



0000025620

BEFORE THE ARIZONA CORPORATION COMMISSION

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

MARC SPITZER
Chairman
WILLIAM A. MUNDELL
Commissioner
JEFF HATCH-MILLER
Commissioner
MIKE GLEASON
Commissioner
KRISTIN K. MAYES
Commissioner

Arizona Corporation Commission

DOCKETED

NOV 18 2003

DOCKETED BY [Signature]

IN THE MATTER OF ARIZONA PUBLIC SERVICE COMPANY - REQUEST FOR A PARTIAL VARIANCE TO A.A.C. R14-2-1618 TO ALLOW RENEWABLE SOLAR THERMAL ENERGY THAT REPLACES NATURAL GAS USAGE TO BE RECOGNIZED FOR THE ENVIRONMENTAL PORTFOLIO STANDARD

DOCKET NO. E-01345A-03-0660

DECISION NO. 66565

ORDER

Open Meeting
October 21 and 22, 2003
Phoenix, Arizona

BY THE COMMISSION:

FINDING OF FACT

1. Arizona Public Service Company ("APS") is certificated to provide electric service as a public service corporation in the State of Arizona.

2. On September 9, 2003, APS filed a request for a partial variance of Arizona Administrative Code ("A.A.C.") R14-2-1618 to allow solar thermal energy that replaces natural gas to be recognized for the Environmental Portfolio Standard ("EPS"). A.A.C. R14-2-1618 requires utilities to derive a portion of their total retail energy sold from new solar resources or environmentally friendly renewable electricity technologies. A.A.C. R14-2-1618(K) allows up to 20 percent of the portfolio requirement to be met with solar water heating or solar air conditioning systems. However, the rule requires the solar water heaters to replace or supplement the use of electric water heaters. The proposed request would allow APS to use EPS funding to pursue solar

1 water heating projects that would replace or supplement natural gas water heaters in addition to
2 those that would replace or supplement electric water heaters.

3 3. On October 31, 2003, APS filed an Amended Application to address concerns
4 raised by Southwest Gas Corporation ("SWG") regarding the original Application.

5 4. Solar thermal energy is the use of sunlight to heat a fluid. For the purposes of the
6 EPS and APS' request, the solar thermal energy is used to heat water in a "solar water heating
7 system." Such systems typically consist of a series of solar collectors, pipes, tanks, pumps, and
8 controls. Most often, the solar collectors are "flat-plate collectors" which are metal boxes
9 containing a dark absorber plate and pipes. There can also be concentrating collectors with mirrors
10 or reflectors to concentrate the sun's heat on a pipe.

11 5. Solar water heating systems range in size from very small residential systems that
12 only heat a portion of a family's daily hot water needs up to huge fields of collectors that heat
13 enough water to meet the needs of hotels, hospitals, schools, or large industrial facilities.

14 6. Although solar water heaters do not produce solar electricity, when they replace
15 electric water heaters, they replace the need for utilities to generate electricity from conventional
16 fuels that would be more environmental damaging than solar energy systems. By allowing solar
17 water heaters to replace natural gas water heaters, it can free up natural gas for use in residential,
18 commercial, and industrial applications as well as the production of electricity.

19 7. Natural gas is now the fuel of choice for the developers of new electric generating
20 plants. This is happening at the same time when Arizona is facing a dilemma in natural gas
21 delivery due to a shortage of pipeline capacity available for use by Arizona customers. Added to
22 this situation is the continuing reduction in natural gas supply as old gas fields are being depleted
23 and new discoveries are lagging behind the increase in gas demand. Using solar water heaters to
24 replace natural gas water heaters will free up gas for other important uses.

25 8. In its Amended Application, APS proposed the following limitations to the scope of
26 the requested variance to address SWG's concerns:

27 A. APS could utilize EPS funding for, and claim as credits toward
28 meeting its EPS requirements, no more than two (2) customer

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

installations per calendar year with a total displacement of natural gas not to exceed 60,000 therms per calendar year.

