

ORIGINAL



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March 30, 2009

Docket Control
Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007

RE: 2008 Annual Renewable Energy Standard and Tariff Program Report
A.A.C. R14-2-1812; Docket No. E-01025A-07-0598

Docket Control:

Enclosed please find an original and thirteen copies of Ajo Improvement Company's ("AIC") Renewable Energy Standard and Tariff Program report for the year ending 2008 pursuant to A.A.C. R14-2-1812.

If you have any questions regarding this filing, please contact me at (520.955.4988).

Sincerely,

Roy Archer

cc: Compliance, ACC
Mr. Ernest Johnson, Director, Utilities Division

Original and 13 copies filed with Docket
Control this 1st day of April, 2009.

Arizona Corporation Commission
DOCKETED

MAR 31 2009

DOCKETED BY	
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AZ CORP COMMISSION
DOCKET CONTROL

Ajo Improvement Company

Renewable Energy Standard and Tariff Compliance Report 2008 Compliance Year

March 2009

RENEWABLE ENERGY STANDARD AND TARIFF PROGRAM REPORT YEAR-END 2008

Introduction

Pursuant to Arizona Administrative Code ("A.C.C.") R14-2-1812, Ajo Improvement Company ("AIC") submits the AIC 2008 Renewable Energy Standard and Tariff Compliance Report. This report relates to the Ajo Improvement Company REST Plan which was approved by the Commission in Decision 70304 dated April 24, 2008.

Summary

The 2008 AIC REST plan was approved by Decision No. 70304 pursuant to A.C.C. R14-2-1813.

AIC 2008 retail sales were 12,487,799 kWh. This results in a renewable requirement of 218,536 kWh, of which 196,683 kWh is the grid-tied requirement and the remaining 21,854 kWh is the distributed requirement.

Surcharge dollars collected from retail tariffs are used to fund the procurement of renewable energy, incentive payments for customer installed projects, marketing, and administrative costs to administer the REST program. AIC collected \$18,659.56 in EPS and REST surcharges in 2008.

This report contains information as required by A.C.C. R14-2-1812.

The REST Plan

The 2008 REST plan consists of the following programs:

- Procure grid-tied requirements from New Mexico and Arizona wind resources.
- Offer incentives up to 60% of cost to customers who install qualified distributed energy projects.
- Consider establishing distributed renewable energy generation for AIC operations to meet distributed requirement.

AIC is faced with circumstances unique to AIC in meeting grid-tied and distributed REST requirements. The challenges in meeting its distributed requirement are well documented and will not be repeated here.

AIC is a distribution only utility, and has no direct access to energy markets where renewable energy can be readily procured. There is no available transmission capacity on a year-around basis to AIC's system from markets where renewable energy is transacted and transmitted.

Because of the well documented challenges that AIC has in meeting its distributed requirement and the timeframe to install physical generation, AIC purchased bundled

renewable energy from Phelps Dodge Energy Services ("PDES") for compliance year 2008.

Required Elements pursuant to A.A.C. R14-2-1812

1. Actual kWh of energy or equivalent obtained from Eligible Renewable Energy Resources:

Renewable Energy Source	kWh
Biomass Electricity Generator	218,536

2. The kWh of energy or equivalent obtained from Eligible Renewable Energy Resources normalized to reflect a full year's production:

Renewable Energy Source	kWh
Biomass Electricity Generator	218,536

3. The kW of generation capacity, disaggregated by technology type:

Renewable Energy Source	kW
Biomass Electricity Generator	2,000

4. Cost information regarding cents per actual kWh of energy obtained from Eligible Renewable Energy Resources and cents per kW of generating capacity, disaggregated by technology type:

Renewable Energy Source	Cents/kWh	Cents/kW
Biomass Electricity Generator	7.294	NA

5. A breakdown of the Renewable Energy Credits used to satisfy both the Annual Renewable Energy Requirement and the Distributed Renewable Energy Requirement and appropriate documentation of the Affected Utility's receipt of those Renewable Energy Credits: and

Annual Renewable Energy Requirement	RECs kWh
Biomass Electricity Generator	218,536

Attachment 1 is the Renewable Energy Credits Confirmation Statement from PDES confirming the purchase of the Renewable Energy Credits.

Attachment 2 lists the NERC Transmission tags that verify the physical energy from the grid-tied renewable resource was delivered to the AIC system.

6. A description of the Affected Utility's procedures for choosing Eligible Renewable Energy Resources and certification from an independent auditor that those procedures are fair and unbiased and have been appropriately applied.

As previously mentioned, AIC has no direct access to renewable energy markets. In addition, AIC has no expertise or contractual capability to transact in the wholesale renewable energy market. Because of these barriers, AIC contracted with Phelps Dodge Energy Services ("PDES") to procure its 2008 grid-tied renewable energy requirements.

Attachment 3 is the Ajo Improvement Company Eligible Renewable Energy Resources Selection Procedure for Compliance Year 2008.

Attachment 4 outlines the steps taken pursuant to the Ajo Improvement Company Eligible Renewable Energy Resources Selection Procedure in procuring AIC's grid-tied renewable energy.

AIC solicited an independent auditor from the Arizona Corporation Commission ("ACC") list of auditors. The bid price for the audit approached 10% of the total 2008 EPS/REST collections. Because of the relatively high cost of an independent audit and because PDES on behalf of AIC obtained only one eligible offer from the extensive list of entities solicited, an independent audit was not performed.

Planned Projects

AIC has issued a solicitation for renewable projects that if successful, will satisfy its grid-tied renewable energy and distributed renewable energy requirements. Because it will take some time to award, install and interconnect physical systems, AIC anticipates that it will meet its 2009 grid-tied renewable energy requirement from its current renewable energy bank balance.

In addition, AIC will continue to aggressively market the distributed renewable energy program to its customers.

Attachment 1

**Renewable Energy Credits Confirmation
Statement**

**Phelps Dodge Energy Services, LLC
Confirmation Statement**

This statement confirms the agreement made between Phelps Dodge Energy Services, LLC ("PDES") and Ajo Improvement Company ("AIC") regarding the sale of the renewable energy product listed below. This transaction shall be governed by the market based rates authorized by FERC under the FERC Electric Tariff First Revised Volume No. 1 effective June 6, 2003.

