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MEETING AGENDA ITEM

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BEFORE THE ARIZONA CORPORATION COMMISSION

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Commissioner

AZ CORP COMMISS.
DOCUMENT CONTROL

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

AMENDED APPLICATION
Arizona Corporation Commission

DOCKETED

OCT 31 2003

DOCKETED BY	<i>CAF</i>
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1. 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”).

2. Southwest Gas Corporation (“SWG”) raised concerns over the lack of reasonable limitations associated with APS’ requested partial variance. Therefore, APS was requested by the Commission to attempt to resolve these concerns. APS and SWG have reached agreement on the following limitations on the scope of the requested variance:

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

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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 semi-annual EPS reporting requirements.

Attached is a proposed amendment to the recommended order to reflect the above limitations.

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RESPECTFULLY SUBMITTED this 31st day of October 2003.

PINNACLE WEST CAPITAL
CORPORATION LAW DEPARTMENT

By: Thomas L. Mumaw
Thomas L. Mumaw
Attorney for Arizona Public Service
Company

The original and __ copies of the foregoing were
filed this 31st day of October, 2003 with:

Docket Control
Arizona Corporation Commission
1200 West Washington
Phoenix, AZ 85007.

Copies of the foregoing mailed, faxed or
transmitted electronically this 31st
day of October, 2003 to:

All parties of record.

Yicki DiCola

**ARIZONA PUBLIC SERVICE COMPANY'S
PROPOSED AMENDMENT NO. 1
TO RECOMMENDED OPINION AND ORDER**

TIME/DATE PREPARED: October 31, 2003

COMPANY: Arizona Public Service Company AGENDA ITEM NO. U-2

DOCKET NO. E-01345A-03-0660

OPEN MEETING DATE: November 4, 2003

Page 2, Line 3:

INSERT new Finding of Fact No. 3:

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

Page 2, Line 23:

INSERT new Finding of Fact No. 8:

“In its Amended Application, APS proposed the following limitations to the scope of the requested variance to address SWG’s concerns:

- A. APS could utilize EPS funding for, and claim as credits toward meeting its EPS requirements, no more than two (2) customer 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 semi-annual EPS reporting requirements.”

Page 2, Line 25:

INSERT New Finding of Fact No. 10:

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

Page 3, Line 3:

INSERT “and the amended application” AFTER “...the application”

Page 3, Line 4:

INSERT “as amended” AFTER “...the application”

Page 3, Line 8:

INSERT “as amended and subject to the limitations in Finding of Fact No. 8” AFTER “...is approved”