

ORIGINAL

NEW APPLICATION



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BEFORE THE ARIZONA CORPORATION COMMISSION

Arizona Corporation Commission

COMMISSIONERS

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AZ CORP COMMISSION
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E-01345A-10-0113

IN THE MATTER OF THE APPLICATION
OF ARIZONA PUBLIC SERVICE
COMPANY FOR A SOLAR ELECTRICAL
SUPPLY AGREEMENT

DOCKET NO. E-01345A-10-_____

APPLICATION

Arizona Public Service Company ("APS" or "Company") is seeking Arizona Corporation Commission ("Commission") approval of a Solar Electrical Supply Agreement ("Solar Agreement") with Freeport-McMoRan Bagdad Inc. ("Freeport-McMoRan") for electric service at Freeport-McMoRan Bagdad Mine. The Solar Agreement is attached hereto as Exhibit A.¹ The proposed Solar Agreement is consistent with the Renewable Energy Credit ("REC") and Energy Contract Model that was recently approved by the Commission in APS's 2010 Renewable Energy Standard Implementation Plan.²

APS supplies Freeport-McMoRan electricity for its Bagdad Mine pursuant to an Electrical Supply Agreement ("Original Agreement"). Freeport-McMoRan has decided that it wants to utilize renewable energy as a source for a portion of its electric requirements at the Bagdad Mine. To that end, Freeport-McMoRan will allow RE Bagdad Solar 1 LLC, a third party solar developer, to construct, own and operate a 15 megawatt solar photovoltaic system (the "Solar System") on the premises of the Bagdad Mine.

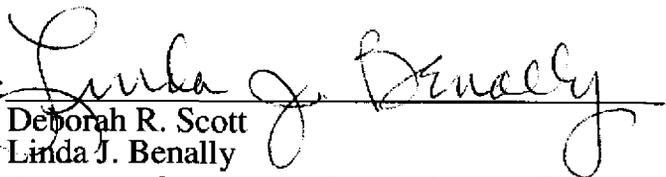
¹ Competitively confidential and customer confidential information has been redacted in the copy filed in Docket Control. The Solar Agreement in its entirety will be provided to Commission Staff upon execution of a Confidentiality Agreement.

² See Amended Decision No. 71459 (January 29, 2010). Under the REC and Energy Contract Model, renewable energy systems would be installed at the customer's facility, and APS would purchase all of the energy and associated RECs generated by the system. The customer would then contract with APS to purchase back all of the energy produced by the system.

1 The Solar System will interconnect into APS's distribution system, and RE Bagdad
2 Solar 1 LLC will sell the solar electricity and associated RECs to APS under a 25-year term
3 agreement. APS would then resell the energy produced by the Solar System to Freeport-
4 McMoRan in accordance with the terms of the Solar Agreement at a fixed rate ("Solar Energy
5 Charge").³ The Solar Energy Charge will appear as a separate item on Freeport-McMoRan's
6 monthly bills, and will be applied only to the metered production of the Solar System in lieu
7 of the Unbundled Generation Charge contained in Rate Schedule E-35 and the charges and
8 provisions of Rate Schedule PSA-1. All other charges and provisions under Rate Schedule E-
9 35 and any applicable adjustor Rate Schedule will continue to apply. The RECs will be
10 retained by APS and applied to the non-residential distributed energy requirement of the
11 Renewable Energy Standard.

12 APS believes it is in the public interest to approve the Solar Agreement to allow
13 Freeport-McMoRan to have access to solar electric generation, and therefore, requests that the
14 Commission approve the proposed Solar Agreement and Solar Energy Charge.

15 RESPECTFULLY SUBMITTED this 29th day of March, 2010.

16
17
18 By: 
19 Deborah R. Scott
20 Linda J. Benally
21 Attorneys for Arizona Public Service Company

22 ORIGINAL and thirteen (13) copies
23 of the foregoing filed this 29th day of
24 March, 2010, with:

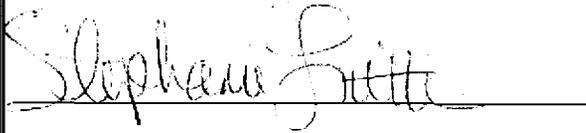
25 Docket Control
26 ARIZONA CORPORATION COMMISSION
27 1200 West Washington Street
28 Phoenix, Arizona 85007

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³ The Solar Agreement is a separate, stand-alone agreement, and is not subject to the terms and conditions of the Original Agreement.