Trade Date: November 12, 2008

Buyer: Ajo Improvement Company

Seller: Phelps Dodge Energy Services, LLC

Term: November 13, 2008 through November 20, 2008 and November 23, 2008

Deal ID: 2008A11A01

Point of Delivery: Ajo 69 kV Substation

Product: Arizona Corporation Commission REST compliant renewable energy generated by the El Nido biomass power facility in Fresno, California. Delivery schedule is 2 MW/hour, 7 days/week, 24 hours/day contingent on the energy output of the El Nido facility.

Price: NP15 day-ahead on-peak and off-peak ICE index plus California ISO export fee, plus all transmission costs to Copper Verde 230 kV substation, plus \$24/MWh for renewable premium.

Scheduling: Scheduling under this agreement will be confirmed with Tucson Electric Power in accordance with Western Electricity Coordinating Council ("WECC") guidelines.

Other Provisions: On-Peak hours are defined as hour ending 0700-2200 Pacific Prevailing Time ("PPT") Monday through Saturday excluding NERC holidays. All remaining hours are Off-Peak.

Please confirm the terms to this document are accurate by executing a copy of this letter.

The terms and conditions to this Confirmation Statement are deemed acceptable by AIC unless AIC objects to them within two business days of receipt of this statement.

Approved (PDES)

Approved (AIC)

By:

By: *R. Mera*

Title:

Title: *Controller Resource Management*

Date:

Date: *12/10/08*

Attachment 2

NERC Transmission Tags

CISO_TPEMKT0067721_AZPS

Tag Information			
GCA	PSE	Tag Code	LCA
CISO	TPEMKT	0067721	AZPS

Start Date: 11/23/2008 01:00

Stop Date: 11/24/2008 01:00

Time Zone: MS

Transaction Type: Normal

Contact Information	
PSE Code	TPEMKT
PSE Contact	Iwaters
PSE Phone	(520)745-3249
PSE Fax	(520)571-4065
Gen Contact	CISO Scheduling
Gen Phone	(916)351-2495
Gen Fax	(916)351-2337
Load Contact	Transmission Scheduling
Load Phone	(602)250-1085
Load Fax	(602)250-1155
Comment	3PR-PDES / AJO ENERGY SCHEDULE

WECC Reserve Sharing	
CISO (BA)	100%

Requests					
	Req	Type	Author	Time	Status
>>		Current Tag			
	0	Creation	TPEMKT (PSE)	11/21/2008 08:35	APPROVED

Market Path			
PSE	Product	Contract	Misc(Token/Value)
VSYSN1	G-FC		
TPES01			
TEPMPD			
TPEMKT			
APS01	L		

Physical Path															
CA	TP	PSE	POR	POD	Sched Entities	Contract	Misc(Token/Value)								
CISO		VSYNS1	NP15_ELNIDP6BIOMAS												
	CISO	TPES01	NP15	SP15	CISO		<table><tr><td>CAISO_SCID</td><td>TPES</td></tr><tr><td>CAISO_CONTRACT</td><td>NFU</td></tr><tr><td>CAISO_PRODUCT</td><td>NFRM</td></tr><tr><td>CAISO_RED_ID</td><td>TPES_VSYNS1_TEP</td></tr></table>	CAISO_SCID	TPES	CAISO_CONTRACT	NFU	CAISO_PRODUCT	NFRM	CAISO_RED_ID	TPES_VSYNS1_TEP
CAISO_SCID	TPES														
CAISO_CONTRACT	NFU														
CAISO_PRODUCT	NFRM														
CAISO_RED_ID	TPES_VSYNS1_TEP														
	CISO	TPES01	SP15	PVWEST	CISO		<table><tr><td>CAISO_SCID</td><td>TPES</td></tr><tr><td>CAISO_CONTRACT</td><td>NFU</td></tr><tr><td>CAISO_PRODUCT</td><td>NFRM</td></tr><tr><td>CAISO_RES_ID</td><td>TPES_VSYNS1_TEP</td></tr></table>	CAISO_SCID	TPES	CAISO_CONTRACT	NFU	CAISO_PRODUCT	NFRM	CAISO_RES_ID	TPES_VSYNS1_TEP
CAISO_SCID	TPES														
CAISO_CONTRACT	NFU														
CAISO_PRODUCT	NFRM														
CAISO_RES_ID	TPES_VSYNS1_TEP														
	CISO	TPES01	PVWEST	PALOVERDE500	CISO		<table><tr><td>CAISO_SCID</td><td>TPES</td></tr><tr><td>CAISO_CONTRACT</td><td>NFU</td></tr><tr><td>CAISO_PRODUCT</td><td>NFRM</td></tr><tr><td>CAISO_RES_ID</td><td>TPES_VSYNS1_TEP</td></tr></table>	CAISO_SCID	TPES	CAISO_CONTRACT	NFU	CAISO_PRODUCT	NFRM	CAISO_RES_ID	TPES_VSYNS1_TEP
CAISO_SCID	TPES														
CAISO_CONTRACT	NFU														
CAISO_PRODUCT	NFRM														
CAISO_RES_ID	TPES_VSYNS1_TEP														
	EPE	TEPMKT	PALOVERDE500	WESTWING500	SRP										
	AZPS	APS01	WESTWING500	WESTWING230	AZPS										
AZPS		APS01	VALLEY-APS												

Energy and Transmission Profiles									
MW (out of)									
Date	Start	Stop	Gen	CISO			CISO		
			MW	Trans	TPES_VSYNS1_TPC	MW	Trans	TPES_VSYNS1_TPC	MW

11/23/2008	01:00	00:00	2	2	2	2	2	2	2	2
11/24/2008	00:00	01:00	2	2	2	2	2	2	2	2
Display MWH Total:			48	48	48	48	48	48	48	48
Original Tag MWH Total:			48							

Energy and Transmission Profiles MW (out of)													
Date	Start	Stop	CISO			EPE			AZPS			Ramp Dur.	
			Trans	TPES_VSYNS1_TEP	MW	Trans	72674601	MW	Trans	NETWORK	MW	Start	Stop
11/23/2008	01:00	00:00	2	2	2	2	2	2	2	2	2		
11/24/2008	00:00	01:00	2	2	2	2	2	2	2	2	2		
Display MWH Total:			48	48	48	48	48	48	48	48	48		

Transmission Allocation			
TP	Owner	Product	OASIS
CISO(1)	TPES01	7-F	TPES_VSYNS1_TEP
CISO(2)	TPES01	7-F	TPES_VSYNS1_TEP
CISO(3)	TPES01	7-F	TPES_VSYNS1_TEP
EPE	TEPMKT	2-NH	72674601
AZPS	APS01	7-FN	NETWORK

Loss Accounting					
TP	Start Time	Stop Time	Type	Contract Number	TagID
No loss accounting data exists for this tag.					

