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THIS AMENDMENT:

Passed _____ Passed as amended by _____

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2008 SEP 22 A 9:58

AZ CORP COMMISSION
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GLEASON PROPOSED AMENDMENT #2

Arizona Corporation Commission

DOCKETED

DATE PREPARED: September 22, 2008

SEP 22 2008

COMPANY: Arizona Public Service Company

DOCKET NO: E-01345A-08-0254

DOCKETED BY

OPEN MEETING DATE: September 23 and 24, 2008 AGENDA ITEM: 24

Page 4, between lines 6 and 7, INSERT new Findings of Fact to read:

“16. We recognize that R14-2-1802(D) appears to give the Commission broad discretion to approve pilot projects that would replace fossil fuels with renewable energy resources, even if the project would not produce electricity from renewable sources or displace conventionally-generated electricity. However, the context of R14-2-1802(D) within rules that apply only to retail electric service providers and which otherwise allow only technologies that either generate electricity from renewable sources or that displace conventionally-generated electricity implies that R14-2-1802(D) may be invoked to authorize only pilot projects involving renewable electric power generation or conventional power displacement. We fail to see how converting a plant to use biomass instead of coal as fuel for cement making furthers the core purposes of the REST rules which, as expressed in R14-2-1804 and R14-2-1805 are “to ensure reliable electric service at reasonable rates” and “to improve system reliability.”

17. Among the benefits of the proposed pilot project identified by Staff are pollution reduction, local job creation and wildfire risk mitigation. However, absent any demonstrable connection to producing electricity from renewable energy resources or displacing conventionally-generated electricity, supporting programs to secure these benefits would appear to be jurisdictional to the Arizona Department of Environmental Quality, the Arizona Department of Commerce and the U.S. Forest Service or other appropriate land managing agency, respectively, rather than to this Commission.

18. For the foregoing reasons, we find that the proposed Biomass Thermal Energy System Pilot Program, including a biomass thermal energy system at Drake Cement Company, LLC, is not an eligible Distributed Energy Resource and is therefore not eligible for Distributed Renewable Energy Resource incentives as approved in APS’ 2008 Rest Implementation Plan or in future APS REST Plans.”

Page 4, STRIKE lines 13 through 26

Page 5, STRIKE lines 1 through 4 and INSERT:

"IT IS THEREFORE ORDERED that the Biomass Thermal Energy System Pilot Program, including the biomass thermal energy system at Drake Cement Company, LLC, is not an eligible Distributed Energy Resource and is therefore not eligible for Distributed Renewable Energy Resource incentives as approved in APS' 2008 Rest Implementation Plan or in future APS REST Plans."

Make all conforming changes