ORIGINAL

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS
KRISTIN K. MAYES, Chairman
GARY PIERCE
PAUL NEWMAN
SANDRA D. KENNEDY
BOB STUMP

IN THE MATTER OF THE APPLICATION OF MORENCI WATER AND ELECTRIC COMPANY – ELECTRIC DIVISION – FOR APPROVAL OF ITS 2009 IMPLEMENTATION PLAN PER A.A.C. R14-2-1813 AND REQUEST FOR WAIVERS	DOCKET NO. E-01049A-08-0507 **NOTICE OF FILING**

In compliance with Decision No. 70952, Morenci Water & Electric Company ("MW&E"), files its 2009 Renewable Energy Standard Implementation Plan ("2009 REST Plan"), which incorporates changes the Commission ordered (Exhibit 1 attached hereto). Also included in this filing is a copy of MW&E's Public Notice of the Availability of Distributed Renewable Generation Incentives (Exhibit 2 attached hereto) that it intends to publish and include as a billing insert.

RESPECTFULLY SUBMITTED this 15th day of April, 2009.

MORENCI WATER AND ELECTRIC COMPANY

By _____

Michael W. Patten
Jason D. Gellman
ROSHKA DEWULF & PATTEN, PLC.
One Arizona Center
400 East Van Buren Street, Suite 800
Phoenix, Arizona 85004

Original and thirteen copies of the foregoing filed this 15th day of April, 2009, with:

Docket Control
ARIZONA CORPORATION COMMISSION
1200 West Washington Street
Phoenix, Arizona 85007

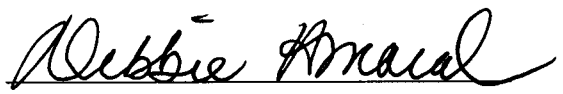
Copy of the foregoing hand-delivered this 15th day of April, 2009, to:

Lyn A. Farmer, Esq.
Chief Administrative Law Judge
Hearing Division
ARIZONA CORPORATION COMMISSION
1200 West Washington Street
Phoenix, Arizona 85007

Janice Alward, Esq.
Chief Counsel, Legal Division
ARIZONA CORPORATION COMMISSION
1200 West Washington Street
Phoenix, Arizona 85007

Ernest Johnson
Director, Utilities Division
ARIZONA CORPORATION COMMISSION
1200 West Washington Street
Phoenix, Arizona 85007

Brian Bozzo
Compliance Manager, Utilities Division
ARIZONA CORPORATION COMMISSION
1200 West Washington Street
Phoenix, AZ 85007



EXHIBIT

"1"

MORENCI WATER & ELECTRIC COMPANY

2009 RENEWABLE ENERGY STANDARD IMPLEMENTATION PLAN

1. INTRODUCTION

The Morenci Water & Electric Company ("MW&E") submits this Implementation Plan to comply with the Renewable Energy Standard Tariff Rules ("REST Rules"). The REST Rules are codified at A.A.C. R14-2-1801 to R14-2-1816. The Commission approved the REST Rules in Decision No. 69127 (November 14, 2006). The Arizona Attorney General's Office then certified the REST Rules on June 15, 2007, meaning that they became effective August 14, 2007.

MW&E's 2008 Implementation Plan was approved in Decision No. 70303 (April 24, 2008). Decision No. 70303 requires MW&E submit its Implementation Plan for 2009, outlining how it intends to comply with the REST Rules. The 2009 Implementation Plan must include the following information, as required under A.A.C. R14-2-1813:

- A description of Eligible Renewable Energy Resources to be added per year for the next 5 years. A description of each technology, the kW and kWh to be obtained and the estimated cost per kWh and total cost per year.
- A description of how each Eligible Renewable Energy Resource is to be obtained.
- A proposed evaluation of whether MW&E's existing funding will allow it to recover its reasonable and prudent costs of complying with the RES.
- A line-item budget allocating specific funding for eligible Distributed Renewable Energy Resources, for the Customer Self-Directed Renewable Energy Option, for power purchase agreements, for utility-owned systems, and for each Eligible Renewable Energy Resource described in the Implementation Plan.

The REST Rules require that 2.00% of total kWh retail sales be from Eligible Renewable Energy Resources in 2009, 2.50% in 2010, 3.00% in 2011, 3.50% in 2012, and 4.00% in 2013. The REST Rules further requires that 15% of the total Annual Renewable Energy Requirement come from eligible Distributed Renewable Energy Resources in 2009, 20% in 2010, 25% in 2011, 30% in 2012, and 30% in 2013.

2. BACKGROUND INFORMATION

In terms of number of customers, MW&E is a small electric utility that serves about 2,124 customers in and around the town of Morenci, Arizona. Its customer base consists of approximately 2,095 residential customers (as of December 2008) and 261 non-residential customers. Approximately 1,480 of the 2,095 residential customers are renters within the Morenci town-site (as of December 2008). Only 2 of the non-residential customers have demand typically over 3 MW per month for three consecutive months. Presently, MW&E owns no generation and procures all of its power from the wholesale market to meet load.

MW&E's Energy Sales in 2007 – including sales for Freeport McMoRan Copper & Gold Morenci, Inc. ("FCX Morenci") and Freeport McMoRan Copper & Gold Safford, Inc. ("FCX Safford") – were 1,850,055,247 kWh (about 1,850,055 MWh)[1]. But approximately 1,819,920 MWh (98.37%) of total energy sales were to FCX Morenci and FCX Safford.

In 2006, MW&E's Energy Sales were 2,493,698,000 kWh (2,493,698 MWh), with 98.75% of total energy sales to FCX Morenci and FCX Safford.[2] The total energy sold, including to FCX Morenci and FCX Safford, averaged 2,156,809 MWh between 2006 and 2007. MW&E anticipates – based on averaging total 2006 and 2007 energy sales – its Annual Renewable Energy Requirement would be as follows:

- about 43,136,180 kWh in 2009;
- about 53,920,225 kWh in 2010;
- about 64,704,270 kWh in 2011;
- about 75,488,315 kWh in 2012;
- about 86,272,360 kWh in 2013; and
- ultimately about 323,521,350 kWh after 2024.

MW&E anticipates – based on averaging 2006 and 2007 total energy sales – its annual Distributed Renewable Energy Requirement would be as follows:

- about 6,470,427 kWh to come from eligible Distributed Renewable Energy Resources in 2009;
- about 10,784,051 kWh in 2010;
- about 16,176,068 kWh in 2011;
- about 22,646,495 kWh in 2012;
- about 25,881,708 kWh in 2013; and
- ultimately about 97,056,405 kWh from eligible Distributed Renewable Energy Resources after 2024.

Because MW&E's 2008 Implementation Plan was approved less than six months ago, MW&E is still developing its full approach to meet the requirements as required under the REST Rules and modified in Decision No. 70303. While MW&E has taken efforts to implement its 2008 Implementation Plan – including: (1) marketing the availability of incentives for distributed renewable generation through bill inserts, public notice of availability (both done in September 2008) and advertising in the office; and (2) actively working to contract renewable resources that meet the REST Rules requirements and overcome deliverability issues – MW&E notes that ample uncertainty still exists in many aspects of obtaining renewable resources. Further, MW&E lacks the personnel and resources that some of the other electric utilities in Arizona have to implement their respective implementation plans. MW&E hopes to meet or exceed the minimum targets in the REST Rules, but faces risks including operational performance, reliability, efficiency, sufficiency of transmission and deliverability of renewable energy resources.

