

Desert Southwest Pipeline Stakeholders

4/18/2014

Gas–Electric Coordination Proposal

Before the North American Energy Standards Board

Who is DSPS?

- A diverse group of electric utilities, local distribution companies, public power, and a state commission:

Arizona Corporation Commission

Arizona Public Service

El Paso Electric Company

Public Service Company of New Mexico

Salt River Project

Southwest Gas Corporation

Tucson Electric Power Company

UNS Gas, Inc.

- On January 28, 2014, DSPS filed a Report with FERC that proposed several changes, including: 1) a new NAESB Nomination Timeline; and 2) a 5:00 AM CCT start to the Gas Day.

Fundamental Problem in Southwest

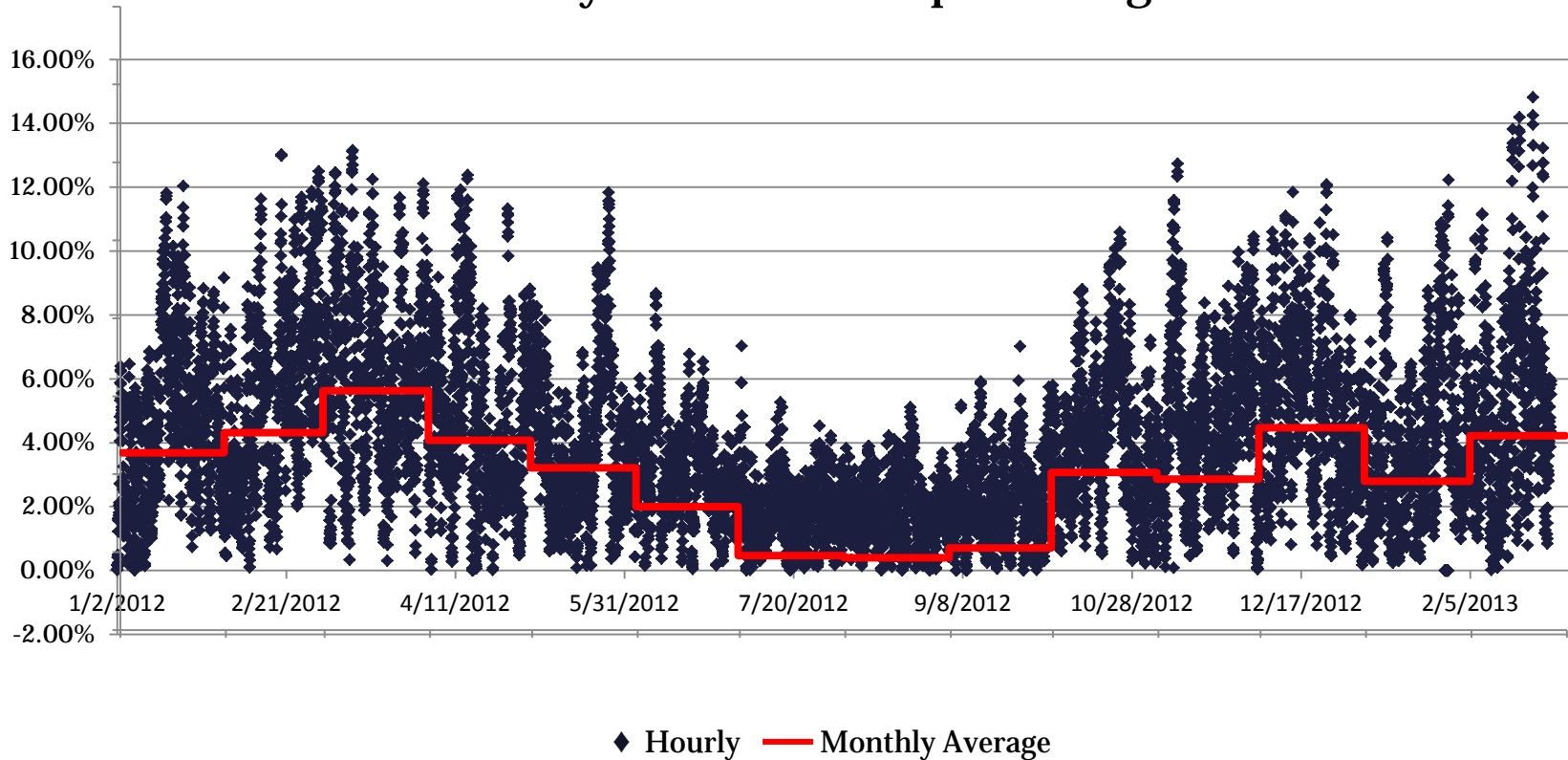
- **No access to firm intraday capacity to address operating contingencies and evening peak demands**

Why is this an issue in Southwest?