1 COPY of the foregoing mailed/delivered this
29th day of March, 2010 to:

2
3 C. Webb Crockett
4 Fennemore Craig, P.C.
5 3003 North Central Avenue, Suite 2600
6 Phoenix, Arizona 85012-2913
7 Attorney for Freeport-McMoRan Copper & Gold Inc.

8 A handwritten signature in cursive script, appearing to read "Stephen F. Fitt", is written over a horizontal line. The signature is positioned to the right of the line number 8.

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EXHIBIT A

APS

ARIZONA PUBLIC SERVICE COMPANY SOLAR ELECTRICAL SUPPLY AGREEMENT

The parties to this Solar Electrical Supply Agreement (the "Agreement") are **ARIZONA PUBLIC SERVICE COMPANY**, an Arizona corporation, hereinafter called "APS" and **FREEMONT-MCMORAN BAGDAD INC.**, a Delaware corporation, hereinafter called "Customer". APS and Customer are each sometimes referred to in this Agreement as a "Party" or collectively as the "Parties".

1. RECITALS

This Agreement is made and entered into in respect to the following facts and circumstances, each of which is a material term of this Agreement, and not mere recital:

1.1 The Parties have entered into a Electrical Supply Agreement, effective March 19, 2001, (the "Original Agreement"), pursuant to which, APS agreed to supply, and Customer agreed to take, all electric service required for the operation of Customer's Bagdad Mine, located near the Town of Bagdad, Yavapai County, Arizona, up to a maximum of [REDACTED] kW, in accordance with the terms and conditions of the Original Agreement.

1.2 Customer desires to utilize renewable energy as a source for a portion of its requirements for electricity at its Bagdad Mine.

1.3 Customer has agreed to allow RE Bagdad Solar 1 LLC ("Supplier") to construct, own and operate a solar photovoltaic system (the "Solar System") not to exceed 15 MW-ac upon Customer's premises at the Bagdad Mine, which will interconnect into APS' distribution system to deliver its output into the APS distribution system.

1.4 APS has agreed to sell Customer electricity it receives from the Solar System ("Solar Energy") for a period of twenty-five (25) years, or as long as the underlying Power Purchase Agreement ("PPA") between APS and Supplier for the output of the Solar System remains in effect, whichever occurs sooner.

1.5 The Parties desire to enter into this Agreement in order to confirm the terms and conditions pursuant to which Solar Energy will be provided to Customer, as contemplated in the foregoing recitals.

2. SALE OF RENEWABLE ENERGY

2.1 APS shall supply, and Customer shall take Solar Energy for use at Customer's Bagdad Mine. The Solar Energy to be provided by APS under this Agreement is source-specific and shall be the metered kWh output of the Solar System that is delivered by Supplier under the PPA into APS' distribution system from time to time during the term of this Agreement.

2.2 The renewable energy to be sold to Customer under this Agreement will be treated as "energy-only" for purposes of Customer's monthly billings and will be counted as a reduction against consumption only, but will not serve to reduce Customer's billing demand thereunder.

2.3 The renewable energy shall be sold to Customer under the specifications attached to this Agreement as Attachment A, which is incorporated herein by this reference.

3. EFFECTIVE DATE AND TERM OF AGREEMENT

This Agreement is effective upon its execution by the Parties (the "Effective Date"), and shall continue in effect for twenty-five (25) years from the commercial operation date of the Solar System, or as long as the underlying PPA between APS and Supplier for the output of the Solar System remains in effect, whichever occurs sooner.

4. EFFECT OF THIS AGREEMENT

This Agreement is entered into as a separate, stand-alone agreement between the Parties and is not subject to the terms and conditions of the Original Agreement, nor does it in any way modify, amend or supplement the Original Agreement.

5. ATTACHMENTS

The following additional document is attached to and made part of this Agreement.

Attachment A – Specifications for Sale of Renewable Energy

6. GENERAL PROVISIONS

6.1 In the event that either Party shall successfully bring suit to compel performance or for breach of this Agreement, that Party shall be entitled to recover reasonable attorney's fees in addition to the amount of judgment and costs.

6.2 A waiver of any default of the other Party or any other matter arising in connection with this Agreement, at any time by either Party, shall not be construed a waiver of any subsequent default or matter.