[1] Based on MW&E's Arizona Corporation Commission Utilities Division Annual Report for Year Ending 2007.

[2] Based on MW&E's 2008 Implementation Plan approved in Decision No. 70303 (April 24, 2008).

MW&E is also aware of the potential for renewable contract termination and/or major delays in procuring these resources.

In Decision No. 70303, MW&E requested and received a partial waiver excluding the load to FCX Morenci and FCX Safford from the calculation of the Annual Renewable Energy Requirement under A.A.C. R14-2-1804 and annual Distributed Renewable Energy Requirement under A.A.C. R14-2-1805. MW&E is requesting that the waiver remain in effect for 2009. MW&E's load profile is and remains unique and significantly different from any other electric utility in the state. No other utility has 98.37 to 98.75 percent of its sales come from two customers. To include the sales to FCX Morenci and FCX Safford would be unduly burdensome to MW&E, especially if the surcharge rates through MW&E's Renewable Energy Standard Surcharge ("RESS"), approved in Decision No. 70303, remain at the same level. Given the costs for renewable resources and the state of the market for renewable resources, the limited surcharges will be insufficient to cover the amount of energy that must be obtained from Eligible Renewable Energy Resources. This partial waiver remains in effect for 2009. (Decision No. XXXXX). MW&E hopes, at some point in the future, the renewable resource market will be large and mature enough to allow MW&E to meet the respective requirements within the REST Rules for its total amount of sales.

Under MW&E's proposal, FCX Morenci and FCX Safford would still provide funding in accordance with MW&E's RESS described below. FCX Morenci and FCX Safford would also be eligible to participate in MW&E's Plan for Distributed Renewable Energy Resources also described below.

Without the partial waiver, MW&E would have to request surcharge rates through its RESS likely to be at least 24 times its present per-kWh rate and caps, as detailed in Section 6 of this Implementation Plan.

MW&E's energy sales – excluding sales for FCX Morenci and FCX Safford – averaged approximately 30,653 MWh between 2006 and 2007. MW&E anticipates – based on that averaging – its Annual Renewable Energy Requirement will be as follows:

- about 613,060 kWh in 2009;
- about 766,325 kWh in 2010;
- about 919,590 kWh in 2011;
- about 1,072,855 kWh in 2012;
- about 1,226,120 kWh in 2013; and
- ultimately about 4,597,950 kWh after 2024.

MW&E anticipates that – based on average Energy Sales between 2006 and 2007 to residential and commercial customers – its annual Distributed Renewable Energy Requirement will be as follows:

- about 91,959 kWh to come from eligible Distributed Renewable Energy Resources in 2009;
- about 153,265 kWh in 2010;
- about 229,898 kWh in 2011;

- about 321,857 kWh in 2012;
- about 367,836 kWh in 2013; and
- ultimately about 1,379,385 kWh from eligible Distributed Renewable Energy Resources after 2024.

MW&E hopes to meet or exceed the minimum requirements in the REST Rules, but faces risks including operational performance, reliability, efficiency, sufficiency of transmission and deliverability of renewable energy resources. MW&E is also aware of the potential for renewable contract termination and/or major delays in procuring these resources.

3. PLAN TO PROCURE ELIGIBLE RENEWABLE ENERGY RESOURCES.

MW&E is still exploring any opportunities to procure Eligible Renewable Energy Resources from one or more sources – including solar, geothermal, wind and/or biomass. At this time, the Company is unclear about the availability to pursue procurement of wind generation, and is not sure to what extent that opportunity is available or if there are barriers to procurement – such as transmission constraints. The Company remains unsure of the probability to procure other Eligible Renewable Energy Resources besides wind.

Further, the pricing for such renewable generation – at this time – at a premium of up to $35 per MWh over generation from Conventional Energy Resources (for a total price of up to $110 per MWh.) Currently, the cost for MW&E to procure power from conventional sources is approximately $80 per MWh. Based on this information, MW&E believes the following tables best summarize the description of kWh, kW, and cost above conventional resources for MW&E – excluding FCX Morenci and FCX Safford:

Planned Renewable Generation Procurement (kWh)

Year	2009	2010	2011	2012	2013	Total
Energy – Prospective Procurement	521,101	613,060	689,692	750,998	858,284	3,433,135

Planned Renewable Generation Capacity Procurement (kW)

Year	2009	2010	2011	2012	2013	Total
Total Energy – Prospective Procurement	60.48	68.60	77.17	84.03	96.03	386.31

Cost Above Conventional Generation ($'s)

Year	2009	2010	2011	2012	2013	Total
Total Energy – Prospective Procurement	18,239	21,457	24,139	26,285	30,040	120,160

The Company warns that its procurement plan – at this time – is still not mature due to the vagaries of the renewable resource market. This market is also far from mature at this point – in MW&E's estimation. Therefore, these figures are, at best, preliminary estimates at this time. While MW&E's 2008 Implementation Plan was approved April 24, 2008, MW&E is still attempting to ascertain where and how it can procure enough

energy from Eligible Renewable Energy Resources to meet its requirements for 2008 and in subsequent years.

To the extent available, MW&E also may undertake competitive procurement processes to solicit additional renewable generation. Many factors, however, will determine the success of any approach MW&E uses to obtain eligible renewable energy resources. MW&E must find entities willing to offer renewable power to it, given MW&E's small size and remote location. Further, renewable generation has the potential to not meet scheduled commercial operation and may not match needed delivery schedules and planned quantities. MW&E is aware of the potential for renewable contract termination or major delays in delivering renewable energy.

4. PLAN FOR DISTRIBUTED RENEWABLE ENERGY RESOURCES.

Regarding the annual Distributed Renewable Energy Requirement, MW&E does not have the experience of the larger utilities in Arizona. Even so, MW&E understands the importance of eligible Distributed Renewable Energy Resources to the Commission and offers the opportunity for incentive payments to customers to encourage the promulgation of distributed renewable energy resources. These payments are designed to defray some of the costs of a system designed to offset a customer's typical load.

Types and Requirements for Eligible Distributed Renewable Energy Systems

Eligible distributed renewable energy resources include:

- Photovoltaic Systems;
- Solar Space Cooling;
- Non-Residential Solar Water Heating and Space Cooling;
- Small Domestic Solar Water Heating;
- Small Domestic Solar Space Heating;
- Biomass/Biogas Cooling;
- Non-Residential Solar Daylight; and
- Small Wind Generator.

