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October 8, 2003

VIA E-MAIL, HAND DELIVERY

Robert Gray
Arizona Corporation Commission
1200 W. Washington St.
Phoenix, Arizona 85007

Re: TECO Power Services Corporation's Responsive Comments to the Staff's
Strawman Proposal for the Notice of Inquiry on Natural Gas Infrastructure

Dear Bob:

As mentioned in its initial comments to the Arizona Corporation Commission on September 9, 2003, TECO Power Services Corporation ("TPS"), which is the owner and operator of the Gila River Power Station in Gila Bend, fully supports the ACC's efforts to address natural gas fuel diversification for the citizens of Arizona. Such a strategic approach is only prudent to bring fuel diversification to the state. Proposals, such as in-state natural gas storage facilities and the development of additional interstate gas pipelines, are important considerations for Arizona should it face the possibilities of temporary and longer-term supply disruptions, and price volatility. Though the Federal Energy Regulatory Commission has the jurisdictional lead on the siting of interstate pipelines, TPS agrees that the ACC's efforts in this area should complement and reinforce the importance of the federal efforts already underway. To-date the ACC's efforts have refocused FERC's attention upon infrastructure issues in the Desert Southwest, and that is beneficial for all citizens and market-participants in the state.

As the owner of a merchant generation facility in Arizona, TPS welcomes the ACC's invitation to participate in these ongoing workshop discussions. TPS agrees with the Staff of the importance of gas supply and infrastructure diversity, and that primary consideration should be given to cost, reliability, flexibility, safety, and price stability issues. Those types of concerns should be addressed prudently by all market-participants. Whereas natural gas storage, as envisioned in Arizona today, may be an appropriate shorter-term response to supply and price uncertainty, additional pipelines interconnecting the state with other supply basins are longer-term answers.

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Finally, TPS agrees with Staff that SRP's proposal for an "organized effort" similar to the Central Arizona Transmission Study (CATS) group's ongoing efforts on reviewing and addressing electric transmission needs, would be beneficial for directing appropriate resources to the state's gas infrastructure requirements. TPS would participate in such a process, if initiated, as it does currently in the CATS group.

Again, TPS appreciates the opportunity to participate in the Commission's process to address natural gas infrastructure issues for Arizona.

Very truly yours,

Patrick J. Black

Cc: David Crabtree

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