u>
21		Total Natural Gas Storage Expenses	<u>\$ 3,204,545</u>	<u>\$ (1,258,646)</u>	<u>\$ 1,945,899</u>	<u>\$ 89,708</u>

Footnotes:

- 1/ O&M not subject to cost increase  
2/ Increase of 4.61%

SOUTHWEST GAS STORAGE COMPANY

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	2002	122.9	125.9	185.9	151.9	144.6	
2	2003	121.9	129.2	190.0	161.8	145.7	
3	2004	122.1	149.6	195.7	174.4	148.6	
4	2005	123.7	160.8	202.6	192.0	151.0	
5	2006	126.2	181.6	209.8	205.8	152.6	
6	2002 to 2006	2.69%	44.24%	12.86%	35.48%	5.53%	
7	5 year average	0.54%	8.85%	2.57%	7.10%	1.11%	4.03%
8	Rate applicable to 9-month Test period						3.02%
9	Increases during 12-month Base Period - Schedule H-1.3(a), Page 2						1.59%
10	Total S&E Factor						4.61%

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

SOUTHWEST GAS STORAGE COMPANY

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	May 2006	125.8	184.2	209.2	205.7	152.8	
2	June	126.1	184.9	210.1	207.9	152.5	
3	July	126.5	187.5	210.8	208.3	149.9	
4	August	127.0	187.0	211.3	209.8	150.9	
5	September	127.4	187.7	211.8	207.6	151.4	
6	October	127.3	187.3	212.0	206.9	153.0	
7	November	127.3	186.0	212.2	204.5	155.5	
8	December	127.4	186.5	212.2	205.3	155.1	
9	January 2007	127.8	185.7	213.5	206.0	155.0	
10	February (P)	128.2	187.8	214.3	208.1	155.1	
11	March (P)	127.1	191.5	215.0	210.1	154.8	
12	April (P)	127.4	195.9	214.9	210.5	154.4	
13	Base Period Average	127.1	187.7	212.3	207.6	153.4	
14	Increase May 2006 over 12-month Period	0.23%	4.39%	1.24%	1.42%	0.67%	1.59%

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

SOUTHWEST GAS STORAGE COMPANY

Adjustment No. 4

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

Line No.	Acct. No.	Description	Gas (a)
1	808.10	Gas withdrawn from Storage - Debt	\$ (662,623)
2	808.20	Gas delivered to Storage - Credit	1,946,748
3	810.00	Gas used for Compressor Station Fuel - Credit	5,350,676
4		Total Gas Supply	<u>6,634,801</u>
5	819.00	Compressor Station Fuel and Power	<u>(5,350,676)</u>
6		Total Operation	<u>(5,350,676)</u>
7		Total Adjustment	\$ <u><u>1,284,125</u></u>



SOUTHWEST GAS STORAGE COMPANY

Adjustment No. 5

Adjustment to Reflect Various Changes In  
Administrative and General Expenses

Line No.	Acct. No.	Description	Reference	Detail (a)	Adjustment (b)	Explanation (c)
1	920.00	Administrative & General Salaries	H-1.5(b)	251,448		Adjustment to normalize corporate charges (Labor)
2			H-1.5(b)	146,914		Adjustment to normalize corporate charges (S&E)
3		Total Account No. 920			398,362	
4	921.00	Office Supplies & Expenses	H-1.5(a)	21,348		Adjustment to eliminate out-of-period entries (S&E)
5			H-1.5(b)	1,070,883		Adjustment to normalize corporate charges (S&E)
6		Total Account No. 921			1,092,231	
7	923.00	Outside Services Employed	H-1.5(a)	4,800		Adjustment to eliminate out-of-period entries (S&E)
8			H-1(2)(e)	(146,476)		Adjustment to eliminate legal fees related to the section 5 complaint (S&E)
9			H-1.5(b)	(1,185)		Adjustment to normalize corporate charges (S&E)
10		Total Account No. 923			(142,861)	
11	926.00	Employee Pensions & Benefits	H-1.5(b)	49,497		Adjustment to normalize corporate charges (S&E)
12			H-1.5(c)	14,983		Adjustment to reflect increase in medical benefit cost (S&E)
13		Total Account No. 926			64,480	
14	928.00	Regulatory Commission Expense - S&E	H-1(2)(g)	(59,481)		Eliminate ACA
15			H-1(2)(g)	(438,202)		Adjustment to eliminate legal fees related to the section 5 complaint
16			H-1.5(d)	200,000		Adjustment to reflect five year amortization of regulatory expenses
17		Total Account No. 928			(297,683)	
18	930.20	Miscellaneous General Expenses	H-1.5(a)	5,302		Adjustment to eliminate out-of-period entries (S&E)
19			H-1.5(b)	502,746		Adjustment to normalize corporate charges (S&E)
20		Total Account No. 930.2			508,048	
21		Total Adjustment			\$ 1,622,577	