An eligible distributed renewable energy system must include a dedicated performance meter that allows for measurement of system energy production. Systems receiving incentives must be installed according to manufacturers' recommendations and generally accepted industry standards, as well as comply with all applicable federal, state and local regulations, accepted governmental statutes, codes, ordinances, and accepted engineering and installation practices. Any system must be inspected by the jurisdiction having authority over construction projects in the customer's locale. Any distributed renewable energy system must meet all applicable interconnection requirements. Written confirmation of meeting all applicable standards must be provided to MW&E. All major components of the distributed renewable energy system must be purchased no more than 180 days before MW&E receives an application for incentive payments from a customer.

Further, some technology-specific criteria reference third-party standards. The requirements of those standards are fully applicable when referenced as part of technology specific criteria. Rapid growth in national and international renewable energy

programs is resulting in greater need for the development of standardization in design, implementation, performance measurement, system integrity, and installation. New standards may possibly develop in the near future for technologies included below. New standards may be added as they become available. The following standards or standard development bodies are referenced below as part of the technology criteria for specific eligible Distributed Renewable Generation Resources:

- The Active Solar Heating Systems Design Manual developed by the American Society of Heating, Refrigerating, and Air Conditioning Engineers, Inc. ("ASHRAE") in cooperation with the Solar Energy Industries Association ("SEIA") and the ACES Research and Management Foundation (the Design Manual)
- Arizona state boiler regulations (see R4-13-406)
- The select technology specific qualification developed by the California Energy Commission ("CEC")
- Solar Rating and Certification Corporation ("SRCC"). The SRCC criteria and ratings can be viewed at www.solar-rating.org.
- The Underwriters Laboratory ("UL").
- IEEE-929 standard for utility interconnection of PV systems.

Technology Specific Criteria

The following equipment qualifications listed are mandatory requirements which must be met at the time of project commissioning to receive an incentive from MW&E. The installation guidance is intended to provide consumers with information on installation and operation practices which are most likely to achieve the systems designed output. Although installation guidance is not currently mandated in order for a project to receive an incentive, it does reflect both industry and utility concurrence on those practices which are important for a technology to best achieve the designed output. In the future installation guidance items may be considered for inclusion as part of the equipment qualifications.

Biomass/Biogas Electric, Hydroelectric and Geothermal Electric

Equipment Qualifications

- Biomass system installations involving a regulated boiler or pressure vessel are required to comply with all Arizona state boiler regulations; provide a qualifying boiler inspection identification number; and keep all applicable permits in good standing.
- System must include a dedicated performance meter to allow for monitoring of the amount of electricity produced.
- Energy savings and designed output for the system will be verified by submitting either a testing certification for a substantially similar system prepared by a publicly funded laboratory or by submitting an engineering report stamped by a registered professional engineer. The engineering report must provide a description of the system and major components, design criteria and performance expectations, applicable standards and/or codes, and a brief history of components in similar applications. This certification or engineering report must be provided in Step #6 of the Application Process detailed below.

- The system must have a material and labor warranty of at least five (5) years.
- The system must meet Arizona Department of Environmental Quality ("ADEQ") environmental standards.

Installation Guidance
Because of the individual nature of biomass systems, care should be taken to make sure the system complies with all applicable permitting and regulatory requirements, including but not limited to air emission standards and air permit regulations.

Solar Non-Residential Daylighting

Equipment Qualifications
All systems shall include the following components as part of the daylighting system:

- A roof mounted skylight assembly with a dome having a minimum 70% solar transmittance.
- A reflective light well to the interior ceiling or a minimum 12" below roof deck in open bay areas.
- An interior diffusion lens.
- A minimum of one thermal break/dead air space in the system between the skylight dome and the interior diffuser.
- If artificial lighting systems remain a part of the installation the system shall include automated lighting control(s) which are programmed to keep electric lights off during daylight hours.
- The system must provide a minimum of 70% of the light output of the artificial lighting system which would otherwise be used for all of the claimed period of energy savings as measured in foot-candles.
- Energy savings and designed output for the system will be verified by submitting either a testing certification for a substantially similar system prepared by a publicly funded laboratory or by submitting an engineering reporting stamped by a registered professional engineer or accredited AEE Measurement and Verification professional. The engineering report shall provide a description of the system and major components, design criteria and performance expectations, applicable standards and/or codes, and a brief history of components in similar applications.
- The system must have a material and labor warranty of at least 5 years.

Installation Guidance
All systems should be installed such that the skylight dome is substantially unshaded and have substantially unobstructed exposure to direct sunlight between the hours of 9 a.m. and 3 p.m.

Small Wind Generator

A small wind generator is a system with a nameplate rating of one MW or less. The technology criteria described below are intended for small wind generators with a nameplate rating of 100kW or less. Larger systems will be required to submit a detailed package describing site selection, energy production modeling, and an engineered system design and installation report.

Equipment Qualifications

- Eligible small wind systems must be certified and nameplate rated by the CEC[3]. See www.consumerenergycenter.org/erprebate/equipment.html for a list of certified generators. For grid tied or off-grid wind generators where an inverter is used, the CEC listed nameplate rating of the wind generator will be multiplied by the CEC approved weighted efficiency percentage listed for the inverter in the "List of Eligible Inverters" at www.consumerenegycenter.org/cgi-bin/eligible_inverters.cgi to calculate the wind turbine nameplate rating for use in determining the UFI payment.
- Grid connected inverters used as part of the system shall carry a UL listing certifying full compliance with Underwriter's Laboratory ("UL")-1741
- A system must include a dedicated performance meter installed to allow for measurement of the amount of electricity produced.
- The performance meter and utility disconnect will be installed in a location readily accessible to MW&E during normal business hours.
- The tower used in the installation must be designed by an engineer and must be suitable for use with the wind generator. Tower installation must be designed and supervised by individuals familiar with local geotechnical conditions.
- The wind generator and system must include a 10-year manufacturer's warranty and a material and labor warrantee of at least 5 years.

Installation Guidance

- Location: a wind turbine hub should be at least 20 feet above any surrounding object and at least 28 feet above the ground within a 250-foot radius. Wind generators should be installed in locations with an elevation at or above the general elevation of the surrounding terrain.
- Lot Size: should be at minimum one-half acre. Municipalities and public facilities such as schools and libraries are exempt from the minimum lot size requirements.
- The Applicant should demonstrate its proposed system is able to obtain at least a 15% annual capacity factor. The following are readily available methods for helping to demonstrate the potential for a 15% capacity factor, but other methods may be used. The installation location should have a demonstrated average annual wind speed of at least 10 MPH as measured at a height of no more than 50 feet above the ground. Average annual wind speed can be demonstrated by wind speed records from an airport, weather station or university within 20 miles of the proposed wind generator location, or by a 50 meter wind power density classification of Class 2 "Marginal" or higher on the "State of Arizona Average Annual Wind Resource map dated July 16, 2005 or later as published by Sustainable Energy Solutions of Northern Arizona University. Northern Arizona University provides detailed wind resource maps as well as other resource services. For more information contact Northern Arizona University at http://wind.nau.edu/maps/.

[3] MW&E notes that the Uniform Credit Purchase Program ("UCPP") Working Group recommends review of the SWCC standards for rating small wind generators once they become available for purposes of supplanting the CEC requirement in this Technology Criterion.

