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March 20, 2019

Arizona Corporation Commission

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Docket Control
Arizona Corporation Commission
1200 W. Washington Street
Phoenix, AZ 85007

MAR 20 2019

DOCKETED BY

RE: Arizona Public Service Company (APS or Company)
Inquiry into Role of Forest Bioenergy, Docket No. E-00000Q-17-0138

APS has been, and continues to be, engaged with the ACC and Stakeholders in the Inquiry into the Role of Forest Bioenergy in Arizona. In December 2018, the Commission adopted a bioenergy policy stating that forest bioenergy is a carbon-neutral, renewable energy resource that is becoming increasingly important in Arizona by generating power, encouraging responsible forest management, and reducing the risk posed by wildfires. It further suggested that biomass should be subject to a renewable energy carve-out equal to or greater than 60 MW for affected utilities. APS shares the broader goal of encouraging responsible forest management and reducing the risk posed by wildfires to both APS's customers and the state.

In support of the Commission's policy, and to further our effort to identify potential solutions in forest bioenergy, APS has begun evaluating the feasibility and cost of converting a unit at our Cholla power plant to burn biomass. A conversion at Cholla would ultimately assist in forest thinning, thereby reducing wildfire potential, ensuring forest health, and protecting our watersheds.

Converting an existing unit has a number of potential advantages from both a cost and community perspective. We are exploring the use of existing infrastructure to minimize costs and uncertainty around alternative methods of biomass energy production for the benefit of APS customers and Arizona residents. Further, the continued operation of an existing generation unit would have lasting economic benefits to the local community from both a jobs and tax-base perspective. Converting a Cholla unit would require a capital investment, with APS expecting to own and operate the facility at Cholla, and to potentially sell some of the output to other Arizona utilities.

APS is not in the business of procuring forest biomass for fuel. Our approach contemplates contracting with third party suppliers who would harvest and deliver the biomass feedstock to the power plant – another economic benefit to the local economy. These suppliers would likely need to be awarded long-term contracts with the U.S. Forest

Service, or its agent, in its upcoming RFP for sufficient amounts of feedstock to operate the plant for a minimum of twenty years.

APS is submitting this letter to inform the Commission and interested parties that it intends to file a report summarizing the results of the evaluation within the next 60 days. If the analysis shows that the Cholla conversion is more cost-effective than other alternatives, we will propose to move forward on the project with the ACC's approval, at a date to be determined pending the results of the evaluation. We appreciate your interest in the forest health issues in Arizona and look forward to discussing the results of our findings with the Commission and other interested parties.

If you have any questions regarding this information, please contact me at (602) 250-3361.

Sincerely,



Barbara D. Lockwood
BL/bnm

c: Chairman Bob Burns
Commissioner Andy Tobin
Commissioner Boyd Dunn
Commissioner Sandra D. Kennedy
Commissioner Justin Olson
Elijah Abinah
Jim Armstrong
Robin Mitchell