

**ORIGINAL**  
OPEN MEETING



MEMORANDUM  
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Arizona Corporation Commission  
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TO: THE COMMISSION 2007 JAN 30 A 8:42  
FROM: Utilities Division AZ CORP COMMISSION  
DATE: January 30, 2007 DOCUMENT CONTROL

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JAN 30 2007

RE: SO COOL ENERGY, INC.'S REQUEST FOR AN EXCEPTION TO ENVIRONMENTAL PORTFOLIO STANDARD RULE DEFINITIONS (DOCKET NO. RE-00000C-00-0377)

On January 17, 2006, S.O.L.I.D. USA ("SOLID") filed a Request for Clarification of Decision No. 66565 and Decision No. 67402. SOLID was previously known as So Cool Energy, Inc. In its filing, SOLID indicated that Arizona Public Service Company ("APS") had raised questions concerning the apparent overlap of the restrictions in Decision No. 66565 with the Solar Heating Ventilation and Air Conditioning ("HVAC") Pilot Program which was authorized in Decision No. 67402. SOLID's filing requested clarification of issues related to the two decisions.

Decision No. 66565, dated November 18, 2003, authorized a partial variance for APS from a requirement in the Environmental Portfolio Standard ("EPS") Rules that solar water heaters must replace electric water heating. The partial variance allows APS to displace existing natural gas water heating systems with solar water heating systems as a method of meeting the annual EPS requirements. However, the waiver restricts APS to "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."

Decision No. 67402, which was entered on November 2, 2004, established a Solar HVAC Pilot Program. Eligible Systems must, as a minimum, include solar air conditioning, but may also include solar water heating or solar space heating, or both. The pilot program authorizes a total of five Pilot Program projects. The kWh saved by the pilot projects are eligible to meet a portion of the "solar electric" requirement of the Environmental Portfolio Standard.

Questions raised in SOLID's discussions with APS concern whether solar water heating that replaces natural gas as part of a Solar HVAC Pilot Program project would count toward APS' annual two solar water heating project limit as required by Decision No. 66565.

SOLID has requested that the Commission clarify that solar HVAC projects that primarily displace electricity, but also displace some natural gas are eligible to meet the EPS requirements and are not subject to the restrictions placed on APS by Decision No. 66565.

Staff has reviewed SOLID's filing and both Commission Decisions. Staff agrees with SOLID that a clarification of the intent of Decision No. 67402 and the applicability of Decision No. 66565 to Solar HVAC Pilot Program projects is needed and appropriate.

The Decisions intended to encourage two entirely different types of renewable energy projects.

In its filing that led to Decision No. 66565, APS said, "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." In the application, no mention was made of solar heating ventilation and air conditioning systems. In Staff's opinion, the clear intent was to allow a partial variance to encourage large, commercial-scale solar water heating systems that could displace up to 60,000 therms of natural gas per year.

Decision No. 67402 was designed primarily to encourage solar air conditioning, but it also allowed a project developer to include solar space heating or solar water heating, or both.

The intent was to encourage an integrated renewable energy system that addressed cooling, heating and water heating, if appropriate. Typically, solar water heating in such systems is an ancillary subsystem providing a limited amount of water heating. There was no stated intent in the Decision to encourage large scale water heating.

Staff believes that a clarification will have two positive benefits. First, such a clarification will encourage the installation of new solar projects as originally intended. Second, a clarification will remove an unintended impediment that has delayed proposed Solar HVAC projects due to concerns about restrictions in Decision No. 66565.

Staff recommends that the Commission adopt the following clarification wording in the proposed order:

"In regard to Decision No. 67402, which established the Solar HVAC Pilot Program, the Commission confirms that solar HVAC projects which meet the Solar HVAC Pilot Program requirements and which primarily displace electricity, but also displace natural gas for solar heating or water heating, may be used to meet the requirements of the Environmental Portfolio Standard. We further confirm that the Solar HVAC Pilot Program projects shall not be considered subject to the restrictions of the partial variance authorized in Decision No. 66565."



Ernest G. Johanson  
Director  
Utilities Division

EGJ:RTW:lhm/JMA

ORIGINATOR: Ray Williamson

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**BEFORE THE ARIZONA CORPORATION COMMISSION**

JEFF HATCH-MILLER  
Chairman  
WILLIAM A. MUNDELL  
Commissioner  
MIKE GLEASON  
Commissioner  
KRISTIN K. MAYES  
Commissioner  
GARY PIERCE  
Commissioner

IN THE MATTER OF THE REQUEST BY  
SO COOL ENERGY, INC. FOR AN  
EXCEPTION TO ENVIRONMENTAL  
PORTFOLIO STANDARD RULE  
DEFINITIONS

DOCKET NO. RE-00000C-00-0377  
DECISION NO. \_\_\_\_\_  
ORDER

Open Meeting  
February 13 and 14, 2007  
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. On January 17, 2006, S.O.L.I.D. USA ("SOLID") filed a Request for Clarification of Decision No. 66565 and Decision No. 67402. SOLID was previously known as So Cool Energy, Inc. In its filing, SOLID indicated that Arizona Public Service Company ("APS") had raised questions concerning the apparent overlap of the restrictions in Decision No. 66565 with the Solar Heating Ventilation and Air Conditioning ("HVAC") Pilot Program which was authorized in Decision No. 67402. SOLID's filing requested clarification of issues related to the two decisions.