Photovoltaic Systems

Equipment Qualifications

All Systems

- All systems shall be installed with a horizontal tilt angle between 0 degrees and 60 degrees, and azimuth angle of +/- 100 degrees of due south. The eligibility for the full incentive payment will be determined by the installation configurations for some systems and subject to MW&E's discretion.
- A system must include a dedicated performance meter to allow for monitoring of the amount of electricity produced.
- Photovoltaic modules must be covered by a manufacturer's warranty of at least 20 years.
- Inverters must be covered by a manufacturer's warranty of at least 10 years.

Grid-Connected Systems

- The minimum PV array size shall be no less than 1,200 W-DC
- All photovoltaic modules must be certified by a nationally recognized testing laboratory as meeting the requirements of UL Standard 1703.
- All other electrical components must be UL listed.
- The inverter must be certified as meeting the requirements of IEEE-1547 - Recommended Practice for Utility Interface of Photovoltaic Systems and it must be UL 1741 certified.
- The utility meter, inverter, and utility disconnect will be installed in a location readily accessible by MW&E during normal business hours.
- Other equipment qualifications may be specifically required as determined by MW&E.

Off Grid Systems are not included in this program

Installation Guidance

The Customer will be directed to the following resources to gain information regarding industry reference documents for system installation and performance forecasting:

The California Energy Commission's Guide to Buying a Photovoltaic Solar Electric System at http://energy.ca.gov/reports/2003-03-11_500-03-014F.PDF

The Arizona Consumers Guide to Buying a Solar Electric System at www.azsolarcenter.com/design/azguide-1.pdf

Solar Space Cooling

Equipment Qualifications

- The minimum cooling capacity of the system will be 120,000 BTU (10 tons) per hour.

- Solar collector panels used will have a Solar Rating and Certification Corporation ("SRCC") OG-100 rating or laboratory documentation showing the panel energy output under controlled and replicable test conditions.
- Energy savings and designed output for the system will be verified by submitting either a testing certification for a substantially similar system prepared by a publicly funded laboratory or by submitting an engineering report stamped by a registered professional engineer. The engineering report shall provide a description of the system and major components, design criteria and performance expectations, applicable standards and/or codes, and a brief history of components in similar applications.
- System must include a dedicated performance meter to allow for monitoring of the amount of heat input to the thermal cooling device or system. Energy production will be calculated at one kW-hr per 3,415 Btu of metered heat delivered to the thermal cooling device or system.
- The system must have a material and labor warranty of at least 5 years.

Installation Guidance

- The horizontal tilt angle of the collector panels should be between 20 and 60 degrees and the panel orientation should be between +/- 45 degrees of south.
- All systems should be installed such that the energy collection system is substantially unshaded and should have substantially unobstructed exposure to direct sunlight between the hours of 9 a.m. and 3 p.m.
- The system installation should comply with the design manual.

Non-residential Solar Water Heating and Space Heating

Equipment Qualifications

- Solar collector panels used will have a SRCC OG-100 certification or laboratory documentation showing the panel energy output under controlled and replicable test conditions.
- The system must include a dedicated performance customer-supplied meter to allow for monitoring of the amount of useful heat produced – if annual energy production is expected to exceed 10,000 kWh or equivalent. Otherwise, compliance reporting production will be based on the design energy savings submitted at the time of application.
- Energy savings and designed output for the system will be verified by submitting either a testing certification for a substantially similar system prepared by a publicly funded laboratory or by submitting an engineering report stamped by a registered professional engineer. The engineering report shall provide a description of the system and major components, design criteria and performance expectations, applicable standards and/or codes, and a brief history of components in similar applications.
- The solar collector, heat exchangers and storage elements must have an equipment warranty of at least 10 years and the entire system must have a material and full labor warranty of at least 5 years.

Installation Guidance

- The horizontal tilt angle of the collector panels should be between 20 and 60 degrees and the panel orientation should be between +/- 45 degrees of south.
- All systems should be installed such that the energy collection system is substantially unshaded and should have substantially unobstructed exposure to direct sunlight between the hours of 9 am and 3 pm.
- The system installation should comply with the design manual.

Small Domestic Solar Water Heating and Space Heating

Equipment Qualifications

- Domestic Solar Water Heating systems will be rated by the SRCC and meet the OG-300 system standard. Systems that include OG-100 collectors but are not certified under OG-300 will need to be verified by submitting either a testing certification for a substantially similar system prepared by a publicly funded laboratory or by submitting an engineering report stamped by a registered professional engineer detailing annual energy savings. Solar Space Heating systems will utilize OG-100 collectors.
- Domestic Water Heating systems shall be selected and sized according to the geographic location and hot water needs of the specific application. Reservation requests will include a manufacturer's verification disclosing that the system size and collector type proposed is appropriate for the specific application. The manufacturer's verification may be presented as a manufacturer's product specification sheet and will be included in the reservation request.
- Solar Space Heating systems will be sized in conformance with the Solar Space Heating Incentive Calculation Procedure attached to MW&E's Implementation Plan as Exhibit D.
- Active, open-loop systems are not eligible for any incentives except for active, open-loop systems that have a proven technology or design that limits scaling and internal corrosion of system piping, and includes appropriate automatic methods for freeze protection and prevents stagnations temperatures that exceed 250 degrees Fahrenheit under all conditions at the location of installation. Details disclosing conformance with this exception shall be submitted as part of the manufacturer's verification documentation.
- Integrated Collector System ("ICS") systems shall have a minimum collector piping wall thickness of 0.058 inches. Details disclosing conformance with this requirement must be submitted as part of the Manufacturer's verification documentation. ICS units must include certification that collector stagnation temperature will never exceed 250 degrees Fahrenheit under any possible conditions at the location of the installation.
- The 'high' limit on all Domestic Water Heating controllers shall be set no higher at 160 degrees Fahrenheit.
- Active thermal storage for solar space heating systems shall use water as the storage element.
- Contractors must provide minimum of a five-year equipment warranty as provided by the system manufacturer, including a minimum warranty period of 5 years for repair/ replacement service to the customer.

- Domestic Water Heating systems that are installed as an addition to an existing system or are submitted as a customer-designed system or not certified to OG-300 must be specifically reviewed and approved by the utility.
- The solar collector, heat exchangers and storage elements must have an equipment warranty of at least 10 years.

