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Arizona Corporation Commission  
12 W. Washington  
Phoenix, AZ 85007-2996

Re: El Paso Natural Gas Company, L.L.C.;  
Docket No. E-00000W-13-0135;  
Comments of EPNG in the Matter of the Commission's Inquiry into Retail  
Electric Competition

Commissioners:

El Paso Natural Gas Company, L.L.C. ("EPNG") is hereby filing with the Arizona Corporation Commission ("Commission") in Docket No. E-00000W-13-0135, comments regarding the Commission's inquiry into retail electric competition. EPNG respectfully requests that the Commission accept these comments after the July 15, 2013 deadline.

Copies of this letter and EPNG's comments have been delivered to the attached list of stakeholders.

Respectfully submitted,

EL PASO NATURAL GAS COMPANY, L.L.C.

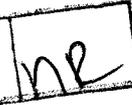
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Arizona Corporation Commission  
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**BEFORE THE ARIZONA CORPORATION COMMISSION**

**El Paso Natural Gas Company, L.L.C.**

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**Docket No. E-00000W-13-0135**

**Comments of El Paso Natural Gas Company, L.L.C. Regarding Retail Electric Competition**

El Paso Natural Gas Company, L.L.C. ("EPNG") is an interstate natural gas transmission company involved in the open access transportation of natural gas in the states of Texas, New Mexico, Colorado, Arizona, and California, as well as multiple interconnects at the U.S./Mexico border. EPNG has served customers in Arizona since the 1940s, when it first began supplying gas to copper mines and smelters, as well as to the cities of Phoenix and Tucson. Since then, EPNG has continually grown to become one of the major natural gas transportation providers to the southwestern United States, including Arizona's numerous electricity generators and distributors.

On May 23, 2013, the Arizona Corporation Commission ("ACC") forwarded a letter to stakeholders requesting input to assist the ACC in its evaluation of the potential benefits and pitfalls of a possible transition to retail electric competition. While EPNG is an interstate natural gas pipeline and not an electric power provider, EPNG does provide natural gas transportation service to numerous electric utilities in the State of Arizona. As such, EPNG is providing the following comments regarding the possible transition to retail electric competition.

**Comments**

EPNG's pipeline system currently interconnects with numerous power generators and electricity providers in Arizona. These interconnects supply natural gas to approximately 23 electric generation plants that in-turn provide more than 14,000 MW of electricity. EPNG currently delivers more than half of the total gas fired MW in Arizona.

Natural gas generation facilities are only as reliable as the transportation portfolios that fuel them. EPNG offers a myriad of firm transportation services that can be used to serve

electric generators' needs including daily, hourly, and no-notice services. While EPNG believes that a well-balanced, firm transportation portfolio should serve as the foundation for generators who serve critical human needs customers, EPNG also offers a full complement of interruptible services including interruptible daily and hourly services, as well as interruptible storage services and parking and lending services. Moreover, EPNG is continually exploring opportunities to better serve the customers located along its service corridors – including its Arizona based customers – by expanding its service options and identifying new infrastructure opportunities such as storage field development and augmentation. Regardless of the ACC's decision, EPNG believes it can effectively collaborate with electric power providers to develop the transportation and storage portfolios that will best meet the needs of Arizona electric customers.

EPNG is submitting the following comments addressing the ACC's letter of inquiry regarding retail electric competition dated May 23, 2013. Since EPNG is one of the major natural gas transportation providers to electric generation facilities in the State of Arizona, it is providing the following comments regarding this issue. Given the potential impact of a retail electric market in one of its service areas, EPNG is providing comments in response to Question Nos. 9 and 17 listed in the ACC's letter.

**Question 9: Will retail electric competition impact reliability? Why or why not?**

As the ACC evaluates the potential implementation of retail electric competition, the continued reliability of electric service is paramount. Several customers currently hold portfolios of firm transportation contracts on EPNG's system that allow each of these electric utilities to reliably deliver natural gas supplies to their respective natural gas-fired power plants for base loading operations and peaking operations. EPNG offers several firm services, including daily, hourly, and no-notice services, that reliably serve electric generators fuel needs. In EPNG's experience, standard firm service is sufficient to serve most power generators base load fuel needs, while its hourly and no-notice services provide significant support to generators' peaking requirements. Should the implementation of retail electric competition invite new electric power providers to the State of Arizona, EPNG encourages the ACC to

consider requiring any electric power providers that supply retail electricity to Arizona customers to secure firm natural gas transportation agreements to their generator stations as well. Electric power providers that execute firm natural gas transportation contracts for base load and peak fuel requirements at natural gas-fired generator stations will afford those providers reliable, uninterrupted natural gas fuel deliveries to their respective facilities. The ACC should extend this requirement to any electric generator participating in the Arizona open market, regardless of the location of the source generation. This requirement will, in turn, ensure that retail end-use customers receive the electricity for which they have contracted.

**Question 17: What impact will retail electric competition have on resource planning?**

Should the implementation of retail electric competition result in the development of additional electric generation and transmission facilities, EPNG stands ready to serve the natural gas transportation needs of such facilities. However, as noted in its comments related to Question No. 9 above, EPNG encourages the ACC to also consider requiring any new electric power providers that build or acquire new natural gas-fired power generation facilities to secure firm natural gas transportation service to such facilities in order to meet the facilities' fuel base load needs. If EPNG is required to expand its system to serve new facilities, long term contracts are required to support the capital outlay for such an expansion.

**Conclusion**

EPNG reiterates to the ACC that it neither supports nor opposes the retail electric competition in the State of Arizona. Regardless of the outcome of this inquiry and any potential opening of retail electric competition in Arizona. EPNG is committed to working with electric power providers to ensure reliable transportation supply to their facilities.

Respectfully submitted,

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Dated: July 19, 2013

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