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CISO_TPEMKT0067528_AZPS

Tag Information			
GCA	PSE	Tag Code	LCA
CISO	TPEMKT	0067528	AZPS

Start Date: 11/20/2008 01:00

Stop Date: 11/21/2008 01:00

Time Zone: MS

Transaction Type: Normal

Contact Information	
PSE Code	TPEMKT
PSE Contact	jbarton
PSE Phone	(520)745-3249
PSE Fax	(520)571-4065
Gen Contact	CISO Scheduling
Gen Phone	(916)351-2495
Gen Fax	(916)351-2337
Load Contact	Transmission Scheduling
Load Phone	(602)250-1085
Load Fax	(602)250-1155
Comment	3PR-PDES / AJO ENERGY SCHEDULE

WECC Reserve Sharing	
CISO (BA)	100%

Requests					
	Req	Type	Author	Time	Status
>>		Current Tag			
	0	Creation	TPEMKT (PSE)	11/19/2008 09:20	APPROVED

Market Path			
PSE	Product	Contract	Misc(Token/Value)
VSYSN1	G-FC		
TPES01			
TEPMPD			
TPEMKT			
APS01	L		

Physical Path							
CA	TP	PSE	POR	POD	Sched Entities	Contract	Misc(Token/Value)
CISO		VSYSN1	NP15_ELNIDP6BIOMAS				
	CISO	TPES01	NP15	SP15	CISO		CAISO_SCID TPES CAISO_CONTRACT NFU CAISO_PRODUCT NFRM CAISO_RED_ID TPES VSYSN1_TPC
	CISO	TPES01	SP15	PVWEST	CISO		CAISO_SCID TPES CAISO_CONTRACT NFU CAISO_PRODUCT NFRM CAISO_RES_ID TPES VSYSN1_TPC
	CISO	TPES01	PVWEST	PALOVERDE500	CISO		CAISO_SCID TPES CAISO_CONTRACT NFU CAISO_PRODUCT NFRM CAISO_RES_ID TPES VSYSN1_TPC
	EPE	TPEMKT	PALOVERDE500	WESTWING500	SRP		
	AZPS	APS01	WESTWING500	WESTWING230	AZPS		
AZPS		APS01	VALLEY-APS				

Energy and Transmission Profiles MW (out of)									
Date	Start	Stop	Gen	CISO			CISO		
			MW	Trans	TPES_VSYSN1_TPC	MW	Trans	TPES_VSYSN1_TPC	MW

11/20/2008	01:00	00:00	2	2	2	2	2	2	2	2
11/21/2008	00:00	01:00	2	2	2	2	2	2	2	2
Display MWH Total:			48	48	48	48	48	48	48	48
Original Tag MWH Total:			48							

Energy and Transmission Profiles MW (out of)													
Date	Start	Stop	CISO			EPE			AZPS			Ramp Dur.	
			Trans	TPES_VSYNS1_TEP	MW	Trans	72669436	MW	Trans	NETWORK	MW	Start	Stop
11/20/2008	01:00	00:00	2	2	2	2	2	2	2	2	2		
11/21/2008	00:00	01:00	2	2	2	2	2	2	2	2	2		
Display MWH Total:			48	48	48	48	48	48	48	48	48		

Transmission Allocation			
TP	Owner	Product	OASIS
CISO(1)	TPES01	7-F	TPES_VSYNS1_TEP
CISO(2)	TPES01	7-F	TPES_VSYNS1_TEP
CISO(3)	TPES01	7-F	TPES_VSYNS1_TEP
EPE	TPEMKT	2-NH	72669436
AZPS	APS01	7-FN	NETWORK

Loss Accounting					
TP	Start Time	Stop Time	Type	Contract Number	TagID
No loss accounting data exists for this tag.					

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CISO_TEPMKT0067460_AZPS

Tag Information			
GCA	PSE	Tag Code	LCA
CISO	TEPMKT	0067460	AZPS

Start Date: 11/19/2008 01:00
Stop Date: 11/20/2008 01:00
Time Zone: MS
Transaction Type: Normal

Contact Information	
PSE Code	TEPMKT
PSE Contact	jbarton
PSE Phone	(520)745-3249
PSE Fax	(520)571-4065
Gen Contact	CISO Scheduling
Gen Phone	(916)351-2495
Gen Fax	(916)351-2337
Load Contact	Transmission Scheduling
Load Phone	(602)250-1085
Load Fax	(602)250-1155
Comment	3PR-PDES / AJO ENERGY SCHEDULE

WECC Reserve Sharing
CISO (BA) 100%

Requests					
	Req	Type	Author	Time	Status
>>		Current Tag			
	0	Creation	TEPMKT (PSE)	11/18/2008 09:50	APPROVED

Market Path			
PSE	Product	Contract	Misc(Token/Value)
VSYSN1	G-FC		
TPES01			
TEPMPD			
TEPMKT			
APS01	L		

Physical Path							
CA	TP	PSE	POR	POD	Sched Entities	Contract	Misc(Token/Value)
CISO		VSYSN1	NP15_ELNIDP6BIOMAS				
	CISO	TPES01	NP15	SP15	CISO		CAISO_SCID TPES CAISO_CONTRACT NFU CAISO_PRODUCT NFRM CAISO_RED_ID TPES_VSYSN1_TEP
	CISO	TPES01	SP15	PVWEST	CISO		CAISO_SCID TPES CAISO_CONTRACT NFU CAISO_PRODUCT NFRM CAISO_RES_ID TPES_VSYSN1_TEP
	CISO	TPES01	PVWEST	PALOVERDE500	CISO		CAISO_SCID TPES CAISO_CONTRACT NFU CAISO_PRODUCT NFRM CAISO_RES_ID TPES_VSYSN1_TEP
	EPE	TEPMKT	PALOVERDE500	WESTWING500	SRP		
	AZPS	APS01	WESTWING500	WESTWING230	AZPS		
AZPS		APS01	VALLEY-APS				