SOUTHWEST GAS STORAGE COMPANY

Adjustment No. 5  
Adjustment To Eliminate Out-of-Period Entries

Line No.	Acct. No.	Description	Amount (a)
1	921.00	Office Supplies & Expenses - S&E	\$ 21,348
2	923.00	Outside Services Employed - S&E	4,800
3	930.20	Miscellaneous General Expenses - S&E	<u>5,302</u>
4		Total Adjustment	\$ <u><u>31,450</u></u>

SOUTHWEST GAS STORAGE COMPANY

Adjustment No. 5  
Adjustment To Normalize Corporate Charges

Line No.	Acct. No.	Description	Test Period (a)	1/ Base Period (b)	Adjustment Col. (a) - (b) (c)
1	920.00	A & G Salaries - Labor	\$ 376,935	\$ 125,487	\$ 251,448
2	920.00	A & G Salaries - Other Compensation	146,914	-	146,914
3		Subtotal 920.00	523,849	125,487	398,362
4	921.00	Office Supplies & Expenses	1,412,079	341,196	1,070,883
5	923.00	Outside Services Employed	-	1,185	(1,185)
	926.00	Employee Pensions & Benefits			
6		Medical/Dental/Vision	31,633	4,596	27,037
7		Life Insurance	3,063	108	2,955
8		Savings Plan	8,204	1,065	7,139
9		Pension Plan	22,547	1,170	21,377
10		Incentive Plans	-	14,272	(14,272)
11		Miscellaneous Other	5,261	-	5,261
12		Subtotal 926.00	70,708	21,211	49,497
13	930.20	Miscellaneous General Expenses	502,369	(377)	502,746
14		Total	\$ 2,509,005	\$ 488,702	\$ 2,020,303

1/ Amounts in Column (a) represent year-to-date actuals through June 2007 and projected costs for July through December 2007.

SOUTHWEST GAS STORAGE COMPANY  
Adjustment No. 5  
Adjustment to Reflect Increase In Medical Benefit Costs  
Twelve Months Ended April 30, 2007, As Adjusted

Line No.	Description	Amount (a)
1	Allocated From CrossCountry Energy Services, LLC	7,382
2	Allocated From Panhandle Eastern Pipe Line Company, LP	142,536
3	Allocated From Transwestern Pipeline Company, LLC	363
4	Allocated From Florida Gas Transmission Company, LLC	689
5	Allocated From Trunkline Gas Company, LLC	6
6	Capitalized	(22,919)
7	Net Medical for 8 months ended 12/31/2006	128,057
8	Projected 2007 Percentage Increase	11.7%
9	Adjustment	14,983
10	Medical Expense for 4 months ended 4/30/2007	49,681
11	Medical Expense, as Adjusted (line 7 + 9 + 10)	192,721

SOUTHWEST GAS STORAGE COMPANY

Analysis of Outside Services (Account 923)  
Twelve Months Ended April 30, 2007, As Adjusted

Line No.	Description	Total Actual (a)	Adjustment (b)	Total As Adjusted (c)
1	Professional Services	\$ 960	\$ -	\$ 960
2	Legal Services	146,476	(146,476)	-
3	Other	(4,745)	4,800	55
	Shared Services			
4	CrossCountry Energy Services, LLC	7,167	-	7,167
5	Panhandle Eastern Pipe Line Company, LP	61,063	-	61,063
6	Southern Union Company	1,185	(1,185)	-
7	Total	\$ 212,106	\$ (142,861)	\$ 69,245

SOUTHWEST GAS STORAGE COMPANY

Analysis of Regulatory Expenses (Account 928)  
Twelve Months Ended April 30, 2007, As Adjusted