6.3 THERE ARE NO UNDERSTANDINGS, AGREEMENTS, REPRESENTATIONS, OR WARRANTIES, EXPRESS OR IMPLIED (INCLUDING WARRANTIES REGARDING MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE), OTHER THAN THOSE EXPRESSLY STATED IN THIS AGREEMENT, THE REFERENCED SCHEDULES, ANY OTHER REFERENCED OR ATTACHED DOCUMENTS, OR IN THE APPLICABLE RULES OF THE ARIZONA CORPORATION COMMISSION CONCERNING THE SALE AND DELIVERY OF ELECTRICITY BY APS TO CUSTOMER. THIS AGREEMENT, INCLUDING THE REFERENCED SCHEDULES, ANY OTHER REFERENCED OR ATTACHED DOCUMENTS, AND THE APPLICABLE RULES OF THE ARIZONA CORPORATION COMMISSION, STATES THE ENTIRE OBLIGATION OF APS IN CONNECTION WITH SUCH SALES AND DELIVERIES.

7. EXECUTION

This Agreement has been executed by the duly authorized representatives of the Parties, as set forth below:

ARIZONA PUBLIC SERVICE COMPANY		FREEPORT-MCMORAN BAGDAD INC.	
SIGNATURE:	<u>Leland B. Snook</u>	SIGNATURE:	<u>Bruce C. ...</u>
NAME:	<u>Leland B. Snook</u>	NAME:	<u>Bruce C. ...</u>
TITLE:	<u>Director, State Regulation</u>	TITLE:	<u>General Manager</u>
DATE SIGNED:	<u>3/26/2010</u>	DATE SIGNED:	<u>March 26, 2010</u>
		MAILING ADDRESS:	<u>PO Box 215</u>
			<u>Bagdad, AZ 85901</u>

Attachment A

Specifications for Sale of Renewable Energy

A.1. SOLAR ENERGY

The Solar Energy is the metered kWh output of the Solar Facility, but shall not exceed the Customer's monthly billing kWh used to compute APS' charges rendered to the Customer under Rate E-35. In the event of missing or inaccurate metered data, the monthly Solar Energy will be estimated according to APS' Service Schedule 8 and trued up in a subsequent month when an actual meter read is available.

A.2. SOLAR ENERGY CHARGE

A.2.1 The Solar Energy Charge is a separate cost to the Customer for purchasing solar power, which is fixed for the term of this Agreement. The Customer will be charged the Solar Energy Charge on its monthly bill. All other charges and provisions in Rate Schedule E-35 will apply, except as otherwise provided in this Agreement.

A.2.2 The Solar Energy Charge is [REDACTED] per kWh of On-Peak Solar Energy and [REDACTED] of Off-Peak Solar Energy. For the purposes of this Agreement, On-Peak has the meaning as defined in Rate Schedule E-35.

A.3. REMAINING BILLING COMPONENTS

A.3.1 The Unbundled Generation kWh charge(s) in Rate Schedule E-35 and the charges in Adjustment Schedule PSA-1 shall be applied to the Customer's billing kWh net of the Solar Energy for purposes of determining the monthly bill, where the netted kWh shall not be less than zero.

A.3.2 To the extent that any taxes or charges related to the emissions of CO₂, NO_x, SO₂, CO, Carbon, VOC, PM₁₀, Mercury, and other emissions are not accounted for in either the Unbundled Generation kWh charge(s) in Rate Schedule E-35 or in Adjustment Schedule PSA-1, but rather in a separate mechanism, those charges shall be applied to the Customer's billing kWh net of Solar Energy.

A.3.3 All other charges shall be billed in accordance to Rate Schedule E-35 and shall not be adjusted due to the Solar Energy.

A.4. METERING PROVISIONS

The output of the Solar Facility shall be separately metered. APS shall own and operate all metering equipment in accordance with Section 3.2 of Service Schedule 2.

A.5 MISCELLANEOUS

References to APS' rates refer to the specified rate noted in this Agreement, or any successor rate thereto. Electric service under this Agreement is supplied in accordance with APS' Rate Schedule E-35 and Schedule No. 1, Terms and Conditions for Sale of Electric Service, as they may change from time to time or any successor rate thereto. Changes made shall thereafter automatically amend and apply to this Agreement to the same extent as though they had been originally incorporated as a part of this Agreement.