Energy and Transmission Profiles MW (out of)									
Date	Start	Stop	Gen	CISO			CISO		
			MW	Trans	TPES_VSYSN1_TEP	MW	Trans	TPES_VSYSN1_TEP	MW

11/19/2008	01:00	00:00	2	2	2	2	2	2	2	2
11/20/2008	00:00	01:00	2	2	2	2	2	2	2	2
Display MWH Total:			48	48	48	48	48	48	48	48
Original Tag MWH Total:			48							

Energy and Transmission Profiles MW (out of)													
Date	Start	Stop	CISO			EPE			AZPS			Ramp Dur.	
			Trans	TPES_VSYNS1_TEP	MW	Trans	72666919	MW	Trans	NETWORK	MW	Start	Stop
11/19/2008	01:00	00:00	2	2	2	2	2	2	2	2	2		
11/20/2008	00:00	01:00	2	2	2	2	2	2	2	2	2		
Display MWH Total:			48	48	48	48	48	48	48	48	48		

Transmission Allocation			
TP	Owner	Product	OASIS
CISO(1)	TPES01	7-F	TPES_VSYNS1_TEP
CISO(2)	TPES01	7-F	TPES_VSYNS1_TEP
CISO(3)	TPES01	7-F	TPES_VSYNS1_TEP
EPE	TPEMKT	2-NH	72666919
AZPS	APS01	7-FN	NETWORK

Loss Accounting					
TP	Start Time	Stop Time	Type	Contract Number	TagID
No loss accounting data exists for this tag.					

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CISO_TPEMKT0067355_AZPS

Tag Information			
GCA	PSE	Tag Code	LCA
CISO	TPEMKT	0067355	AZPS

Start Date: 11/18/2008 01:00

Stop Date: 11/19/2008 01:00

Time Zone: MS

Transaction Type: Normal

Contact Information	
PSE Code	TPEMKT
PSE Contact	jbarton
PSE Phone	(520)745-3249
PSE Fax	(520)571-4065
Gen Contact	CISO Scheduling
Gen Phone	(916)351-2495
Gen Fax	(916)351-2337
Load Contact	Transmission Scheduling
Load Phone	(602)250-1085
Load Fax	(602)250-1155
Comment	3PR-PDES / AJO ENERGY SCHEDULE

WECC Reserve Sharing	
CISO (BA)	100%

Requests					
	Req	Type	Author	Time	Status
>>		Current Tag			
	0	Creation	TPEMKT (PSE)	11/17/2008 10:47	APPROVED

Market Path			
PSE	Product	Contract	Misc(Token/Value)
VSYSN1	G-FC		
TPES01			
TEPMPD			
TPEMKT			
APS01	L		

Physical Path															
CA	TP	PSE	POR	POD	Sched Entities	Contract	Misc(Token/Value)								
CISO		VSYNS1	NP15_ELNIDP6BIOMAS												
	CISO	TPES01	NP15	SP15	CISO		<table><tr><td>CAISO_SCID</td><td>TPES</td></tr><tr><td>CAISO_CONTRACT</td><td>NFU</td></tr><tr><td>CAISO_PRODUCT</td><td>NFRM</td></tr><tr><td>CAISO_RED_ID</td><td>TPES_VSYNS1_TEP</td></tr></table>	CAISO_SCID	TPES	CAISO_CONTRACT	NFU	CAISO_PRODUCT	NFRM	CAISO_RED_ID	TPES_VSYNS1_TEP
CAISO_SCID	TPES														
CAISO_CONTRACT	NFU														
CAISO_PRODUCT	NFRM														
CAISO_RED_ID	TPES_VSYNS1_TEP														
	CISO	TPES01	SP15	PVWEST	CISO		<table><tr><td>CAISO_SCID</td><td>TPES</td></tr><tr><td>CAISO_CONTRACT</td><td>NFU</td></tr><tr><td>CAISO_PRODUCT</td><td>NFRM</td></tr><tr><td>CAISO_RES_ID</td><td>TPES_VSYNS1_TEP</td></tr></table>	CAISO_SCID	TPES	CAISO_CONTRACT	NFU	CAISO_PRODUCT	NFRM	CAISO_RES_ID	TPES_VSYNS1_TEP
CAISO_SCID	TPES														
CAISO_CONTRACT	NFU														
CAISO_PRODUCT	NFRM														
CAISO_RES_ID	TPES_VSYNS1_TEP														
	CISO	TPES01	PVWEST	PALOVERDE500	CISO		<table><tr><td>CAISO_SCID</td><td>TPES</td></tr><tr><td>CAISO_CONTRACT</td><td>NFU</td></tr><tr><td>CAISO_PRODUCT</td><td>NFRM</td></tr><tr><td>CAISO_RES_ID</td><td>TPES_VSYNS1_TEP</td></tr></table>	CAISO_SCID	TPES	CAISO_CONTRACT	NFU	CAISO_PRODUCT	NFRM	CAISO_RES_ID	TPES_VSYNS1_TEP
CAISO_SCID	TPES														
CAISO_CONTRACT	NFU														
CAISO_PRODUCT	NFRM														
CAISO_RES_ID	TPES_VSYNS1_TEP														
	EPE	TEPMKT	PALOVERDE500	WESTWING500	SRP										
	AZPS	APS01	WESTWING500	WESTWING230	AZPS										
AZPS		APS01	VALLEY-APS												

Energy and Transmission Profiles									
MW (out of)									
Date	Start	Stop	Gen	CISO			CISO		
			MW	Trans	TPES_VSYSN1_TPC	MW	Trans	TPES_VSYSN1_TPC	MW

11/18/2008	01:00	00:00	2	2	2	2	2	2	2	2
11/19/2008	00:00	01:00	2	2	2	2	2	2	2	2
Display MWH Total:			48	48	48	48	48	48	48	48
Original Tag MWH Total:			48							