Line No.	Description	Total (a)	Adjustments (b)	Total As Adjusted (c)
1	ACA	\$ 59,481	\$ (59,481)	\$ -
2	Regulatory expense Amortization	-	200,000	200,000
3	Legal Expenses	438,202	(438,202)	-
4	Other Expenses	<u>7,578</u>	<u>-</u>	<u>7,578</u>
5	Total	<u>\$ 505,261</u>	<u>\$ (297,683)</u>	<u>\$ 207,578</u>

SOUTHWEST GAS STORAGE COMPANY

Adjustment to Reflect Five-Year Amortization of Regulatory Expenses  
Twelve Months Ended April 30, 2007, 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	\$ 250,000
2		Outside Legal Counsel	600,000
3		Settlement Conferences / Hearings	100,000
4		Miscellaneous (e.g., Copying, Postage, etc.)	<u>50,000</u>
5		Total	\$ <u><u>1,000,000</u></u>
6		Annual Amortization Over 5 Years	\$ <u><u>200,000</u></u>

SOUTHWEST GAS STORAGE COMPANY

Adjustment No. 6

Adjustment To Provide for Labor Charges Not Recorded on the Books

Line No.	Acct. No.	Description	Amount (a)
		To Provide for Labor Charges not Recorded on Books	
1	814.00	6 Days Labor Expense - April 22 - 30, 2007	\$ 39,020
2	920.00	6 Days Labor Expense - April 22 - 30, 2007	6,282
3		Total 6 Days Labor Adjustment - April 22 - 30, 2007	<u>45,302</u>
4	814.00	Merit increase applied	1,483
5	920.00	Merit increase applied	239
6		Total Merit increase	<u>1,722</u>
7		Total 6 Days Labor Adjustment - April 22 - 30, 2007	<u>47,024</u>
		To Eliminate Effects of Out-of-Period Labor Accrual Entries	
8	814.00	5-Day March 2006 Labor Accrual Reversed in June 2006	29,830
9	920.00	5-Day March 2006 Labor Accrual Reversed in June 2006	5,046
10	814.00	5-Day March 2007 Labor Accrual	(32,517)
11	920.00	5-Day March 2007 Labor Accrual	<u>(5,235)</u>
12		Out-of-Period Adjustment	<u>(2,876)</u>
13		Total Adjustment (Line 6 + Line 11)	<u>\$ 44,148</u>

1/ Based on average accrual per day recorded in March 2007

2/ A 2007 merit increase of 3.80% became effective 3/25/2007 and was reflected for the first time in the biweekly paychecks issued 4/13/2007.



SOUTHWEST GAS STORAGE COMPANY  
Income Taxes  
Twelve Months Ended April 30, 2007, As Adjusted

Line No.	Description	Reference	Total (a)
	<u>Federal Income Tax</u>		
1	Return on Rate Base @ 10.41%	STATEMENT B, Line 9	\$ <u>14,737,491</u>
	<u>Federal Income Tax Adjustments</u>		
2	Interest and Debt Expense	Schedule H-3(4), Line 3	(3,666,676)
3	Excess Deferred Income Taxes	Sch H-3(2), Pg 2, Ln 10	<u>(10,218)</u>
4	Net FIT Adjustment		<u>(3,676,894)</u>
5	Return after FIT Adjustments		\$ <u><u>11,060,597</u></u>
6	Federal Income Taxes @ 35% Tax on Tax Rate of 53.846154%		5,955,706
7	Amortization of Regulatory Refund Obligation	Schedule B-2, Page 2	<u>(177,751) 1/</u>
8	Total Federal Income Tax		\$ <u><u>5,777,955</u></u>
9	State Tax Rate @ 4.9513% Tax on Tax Rate of 5.209224%	Sch H-3(3), Pg 1, Ln 5	\$ <u><u>877,158</u></u>

1/ Established pursuant to Commission letter dated June 23, 1994 in  
Docket No. AC94-73-000.