Installation Guidance

- The system shall be installed with a horizontal tilt angle between 20 degrees and 60 degrees, and azimuth angle of +/- 60 degrees of due south. It is recommended that collectors be positioned for optimum winter heating conditions at a minimum tilt angle of 45 degrees above horizontal, or as recommended by the manufacturer for the specific collector type and geographic location of installation.
- All systems should be installed such that the energy collection system is substantially unshaded and should have substantially unobstructed exposure to direct sunlight between the hours of 9 a.m. and 3 p.m.
- Heat exchange fluid in glycol systems should be tested and flushed and refilled with new fluid as necessary or every 5 years or sooner per manufacturer's recommendations.
- It is recommended that the anode rod be checked and replaced per manufacturer's recommendations, but no less frequently than every 5 years.
- It is recommended that the system design include a timer, switch, or other control device on the backup element of the storage tank.
- The collectors and storage tank should be in close proximity to the backup system and house distribution system to avoid excessive pressure or temperature losses.
- It is recommended that in areas where water quality problems are reported to have reduced expected life of a solar water heater, that a water quality test is performed for each residence to screen for materials that through interaction with the materials of the proposed system may reduce the expected operational life of the system components. The customer should consider contacting the manufacturer to determine if warranty or operational life will be affected.
- In areas subject to snow accumulation, sufficient clearance will be provided to allow a 12" snowfall to be shed from a solar collector without shadowing any part of the collector.
- Each system should have a comprehensive operation and maintenance manual at the customer's site – including a spare parts list, data sheets, and flow diagrams indicating operating temperatures and pressures, maintenance schedules and description of testing methods. Further, each customer must complete an initial start up and operation training review with the contractor at the time of system start up.
- Ball valves should be used throughout the system. Gate valves should not be used.

Technologies without Technology Specific Criteria and Non-Conforming Projects

MW&E is not aware of any technology-specific criteria developed for the following qualifying technologies:

- Biogas/Biomass Thermal
- Biogas/Biogas Combined Heat and Power ("CHP")

- Fuel Cells
- Geothermal – Space Heating and Process Heating
- Non-Residential Pool Heating

For applicants requesting incentives for the above technologies or for applicants requesting installation of a technology with conforming project technology criteria but where some criteria cannot be met, the applicant will need to submit design and output documentation.

Applicants installing these systems will at minimum need to provide an energy savings and designed output report for the system. The report must include either a testing certification for a substantially similar system prepared by a publicly funded laboratory or an engineering report stamped by a registered professional engineer. The engineering report and/or testing certification shall provide a description of the system and major components, design criteria and performance expectations, applicable standards and/or codes, and a brief history of components in similar applications. Additional information may be required as part of the utility specific UCPP requirements.

Installation

The installer for any and all distributed renewable energy systems must possess a valid license on file with the Arizona Registrar of Contractors ("AZROC"), with a license classification appropriate for the technology being installed, or the installer must identify use of a contractor holding an appropriate license on file with the AZROC for the technology being installed. The installer must also have proof of liability insurance, which is to be provided when Applicant submits the application. Further, any equipment dealer must provide proof of a business license showing that the dealer is in good standing with the appropriate agency(ies) and must also provide proof of liability insurance.

Reporting Requirements

Applicants must submit a report demonstrating energy savings and that projected output will be achieved. The report must show that the distributed renewable energy system meets all applicable requirements including – if necessary – testing certification and/or an engineering report stamped by a registered professional engineer. The report must also describe the system and its major components and include designed performance and system output.

Inspections

Any and all distributed renewable energy systems must be inspected by the entity having authority to inspect construction projects within MW&E's service territory. MW&E's inspections are in addition to, and not instead of, any building and construction-related inspections. MW&E must have access to any distributed renewable energy system during normal business hours for any inspection by MW&E. MW&E will inspect any and all grid-tiered systems to ensure the system is connected to the grid in conformance with MW&E's interconnection requirements. *Under no circumstances is any grid-tiered*

system to be installed in parallel or otherwise connected with the MW&E system until the time that MW&E has inspected the distributed renewable energy system and gives written authorization. This inspection will only take place after the appropriate building and construction-related inspection(s) have been performed.

Further, MW&E may conduct further inspections to ensure any distributed renewable energy system continues to conform to applicable codes, regulations and standards. MW&E will conduct these inspections solely within its discretion. MW&E may also conduct other inspections to ensure the system is operated in compliance with the Applicant's original request and the Company's approval of the request.

Metering

All distributed renewable energy systems must include a system-dedicated kWh performance meter, which allows MW&E to measure system energy production. The Applicant must include performance meters as part of the system designed and the Applicant will be responsible for the cost of the performance meter. The performance meter must be installed according to MW&E's meter installation standards and is subject to inspection. These meters are in addition to billing meters and must be calibrated to meet industry standards and provide direct kWh readings.

System Operation and Maintenance

An Applicant must operate and maintain any distributed renewable energy system appropriately and must do so for the duration detailed in his or her request and the Company's approval of such request. If an Applicant fails to maintain and operate the distributed renewable energy system in MW&E's territory for the period detailed in the MW&E's approval of the application, then Applicant will be in default of the terms and conditions of the agreement between Applicant and MW&E. Applicant will be responsible for reimbursing MW&E the total amount of the incentive payment. In addition, liquidated damages may also apply. MW&E, however, has the ability in its sole discretion to determine that the distributed renewable energy system is not operational due to equipment malfunction or other disrepair and that the Applicant is making efforts to repair the system and return it to operation. In that case, the reimbursement requirement will not apply.

Should a system cease to be operational, the Applicant must notify MW&E within 5 business days after the distributed renewable energy system is either removed from the property or fails to be operational. Short outages (lasting less than 30 days) that are for planned maintenance or system repair are not part of this requirement.

An Applicant who has been in default at any time will be completely disqualified for any future funding permanently.

Sale of Property

Applicant must notify MW&E if Applicant sells the property on which the distributed renewable energy system is located by notifying MW&E in writing. Applicant may be required to reimburse payment incentive and/or be in default – unless the subsequent

owner agrees in writing to operate and maintain the distributed renewable energy system per the terms and conditions agreed to between Applicant and MW&E.

Renewable Energy Credits

MW&E will receive complete and irrevocable ownership of all Renewable Energy Credits or RECs expected from system production for the effective life of the distributed renewable energy system – when it makes any incentive payment to an Applicant. These RECs will be applied toward MW&E's renewable energy requirements.

Incentives

Any incentive payment will be an up front one-time payment and will be determined based on system capacity (Watts) and/or estimated annual production (kWh), as well as based on a 20-year agreement with MW&E. The following chart highlights the incentives per type of eligible Distributed Renewable Energy Resource:

Type	2009	2010 – 2011	2012 – 2013
Biomass/Biogas (Electric, Thermal, Cooling)	**TBD**	TBD	TBD
Biomass/Biogas CHP (Electric, Thermal)[4]	**TBD**	TBD	TBD
Daylighting[5]	**$0.25 / kWh**	$0.20 / kWh	$0.18 / kWh
Geothermal (Electric)	**$0.65 / Watt**	$0.50 / Watt	$0.45 / Watt
Geothermal (Thermal)	**$1.25 / Watt**	$1.00 / Watt	$0.90 / Watt
Hydroelectric	**TBD**	TBD	TBD
Small Wind	**$3.50 / Watt AC**	$2.50 / Watt AC	$2.25 / Watt AC
Solar Electric – Residential[6]	**$4.00 / Watt DC**	$3.00 / Watt DC	$2.70 / Watt DC
Solar Electric – Non-Residential[7]	**$3.50 / Watt DC**	$2.50 / Watt DC	$2.25 / Watt DC
Solar Space Cooling[8]	**TBD**	TBD	TBD
Non-Residential Solar Water Heating / Space Heating[9]	**TBD**	TBD	TBD
Residential Solar Water Heating / Space Heating[10]	**$0.95 / kWh**	$0.75 / kWh	$0.675 / kWh
Non-Residential Pool Heating	**TBD**	TBD	TBD

[4] The CHP incentives may be used in combination for the appropriate components of one system.
[5] Rate applies to first year energy savings only.
[6] Some installations may require an adjustment of the incentive.
[7] Some installations may require an adjustment of the incentive.
[8] Solar space heating and cooling incentives may be used in combination for the appropriate components of one system.
[9] Solar space heating and cooling incentives may be used in combination for the appropriate components of one system.
[10] This category includes both traditional water heating and those systems combined with residential solar water heating used for space heating. Space heating applications require a report detailing energy savings for the complete system. Rate Applies to First Year Energy Savings Only. Energy savings rating is based on the SRCC OG-300 published rating or the Uniform Credit Purchase Program Space Heating Calculator. The customer contribution must be a minimum of 15% of the project cost after accounting for and applying all available Federal and State incentives.

