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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

Arizona Corporation Commission

DOCKETED

FEB 20 2007

DOCKETED BY [Signature]

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. 69330
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
11 Program, the Commission confirms that solar HVAC projects which meet the Solar
12 HVAC Pilot Program requirements and which primarily displace electricity, but
13 also displace natural gas for solar heating or water heating, may be used to meet the
14 requirements of the Environmental Portfolio Standard. We further confirm that the
15 Solar HVAC Pilot Program projects shall not be considered subject to the
16 restrictions of the partial variance authorized in Decision No. 66565."

17 15. We will adopt Staff's recommended wording, but we will further clarify that
18 'primarily' in Finding of Fact No. 14 means that at least 51 percent of the energy that is displaced
19 by solar HVAC projects must be electrical energy. To determine the percentage of electrical
20 energy displaced by the project, the amount of thermal energy, in BTUs, used by the system to
21 replace electrical energy shall be compared with the amount of thermal energy, in BTUs, produced
22 by the system.

23 16. In order to meet growing interest for Solar HVAC projects in Arizona, the
24 Commission believes the size of the program should be expanded from a maximum of five
25 projects to a maximum of ten projects.

26 CONCLUSIONS OF LAW

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

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

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

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

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5 **BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION**

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CHAIRMAN

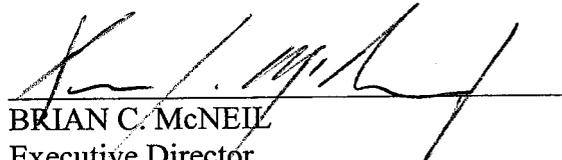

COMMISSIONER

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COMMISSIONER


COMMISSIONER


COMMISSIONER

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12 IN WITNESS WHEREOF, I BRIAN C. McNEIL, Executive
13 Director of the Arizona Corporation Commission, have
14 hereunto, set my hand and caused the official seal of this
Commission to be affixed at the Capitol, in the City of
Phoenix, this 20th day of February, 2007.

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BRIAN C. McNEIL
Executive Director

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19 DISSENT: _____

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21 DISSENT: _____

22 EGJ:RTW:lm\JMA

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