



SOUTHWEST GAS CORPORATION

Roger C. Montgomery, Vice President/Pricing

Advice Letter No. 438

March 6, 2008

PUBLIC UTILITIES COMMISSION OF NEVADA

Southwest Gas Corporation (Southwest) tenders herewith for filing the following tariff sheets applicable to its Nevada Gas Tariff No. 6:

Proposed P.U.C.N. Sheet No.

Supersedes P.U.C.N. Sheet No.

Tenth Revised P.U.C.N. Sheet No. 19
Second Revised P.U.C.N. Sheet No. 381
Second Revised P.U.C.N. Sheet No. 382
First Revised P.U.C.N. Sheet No. 383
Second Revised P.U.C.N. Sheet No. 389
Second Revised P.U.C.N. Sheet No. 397
Second Revised P.U.C.N. Sheet No. 398

Ninth Revised P.U.C.N. Sheet No. 19
First Revised P.U.C.N. Sheet No. 381
First Revised P.U.C.N. Sheet No. 382
Original P.U.C.N. Sheet No. 383
First Revised P.U.C.N. Sheet No. 389
First Revised P.U.C.N. Sheet No. 397
First Revised P.U.C.N. Sheet No. 398

The purpose of this filing is to set forth the tax liability factors that will be used to calculate the federal income tax liability associated with customer provided contributions in aid of construction (contributions) and advances for construction (advances). Rule Nos. 9 and 10 of Southwest's Gas Tariff provide that a contribution or advance may be adjusted, or grossed-up, to recover the cost of federal income tax in accordance with NAC 704.6532, which provides utilities an option to not gross-up if a utility's contributions and advances are less than one percent of total operating revenues. Historically, Southwest's contributions and advances have been less than one percent of its total annual revenue and Southwest has not grossed-up contributions and advances pursuant to NAC 704.6532.

Based on the Company's 2007 audited financial results filed with the Securities and Exchange Commission on February 29, 2008, it was determined that the Company exceeded the one percent test. In light of this changed circumstance, Southwest hereby notifies the Commission that it intends to begin grossing-up cash and non-cash contributions and advances in both its Southern and Northern Nevada Divisions. Southwest respectfully requests its filing be made effective May 1, 2008 to allow time for Southwest to work with its builder and developer communities to familiarize them with the new policy. Attached are schedules showing the calculation of the gross-up factors.

An advice letter to update the tax liability factors will be filed as necessary, when changes in the interest rate applicable to customer deposits or other inputs to the calculation affect the resulting tax liability factors.



Advice Letter No. 438
March 6, 2008
Page 2

Southwest is also proposing minor revisions to its Main and Service Extensions Rules, Rule Nos. 9 and 10 respectively, to reference its tax liability factors and to clarify that refunds of advances will include any associated federal income taxes.

This filing will not increase or decrease any rate or charge, conflict with any schedule or rule, or cause the withdrawal of service and is made in accordance with the Nevada Administrative Code, NAC Chapter 703, of the Commission's Rules of Practice and Procedure.

Respectfully Submitted,

SOUTHWEST GAS CORPORATION

By *Roger C. Montgomery*
Roger C. Montgomery

Attachments

STATEMENT OF RATES
TAX LIABILITY FACTORS ^[1]

<u>Effective Dates</u>	<u>Depreciable Assets</u>		<u>Non-Depreciable Assets</u>	
	<u>So. Nevada</u>	<u>No. Nevada</u>	<u>So. Nevada</u>	<u>No. Nevada</u>
May 1, 2008	1.10	1.11	1.54	1.54

[1] The above Tax Liability Factors will be used in accordance with the Utility's Rule No. 9, Main Extensions and Rule No. 10, Service Extensions, to adjust cash and non-cash contributions in aide of construction and advances for construction to recover the cost of Federal Income Tax in accordance with NAC 704.6532.

