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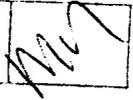
SEP 18 2008

TO: THE ARIZONA CORPORATION COMMISSION

FROM: Robert H Davis

DATE: September 18, 2008

**RE: DOCKET NO. E-01345A-08-0254
ARIZONA PUBLIC SERVICE COMPANY'S ("APS") REQUEST
FOR CLARIFICATION OF BIOMASS THERMAL ENERGY
PURSUANT TO THE RENEWABLE ENERGY STANDARD
RULES**

DOCKETED BY 

Robert Davis, on behalf of Forest Energy Corporation and myself ("I" and/or "We"), hereby submit the following Comments to the Recommended Opinion and Order ("Recommended Order") filed in the above docket on August 8, 2008, to the Comments of Arizona Public Service ("APS Comments") filed in the above docket on August 20, 2008, and to the original Request for Clarification ("Request for Clarification") filed in the above docket on May 20, 2008.

The AZ Corporation Commission made a bold statement in '06 when they included thermal renewable energy in the final version of the REST. A statement that is proving to be visionary. It opened the opportunity for the ratepayers of Arizona to achieve or exceed the goals for renewable energy set by the rule at a lower cost to the taxpayers. Distributed Generation was recognized as an important component of a renewable energy solution and 11 forms of distributed energy were included, of those 9 are totally thermal energy or have a thermal component. The conversion formula for calculating Renewable Energy Credits from thermal energy projects was included in the REST providing the methodology for the normal inclusion of thermal energy in a utility companies distributed energy program.

We have now found a viable, sustainable renewable energy solution for the people of Arizona. A solution that not only displaces fossil fuels, reduces greenhouse gases and leads to energy independence, but can create permanent jobs, assist in the restoration of our forests and provide clean sustainable energy. Biomass thermal energy.

It not only provides these benefits for Arizona and our environment, but it does so at a far lower cost to the ratepayer for those benefits. A lower cost which allows a utility to use their collected tariff to exceed their mandate with this project plus continue to nurture many other technologies. This is truly a win-win-win. For the ratepayers of Arizona, the utilities and for the 10 other distributed energy technologies such as solar commercial swimming pool heaters, combined heat and power projects, solar process heating, etc.

The co-firing of wood to displace coal at the Drake Cement facility appears to be the exact type of project that was intended under the REST. Complying with Item 2 under Distributed Renewable Energy, an industrial process heat application identical to Item 8. "Solar Industrial Process Heating and Cooling.

As such, representatives of the biomass thermal energy group were present and participants in the UCPP Working Group which arrived at the UCPP Matrix, that includes Production Based Incentives for Biomass/Biogas Thermal as well as all the other distributed energy technologies.

We do not see this as any more unique and requiring of a pilot program than BIOMASS/BIOGAS ELECTRIC, BIOGAS/BIOMASS/CHP (electric), BIOGAS/BIOMASS CHP (thermal), BIOMASS/BIOGAS COOLING, DAYLIGHTING, GEOTHERMAL – THERMAL, GEOTHERMAL – ELECTRIC, SMALL WIND (grid-tied), SMALL WIND (off-grid), SOLAR ELECTRIC: RESIDENTIAL (GRID-TIED), NON-RESIDENTIAL (GRID-TIED), RESIDENTIAL (OFF-GRID), NON-RESIDENTIAL (OFF-GRID), SOLAR SPACE COOLING, SOLAR WATER HEATING / SPACE HEATING RESIDENTIAL SOLAR WATER HEATING, NON-RESIDENTIAL POOL HEATING.

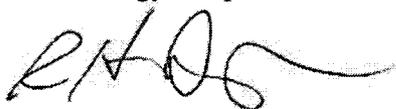
We are extremely proud to participate in the REST process and watch the continued development of Arizona's national leadership in developing a process that truly allows for the equal participation of all energy technologies and provides the format to allow the best energy solutions for Arizona and the country to come to fruition.

Although the REST Rule R14-2-1802(D), in allowing pilot projects states; "...Any such additional technologies shall be Renewable Energy Resources that produce electricity, replace electricity generated by Conventional Energy Resources, or replace the use of fossil fuels with Renewable Energy Resources." Indicating the acceptance of technologies that replace fossil fuels, Biomass thermal is already a listed accepted technology and therefore needs no pilot program.

We are also concerned that equal opportunity remains for all technologies to be developed, but would hope that the Commission can address this "potential crowding out situation" by utilizing its Waiver Rights as provided in REST Rule R14-2-1816 and that APS has the right to count the entire RECs from the Drake Cement project under its non-residential distributed renewable energy requirement, as an eligible Biomass Thermal System. Since APS has indicated a policy of exceeding their goals if funding exists, we would also feel a consideration might be for APS to be allowed to count portions of the resulting RECs from the Drake project in their non-distributed renewable requirements or in their residential distributed renewable requirements.

We are hopeful that solutions can be found that keeps the playing field level and allows projects like Drake that are highly beneficial and economical for the ratepayers to be proceed as appears to be the original intent of REST.

Respectfully,
Forest Energy Corporation



R.H. Davis
President