Energy and Transmission Profiles MW (out of)													
Date	Start	Stop	CISO			EPE			AZPS			Ramp Dur.	
			Trans	TPES_VSYNSI_TEP	MW	Trans	72664299	MW	Trans	NETWORK	MW	Start	Stop
11/18/2008	01:00	00:00	2	2	2	2	2	2	2	2	2		
11/19/2008	00:00	01:00	2	2	2	2	2	2	2	2	2		
Display MWH Total:			48	48	48	48	48	48	48	48	48		

Transmission Allocation			
TP	Owner	Product	OASIS
CISO(1)	TPES01	7-F	TPES_VSYNSI_TEP
CISO(2)	TPES01	7-F	TPES_VSYNSI_TEP
CISO(3)	TPES01	7-F	TPES_VSYNSI_TEP
EPE	TEPMKT	2-NH	72664299
AZPS	APS01	7-FN	NETWORK

Loss Accounting					
TP	Start Time	Stop Time	Type	Contract Number	TagID
No loss accounting data exists for this tag.					

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CISO_TPEMKT0067106_AZPS

Tag Information			
GCA	PSE	Tag Code	LCA
CISO	TPEMKT	0067106	AZPS

Start Date: 11/16/2008 01:00

Stop Date: 11/18/2008 01:00

Time Zone: MS

Transaction Type: Normal

Contact Information	
PSE Code	TPEMKT
PSE Contact	jbarton
PSE Phone	(520)745-3249
PSE Fax	(520)571-4065
Gen Contact	CISO Scheduling
Gen Phone	(916)351-2495
Gen Fax	(916)351-2337
Load Contact	Transmission Scheduling
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Load Fax	(602)250-1155
Comment	3PR-PDES / AJO ENERGY SCHEDULE

WECC Reserve Sharing	
CISO (BA)	100%

Requests					
	Req	Type	Author	Time	Status
>>		Current Tag			
	1	Adjustment	TPEMKT (PSE)	11/16/2008 01:39	APPROVED
	0	Creation	TPEMKT (PSE)	11/14/2008 09:36	APPROVED

Market Path			
PSE	Product	Contract	Misc(Token/Value)
VSYSN1	G-FC		
TPES01			
TEPMPD			
TPEMKT			
APS01	L		

Physical Path															
CA	TP	PSE	POR	POD	Sched Entities	Contract	Misc(Token/Value)								
CISO		VSYSN1	NP15_ELNIDP6BIOMAS												
	CISO	TPES01	NP15	SP15	CISO		<table><tr><td>CAISO_SCID</td><td>TPES</td></tr><tr><td>CAISO_CONTRACT</td><td>NFU</td></tr><tr><td>CAISO_PRODUCT</td><td>NFRM</td></tr><tr><td>CAISO_RED_ID</td><td>TPES_VSYSN1_TEP</td></tr></table>	CAISO_SCID	TPES	CAISO_CONTRACT	NFU	CAISO_PRODUCT	NFRM	CAISO_RED_ID	TPES_VSYSN1_TEP
CAISO_SCID	TPES														
CAISO_CONTRACT	NFU														
CAISO_PRODUCT	NFRM														
CAISO_RED_ID	TPES_VSYSN1_TEP														
	CISO	TPES01	SP15	PVWEST	CISO		<table><tr><td>CAISO_SCID</td><td>TPES</td></tr><tr><td>CAISO_CONTRACT</td><td>NFU</td></tr><tr><td>CAISO_PRODUCT</td><td>NFRM</td></tr><tr><td>CAISO_RES_ID</td><td>TPES_VSYSN1_TEP</td></tr></table>	CAISO_SCID	TPES	CAISO_CONTRACT	NFU	CAISO_PRODUCT	NFRM	CAISO_RES_ID	TPES_VSYSN1_TEP
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CAISO_CONTRACT	NFU														
CAISO_PRODUCT	NFRM														
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CAISO_SCID	TPES														
CAISO_CONTRACT	NFU														
CAISO_PRODUCT	NFRM														
CAISO_RES_ID	TPES_VSYSN1_TEP														
	EPE	TEPMKT	PALOVERDE500	WESTWING500	SRP										
	AZPS	APS01	WESTWING500	WESTWING230	AZPS										
AZPS		APS01	VALLEY-APS												

Energy and Transmission Profiles MW (out of)									
Date	Start	Stop	Gen	CISO			CISO		
			MW	Trans	TPES_VSYSN1_TEP	MW	Trans	TPES_VSYSN1_TEP	MW
11/16/2008	01:00	04:00	2	2	2	2	2	2	2
11/16/2008	04:00	07:00	0		0	0		0	0

11/16/2008	07:00	00:00	2	2	2	2	2	2	2
11/17/2008	00:00	00:00	2	2	2	2	2	2	2
11/18/2008	00:00	01:00	2	2	2	2	2	2	2
Display MWH Total:			90	90	90	90	90	90	90
Original Tag MWH Total:			96						

Energy and Transmission Profiles MW (out of)													
Date	Start	Stop	CISO			EPE			AZPS			Ramp Dur.	
			Trans	TPES_VSYNS1_TEP	MW	Trans	72657906	MW	Trans	NETWORK	MW	Start	Stop
11/16/2008	01:00	04:00	2	2	2	2	2	2	2	2	2		
11/16/2008	04:00	07:00		0	0		0	0		0	0		
11/16/2008	07:00	00:00	2	2	2	2	2	2	2	2	2		
11/17/2008	00:00	00:00	2	2	2	2	2	2	2	2	2		
11/18/2008	00:00	01:00	2	2	2	2	2	2	2	2	2		
Display MWH Total:			90	90	90	90	90	90	90	90	90		

Transmission Allocation			
TP	Owner	Product	OASIS
CISO(1)	TPES01	7-F	TPES_VSYNS1_TEP
CISO(2)	TPES01	7-F	TPES_VSYNS1_TEP
CISO(3)	TPES01	7-F	TPES_VSYNS1_TEP
EPE	TEPMKT	2-NH	72657906
AZPS	APS01	7-FN	NETWORK

Loss Accounting					
TP	Start Time	Stop Time	Type	Contract Number	TagID
No loss accounting data exists for this tag.					