TBD – To Be Determined

Those amounts identified in the chart were largely based on the Uniform Credit Purchase Program ("UCPP") Working Group Project Incentive Matrix. For those categories where the incentive is to be determined the incentive amounts will be determined on a case-by-case basis and will include consideration of capital costs, capacity (kW), and estimated annual production (kWh).

Incentives will be dealt on a first-come first-serve basis and it is the intent to divide total annual incentive payments equally between residential and non-residential applicants. Even so, MW&E is requested a waiver from the provision in A.A.C. R14-2-1805.D requiring that 50 percent of the annual Distributed Renewable Energy Requirement be from residential projects. MW&E had requested this waiver because the cost of residential distributed generation will likely be very substantial to the Company, and will still be significant to many of the customers that receive service from MW&E (even with incentives), which may severely limit the number of residential customers seeking the incentives. Further, many of MW&E's residential customers are renters and do not own the premises by which the distributed renewable energy facilities would be located. MW&E does not believe that it can comply with the requirement that 50 percent of the annual Distributed Renewable Energy Requirement come from residential. MW&E requested flexibility to determine how best to meet the requirements within the REST Rules in an affordable way so as to promote and increase the use of renewable energy and maximize the public interest in promoting such energy sources – reducing the impacts of NOx, SOx, and carbon dioxide emissions. The Company will still promote the availability of incentives for residential renewable distributed generation, but simply requests that there be no percentage requirement coming from residential versus non-residential, regardless whether this waiver was granted or not. The Commission did not grant this MW&E request for 2009.

Eligibility requirements for which an Applicant may receive incentive payments to develop and install distributed renewable energy resources are described in the Company's scheduled entitled "Applications for Distributed Renewable Energy Resources Schedule" – Sheet No. 31.0 – that was approved in Decision No. 70303 and is attached as Exhibit A.

Funds for incentive payments are made available for distributed renewable energy systems on the first working day after January 1st of each calendar year. Should funds collected for MW&E's distributed renewable energy system not be used during the calendar year, they will be applied to the next calendar year.

Funds for any one project will not exceed 60% of the total cost of the project. This 60% cap will apply to entire system costs for the project (*i.e.*, including financing costs). But at no time will more than $75,000 be provided in incentives for any one project. This $75,000 cap will include the costs of financing (*i.e.*, no more than $75,000 will be provided towards the total system cost of any one project).

Distributed Renewable Energy System Program Monitoring

MW&E will track progress toward program goals by compiling data received from conducting maintenance inspections, meter readings and analyzing trends in customer participation and technology installation. New information, changing market conditions, changing assumptions and/or technological innovations may lead to changing certain facets of this Plan for eligible Distributed Renewable Energy Resources. MW&E will bring those issues to the Commission's attention in a timely manner. MW&E will report on the productivity for all distributed renewable energy systems annually by reporting on the total installed capacity and projected productivity.

Should a distributed renewable energy system be removed before its agreement term expires and without MW&E's permission – or if an Applicant does not repair a system – then MW&E will continue to reflect in the annual compliance reporting the annual historic energy production for the system until the agreement term for the system has been completed. The actions MW&E would take, if any, to address removal of the system contrary to the agreement or failure to make needed repairs to a system would depend on the particular circumstances of the removal. MW&E would note – in its annual compliance reporting – that the system had been removed and what the annual historic energy production had been before the system was removed.

MW&E will, in its compliance reports, provide the information as required by A.A.C. R14-2-1812. That information includes: (1) actual kWh of energy obtained from Eligible Renewable Energy Resources; and (2) kW of generation capacity.

Application Process

1. **Applicant submits a written and signed request to MW&E (i.e. "the Application").**

2. **Applicant receives approval from MW&E.** This approval will be a written agreement between Applicant and MW&E, and will constitute the terms and conditions that Applicant must agree to in order to receive any incentive payment. The approval will detail the time period for which the agreement applies. The approval will constitute the entire agreement between the Applicant and MW&E regarding the specific distributed renewable energy system contained within the application. The approval will also specify a timeframe for which Applicant has to install and receive all approvals before having to place system in operation. Should Applicant fail to do so, then the approval will be automatically terminated and Applicant will have to submit a completely new application.

   If the application is deficient, MW&E will inform the Applicant of the nature of the deficiency(ies). Applicant will have an opportunity to correct the deficiency(ies) within a specific time period indicated on MW&E's notification of deficiency. If deficiencies are not addressed within that time period to MW&E's satisfaction, then the application will automatically be deemed denied. If an application cannot be approved

because funding is not available, then the application will be put on a waiting list and MW&E will send written notification to the Applicant.

3. **Applicant agrees to terms and conditions contained in the approval through written and signed confirmation explicitly agreeing to those terms and conditions.**

4. **Applicant submits proof – no later than 90 days before installation – that Applicant is going forward with installing the distributed renewable energy system approved.** This is to ensure that funds are reserved to projects that will actually be installed.

5. **Applicant submits a system design for review and approval by MW&E.** MW&E must approve system design before Applicant proceeds with installation.

6. **Applicant has system installed. MW&E inspects the system to ensure it is connected to the grid per MW&E's interconnection requirements.** This will take place after MW&E receives proof that the system has been inspected by the appropriate entity to inspect construction and building. Applicant also must include proof that installation has been performed pursuant to this Implementation Plan. MW&E will provide Applicant with written confirmation that the system passed its installation inspection.

   At no time will Applicant make any material change from the approved application without prior written consent from MW&E. Applicant must submit a Proposed Modification to Application in order to receive such written consent. MW&E will then determine whether additional funding is available, should additional funding be requested or required due to the material change. Should additional funding not be available, then Applicant will only receive the incentive payment amount originally approved.

7. **Applicant receives one-time incentive payment.**

Eligibility Requirements

Eligibility requirements are set forth in the Company's schedule entitled "Applications for Distributed Renewable Energy Resources Schedule" – Sheet No. 31.0 – that is approved in Decision No. 70303 and attached as Exhibit A. Any customer of MW&E is eligible to apply for and, if approved, receive incentive payment for an eligible Distributed Renewable Energy Resources as defined in A.A.C. R14-2-1802.

