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ARIZONA CORPORATION COMMISSION

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April 8, 1999

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Honorable Jim Irvin
Honorable Tony West
Arizona Corporation Commission
1200 West Washington
Phoenix, AZ 85007

Dear Commissioner Irvin & Commissioner West:

Attached please find a copy of a proposed Environmental Portfolio Standard. With your support, I would like to add the item to the April 14th agenda. My intention is to propose a hearing process that would allow the parties to comment on the proposal. I intend to work with staff to prepare questions concerning costs and ratepayer impact that would be answered in the hearing process.

I am by no means endorsing this proposal. However, after talking with some of the parties, I feel comfortable in saying that this appears to be a more reasonable approach to developing alternative environmentally friendly fuels for future use. As always, the devil is in the details and I for one will base my decision to support this approach only if the record supports what we have been told; namely that its price impact is minimal and that a cost benefit analysis will show that this is good public policy.

I would expect this matter to take no more than 10 minutes to discuss.

Sincerely,

Carl Kunasek
Carl Kunasek
Commissioner

Arizona Corporation Commission

DOCKETED

APR 13 1999

DOCKETED BY *MW*

cc: Ray Williamson
Paul Bullis
Jerry Rudibaugh

encl.

The following is for discussion purposes only:

R14-2-1609. Reserve for Solar and Environmentally-Friendly Renewable Portfolio Standard

B. The portfolio percentage shall increase after December 31, 2000.

1. Starting January 1, 2001, the portfolio percentage shall increase annually and shall be set according to the following schedule:

<u>YEAR</u>	<u>PORTFOLIO PERCENTAGE</u>
2001	.4 %
2002	.5 %
2003	.6 %
2004	.8 %
2005-2012	1.0 %

2. The Commission would continue the annual increase in the portfolio percentage after December 31, 2002, only if the cost of solar electricity has declined to a Commission-approved cost/benefit point. The Director, Utilities Division shall establish, not later than January 1, 2001, a Solar Electricity Cost Evaluation Working Group to make recommendations to the Commission of an acceptable solar electricity cost/benefit point or solar kWh cost impact cap that the Commission could use as criteria for the decision to continue the increase in the portfolio percentage. The recommendations of the Working Group shall be presented to the Commission not later than December 31, 2001.

3. Add two new subsections:

M. An Electric Service Provider shall be entitled to meet up to 20% of the portfolio requirement with solar water heating systems purchased by the Electric Service Provider for use by its customers, or purchased by its customers and paid for by the Electric Service Provider through bill credits or other similar mechanisms. The solar water heaters must replace or supplement the use of electric water heaters for residential, commercial, or industrial water heating purposes. For the purposes of this rule, solar water heaters will be credited with 1 kWh of electricity produced for each 3,415 British Thermal Units of heat produced by the solar water heater. Solar water heating systems shall be eligible for Early Installation Extra Credit Multipliers as defined in R14-2-1609 D.1 and Solar Economic Development Extra Credit Multipliers as defined in R14-2-1609 D.2.

N. An Electric Service Provider shall be entitled to meet up to 10% of the portfolio requirement with electricity produced by environmentally-friendly renewable electricity technologies approved by the Commission after a hearing. Systems using such technologies shall be eligible for Early Installation Extra Credit Multipliers as defined in R14-2-1609 D.1 and Solar Economic Development Extra Credit Multipliers as defined in R14-2-1609 D.2.