<p>Issued:</p> <p>Effective:</p> <p>Advice Letter No.:</p> <p style="text-align: center;"><u>438</u></p>	<p>Issued by John P. Hester Senior Vice President</p>	
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RULE NO. 9

MAIN EXTENSIONS
(Continued)

B. MAIN EXTENSIONS TO APPLICANTS FOR SERVICE (Continued)

3. Main Extensions Beyond the Allowable Investment. The Utility will install that portion of each main in excess of the allowable investment upon receipt of a nonrefundable cash or non-cash contribution in aid of construction, or a refundable advance for construction equal to the estimated cost of such excess main. Any contribution in aid of construction or advance for construction may be adjusted to recover the cost of Federal Income Tax in accordance with NAC 704.6532 by the Tax Liability Factor in effect at the time the contribution or advance is taken. The Utility's Tax Liability Factors are set forth on Sheet No. 19 of this Nevada Gas Tariff.
4. Multiple Applicants. In cases where more than one applicant is to be served from the same extension, the total allowable investment therein will be considered to be the sum of the individual allowable investments. The amount to be advanced by the members of the group shall be apportioned among them in such manner as they shall mutually agree upon and as shall be acceptable to the Utility. In the absence of such an agreement, the Utility will extend its mains only on the basis of individual contracts with each applicant.
5. Method of Refund. The amount advanced by the applicant in accordance with this rule will be subject to refund, without interest, in the following manner:
 - a. A refund will be made for each additional customer connected to an extension by a service line for which all advance payments have not previously been refunded equal to the connecting customer's allowable investment.
 - b. When two or more parties make a joint advance on the same extension, refundable amounts will be distributed to these parties in the same proportion as their individual advances bear to the total joint advance.

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Issued: Effective: Advice Letter No.: <u>438</u>	Issued by John P. Hester Senior Vice President	
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RULE NO. 9

MAIN EXTENSIONS
(Continued)

B. MAIN EXTENSIONS TO APPLICANTS FOR SERVICE (Continued)

- c. Amounts refunded may be accumulated to a minimum of \$50 (or the total refundable balance if less than \$50); however, no refunds will be made by the Utility in excess of the amount advanced after a period of 5 years from the date of completion of the extension. Any portion of the advance in the possession of the Utility after the termination of the refund period shall remain with the Utility.
- d. Any assignment by a customer of their interest in any part of an advance, which at the time remains unrefunded, must be made in writing and approved by the Utility.
- e. Amounts advanced under a gas main extension rule previously in effect will be refunded in accordance with the provisions of such rule.

C. MAIN EXTENSIONS TO SERVE INDIVIDUALLY METERED SUBDIVISIONS, TRACTS, HOUSING PROJECTS, MULTI-FAMILY DWELLINGS, AND MOBILE HOME PARKS OR ESTATES

1. Contributions and Advances

Gas distribution main extensions to and within individually metered subdivisions, housing projects, multi-family dwellings, and mobile home parks or estates will be constructed, owned, operated and maintained by the Utility in advance of applications for service by bona fide customers only when the entire estimated cost of such extensions as determined by the Utility, less any cash or non-cash contributions in aid of construction, is advanced to the Utility, and a main extension contract is executed. This advance may include the cost of any gas facilities installed at the Utility's expense in conjunction with a previous main extension in anticipation of the current extension. Any contribution in aid of construction or advance for construction may be adjusted to recover the cost of Federal Income Tax in accordance with NAC 704.6532 by the Tax Liability Factor in effect at the time the contribution or advance is taken. The Utility's Tax Liability Factors are set forth on Sheet No. 19 of this Nevada Gas Tariff.

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RULE NO. 9

MAIN EXTENSIONS
(Continued)

C. MAIN EXTENSIONS TO SERVE INDIVIDUALLY METERED SUBDIVISIONS, TRACTS, HOUSING PROJECTS, MULTI-FAMILY DWELLINGS, AND MOBILE HOME PARKS OR ESTATES *(Continued)*

1. Contributions and Advances *(Continued)*

- a. When a subdivider-builder-developer is building a project in consecutive phases such that each phase is constructed separately and requires separate advances, unused allowances from one phase may be applied to an outstanding advance in any other phase so long as such outstanding advance is still eligible for refund.
- b. See Rule No. 10B for rules governing requests to serve master-metered mobile home parks (MMP) through individual residential meters if the MMP is currently or was formerly served under a master-metered mobile home park schedule.

