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# NEW APPLICATION

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## BEFORE THE ARIZONA CORPORATION COMMISSION

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### COMMISSIONERS

MARC SPITZER, Chairman  
JIM IRVIN  
WILLIAM A. MUNDELL  
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MIKE GLEASON

Arizona Corporation Commission 2003 SEP -9 P 3: 50

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AZ CORP COMMISSION  
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E-01345A-03-0660

IN THE MATTER OF ARIZONA PUBLIC  
SERVICE COMPANY'S 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-\_\_

### **REQUEST OF ARIZONA PUBLIC SERVICE COMPANY FOR PARTIAL VARIANCE TO A.A.C. R14-2-1618**

Arizona Public Service Company ("APS" or "Company") respectfully requests that the Arizona Corporation Commission ("Commission") grant APS a partial variance to A.A.C. R14-2-1618 ("Rule 1618") to include in the Environmental Portfolio Standard ("EPS") renewable solar thermal energy that replaces the use of natural gas. The partial variance requested would enable the Company to use EPS funding to pursue solar water heating projects that would replace or supplement natural gas water heaters. Such a variance would enable the Company not only to actively consider projects with two current gas customers, but also to seek other opportunities for solar thermal applications that may become available in the future.

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## I. BACKGROUND

Rule 1618 requires APS to derive a specified percentage of “the total retail energy sold from new solar resources or environmentally-friendly renewable technologies, whether that energy is purchased or generated by the seller.” A.A.C. R14-2-1618(A). Rule 1618 further requires that APS provide at least 50 percent (increasing to 60 percent) of that renewable requirement from solar electric generation. A.A.C. R14-2-1618(A)(3). APS is authorized to meet up to 20 percent of the remainder of the requirement with solar water heating systems or solar air conditioning systems, commonly referred to collectively as solar thermal applications. Such solar thermal uses , however, “must replace or supplement the use of *electric* water heaters for residential, commercial, or industrial water heating purposes.” A.A.C. R14-2-1618(K) (emphasis added). The partial variance requested would enable the Company to use EPS funding for projects that replace or supplement the use of natural gas water heaters in addition to those that replace or supplement electric water heaters and to also use the credits from such projects to meet the non-solar electric portion of the EPS standards.

The partial variance requested is warranted for the following reasons. First, the resulting increase in the use of solar thermal energy through installation of such projects furthers the goals of the EPS. Second, installation of such projects would encourage other renewable energy projects and may provide opportunities for increasing distributed energy resources.



1 energy more quickly and at a lower cost. The support of a variety of renewable  
2 technologies will encourage the development of alternative technologies and further move  
3 Arizona to the forefront in the use of renewable resources. Moreover, authorizing the  
4 displacement of natural gas water heating would permit a larger number of customers to  
5 take advantage of the benefits of solar thermal energy. In addition, to the extent that the  
6 Commission desires to promote the use of distributed energy resources, the granting of the  
7 partial variance requested will create opportunities for the use of distributed energy  
8 resources.  
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11 **IV. GRANTING A PARTIAL VARIANCE TO ALLOW PORTFOLIO**  
12 **STANDARD FUNDING TO DEVELOP RENEWABLE ENERGY**  
13 **PROJECTS THAT REPLACE NATURAL GAS USAGE IS IN THE PUBLIC**  
14 **INTEREST.**

15 The Commission well understands the current issues faced by the State of Arizona  
16 relating to the availability of natural gas supplies and transportation capacity, and has  
17 played an active and important role in seeking to protect the State's interests in various  
18 proceedings pending before the Federal Energy Regulatory Commission. In light of these  
19 concerns, certain customers are expressing an interest in using solar thermal energy to  
20 replace natural gas or other fossil fuels as the source for generating hot water. The  
21 requested variance offers an opportunity to meet such customers' requests and is therefore  
22 in the public interest.  
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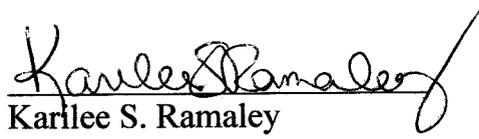
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V. CONCLUSION

For the foregoing reasons, APS respectfully requests that the Commission grant it a partial variance to Rule 1618 to allow the inclusion of renewable solar thermal projects that displace natural gas consumption.

RESPECTFULLY SUBMITTED this 9<sup>th</sup> day of September 2003.

PINNACLE WEST CAPITAL CORP.  
Law Department

  
Karlee S. Ramaley

Attorney for Arizona Public Service Company

1 ORIGINAL AND 13 COPIES OF THE FOREGOING  
2 filed this 9<sup>th</sup> day of September 2003, with:

3 Docket Control  
4 Arizona Corporation Commission  
5 1200 West Washington  
6 PHOENIX, AZ 85007  
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