1. The Applicant must apply for – and receive approval for – funding in accordance with the procedure set forth above.

2. The distributed renewable energy system must be established physically within the Company's certificated service area.

3. Any project applied for must meet the requirements for a Distributed Renewable Energy Resource described in the Arizona Corporation Commissions' REST Rule A.A.C. R14-2-1802.

4. The Company will assume no liability for any incentive payment subsequently assigned to third party(ies) from the Applicant.

All Renewable Energy Credits ("RECs") derived from any Applicant receiving incentive payment(s) for any distributed renewable energy system, including generation and Extra Credit Multipliers, will be applied to satisfy MW&E's Annual Renewable Energy Requirement and annual Distributed Renewable Energy Requirement.

Customer Self-Directed Renewable Energy Option

Any customers paying Tariff funds of at least $25,000 annually for any number of related accounts or services within an Affected Utility's service area are eligible for the Customer Self-Directed Renewable Energy Option. That Schedule – approved in Decision No. 70303 and attached as Exhibit B (Sheet No. 32.0) – details the requirements to be met when submitting a written application. One half of the funding must come from the Eligible Customer for each project proposed. Per A.A.C. R14-2-1809.C., all RECs derived from the project(s) will apply to satisfy MW&E's Annual Renewable Energy Requirement. At this time, MW&E may have two customers – FCX Morenci and FCX Safford – that are "Eligible Customers" as defined in the REST Rules.

The application process will be similar as for other customers applying for incentive payments for eligible Distributed Renewable Energy Resources. Both Eligible Customers may use this option for any distributed renewable energy system either proposes to receive funding, if they pay Tariff funds that equal or exceed $25,000 annually aggregated for all accounts and services.

Other

To the extant that additional distributed renewable energy resources are needed to fulfill its annual Distributed Renewable Energy Requirement MW&E's requirement, MW&E may consider initiating its own distributed renewable energy system(s) to meet its annual Distributed Renewable Energy Requirement for that calendar year. This may include installation of distributed generation at its own operations facilities.

5. BUDGET

Given the many uncertainties that currently exist with procuring renewable resources, MW&E cannot state with much certainty what its budget will be to procure renewable resources. MW&E's 2008 Implementation Plan will be in effect for approximately 159 days when its 2009 Implementation Plan filing is due (October 1, 2008). This remains an insufficient amount of time to get a more accurate estimate of what it will cost to comply with the REST Rules. Further, MW&E is unsure how much demand there will be for distributed renewable energy resources. Specifically, MW&E cannot state with any certainty what the separate costs will be for administration, implementation,

commercialization and integration, and marketing and outreach. This is especially true considering MW&E is a small utility in terms of number of customers. Therefore, the following budget estimates are – at best – a preliminary estimation of what MW&E believes to be the budget for 2009.

MW&E's Estimated 2009 Implementation Plan Budget ($'s)

	2009	2010	2011	2012	2013	Total
Renewable Energy Resources						
Total Energy – Prospective Procurement (Biomass)[11]	14,700	15,260	17,325	18,865	21,560	87,710
Energy Power Purchase Agreements (Other Eligible Renewable Resources)	0	0	0	0	0	0
Utility-Owned Systems	0	0	0	0	0	0
Administration, Implementation, Commercialization & Integration	23,316	23,316	23,316	23,316	23,316	116,580
Renewable Energy – Subtotal	**38,016**	**38,576**	**40,641**	**42,181**	**44,876**	**204,290**
Distributed Renewable Energy Resources						
Incentives[12]	121,667	178,922	271,233	379,726	433,973	1,385,521
Customer Self-Directed Renewable Energy Option[13]	0	0	0	0	0	0
Administration, Implementation, Marketing & Outreach, Commercialization & Integration.	23,296	30,684	43,302	51,725	60,148	209,155
Distributed Energy – Subtotal	**144,963**	**209,606**	**314,535**	**431,451**	**494,121**	**1,594,676**
TOTAL	**182,979**	**248,182**	**355,176**	**473,632**	**538,997**	**1,798,966**

MW&E will also consider participating in existing and future studies to enhance and accelerate the development, deployment, commercialization and use of renewable resource technologies to the benefit of MW&E customers.

The funding is intended to cover the cost of utility scale renewable generation in excess of the cost of conventional generation resource alternatives, incentive payments for

[11] Assuming the renewable premium remains at $35 per MWh.

[12] This assumes the cost of installing solar photovoltaic systems with an installation cost of $6.00 per watt that, in turn, was based from the median cost of a grid-tied photovoltaic system of $6.25 per watt in 2000 as identified at http://www.nrel.gov/pv/projects.html. MW&E believes the installation cost for such a system has declined only slightly from 2000, as it stated in its February 5, 2009 letter to Staff. Further, these figures assume that MW&E provides incentives equaling 60% of the total cost to install the requisite number of systems to meet the requirements each year. Finally, depending on the number of systems already installed still in operation from previous years, the amount in incentives could be significantly less the following year.

[13] MW&E considers this option to be a subset of the total Distributed Energy Incentive budget. MW&E may have two customers – FCX Morenci and FCX Safford – that could be eligible for the Customer Self-Directed Renewable Energy Option. If that turns out to be the case, MW&E will make the appropriate allocation(s).

distributed renewable energy resources, marketing expenses and program implementation and administration.

6. FUNDING

Currently, MW&E collects a Renewable Energy Standard Surcharge ("RESS"). The RESS was established in Commission Decision No. 70303 (April 24, 2008) – Docket No. E-01049A-07-0599 – as part of its Implementation Plan for 2008. The Company currently collects – through the RESS – $0.004988 per kWh capped at:

- $1.05 per month for each residential customer;
- $39.00 per month for each non-residential customer;
- $117.00 per month for each non-residential customer with demand over 3 MW per month for three consecutive months.

The RESS is shown as a separate item on customer bills. MW&E's RESS Schedule – Sheet No. 33.0 – was approved as being in compliance to Decision No. 70303 and is attached as Exhibit C.

For 2009, MW&E proposes no change to the RESS per-kWh charge. Further, MW&E does not propose any changes to the caps. In other words, the per-kWh increase in the RESS proposed from 2008 to 2009 equals 0% or $0.00 for both residential and non-residential customers. MW&E further notes both the per-kWh rate and the caps equate to the charges set forth in the Sample Tariff in the REST Rules.

These charges reflect the charges set forth in the Sample Tariff in the REST Rules (Appendix A). For 2008, MW&E anticipates it may collect – through the RESS – up to:

- $23,473.80 per year from residential customers;
- $121,212.00 per year from non-residential customers;
- $2,808 per year from non-residential customers with demand over 3 MW per month for three consecutive months; for
- A total anticipated amount no greater than $147,493.80.