SOUTHWEST GAS STORAGE COMPANY

Reconciliation of Book Depreciable Plant and Tax Depreciable Plant  
and the Accumulated Provision for Deferred Income Taxes  
April 30, 2007, As Adjusted

Line No.	Description	Amount (a)
1	Book Depreciable Plant	\$ 185,305,761
2	Accumulated Book Depreciation and Amortization	(122,879,458)
3	Regulatory Assets/Liabilities	(2,041,894)
4	Net Plant Investment	<u>\$ 60,384,409</u>
5	Tax Depreciable Plant	\$ 86,965,495
6	Accumulated Tax Depreciation	(28,275,662)
7	Regulatory Assets/Liabilities	-
8	Net Plant per Tax	<u>\$ 58,689,833</u>
9	Difference Between Book and Tax (Line 8 - Line 4)	<u>\$ (1,694,576)</u>
10	State Income Taxes (Line 9 x 4.9513%)	\$ 83,904
11	Federal Income Taxes [(Line 9, net of Line 10) x 35%]	<u>563,735</u>
12	Total Deferred Income Taxes	647,639
13	Test Period Deferred Income Taxes	<u>715,000 1/</u>
14	(Excess)/Deficient Deferred Taxes	<u>\$ (67,361)</u>

1/ Plant-related deferred income taxes

SOUTHWEST GAS STORAGE COMPANY

Excess Deferred Income Taxes  
Derivation of Annual Amortization

Line No.	Description	Reference	Amount (a)
1	Net Plant	STATEMENT B, Line 3	\$ 143,080,035
2	Less: Non-Depreciable Recoverable/Cushion Gas	STATEMENT C, Ln 5, Col (g)	<u>80,653,732</u>
3	Net Depreciable Plant Investment		<u>\$ 62,426,303</u>
4	Depreciation Expense	STATEMENT H-2, Ln 11, Col (h)	\$ 5,374,308
5	Less: Negative Salvage Expense	STATEMENT H-2, Ln 2, Col (h)	<u>1,756,053</u>
6	Net Depreciation Expense Excluding Negative Salvage		<u>\$ 3,618,255</u>
7	Remaining Regulatory Life (Years)	(Line 3 / Line 6)	<u>17.25</u>
8	(Excess) Deficient Deferred Income Taxes	Schedule H-3(2), Page 1, Line 14	<u>\$ (67,361)</u>
9	Annual Amortization Based on Average Remaining Life	(Line 8 / Line 7)	<u>\$ (3,905)</u>
10	Gross-Up for Income Tax Calculation	(Line 9 / 38.2183%)	<u>\$ (10,218)</u>

SOUTHWEST GAS STORAGE COMPANY

Calculation of State Income Tax Rates  
Twelve Months Ended April 30, 2007, As Adjusted

Line No.	State	Apportionment Factor % (a)	1/ State Income Tax Rate (b)	Other Tax Rate (c)	2/ Effective State Tax Rate (d)
1	Illinois	8.7413%	4.8000%	2.5000%	0.6381%
2	Kansas	46.5312%	4.0000%	3.3500%	3.4200%
3	Michigan	0.0000%	1.9000%	0.0000%	0.0000%
4	Oklahoma	14.8857%	6.0000%	0.0000%	0.8932%
5	Weighted Average Effective State Tax Rate				<u>4.9513%</u>

1/ See Page 2, Column (I).

2/ Illinois has an additional 2.5% personal property replacement tax. Kansas has an additional 3.35% surtax on Kansas taxable income over \$50,000.

SOUTHWEST GAS STORAGE COMPANY

Calculation of State Income Tax Rates  
Twelve Months Ended April 30, 2007, As Adjusted

Line No.	State	Sales (a)	Sales % (b)	Sales Weight (c)	Sales Factor (d)	Beginning Property (e)	Ending Property (f)	Rent Expense (g)	Average Property (h)	Property % (i)	Property Weight (j)	Property Factor (k)	Sum of Factors (l)
1	Illinois	\$ 3,977,147	8.7413%	100.00%	8.7413%	\$ 40,982,315	\$ 40,982,315	\$ 63,817	\$ 41,046,132	0.0000%		0.0000%	8.7413%
2	IL - Total	45,498,350				152,833,858	152,833,858	332,574	153,166,432				
3	Kansas	20,919,686	45.9790%	50.00%	22.9895%	72,111,819	72,111,819	4,078	72,115,897	47.0834%	50.00%	23.5417%	46.5312%
4	KS - Total	45,498,350				152,833,858	152,833,858	332,574	153,166,432				
5	Michigan	12,647,267	27.7972%		0.0000%	24,531,205	24,531,205	112,286	24,643,491	16.0894%		0.0000%	0.0000%
6	MI - Total	45,498,350				152,833,858	152,833,858	332,574	153,166,432				
7	Oklahoma	7,954,249	17.4825%	66.67%	11.6556%	14,761,380	14,761,380	78,076	14,839,456	9.6885%	33.34%	3.2301%	14.8857%
8	OK - Total	45,498,350				152,833,858	152,833,858	332,574	153,166,432				

