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Ms. Rae McQuade
North American Energy Standards Board
1100 Louisiana St Suite 3625
Houston, Texas 77002

Subject: Comments to the GISB/NAESB Base Contract

Dear NAESB Office,

Arizona Public Service Company has reviewed the most recent version of the GISB draft contract (dated 11-7-01) and has the following suggested changes/concerns:

Section 1.2

Add to the end of the 5th sentence, line 6: "within three (3) Business Days of telephonic transaction." APS believes it is important to specify and limit the amount of time between the telephone transaction and the transaction confirmation.

Section 1.3

Change the first sentence to read as follows: "If the commercial terms of a sending party's Transaction Confirmation is different from the receiving party's understanding of the agreement referred to in Section 1.2, such receiving party shall notify the sending party via facsimile, e-mail, or other mutually agreeable means by the Confirm Deadline, unless such receiving party has previously sent a Transaction Confirmation to the sending party." APS believes the issue of "materially" is too vague and this would eliminate the potential for confusion. In addition, "email or any other mutually agreeable means" are common and acceptable forms of communication that should be recognized in the contract.

Section 10 Financial Responsibility

Section 10.1. In the first sentence, line 1 - delete "payment" before the word obligation. Second sentence, line 5 - after the word "credit" and before the words "a prepayment" add: "from a bank or institution acceptable to X", at the end of paragraph add: "acceptable to X".

Section 10.2. In line 8, delete the word "reasonable" before the words written request.

Section 10.3. In line 9, after the words "to the Seller, if the opposite is the case" add "assuming the Buyer and Seller described herein is the Non-Defaulting Party. At the end of the first paragraph add: "If the total amounts due to the Non-Defaulting Party are negative, then no monies are due either Party."

Section 10.5 - Change to read as follows: "The Parties agree that the transactions hereunder constitute a "forward contract" within the meaning of the United States Bankruptcy Code and that Buyer and Seller are each "forward contract merchants" within the meaning of the United States Bankruptcy Code."

Other Comments

APS has also reviewed SRP's December 6, 2001 comments and while APS supports most of the suggested changes, APS does not agree with SRP's item #3. With respect to SRP's suggestion to delete "alternate" (Section 2.9) and "alternative" (Section 3.2) fuel reference, APS would like to leave this in the contract. The inclusion of "alternative fuel" is important to contracting parties that have the ability to switch to other fuel such as #2 or #6. APS would not be opposed to a provision that would require the use of alternative fuels only when natural gas is unavailable.

With respect SRP's Item #5 (Section 7 monthly checkout provisions), APS does not believe this should be addressed in the master document. The reason is not all counterparties utilize monthly checkouts. The issue is the distinction between "may" and "shall." APS is not opposed to this provision if this was optional.

If you have any questions, please call Steve McAdams at 602-250-2780.

Sincerely,

/S/

Thomas Carlson
Director, APS Fuel Procurement