2. Refunds

On or after 1 year subsequent to the completion of construction of the Utility's facilities, and thereafter every 6 months, the Utility will review the status of the subdivision to determine the number of lots or service locations occupied by permanent customers. Refunds, including any amounts collected to recover the cost of Federal Income Tax in accordance with NAC 704.6532, will be made based on the number of lots occupied by permanent customers at the end of each subsequent interval. The amount refunded will be based on individual end use applications connected at each permanent customer location and will be equal to a multiple of the margin as calculated by the Utility. The maximum amount refunded per customer shall not exceed the allowable investment as determined in Paragraph B of this rule and Paragraph B of Rule No. 10 combined.

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RULE NO. 9

MAIN EXTENSIONS
(Continued)

E. GENERAL CONDITIONS *(Continued)*

3. Service Extensions

- a. Gas service extensions required to serve an applicant shall be installed as provided in Rule No. 10.
- b. Subject to Utility approval, an applicant who would be entitled to a free service extension pursuant to Rule No. 10, but who does not require all of the free service extension for which they are eligible, may apply the amount of the unused portion of such free service extension toward the cost of the main extension; and provided further, that in no event will the total investment borne by the Utility exceed the allowable investment as provided in this rule and Rule No. 10 combined.

4. Relocation of Main

- a. When, in the judgment of the Utility, the relocation of a main is necessary and is due either to maintenance of adequate service or the operating convenience of the Utility, the Utility normally shall perform such work at its own expense.
- b. If relocation of service line is due solely to meet the convenience or the requirements of the applicant or the customer, such relocation, including metering and regulating facilities, shall be performed by the Utility at the expense of the applicant or the customer.
- c. Relocation of facilities will be mandatory and at the customer's expense when actions of the customer restrict the Utility's access to or the safety of the facility.
- d. The cost of relocations performed at the customer's expense may be adjusted to recover the cost of Federal Income Tax in accordance with Nac 704.6532 by the Tax Liability Factor in effect at the time the work is performed. The Utility's Tax Liability Factors are set forth on Sheet No. 19 of this Nevada Gas Tariff.

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RULE NO. 10

SERVICE EXTENSIONS
(Continued)

D. GENERAL CONDITIONS *(Continued)*

- c. In cases where the applicant's proposed meter location is a considerable distance from the main, or where the service is taken from a transmission main, or where a hazard or obstruction such as plowed land between the gas main and the applicant's building prevents the Utility from prudently installing a service line, the Utility may, at its discretion, waive the allowable investment stated above. In such cases the meter may be located at or near the applicant's property line, as close as practical to the Utility's main at a location mutually agreed upon. Where these conditions exist, the Utility will install service pipe only to the meter location.

- 3. Service Line Extensions Beyond the Allowable Investment. The Utility will install that portion of each service line in excess of the allowable investment upon receipt of a nonrefundable cash or non-cash contribution in aid of construction equal to the estimated cost of such excess service line. Any contribution in aid of construction may be adjusted to recover the cost of Federal Income Tax in accordance with NAC 704.6532 by the Tax Liability Factor in effect at the time the contribution or advance is taken. The Utility's Tax Liability Factors are set forth on Sheet No. 19 of this Nevada Gas Tariff.

- 4. One Service for a Single Premise
 - a. The Utility will not install more than one service line to supply a single premise, unless it is for the convenience of the Utility or an applicant requests an additional service and, in the opinion of the Utility, an unreasonable burden would be placed on the applicant if the additional service were denied. When an additional service is installed at the applicant's request, the applicant shall make a nonrefundable contribution for the additional service based on the Utility's estimated cost.

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RULE NO. 10

SERVICE EXTENSIONS
(Continued)

D. GENERAL CONDITIONS (Continued)

- b. When a service extension is made to a meter location upon private property, which is subsequently subdivided into separate premises, with ownership of portions thereof divested to other than the applicant or the customer, the Utility shall have the right, upon written notice, to discontinue service without obligation or liability. Gas service, as required by said applicant or customer, will be reestablished in accordance with the applicable provisions of the Utility's rules.

- 5. Branch Services. The Utility, at its option, may install a branch service for units on adjoining premises.

- 6. Relocation of Services
 - a. When, in the judgment of the Utility, the relocation of a service including metering facilities, is necessary and is due either to maintenance of adequate service or the operating convenience of the Utility, the Utility normally shall perform such work at its own expense.

 - b. If relocation of service line is due solely to meet the convenience of the requirements of the applicant or the customer, such relocation, including metering and regulating facilities, shall be performed by the Utility at the expense of the applicant or the customer.