Both those proposals (*i.e.* the per-kWh charge and caps) assume that the partial waiver to exclude load to FCX Morenci and FCX Safford is given. If the partial waiver is not granted going forward, MW&E believes it will need *at least* an additional $1,261,844.26 just to procure additional renewable generation to meet the standard (and excluding additional amounts needed to meet the annual Distributed Renewable Energy Requirement).[14] MW&E would need to collect at least $0.039904 per kWh (or at least 8 times the current rate of $0.004988 per kWh) to attempt to meet the REST Rules Annual Renewable Energy Requirement (and not including the annual Distributed Renewable

[14] Two percent of the average energy sold between 2006 and 2007 (43,136,180 kWh) subtracted by 2009 Distributed Renewable Energy Requirement (6,470,427 kWh), which equals 36,665,753 kWh. Subtracting out the amount of energy sales not for FCX Morenci and FCX Safford (613,060 kWh) equals 36,052,693 kWh (approximately 36,052.69 MWh). The difference between renewable and conventional generation being about $35 per MWh, MW&E would need approximately an additional $1,261,844.26 to meet the standard.

Energy Requirement). The caps would also have to increase by roughly the same proportion to:

- $8.40 per month for each residential customer;
- $312.00 per month for each non-residential customer;
- $936.00 per month for each non-residential customer with demand over 3 MW per month for three consecutive months;

The maximum amount MW&E could collect with the increased per-kWh rate and caps would be up to $1,179,950.40, which would still fall short of the amount needed in addition to meet the requirements (if the loads to FCX Morenci and FCX Safford are included). In either case, MW&E does not anticipate that all of its customers will use the requisite amount of kWhs so that MW&E will collect the maximum amounts through the RESS.

Specifically, MW&E anticipates, based on kWhs delivered in 2007, which it is likely MW&E will collect $105,469.60 in 2009 (based on the current per-kWh RESS rate and caps). This is because many non-residential customers will not use enough kWhs per month to be charged the maximum amount under the RESS – as the following chart shows:

	Total $	**Average $ per Bill**	**% Reaching Cap**
Residential	$26,397.00	$1.05	100%
Non-Residential	$79,187.80	$25.48	65.33%
Non-Residential >3MW	$2,808.00	$117.00	100%
Total	$108,392.80	-	-

In other words, while the *maximum* MW&E could collect through the RESS is $147,493.80, MW&E is more likely to collect approximately $105,469.60 through the RESS. This is further shown through the data MW&E provided to Staff (through the process in evaluating MW&E's 2008 Implementation Plan application) on the average kWh that sample MW&E customers used. That data, along with data of per-kWh use from additional non-residential customers, is reproduced below:

Sample Customers	**Average kWh per Month**	**Monthly RESS ($'s)**
PD Store	221,350	$39.00
High School	93,200	$39.00
Motel	45,000	$39.00
Conoco	23,460	$39.00
Circle K	23,100	$39.00
LDS Church	5,945	$29.65
Restaurant	5,225	$26.06
Florist	1,872	$9.33
Insurance Company	992	$4.95
American Legion	306	$1.53
Fashion Salon	230	$1.14

MW&E may file to increase the per-kWh rate and/or the RESS caps, and request additional funding through the RESS should it become apparent that more funding is needed to meet the requirements within the REST Rules in future years. In the alternative, MW&E may seek a partial waiver of those requirements if the RESS does not generate sufficient funds to meet the requirements within the REST Rules. Currently, MW&E estimates it will require approximately $158,169 to meet the requirement in 2009, $202,786 to meet the requirement in 2010, $256,343 to meet the requirement in 2011, $287,965 to meet the requirement in 2012, and $320,113 to meet the requirement in 2013. These numbers assume that MW&E's partial waiver as described above is granted. If that partial waiver is not granted, the estimates will be far greater.

EXHIBIT

"2"

PUBLIC NOTICE OF AVAILABILITY OF INCENTIVES FOR ELIGIBLE DISTRIBUTED RENEWABLE ENERGY RESOURCES

On April 7, 2009, the Commission approved the Renewable Energy Standard Tariff Implementation Plan for Morenci Water & Electric Company ("MWE") in Decision No. 70952 (Docket No. E-01049A-08-0507). **As part of its commitment to developing renewable resources, MWE is offering matching incentives as described below (up to $75,000) for certain eligible Distributed Renewable Energy Resources, as defined in the Commission's Rules at A.A.C. R14-2-1802.B. The Commission further ordered that the incentives in 2009 for residential solar hot water heaters be increased to $0.95 per kWh for the first year of savings, that the incentives for residential photovoltaic systems be increased to $4.00 per watt, and that the incentives for non-residential photovoltaic systems be increased to $3.50 per watt. Incentives for other eligible Distributed Renewable Energy Resources have also been raised in 2009.** MWE's goal remains to create a program that will provide incentives to customers to pursue such resources, which could result in the reduction of electric bills.

Incentive payments will provide for a portion of the total system cost and will be an up front one-time payment based on a 20-year agreement with MWE in accordance with the approved Implementation Plan. **Incentives will be given on a first-come first-serve basis, but in no case will an incentive exceed 60% of the total system cost or $75,000 – whichever is less.** Further, MWE will receive complete and irrevocable ownership of all Renewable Energy Credits ("RECs") expected from system production for the effective life of the system. MWE will conduct maintenance inspections and meter readings as appropriate to confirm compliance and to determine whether changes in its program are needed and/or warranted. Applications will be reviewed in accordance with the procedure set forth in the approved Implementation Plan.

Under MWE's REST Implementation Plan as approved in Decision No. 70952, there are many types of eligible Distributed Renewable Energy Resources systems that could qualify for incentives. Eligible Distributed Renewable Energy Resources include:

- Photovoltaic Systems;
- Small Domestic Solar Water Heating;
- Small Domestic Solar Space Heating;
- Solar Space Cooling;
- Non-Residential Solar Water Heating and Space Cooling;
- Biomass/Biogas Cooling;
- Non-Residential Solar Daylight; and
- Small Wind Generator.

To qualify for these incentives, however, several criteria must be met. These include both general criteria that apply to all eligible Distributed Renewable Energy Resources, as well as certain technology-specific criteria for each such resource. Installation for any qualifying resource must also be done in accordance with the Implementation Plan, and subject to periodic inspections. All eligible Distributed Renewable Energy Resources must also include a system-dedicated kWh performance meter, which allows MWE to measure system energy production. Further, such a system must be operated and maintained appropriately and for the duration detailed in MWE's approval of any request for approval. Other requirements may apply, as detailed in the approved Implementation Plan.

Those customers who receive distributed renewable generation incentives are also eligible to receive benefits under net metering. The Commission approved Net Metering Rules in Decision No. 70567 (October 28, 2008). Those rules have been filed with the Arizona Secretary of State on March 24, 2009, and will become effective May 23, 2009. MWE will have 120 days from May 23, 2009, to file its net metering tariff proposal. That tariff proposal must receive Commission approval before it can take effect.

Both the Commission Decision and MWE's final Implementation Plan are available for public inspection during regular business hours at the Commission's offices at 1200 West Washington Street, Phoenix, Arizona, 85007, and on the internet via the Commission website (www.azcc.gov) using the eDocket function – or can be made available upon request at MW&E's offices at 401 Burro Alley, Morenci, Arizona 85440. For more information about MWE's REST Distributed Renewable Energy Program, please call (928) 865-2229.