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CISO_TPEMKT0066983_AZPS

Tag Information			
GCA	PSE	Tag Code	LCA
CISO	TEPMKT	0066983	AZPS

Start Date: 11/14/2008 01:00

Stop Date: 11/16/2008 01:00

Time Zone: MS

Transaction Type: Normal

Contact Information	
PSE Code	TEPMKT
PSE Contact	jbarton
PSE Phone	(520)745-3249
PSE Fax	(520)571-4065
Gen Contact	CISO Scheduling
Gen Phone	(916)351-2495
Gen Fax	(916)351-2337
Load Contact	Transmission Scheduling
Load Phone	(602)250-1085
Load Fax	(602)250-1155
Comment	3PR-PDES / AJO ENERGY SCHEDULE

WECC Reserve Sharing	
CISO (BA)	100%

Requests					
	Req	Type	Author	Time	Status
>>		Current Tag			
	1	Adjustment	TEPMKT (PSE)	11/15/2008 21:31	APPROVED
	0	Creation	TEPMKT (PSE)	11/13/2008 09:40	APPROVED

Market Path			
PSE	Product	Contract	Misc(Token/Value)
VSYSN1	G-FC		
TPES01			
TEPMPD			
TEPMKT			
APS01	L		

Physical Path															
CA	TP	PSE	POR	POD	Sched Entities	Contract	Misc(Token/Value)								
CISO		VSYSN1	NP15_ELNIDP6BIOMAS												
	CISO	TPES01	NP15	SP15	CISO		<table><tr><td>CAISO_SCID</td><td>TPES</td></tr><tr><td>CAISO_CONTRACT</td><td>NFU</td></tr><tr><td>CAISO_PRODUCT</td><td>NFRM</td></tr><tr><td>CAISO_RED_ID</td><td>TPES_VSYSN1_TEP</td></tr></table>	CAISO_SCID	TPES	CAISO_CONTRACT	NFU	CAISO_PRODUCT	NFRM	CAISO_RED_ID	TPES_VSYSN1_TEP
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CAISO_CONTRACT	NFU														
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CAISO_RED_ID	TPES_VSYSN1_TEP														
	CISO	TPES01	SP15	PVWEST	CISO		<table><tr><td>CAISO_SCID</td><td>TPES</td></tr><tr><td>CAISO_CONTRACT</td><td>NFU</td></tr><tr><td>CAISO_PRODUCT</td><td>NFRM</td></tr><tr><td>CAISO_RES_ID</td><td>TPES_VSYSN1_TEP</td></tr></table>	CAISO_SCID	TPES	CAISO_CONTRACT	NFU	CAISO_PRODUCT	NFRM	CAISO_RES_ID	TPES_VSYSN1_TEP
CAISO_SCID	TPES														
CAISO_CONTRACT	NFU														
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	CISO	TPES01	PVWEST	PALOVERDE500	CISO		<table><tr><td>CAISO_SCID</td><td>TPES</td></tr><tr><td>CAISO_CONTRACT</td><td>NFU</td></tr><tr><td>CAISO_PRODUCT</td><td>NFRM</td></tr><tr><td>CAISO_RES_ID</td><td>TPES_VSYSN1_TEP</td></tr></table>	CAISO_SCID	TPES	CAISO_CONTRACT	NFU	CAISO_PRODUCT	NFRM	CAISO_RES_ID	TPES_VSYSN1_TEP
CAISO_SCID	TPES														
CAISO_CONTRACT	NFU														
CAISO_PRODUCT	NFRM														
CAISO_RES_ID	TPES_VSYSN1_TEP														
	EPE	TEPMKT	PALOVERDE500	WESTWING500	SRP										
	AZPS	APS01	WESTWING500	WESTWING230	AZPS										
AZPS		APS01	VALLEY-APS												

Energy and Transmission Profiles MW (out of)									
Date	Start	Stop	Gen	CISO			CISO		
			MW	Trans	TPES_VSYSN1_TEP	MW	Trans	TPES_VSYSN1_TEP	MW
11/14/2008	01:00	00:00	2	2	2	2	2	2	2
11/15/2008	00:00	00:00	2	2	2	2	2	2	2

11/16/2008	00:00	01:00	0			0	0			0	0
Display MWH Total:			94	94		94	94	94		94	94
Original Tag MWH Total:			96								

Energy and Transmission Profiles MW (out of)													
Date	Start	Stop	CISO			EPE			AZPS			Ramp Dur.	
			Trans	TPES_VSYNS1_TEP	MW	Trans	72655004	MW	Trans	NETWORK	MW	Start	Stop
11/14/2008	01:00	00:00	2	2	2	2	2	2	2	2	2		
11/15/2008	00:00	00:00	2	2	2	2	2	2	2	2	2		
11/16/2008	00:00	01:00		0	0		0	0		0	0		
Display MWH Total:			94	94	94	94	94	94	94	94	94		

Transmission Allocation			
TP	Owner	Product	OASIS
CISO(1)	TPES01	7-F	TPES_VSYNS1_TEP
CISO(2)	TPES01	7-F	TPES_VSYNS1_TEP
CISO(3)	TPES01	7-F	TPES_VSYNS1_TEP
EPE	TEPMKT	2-NH	72655004
AZPS	APS01	7-FN	NETWORK

Loss Accounting					
TP	Start Time	Stop Time	Type	Contract Number	TagID
No loss accounting data exists for this tag.					

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Attachment 3

**Ajo Improvement Company Eligible Renewable
Energy Resources Selection Procedure for
Compliance Year 2008**

Ajo Improvement Company Eligible Renewable Energy Resources Selection Procedure for Compliance Year 2008

Background: Under Arizona Administrative Code R14-2-1812, the Arizona Corporation Commission ("ACC") requires Ajo Improvement company ("AIC") to create and follow a formal procedure in selecting Eligible Renewable Energy Resources. In addition, these procedures must be certified by an independent auditor that the procedures are fair, unbiased, and are appropriately applied.