 - c. Relocation of facilities will be mandatory and at the customer's expense when actions of the customer restrict the Utility's access to or the safety of the facility.

 - d. The cost of relocations performed at the customer's expense may be adjusted to recover the cost of Federal Income Tax in accordance with NAC 704.6532 by the Tax Liability Factor in effect at the time the work is performed. The Utility's Tax Liability Factors are set forth on Sheet No. 19 of this Nevada Gas Tariff.

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SOUTHWEST GAS - NORTHERN NEVADA
CALCULATION OF ADVICE LETTER NO. 438 TAX LIABILITY FACTOR
BASED ON \$1,000 CONTRIBUTION

LINE NO.	TAX SAVINGS CALCULATION										ANNUAL SAVINGS AT 35% RATE	LINE NO.
	BEGINNING TAX PAYMENT BALANCE	YEARLY TAX BENEFIT	ENDING TAX PAYMENT BALANCE	CURRENT AUTHORIZED PRETAX RETURN*	CURRENT CUSTOMER DEPOSIT RATE*	MID-YEAR PRESENT VALUE	TAX DEPRECIATION RATE	TAX DEPRECIATION RATE	TAX DEPRECIATION RATE	TAX DEPRECIATION RATE		
1	350.00	183.75	166.25	17.99	0.9844	17.710	52.50%	1,000	52.50%	525.00	183.75	1
2	166.25	16.63	149.63	16.19	0.9540	15.440	4.75%	1,000	4.75%	47.50	16.63	2
3	149.63	14.98	134.65	14.57	0.9245	13.470	4.28%	1,000	4.28%	42.80	14.98	3
4	134.65	13.48	121.17	13.11	0.8959	11.750	3.85%	1,000	3.85%	38.50	13.48	4
5	121.17	12.15	109.03	11.80	0.8682	10.240	3.47%	1,000	3.47%	34.70	12.15	5
6	109.03	10.92	98.11	10.61	0.8414	8.930	3.12%	1,000	3.12%	31.20	10.92	6
7	98.11	10.33	87.78	9.50	0.8154	7.740	2.95%	1,000	2.95%	29.50	10.33	7
8	87.78	10.33	77.46	8.38	0.7902	6.620	2.95%	1,000	2.95%	29.50	10.33	8
9	77.46	10.36	67.10	7.26	0.7657	5.560	2.96%	1,000	2.96%	29.60	10.36	9
10	67.10	10.33	56.77	6.14	0.7421	4.560	2.95%	1,000	2.95%	29.50	10.33	10
11	56.77	10.36	46.41	5.02	0.7191	3.610	2.96%	1,000	2.96%	29.60	10.36	11
12	46.41	10.33	36.09	3.90	0.6969	2.720	2.95%	1,000	2.95%	29.50	10.33	12
13	36.09	10.36	25.73	2.78	0.6754	1.880	2.96%	1,000	2.96%	29.60	10.36	13
14	25.73	10.33	15.40	1.67	0.6545	1.090	2.95%	1,000	2.95%	29.50	10.33	14
15	15.40	10.36	5.04	0.55	0.6342	0.350	2.96%	1,000	2.96%	29.60	10.36	15
16	5.04	5.04	0.00	0.00	0.6146	-	1.440%	1,000	1.440%	14.40	5.04	16
17	TOTAL	350.00				111.67	100.00%	TOTAL	100.00%		350.00	17
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CONVERSION TO PERCENTAGE PER DOLLAR OF CONTRIBUTION 11.17%

GROSS-UP FACTOR 1 + 11.17% = Rounded 1.11

[1] 15-YEAR MACRS CLASS NATURAL GAS DISTRIBUTION PROPERTY PURSUANT TO INTERNAL REVENUE CODE (IRC) SECTION 168(e)(3)(E)(viii); FIFTY PERCENT BONUS ALLOWANCE PURSUANT TO IRC SECTION 168(k)

(*) ASSUMPTIONS

FEDERAL INCOME TAX RATE OF CUSTOMER DEPOSIT RATE* 35% SIGNED INTO LAW 8/10/93 3.190% FOR DEC 2007

AUTHORIZED RATE OF RETURN
 DEBT* 4.36%
 EQUITY* 4.20%
 TOTAL 8.56%
 GROSS UP FOR TAX 2.26%
 PRETAX RETURN 10.82%

COMPUTED ON EQUITY PORTION ONLY
 * DKT.# 04-3011

INCOME TAX GROSSUP FACTOR 1.5385 EQUALS (1/(1-TAX RATE))