2. Decision No. 66565, dated November 18, 2003, authorized a partial variance for APS from a requirement in the Environmental Portfolio Standard ("EPS") Rules that solar water heaters must replace electric water heating.

3. The partial variance allows APS to displace existing natural gas water heating systems with solar water heating systems as a method of meeting the annual EPS requirement. However, the waiver restricts APS to "no more than two (2) customer installations per calendar

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

2 4. Decision No. 67402, which was entered on November 2, 2004, established a Solar  
3 HVAC Pilot Program. Eligible Systems must, as a minimum, include solar air conditioning, but  
4 may also include solar water heating or solar space heating, or both.

5 5. The pilot program authorizes a total of five Pilot Program projects. The kWh saved  
6 by the pilot projects are eligible to meet a portion of the “solar electric” requirement of the  
7 Environmental Portfolio Standard.

8 6. Questions raised in SOLID’s discussions with APS concern whether solar water  
9 heating that replaces natural gas as part of a Solar HVAC Pilot Program project would count  
10 toward APS’ annual two solar water heating project limit as required by Decision No. 66565.

11 7. SOLID has requested that the Commission clarify that solar HVAC projects that  
12 primarily displace electricity, but also displace some natural gas are eligible to meet the EPS  
13 requirements and are not subject to the restrictions placed on APS by Decision No. 66565.

14 8. Staff has reviewed SOLID’s filing and both Commission Decisions. Staff agrees  
15 with SOLID that a clarification of the intent of Decision No. 67402 and the applicability of  
16 Decision No. 66565 to Solar HVAC Pilot Program projects is needed and appropriate.

17 9. The Decisions intended to encourage two entirely different types of renewable  
18 energy projects.

19 10. In its filing that led to Decision No. 66565, APS said, “The partial variance  
20 requested would enable the Company to use EPS funding to pursue solar water heating projects  
21 that would replace or supplement natural gas water heaters.”

22 11. In the application, no mention was made of solar heating ventilation and air  
23 conditioning systems. In Staff’s opinion, the clear intent was to allow a partial variance to  
24 encourage large, commercial-scale solar water heating systems that could displace up to 60,000  
25 therms of natural gas per year.

26 12. Decision No. 67402 was designed primarily to encourage solar air conditioning, but  
27 it also allowed a project developer to include solar space heating or solar water heating, or both.  
28 The intent was to encourage an integrated renewable energy system that addressed cooling, heating

1 and water heating, if appropriate. Typically, solar water heating in such systems is an ancillary  
2 subsystem providing a limited amount of water heating. There was no stated intent in the Decision  
3 to encourage large scale water heating.

4 13. Staff believes that a clarification will have two positive benefits. First, such a  
5 clarification will encourage the installation of new solar projects as originally intended. Second, a  
6 clarification will remove an unintended impediment that has delayed proposed Solar HVAC  
7 projects due to concerns about restrictions in Decision No. 66565.

8 14. Staff recommends that the Commission adopt the following clarification wording in  
9 the proposed order:

10 "In regard to Decision No. 67402, which established the Solar HVAC Pilot Program, the  
11 Commission confirms that solar HVAC projects which meet the Solar HVAC Pilot  
12 Program requirements and which primarily displace electricity, but also displace natural  
13 gas for solar heating or water heating, may be used to meet the requirements of the  
14 Environmental Portfolio Standard. We further confirm that the Solar HVAC Pilot Program  
15 projects shall not be considered subject to the restrictions of the partial variance authorized  
16 in Decision No. 66565."

17 CONCLUSIONS OF LAW

18 1. The Commission has jurisdiction over the Environmental Portfolio Standard Rules  
19 and over the subject matter of this application.

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

22 3. The Commission has jurisdiction over APS.

23 4. The Commission, having reviewed Staff's Memorandum dated January 30, 2007,  
24 concludes that it is in the public interest to clarify the intent of Decision No. 67402 and the  
25 applicability of Decision No. 66565 to projects in the Solar HVAC Pilot Program.

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ORDER

IT IS THEREFORE ORDERED that, in regard to Decision No. 67402, which established the Solar HVAC Pilot Program, the Commission confirms that solar HVAC projects which meet the Solar HVAC Pilot Program requirements and which primarily displace electricity, but also displace natural gas for solar heating or water heating, may be used to meet the requirements of the Environmental Portfolio Standard.

IT IS FURTHER ORDERED that the Solar HVAC Pilot Program projects shall not be considered subject to the restrictions of the partial variance authorized in Decision No. 66565.

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 Director 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 \_\_\_\_\_ day of \_\_\_\_\_, 2007.

\_\_\_\_\_  
BRIAN C. McNEIL  
Executive Director

DISSENT: \_\_\_\_\_

DISSENT: \_\_\_\_\_

EGJ/RTW/lhm /JMA

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