SOUTHWEST GAS STORAGE COMPANY

Federal Income Tax Adjustments  
Interest and Debt Expense  
Twelve Months Ended April 30, 2007, As Adjusted

Line No.	Description	Reference	Total (a)
1	Rate Base	STATEMENT B, Line 9	\$ 141,570,520
2	Rate of Return on Long-term Debt	STMT F-2, Ln 2, Col (e)	<u>2.59%</u>
3	Interest and Debt Expense		\$ <u><u>3,666,676</u></u>

SOUTHWEST GAS STORAGE COMPANY

At-Risk Revenue  
Twelve Months Ended April 30, 2007, As Adjusted

Not Applicable

SOUTHWEST GAS STORAGE COMPANY

Other Revenues  
Twelve Months Ended April 30, 2007, As Adjusted

Line No.	Acct Period (a)	492 Incidental Gasoline & Oil Sales (b)	493 Rent From Gas Property (c)	495 Other Gas Revenues (d)	Total Other Revenues (e)
1	2006-05	\$ -	\$ -	\$ 32,806	\$ 32,806
2	2006-06	-	-	14,223	14,223
3	2006-07	-	-	12,198	12,198
4	2006-08	-	-	12,184	12,184
5	2006-09	-	-	(2,229)	(2,229)
6	2006-10	-	-	29,495	29,495
7	2006-11	-	-	8,871	8,871
8	2006-12	-	-	(2,750)	(2,750)
9	2007-01	-	-	35,528	35,528
10	2007-02	-	-	10,663	10,663
11	2007-03	-	-	(1,891)	(1,891)
12	2007-04	-	-	27,620	27,620
13	Total	-	-	176,718	176,718
14	Adjustment	-	-	-	-
15	Adjusted Total	\$ -	\$ -	\$ 176,718	\$ 176,718



SOUTHWEST GAS STORAGE COMPANY

Miscellaneous Revenues  
Twelve Months Ended April 30, 2007, As Adjusted

Not Applicable

SOUTHWEST GAS STORAGE COMPANY

Gas Balance  
Twelve Months Ended April 30, 2007  
(Dth)