B. Installations pursuant to this partial variance would be limited to displacement of existing natural gas water heating systems, and would not utilize the EPS funding for the displacement of natural gas in new construction.

C. Any supplemental or backup water heating system using gas must continue to use natural gas to be eligible to receive EPS funding for solar hot water system conversion.

D. APS shall notify SWG of a customer within SWG's service area seeking conversion pursuant to this partial variance within thirty (30) days of signing an agreement with a customer for the purchase of EPS credits for the solar thermal system. Such notification will include the name of the customer, service address, and an estimate of the natural gas water heating load displaced.

E. APS shall report to the Commission all solar thermal installations made pursuant to this partial variance as part of its existing EPS reporting requirements.

9. Staff has recommended that APS be granted a partial variance of R14-2-1618 to allow solar thermal energy that replaces natural gas to be recognized for the EPS.

10. The limitations proposed by APS in its Amended Application and set forth in Finding of Fact No. 8 should be adopted.

CONCLUSIONS OF LAW

1. APS is an Arizona public service corporation within the meaning of Article XV, Section 2, of the Arizona Constitution.

2. The Commission has jurisdiction over APS and over the subject matter of the application.

3. The Commission, having reviewed the application and the amended application and Staff's Memorandum dated October 2, 2003, concludes that it is in the public interest to approve the application as amended.

...
...
...

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

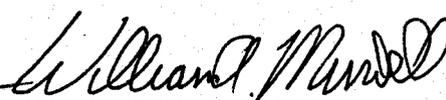
ORDER

IT IS THEREFORE ORDERED that the request for a partial variance to A.A.C. R14-2-1618 to allow renewable solar thermal energy that replaces natural gas usage to be recognized for the EPS be and hereby is approved as amended and subject to the limitations in Finding of Fact No. 8.

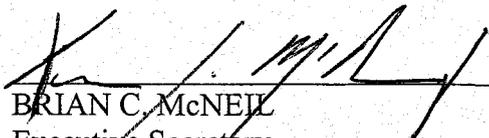
IT IS FURTHER ORDERED THAT the Commission Staff shall file a report no later than March 31, 2007, with its evaluation and any recommendations to the continuance of this variance, future variances to the EPS, possible notice of inquiry, and/or EPS rule review or some similar process for consideration by the Commission. APS and any other interested party shall file comments to the Staff Report and any of its findings and recommendations by April 30, 2007.

IT IS FURTHER ORDERED that this Decision shall become effective immediately.

BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION

		
CHAIRMAN	COMMISSIONER	COMMISSIONER
		
COMMISSIONER		COMMISSIONER

IN WITNESS WHEREOF, I, BRIAN C. McNEIL, Executive Secretary of the Arizona Corporation Commission, have hereunto, set my hand and caused the official seal of this Commission to be affixed at the Capitol, in the City of Phoenix, this 18th day of November, 2003.


BRIAN C. McNEIL
Executive Secretary

DISSENT: _____

DISSENT: _____

EGJ:BEK:RTW:rdp/LAV

1 SERVICE LIST FOR: ARIZONA PUBLIC SERVICE COMPANY
2 DOCKET NO. E-01345A-03-0660

3 Ms. Karilee S. Ramaley
4 Attorney for Arizona Public Service Company
5 Pinnacle West Capital Corp.
6 Law Department
7 Mail Station 8695
8 Post Office Box 53999
9 Phoenix, Arizona 85072-3999

10 Mr. Ernest G. Johnson
11 Director, Utilities Division
12 Arizona Corporation Commission
13 1200 West Washington St.
14 Phoenix, Arizona 85007

15 Mr. Christopher C. Kempsey
16 Chief Counsel, Legal Division
17 Arizona Corporation Commission
18 1200 West Washington St.
19 Phoenix, Arizona 85007

20
21
22
23
24
25
26
27
28