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To: NAESB DSM-EE Subcommittee

Re: Proposed Measurement & Verification Business Practice Standards for Wholesale Electric Market Demand Response Programs

Arizona Public Service Company ("APS" or the "Company") thanks NAESB for its current work related to standardizing the measurement & verification ("M&V") characteristics for Demand Response ("DR") programs in the RTO/ISO market sectors. While APS is not a member of an RTO/ISO, the Company requests that the general comments below be taken into consideration to the extent that these standards form the foundation of any developed for the Retail sector.

First and foremost, APS believes that the standards developed herein should apply to contracts executed on a going-forward basis, and the M&V protocols decided upon by the Subcommittee not be meant to abrogate contractual language already executed by and between utilities and third-party DR companies. APS interprets the standards under development as outlining and defining the necessary elements of a properly-structured M&V environment for DR products, and the Company fully supports that effort; however, NAESB should take into consideration that many companies have executed DR contracts across the country, and those contracts likely contained specific definitions and protocols for customer-specific baselines, the calculation of demand reductions after-the-fact, and verification procedures. These negotiated contracts (and any extensions agreed to in the future) should remain unaltered by the proposed standards that may become approved by NAESB.

Second, APS would like to stress to NAESB the importance of leaving flexibility within the standards to allow for individual utilities to structure their DR programs to fit their system needs and targeted customer classes. Adequate leeway in the calculation and adjustment of customer-specific baselines, the types of metering required by customer class, advanced notification requirements, and performance guarantees related to the aggregation of multiple customers and their respective load reductions. For example, there is no national "one size fits all" approach to calculating customer baselines, particularly as it relates to weather-intensive areas like the state of Arizona.

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APS appreciates the opportunity to provide comments in this arena, as the Company views Demand Response as providing a valuable resource alternative to meet future load growth needs. The development of standardized protocols that allow for utility-specific flexibility will assist in the maturation of this product in the future.

Sincerely,

Antoine P. Cobb