SOUTHWEST GAS - SOUTHERN NEVADA
CALCULATION OF ADVICE LETTER NO. 438 TAX LIABILITY FACTOR
BASED ON \$1,000 CONTRIBUTION

LINE NO.	TAX SAVINGS CALCULATION										LINE NO.	
	BEGINNING TAX PAYMENT BALANCE	YEARLY TAX BENEFIT	ENDING TAX PAYMENT BALANCE	CURRENT AUTHORIZED PRETAX RETURN*	CURRENT CUSTOMER DEPOSIT RATE*	MID-YEAR PRESENT VALUE	YEAR	TAX BASE	TAX DEPRECIATION RATE	MACRS TAX DEPRECIATION RATE		ANNUAL TAX DEPRECIATION
1	350.00	183.75	166.25	16.14	0.9844	15.890	1	1,000	52.50%	525.00	183.75	1
2	166.25	16.63	149.63	14.53	0.9540	13.860	2	1,000	4.75%	47.50	16.63	2
3	149.63	14.98	134.65	13.07	0.9245	12.090	3	1,000	4.28%	42.80	14.98	3
4	134.65	13.48	121.17	11.77	0.8959	10.540	4	1,000	3.85%	38.50	13.48	4
5	121.17	12.15	109.03	10.59	0.8682	9.190	5	1,000	3.47%	34.70	12.15	5
6	109.03	10.92	98.11	9.53	0.8414	8.010	6	1,000	3.12%	31.20	10.92	6
7	98.11	10.33	87.78	8.52	0.8154	6.950	7	1,000	2.95%	29.50	10.33	7
8	87.78	10.33	77.46	7.52	0.7902	5.940	8	1,000	2.95%	29.50	10.33	8
9	77.46	10.36	67.10	6.51	0.7657	4.990	9	1,000	2.96%	29.60	10.36	9
10	67.10	10.33	56.77	5.51	0.7421	4.090	10	1,000	2.95%	29.50	10.33	10
11	56.77	10.36	46.41	4.51	0.7191	3.240	11	1,000	2.96%	29.60	10.36	11
12	46.41	10.33	36.09	3.50	0.6969	2.440	12	1,000	2.95%	29.50	10.33	12
13	36.09	10.36	25.73	2.50	0.6754	1.690	13	1,000	2.96%	29.60	10.36	13
14	25.73	10.33	15.40	1.50	0.6545	0.980	14	1,000	2.95%	29.50	10.33	14
15	15.40	10.36	5.04	0.49	0.6342	0.310	15	1,000	2.96%	29.60	10.36	15
16	5.04	5.04	0.00	0.00	0.6146	-	16	1,000	1.440%	14.40	5.04	16
17	<u>350.00</u>					<u>100.21</u>	TOTAL		<u>100.00%</u>		<u>350.00</u>	17
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CONVERSION TO PERCENTAGE PER DOLLAR OF CONTRIBUTION 10.02%

GROSS-UP FACTOR 1 + 10.02% = Rounded 1.10

[1] 15-YEAR MACRS CLASS NATURAL GAS DISTRIBUTION PROPERTY PURSUANT TO INTERNAL REVENUE CODE (IRC) SECTION 168(e)(3)(E)(viii); FIFTY PERCENT BONUS ALLOWANCE PURSUANT TO IRC SECTION 168(k)

(*) ASSUMPTIONS

FEDERAL INCOME TAX RATE OF 35% SIGNED INTO LAW 8/10/93
CUSTOMER DEPOSIT RATE* 3.190% FOR DEC 2007

AUTHORIZED RATE OF RETURN
DEBT* 3.25%
EQUITY* 4.20%
TOTAL 7.45%
GROSS UP FOR TAX 2.26%
PRETAX RETURN 9.71%

COMPUTED ON EQUITY PORTION ONLY
* DKT.# 04-3011

INCOME TAX GROSSUP FACTOR 1.5385 EQUALS (1/(1-TAX RATE))

Draft Notice Application for Applications, Petitions and Complaints

Page 1 of 2

The Commission requires a draft notice be included with all applications, petitions and complaints. See Nevada Administrative Code 703.162. Please include one copy of this form with your filing.