Line No.	Description	May-06 (a)	Jun-06 (b)	Jul-06 (c)	Aug-06 (d)	Sep-06 (e)	Oct-06 (f)	Nov-06 (g)	Dec-06 (h)	Jan-07 (i)	Feb-07 (j)	Mar-07 (k)	Apr-07 (l)	Total (m)
<b>GAS RECEIVED</b>														
1	Gas Purchases	-	-	-	-	-	-	-	-	-	-	-	-	-
2	Gas of Others Received for Gathering	-	-	-	-	-	-	-	-	-	-	-	-	-
3	Gas of Others Received for Transmission	-	-	-	-	-	-	-	-	-	-	-	-	-
4	Gas of Others Received for Distribution	-	-	-	-	-	-	-	-	-	-	-	-	-
5	Gas of Others Received for Contract Storage	4,302,248	4,292,769	4,293,040	4,708,941	6,684,544	4,333,325	1,466,851	5,058	195,471	-	3,353,359	3,482,981	37,116,587
6	Exchanged Gas Received from Others	-	-	-	-	-	-	-	-	-	-	-	-	-
7	Gas Received as Imbalances	-	-	-	-	-	-	-	-	-	-	-	-	-
8	Receipts of Respondent's Gas Transported by Others	-	-	-	-	-	-	-	-	-	-	-	-	-
9	Other Gas Injected into Storage - Overruns	-	-	-	-	34,119	-	-	-	-	-	-	-	-
10	Gas Received from Shippers as Compr Station Fuel	119,893	108,839	112,667	111,169	126,310	83,235	42,709	62,194	94,624	116,351	78,999	8,771	42,890
11	Gas Received from Shippers as Lost and Unaccl'd For	-	-	-	-	-	-	-	-	-	-	-	-	1,149,855
12	Other Receipts	-	-	-	-	-	-	-	-	-	-	-	-	-
13	<b>TOTAL GAS RECEIVED</b>	<b>4,422,231</b>	<b>4,401,608</b>	<b>4,405,707</b>	<b>4,820,110</b>	<b>6,844,973</b>	<b>4,416,560</b>	<b>1,509,560</b>	<b>67,252</b>	<b>290,095</b>	<b>116,351</b>	<b>3,432,358</b>	<b>3,584,527</b>	<b>38,311,332</b>
<b>GAS DELIVERED</b>														
14	Gas Sales	-	-	-	-	-	-	-	-	-	-	-	-	-
15	Deliveries of Gas Gathered for Others	-	-	-	-	-	-	-	-	-	-	-	-	-
16	Deliveries of Gas Transported for Others	-	-	-	-	-	-	-	-	-	-	-	-	-
17	Deliveries of Gas Distributed for Others	-	-	-	-	-	-	-	-	-	-	-	-	-
18	Deliveries of Contract Storage Gas	407,494	49,736	697,294	374,919	-	-	1,262,275	6,000,897	10,103,838	10,145,087	2,512,729	1,166,396	32,720,665
19	Exchange Gas Delivered to Others	-	-	-	-	-	-	-	-	-	-	-	-	-
20	Gas Delivered as Imbalances	-	-	-	-	-	-	-	-	-	-	-	-	-
21	Deliveries of Gas to Others for Transportation	-	-	-	-	-	-	-	-	-	-	-	-	-
22	Other Gas Withdrawn from Storage - Overruns	-	-	-	-	-	-	-	-	-	-	-	-	-
23	Gas Used for Compressor Station Fuel	108,187	112,071	95,149	90,681	116,182	88,091	56,165	40,024	4,964	595,045	-	22,808	622,817
24	Increase/(Decrease) in Fuel Tracker Deferred Account	13,796	(3,232)	17,518	20,488	10,128	(4,856)	(13,456)	22,170	44,904	47,621	75,185	80,687	952,857
25	Increase/(Decrease) in Contract Storage Inventory	3,894,754	4,243,033	3,595,746	4,334,022	6,718,663	4,333,325	204,576	(5,985,839)	(9,913,331)	(10,740,132)	840,630	2,302,548	3,817,995
26	<b>TOTAL GAS DELIVERED</b>	<b>4,422,231</b>	<b>4,401,608</b>	<b>4,405,707</b>	<b>4,820,110</b>	<b>6,844,973</b>	<b>4,416,560</b>	<b>1,509,560</b>	<b>67,252</b>	<b>290,095</b>	<b>116,351</b>	<b>3,432,358</b>	<b>3,584,527</b>	<b>38,311,332</b>
<b>GAS UNACCOUNTED FOR</b>														
27	Storage System Losses	-	-	-	-	-	-	-	-	-	-	-	-	-
28	Other Losses	-	-	-	-	-	-	-	-	-	-	-	-	-
29	<b>TOTAL GAS UNACCOUNTED FOR</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
30	<b>TOTAL GAS DELIVERIES &amp; UNACCOUNTED FOR</b>	<b>4,422,231</b>	<b>4,401,608</b>	<b>4,405,707</b>	<b>4,820,110</b>	<b>6,844,973</b>	<b>4,416,560</b>	<b>1,509,560</b>	<b>67,252</b>	<b>290,095</b>	<b>116,351</b>	<b>3,432,358</b>	<b>3,584,527</b>	<b>38,311,332</b>

SOUTHWEST GAS STORAGE COMPANY

Gas Balance  
Twelve Months Ended April 30, 2007, As Adjusted  
(Dth)