- No Market Area Gas Storage
- NAESB Intraday Cycles do not align with peak periods of demand in the West
- Intermittent Renewable Resources (solar/wind) playing a major role in gas demands

Renewable energy is intermittent

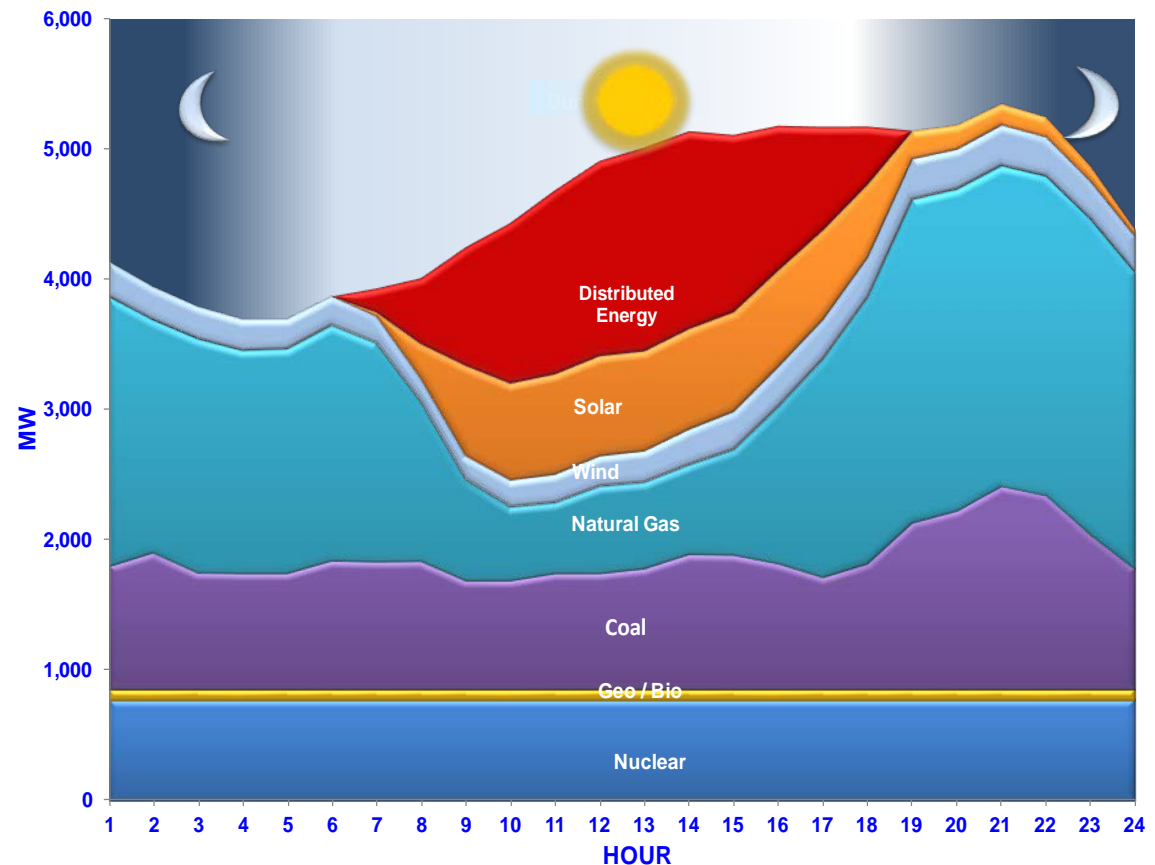
APS wind and utility-scale solar as percentage of load



Solar will impact natural gas demand

Future April Hourly Dispatch at APS

- Requires increased reliance on quick start gas-fired generation
 - Ramping capabilities address steeper slopes
 - Peak hour moving later in the day
 - Impacted by retirement of coal assets



Key Issues/Needs Identified by DSPS

- Need more intraday scheduling cycles to access firm transportation rights to address peak demand
- Need national scheduling cycles to access supplies in other regions/pipelines in multiple zones
- Need to align gas and electric trading/scheduling days
- Need to better align Gas Day and Electric Day
- Need to encourage liquidity/late day access to supply
- Need incentives to promote infrastructure development & weatherization capabilities

DSPS Nomination Cycle Proposal

| Nomination Cycle | Nomination Deadline | Schedule Issued | Gas Flow Time | Hours of gas flow | Bumping Rights |
|-----------------------------------|---------------------|-----------------|-----------------|-------------------|----------------|
| All Times are Central Time | | | | | |
| Timely (Cycle 1) | 11:30 AM | 4:30 PM | 5:00 AM | 24 hours | N/A |
| Evening (Cycle 2) | 6:00 PM | 10:00 PM | 5:00 AM | 24 Hours | Yes |
| Intraday 1 (Cycle 3) | 10:00 AM | 2:00 PM | 5:00 PM | 12 Hours | Yes |
| Intraday 2 (Cycle 4) | 7:00 PM | 9:00 PM | 10:00 PM | 7 Hours | Yes |
| Intraday 3 (Cycle 5) | 10:00 PM | 1:00 AM | 1:00 AM | 4 hours | No |