- I. Include a title that describes the relief requested, or proceeding scheduled pursuant to Nevada Administrative Code (“NAC”) 703.160 (5)(a.)

Notification that Southwest will begin adjusting contributions in aid of construction and advances for construction for Federal Income Tax in accordance with NAC 704.6532.

- II. Include the name of the applicant, complainant, petitioner, or the name of the agent for same pursuant to NAC 703.160 (5)(b).

Southwest Gas Corporation

- III. Include a paragraph with a brief description of the purpose of the filing or proceeding with an introductory statement in plain English understandable to a person of average knowledge and intelligence, that summarizes the relief requested or proceeding scheduled, AND its impact upon consumers, pursuant to NAC 704.160 (5)(c).

Notification of Southwest’s intent to begin adjusting contributions in aid of construction and advances for construction for Federal Income Tax in accordance with NAC 704.6532 and to set forth the Tax Liability Factors on Sheet No. 19 of Southwest’s Nevada Gas Tariff.

- IV. A declaration by the applicant, petitioner, or complainant whether a consumer session is required by Nevada Revised Statute (“NRS”) 704.069 (1). NAC 703.162 (2)¹

Southwest’s application is not a general rate application, an application to recover the increased cost of natural gas purchased for resale, or an application to clear its deferred accounts. As such, no consumer session is required pursuant to NRS 704.069.

- V. If the draft notice pertains to a tariff filing, please include the tariff number and the section number(s) or schedule number(s) being revised.

Southwest Gas Corporation Nevada Gas Tariff No. 6

P.U.C.N. Sheet Nos. 19, 381-383, 389, 397 and 398

¹ **NRS 704.069 Commission required to conduct consumer session for certain rate cases; Commission required to conduct general consumer session annually in certain counties.**

1. The Commission shall conduct a consumer session to solicit comments from the public in any matter pending before the Commission pursuant to NRS 704.061 to 704.110, inclusive, in which:

(a) A public utility has filed a general rate application, an application to recover the increased cost of purchased fuel, purchased power, or natural gas purchased for resale or an application to clear its deferred accounts; and

(b) The changes proposed in the application will result in an increase in annual gross operating revenue, as certified by the applicant, in an amount that will exceed \$50,000 or 10 percent of the applicant’s annual gross operating revenue, whichever is less.

2. In addition to the case-specific consumer sessions required by subsection 1, the Commission shall, during each calendar year, conduct at least one general consumer session in the county with the largest population in this state and at least one general consumer session in the county with the second largest population in this state. At each general consumer session, the Commission shall solicit comments from the public on issues concerning public utilities. Not later than 60 days after each general consumer session, the Commission shall submit the record from the general consumer session to the Legislative Commission.



SOUTHWEST GAS CORPORATION

March 17, 2008


Ms. Crystal Jackson, Secretary
Public Utilities Commission of Nevada
1150 East William Street
Carson City, NV 89701

Re: Advice Letter No. 438 (Docket No. 08-03006)

Dear Ms. Jackson:

Southwest Gas Corporation herewith submits a revised page no. 19 of its Advice Letter No. 438, filed with the Public Utilities Commission of Nevada on March 6, 2008. The revised page corrects a typographical error changing the word "aide" to "aid".

Very truly yours,



Debra S. Jacobson, Director
Government & State Regulatory Affairs

c Bureau of Consumer Protection

STATEMENT OF RATES
TAX LIABILITY FACTORS ^[1]

<u>Effective Dates</u>	<u>Depreciable Assets</u>		<u>Non-Depreciable Assets</u>	
	<u>So. Nevada</u>	<u>No. Nevada</u>	<u>So. Nevada</u>	<u>No. Nevada</u>
May 1, 2008	1.10	1.11	1.54	1.54

[1] The above Tax Liability Factors will be used in accordance with the Utility's Rule No. 9, Main Extensions and Rule No. 10, Service Extensions, to adjust cash and non-cash contributions in aid of construction and advances for construction to recover the cost of Federal Income Tax in accordance with NAC 704.6532.

<p>Issued:</p> <p>Effective:</p> <p>Advice Letter No.:</p> <p style="text-align: center;"><u>438</u></p>	<p>Issued by John P. Hester Senior Vice President</p>	
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