Line No.	Description	Dec-05 (a)	Jan-06 (b)	Feb-06 (c)	Mar-06 (d)	Apr-06 (e)	May-06 (f)	Jun-06 (g)	Jul-06 (h)	Aug-06 (i)	Sep-06 (j)	Oct-06 (k)	Nov-06 (l)	Total (m)
<b>GAS RECEIVED</b>														
1	Gas Purchases	-	-	-	-	-	-	-	-	-	-	-	-	-
2	Gas of Others Received for Gathering	-	-	-	-	-	-	-	-	-	-	-	-	-
3	Gas of Others Received for Transmission	-	-	-	-	-	-	-	-	-	-	-	-	-
4	Gas of Others Received for Distribution	-	-	-	-	-	-	-	-	-	-	-	-	-
5	Gas of Others Received for Contract Storage	4,302,248	4,292,769	4,293,040	4,708,941	6,718,663	4,333,325	1,466,851	5,058	195,471	-	3,353,359	3,481,752	37,161,477
6	Exchanged Gas Received from Others	-	-	-	-	-	-	-	-	-	-	-	-	-
7	Gas Received as Imbalances	-	-	-	-	-	-	-	-	-	-	-	-	-
8	Receipts of Respondent's Gas Transported by Others	-	-	-	-	-	-	-	-	-	-	-	-	-
9	Other Gas Injected into Storage - Overruns	-	-	-	-	-	-	-	-	-	-	-	-	-
10	Gas Received from Shippers as Compr Station Fuel	115,287	103,987	108,922	106,907	120,798	79,585	41,772	63,590	101,727	112,472	77,018	90,894	1,122,959
11	Gas Received from Shippers as Lost and Unaccd For	-	-	-	-	-	-	-	-	-	-	-	-	-
12	Other Receipts	-	-	-	-	-	-	-	-	-	-	-	-	-
13	<b>TOTAL GAS RECEIVED</b>	<b>4,417,535</b>	<b>4,396,756</b>	<b>4,401,962</b>	<b>4,815,848</b>	<b>6,839,461</b>	<b>4,412,910</b>	<b>1,508,623</b>	<b>68,648</b>	<b>297,198</b>	<b>112,472</b>	<b>3,430,377</b>	<b>3,582,646</b>	<b>38,284,436</b>
<b>GAS DELIVERED</b>														
14	Gas Sales	-	-	-	-	-	-	-	-	-	-	-	-	-
15	Deliveries of Gas Gathered for Others	-	-	-	-	-	-	-	-	-	-	-	-	-
16	Deliveries of Gas Transported for Others	-	-	-	-	-	-	-	-	-	-	-	-	-
17	Deliveries of Gas Distributed for Others	-	-	-	-	-	-	-	-	-	-	-	-	-
18	Deliveries of Contract Storage Gas	552,173	67,395	944,865	508,032	-	-	1,353,751	6,787,232	11,968,165	10,476,350	2,607,007	1,293,690	36,538,860
19	Exchange Gas Delivered to Others	-	-	-	-	-	-	-	-	-	-	-	-	-
20	Gas Delivered as Imbalances	-	-	-	-	-	-	-	-	-	-	-	-	-
21	Deliveries of Gas to Others for Transportation	-	-	-	-	-	-	-	-	-	-	-	-	-
22	Other Gas Withdrawn from Storage - Overruns	-	-	-	-	-	-	-	-	-	-	-	-	-
23	Gas Used for Compressor Station Fuel	115,287	103,987	108,922	106,907	120,798	79,585	41,772	63,590	101,727	112,472	77,018	90,894	622,817
24	Increase/(Decrease) in Fuel Tracker Deferred Account	3,750,075	4,225,374	3,348,175	4,200,909	6,718,663	4,333,325	113,100	(6,782,174)	(11,777,656)	(11,071,395)	746,352	2,175,254	1,122,959
25	Increase/(Decrease) in Contract Storage Inventory	-	-	-	-	-	-	-	-	-	-	-	-	-
26	<b>TOTAL GAS DELIVERED</b>	<b>4,417,535</b>	<b>4,396,756</b>	<b>4,401,962</b>	<b>4,815,848</b>	<b>6,839,461</b>	<b>4,412,910</b>	<b>1,508,623</b>	<b>68,648</b>	<b>297,198</b>	<b>112,472</b>	<b>3,430,377</b>	<b>3,582,646</b>	<b>38,284,436</b>
<b>GAS UNACCOUNTED FOR</b>														
27	Storage System Losses	-	-	-	-	-	-	-	-	-	-	-	-	-
28	Other Losses	-	-	-	-	-	-	-	-	-	-	-	-	-
29	<b>TOTAL GAS UNACCOUNTED FOR</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
30	<b>TOTAL GAS DELIVERIES &amp; UNACCOUNTED FOR</b>	<b>4,417,535</b>	<b>4,396,756</b>	<b>4,401,962</b>	<b>4,815,848</b>	<b>6,839,461</b>	<b>4,412,910</b>	<b>1,508,623</b>	<b>68,648</b>	<b>297,198</b>	<b>112,472</b>	<b>3,430,377</b>	<b>3,582,646</b>	<b>38,284,436</b>