AIC is a distribution utility that does not own any transmission and has no access to any renewable energy market. AIC does not have the in-house expertise to procure renewable energy given the complexities of wholesale energy contracting and transmission issues pertaining to renewable energy procurement. For the 2008 compliance year, AIC will contract with an wholesale entity to procure its renewable energy requirements.

Procedure:

- 1) Obtain ACC approval of the 2008 Renewable Energy Standard Implementation Plan. Provide this Implementation Plan.
- 2) Contract with an entity that is qualified to procure renewable energy for the sole purpose of procuring AIC's renewable energy requirements.
- 3) Qualified Renewable Resource Market Price discovery
 - a. Contractor will contact a minimum of two renewable energy brokers who do business in the WECC to get the current markets (premiums) on REST qualified renewable energy resources.
- 4) Qualified Renewable Resource availability
 - a. Contractor will contact a minimum of two renewable energy brokers who do business in the WECC to get the current availability of REST qualified renewable energy resources for the time period required.
 - b. Contractor will contact renewable energy resource owners who have assets in Arizona and the WECC to get the availability and price of their assets.
 - c. Contractor will contact other ACC jurisdictional utilities to get the current availability of excess RECs that they may have and discover if there is any interest in selling said RECs.
- 5) Contractor will apply all respondents to the AIC REST selection matrix for scoring.
 - a. Any questionable responses on the eligibility portion of the selection matrix should be reviewed with AIC and the ACC staff prior to negotiations.
- 6) Contractor will negotiate and execute contracts on behalf of AIC with respondents according to the results of the selection matrix.
- 7) Contractor will provide AIC will renewable energy transaction information required for ACC compliance filing in accordance with R14-2-1812.

REST Selection Matrix

Compliance Year
Utility
Solicitation

2008

AIC/MWE
UUU.YYYY.#

Eligibility Matrix

Pursuant to approved Implementation Plan
in Decision 70304

Selection Matrix

Entity
Entity Type
Resource Name
Resource Technology
Resource Installation Date
Resource Location
Transmission Interconnection
Renewable Energy MWh
Green Premium
Physical Energy Agreement
REC Agreement
Transmission Required to AIC
Number of Wheels
Transmission Firmness
Transmission Cost
Physical Energy Cost

Score

R14-2-1802 A.
R14-2-1802 C.

Scoring Methodology

- A 1=Elegible resource, 0=otherwise
- B 1=Installation Date after 1/1/1997, 0=otherwise
- C 3=Arizona, 2=WEC x/California, 1=California
- D 5=0 to 5, 4=6 to 10, 3=11 to 15, 2=16 to 20, 1=21 to 25
- E 3=WSP, 2=EEL, 1=Bi-Lateral
- F 2=Firm, 1=Non-Firm
- G 5=No, 0=Yes
- H 3=0, 2=1, 1=2, 0=3 or more
- I 3=Term Firm, 1=Daily Firm, 0=Non-Firm
- J 5= 0, 4= 1 to 5, 2= 6 to 10, 0= >10
- K 5= <0, 4=0 to 2, 2= 3 to 5, 0=>5
- A * B * (C + D + E + F + G + H + I + J + K)

0

A minimum score of 4 is required to enter into contract negotiations
A score of 11 or higher is desired for an acceptable probability of delivery

Signature: _____

Date: _____

Attachment 4

Ajo Improvement Company Eligible Renewable
Energy Resources Compliance Year 2008
Purchase Documentation

Ajo Improvement Company Eligible Renewable Energy Resources Compliance Year 2008 Purchase Documentation

Background: Under Arizona Administrative Code R14-2-1812, the Arizona Corporation Commission ("ACC") requires Ajo Improvement Company ("AIC") to create and follow a formal procedure in selecting Eligible Renewable Energy Resources. In addition, these procedures must be certified by an independent auditor that the procedures are fair, unbiased, and are appropriately applied.

AIC is a distribution utility that does not own any transmission and has no access to the renewable energy market. AIC does not have the in-house expertise to procure renewable energy given the complexities of wholesale energy contracting and transmission issues pertaining to renewable energy procurement. For the 2008 compliance year, AIC will contract with an wholesale entity to procure its renewable energy requirements.

AIC has contracted with Phelps Dodge Energy Services, LLC ("PDES") to purchase its renewable energy requirements from the wholesale market and simultaneously sell this renewable energy to AIC. PDES is an affiliate company under Freeport-McMoRan Copper & Gold. PDES is an Exempt Wholesale Generator ("EWG") has been granted authority to sell energy and capacity at market-based rates, including to its affiliates. This document has been created to outline the procurement steps taken to show that the procedure was fair and un-biased and appropriately applied pursuant to Arizona Administrative Code R14-2-1812.

AIC provided PDES with a copy of the AIC Renewable Energy Procurement Procedures.

Procedure followed:

- 1) Obtain ACC approval of the 2008 Renewable Energy Standard Implementation Plan. Provide this Implementation Plan.
 - a. AIC Obtained ACC approval of the 2008 Renewable Energy Standard Implementation Plan in Decision 70304, docketed on April 24, 2008.
- 2) Contract with an entity that is qualified to procure renewable energy for the sole purpose of procuring AIC's renewable energy requirements.
 - a. AIC contracted with PDES to procure AIC's 2008 renewable energy requirements.
- 3) Qualified Renewable Resource Market Price discovery
 - a. During the week of August 18, 2008 PDES contacted the following renewable energy brokers who do business in the WECC to get the current markets (premiums) on REST qualified renewable energy resources.

i. Clear Energy Brokerage	1-347-295-0880
ii. 3Phases Renewables	1-310-798-5275
iii. Evolution markets	1-415-963-9120

Information from all three entities were that the only REST qualified renewable resources not fully subscribed for 2008 compliance period were in

California, Texas, or the Northwest. The current market in California was \$20-\$25/MWh for the renewable premium. The premiums in Texas were significantly less (due to wind as the primary renewable technology, and the lack of transmission to other markets).

4) Qualified Renewable Resource availability

- a. During the week of August 18, 2008, PDES contacted the following renewable energy brokers who do business in the WECC to get the market for renewable energy resource availability.

