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AZ CORP COMMISSION
DOCKET CONTROL

Arizona Corporation Commission
DOCKETED

OCT 21 2010

DOCKETED BY

October 15, 2010

Paul Newman, Commissioner
Arizona Corporation Commission
1200 West Washington St.
Phoenix, Arizona 85007

Re: In the Matter of the Application of Arizona Public Service Company for a Solar Electrical Supply Agreement Docket No. E-01345A-10-0113

Dear Commissioner Newman:

The following responses are being provided to the questions set forth in your letter of September 29, 2010:

1. Electricity usage at the Freeport-McMoRan Bagdad mine site is proprietary, confidential and competitively sensitive information and will not be provided without the execution of a Protective Agreement.

2. I understand that Arizona Public Service Company will provide a response to this question.

3. Energy related surcharges and costs at the Freeport-McMoRan Bagdad mine site are proprietary, confidential and competitively sensitive information and will not be provided without the execution of a Protective Agreement.

4. I understand that Arizona Public Service Company will provide a response to this question.

5.
   a. I understand that Arizona Public Service Company will provide a response to this question.

   b. Freeport-McMoRan Bagdad billing data is proprietary, confidential and competitively sensitive information and will not be provided without the execution of a Protective Agreement.

6. Savings under this special contract are dependent on the fuel adjustor set forth in the tariffs of Arizona Public Service Company. For the first year, Freeport-McMoRan Bagdad expects the cost of energy from the solar facility to be

approximately the same cost as energy from the current Arizona Public Service company tariff.

7.

a. Mitigation of climate change.

b. **Climate Change and Energy.** Recognizing that climate change may pose risks and opportunities for Freeport-McMoRan Bagdad, Inc., ("the Company"), the Company established a multi-departmental task force to address these issues and evaluate associated business ramifications such as increased product demand, supply chain impacts, operational issues such as energy efficiency, and the effects of new regulatory requirements. From a medium- and long-term perspective, the Company is likely to incur an increase in costs for operations that emit significant amounts of greenhouse gases due to anticipated legislative or regulatory initiatives. The cost of electricity and fuels that the Company purchases may increase if suppliers incur increased costs from the regulation of their greenhouse gas emissions. The Company engages key suppliers to identify equipment improvements that can provide reductions in emissions and energy consumption while maintaining production efficiency. Since 2006, the Company has participated in the Carbon Disclosure Project (CDP), a voluntary initiative to promote standardized reporting of emissions and reduction efforts. The Company CDP reports are available on the Company's web site. In 2009, the Company's total greenhouse gas emissions, measured as carbon dioxide equivalent emissions (CO2-e), were 8.7 million metric tons. These emissions resulted from fuel combustion in haul trucks and the combustion of fuels to provide energy for roasting, smelting, and other energy-intensive processes. The Company's total direct CO2-e emissions and related direct energy consumption decreased 5 percent and 7 percent, respectively, from 2008. These reductions were primarily a result of revised operating plans and production curtailments as market conditions weakened. Indirect emissions include the emissions of outside providers from whom the Company purchases electricity for use in its operations. In Peru and in Africa the Company primarily purchases power generated from hydroelectric sources. As power providers in other regions increase their generating capacity from renewable and alternative fuel sources, the Company's indirect emissions will decrease. The Company is actively working with electric utilities in the United States that are under an obligation to increase the percentage of renewable energy in their production portfolios. In some cases, this includes leasing inactive mining properties to solar energy project developers who sell power to utilities with renewable mandates. The

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Company expects to exceed its target to establish two renewable energy facilities on Company mining-related properties by 2014.

8. Freeport-McMoRan Bagdad has a lease agreement with the solar developer. The terms and conditions of this lease agreement are proprietary and confidential and will not be provided without the execution of a Protective Agreement.

In providing any information referred to above, Freeport-McMoRan Bagdad, Inc. does not intend to waive any rights it may assert with regard to the provision of such information.

Very truly yours,

Don Stoneberger, Director, Energy Management
Freeport-McMoRan Copper & Gold Inc.

c: Docket Control
Kristin K. Mayes, Chairman
Gary Pierce, Commissioner
Sandra D. Kennedy, Commissioner
Bob Stump, Commissioner
Ernest G. Johnson, Executive Director
Janice Alward, Chief Counsel
Steve Olea, Director, Utilities Division
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