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**ARIZONA CORPORATION COMMISSION**

July 2, 2008

Ms. Rae McQuade, Director  
North American Energy Standards Board  
1301 Fannin, Suite 2350  
Houston, Texas 77002

**RE: ORDER NUMBER 698: INTRADAY NOMINATION TIMELINE PROPOSALS**

Dear Ms. McQuade,

The Arizona Corporation Commission ("ACC") is providing the following comments and requests that these comments be made part of the record in the pending NAESB Wholesale Gas Quadrant's discussions relating to Order 698 and intraday nomination timeline proposals. The ACC has actively participated in NAESB meetings on this issue and previously provided a letter supporting the introduction of an additional Intraday bumping cycle. The ACC provides this letter to express its continued support for the introduction of an additional Intraday bumping cycle and the Arizona Public Service Company/Tennessee Valley Authority ("APS/TVA") proposal that has been under consideration at NAESB.

The APS/TVA proposal received strong support at the May 20, 2008 meeting, including supportive votes by a majority of those voting in the end user, local distribution company, and services segments. And significantly, this included supporting votes from three state public utility commissions, including the Arizona Corporation Commission, the Kansas Corporation Commission, and the Missouri Public Service Commission. No state public utility commissions opposed the APS/TVA proposal.

It would be unfortunate if NAESB failed to take action on the pressing need to provide further coordination between the electric and natural gas industries. Reliance on natural gas for electric generation will only grow in the coming years, further heightening the need for industry and regulatory action for increased industry coordination. Continuing to simply default to the status quo does not serve the broad public interest and changing industry needs. If NAESB fails to take action, the ACC urges the Federal Energy Regulatory Commission ("FERC") to actively engage in this issue and to take the steps necessary to implement an additional Intraday bumping cycle and/or reconsider its current policy requiring that the last cycle of the day be a non-bumping cycle.

Shippers are expected by both the pipelines and FERC to actively manage their natural gas supplies as they are transported across the interstate pipeline and consumed by various end uses. Pipelines and FERC have shown a willingness to implement greater restrictions and new penalty structures on shippers to force shippers to closely match their end use consumption with

scheduled gas supplies. It is only equitable that NAESB and FERC pursue and adopt available opportunities, such as this one, that would provide shippers with the tools necessary to use their firm pipeline capacity more efficiently and more accurately match their consumption with the natural gas they schedule on the pipeline. The ACC reiterates its support for the APS/TVA proposal and urges further NAESB and FERC efforts to meet the shipper and public interest needs at stake in this matter.

Sincerely,

A handwritten signature in black ink, appearing to read 'EGJ', with a long horizontal flourish extending to the right.

Ernest G. Johnson  
Director  
Utilities Division

cc: Chairman Mike Gleason  
Commissioner William A. Mundell  
Commissioner Jeff Hatch-Miller  
Commissioner Kristin K. Mayes  
Commissioner Gary Pierce  
Janice Alward, Chief, Legal Division  
Bob Gray

Via U.S. Mail and Email ([naesb@naesb.org](mailto:naesb@naesb.org))