- | | |
|---------------------------|----------------|
| i. Clear Energy Brokerage | 1-347-295-0880 |
| ii. 3Phases Renewables | 1-310-798-5275 |
| iii. Evolution markets | 1-415-963-9120 |

Clear Energy Brokerage did not list any projects with available energy. 3Phases Renewables did know of a California Entity that had excess renewable energy but had not ability to export that renewable energy to Arizona. Evolution Markets did not list any projects, but promised to survey the WECC market and get back to PDES.

- b. Contact renewable energy resource owners who have assets in Arizona and the WECC to get the availability and price of their assets.

- i. PDES contacted the following renewable resource owners to inquire on resource availability for the compliance period.
1. Calpine Corporation
 2. PacifiCorp
 3. FPL
 4. Sierra Pacific Resources
 5. New Mexico Wind Resources

Calpine indicated that they could probably source PDES' requirements but would have to get back to us. Calpine did not have any renewable energy available from its own portfolio, but said it would be willing to purchase from a third party and resell to PDES.

PacifiCorp had available renewable resources in the Northwest but would only schedule (NERC physical energy tagging) energy out of PacifiCorp's control area as system energy and this standard energy scheduling methodology does not meet REST requirements.

FPL's wind and geothermal resources in the WECC were fully prescribed for the compliance period. FPL informed PDES that they have wind resources available in Texas but because there is no transmission available, those resources are not an option.

Sierra Pacific Resources biomass facilities were fully prescribed for 2008.

PDES also contacted the four Utility scale wind projects in New Mexico, Arragone, Caprock, San Juan Mesa, and New Mexico Wind Energy Center. All four have fully prescribed long-term purchase power agreements for the output from three different utilities.

Although two of the utilities have excess RECs in their inventory, they have chosen not to sell them into the market, but to hold them for future compliance.

Contractor will contact other ACC jurisdictional utilities to get the current availability of excess RECs that they may have and discover if there is any interest in selling said RECs.

- ii. During the week of August 25, 2008, PDES contacted the following ACC jurisdictional and non-jurisdictional utilities to inquire about any excess RECs or renewable energy they may have.
 1. APS
 2. TEP
 3. SRP
 4. PNM

APS has excess inventory for the compliance period, however, APS does not plan on selling any of their inventory.

TEP does not have adequate renewable energy to meet its compliance.

SRP has some renewable energy that is REST compliant, however, SRP does not plan on selling any of its excess inventory.

PNM has excess REST compliant renewable energy however, PNM does not plan on selling any of its excess inventory.

PDES contacted the staff at the ACC (Ray Williamson) to discuss the Pacificorp renewable energy product, and if the ACC would accept the energy as REST compliance. PDES explained to the ACC how physical energy is scheduled by a balancing authority that has network transmission rights. The staff informed PDES that a transaction with this delivery structure was troublesome, unless the selling entity, PacifiCorp, showed transmission schedules from the resource to AIC load.

During the two weeks that followed PDES had the renewable energy brokers continue to look for qualified renewable energy.

On September 24, 2008, Calpine Corporation informed PDES that they found REST compliant renewable energy, but it was in the California ISO and this energy would have to be exported from the California ISO and wheeled to AIC. PDES immediately began contacting the entities required to move renewable energy from Northern California to Southeastern Arizona. Without getting into excruciating detail, PDES had amassed 10 entities to purchase, sell, schedule, and transport this power. Two entities that were matched up in the middle of this long chain could not deal with each other because of credit issues and the entire deal fell apart.

On October 24, 2008 3Phases Renewables informed PDES that they had 10 MW available for approximately 10 days in November that could be exported to Arizona.

- 5) Apply all respondents to the AIC REST selection matrix for scoring.
 - a. Any questionable responses on the eligibility portion of the selection matrix should be reviewed with the ACC staff prior to negotiations.

PDES immediately vetted the renewable source from 3Phases Renewables as to meeting the REST requirements by applying the renewable energy resource against the AIC REST selection matrix. This resource passed the metrics required, no other available resources were discovered through the solicitation process, and because of the short time window that this resource was available, PDES entered into talks with this resource.

- 6) Negotiate contracts with respondents according to the results of the selection matrix.

PDES entered into a contract with 3Phases Renewables for approximately 1,700 MWh of unit contingent output across the 10 days that the renewable resource was available. PDES entered into a contract with AIC to simultaneously sell this renewable energy to AIC.

- 7) Contractor will provide AIC will renewable energy transaction information required for ACC compliance filing in accordance with R14-2-1812.
 - a. PDES will provide as available the transaction information required so that AIC will comply with all regulatory filings when available.

AIC REST Selection Matrix

Compliance Year	2008		
Utility	AIC		
Solicitation	AIC.2008.1		
Eligibility Matrix			
Pursuant to approved Implementation Plan in Decision	70304		
Selection Matrix			
Entity	3Phases Renewables		
Entity Type	Broker/Dealer		
Resource Name	El Nido		
Resource Technology	Biomass	Score	
Resource Installation Date	R14-2-1802 A.	1	A 1=Eligible resource, 0=otherwise
Resource Location	9/30/2007 R14-2-1802 C.	1	B 1=Installation Date after 1/1/1997, 0=otherwise
Transmission Interconnection	California	1	C 3=Arizona, 2=WECC xCalifornia, 1=California
Renewable Energy MWh	ISO - NP15		
Green Premium	375		
Physical Energy Agreement	24	1	D 5=0 to 5, 4=6 to 10, 3=11 to 15, 2=16 to 20, 1=21 to 25
REC Agreement	WSPP	3	E 3=WSPP, 2=EEL, 1=Bi-Lateral
Transmission Required to AIC	Schedule B	1	F 2=Firm, 1=Non-Firm
Number of Wheels	Yes	0	G 5=No, 0=Yes
Transmission Firmness	3	0	H 3=0, 2=1, 1=2, 0=3 or more
Transmission Cost	Daily Firm	1	I 3=Term Firm, 1=Daily Firm, 0=Non-Firm
Physical Energy Cost	ISO after the fact	0	J 5= 0, 4= 1 to 5, 2= 6 to 10, 0= >10
	NP15 Day-Ahead Index	0	K 5= <0, 4=0 to 2, 2= 3 to 5, 0=>5
		7	A * B * (C + D + E + F + G + H + I + J + K)