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BEFORE THE ARIZONA CORPORATION COMMISSION

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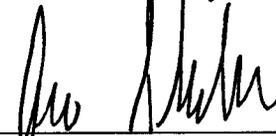
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AZ CORP COMMISSION
DOCKET CONTROL

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

In compliance with Decision No. 70952, Morenci Water & Electric Company (“MW&E”), files its 2009 Renewable Energy Standard and Tariff (“REST”) Compliance Report.

RESPECTFULLY SUBMITTED this 4th day of January, 2011.

By 
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Attorneys for Morenci Water & Electric Company

Original and thirteen copies of the foregoing filed this 4th day of January, 2011, with:

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

Arizona Corporation Commission
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Copy of the foregoing hand-delivered
this 4th day of January, 2011, to:

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Morenci Water & Electric Company

Renewable Energy Standard and Tariff Compliance Report 2009 Compliance Year

January 2011

RENEWABLE ENERGY STANDARD AND TARIFF PROGRAM REPORT YEAR-END 2009

Introduction

Pursuant to Arizona Administrative Code ("A.C.C.") R14-2-1812, Morenci Water & Electric Company ("MWE") submits the MWE 2009 Renewable Energy Standard and Tariff Compliance Report. This report relates to the Morenci Water & Electric Company REST Plan which was approved by the Commission in Decision 70952 dated April 15, 2009.

Summary

The 2009 MWE REST plan was approved by Decision No. 70952 pursuant to A.C.C. R14-2-1813.

With the exclusion of Freeport-McMoRan Morenci and Freeport-McMoRan Safford loads as ordered by the Commission, MWE 2009 retail sales were 28,787,858 kWh. This results in a renewable requirement of 575,757 kWh, of which 489,394 kWh is the grid-tied requirement and the remaining 86,364 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. MWE collected \$50,021.03 in EPS and REST surcharges in 2009.

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

The REST Plan

The 2009 REST plan consists of the following programs:

- Procure grid-tied requirements from entities with the ability to transact at MWE transmission access points.

- Offer incentives up to 60% of cost with a maximum of \$75,000 to customers who install qualified distributed energy projects.

- Raise incentives for solar hot water heaters to \$0.95 per kWh for the kWh saved in the first year.

- Raise incentives for photovoltaic systems to \$4.00/watt for residential systems, and \$3.50/watt for non-residential systems.

- Consider establishing distributed renewable energy generation for MWE operations to meet distributed requirement.

MWE is faced with circumstances unique to MWE in meeting grid-tied and distributed REST requirements. The challenges in meeting its distributed requirement are well

documented and will not be repeated here. MWE's customers that received an exemption from the 2009 REST requirement have a total of 251 distributed renewable energy installations with an installed capacity of 9.8 kW. These facilities produced about 22,600 kWh of renewable energy during 2009. Because these customers were exempt from the REST requirements, MWE provides this data as information only.

MWE 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 MWE's system from markets where renewable energy is transacted and transmitted.

Because of the well documented challenges that MWE has in meeting its distributed requirement and the timeframe to install physical generation, MWE met its 2009 Annual Renewable Energy requirement with Renewable Energy Credits withdrawn from MWE's bank.

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 withdrawn from bank	575,757

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 withdrawn from bank	575,757

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

Renewable Energy Source	kW
Biomass Electricity Generator withdrawn from bank	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 withdrawn from bank	3.648	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	Annual Renewable Energy Requirement kWh	Distributed Renewable Energy Requirement kWh
Biomass Electricity Generator withdrawn from bank	575,757	0

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.

MWE used previously purchased Renewable Energy Credits for 2009 compliance. Because MWE did not enter the market for any 2009 Renewable Energy Credits, an independent audit was not performed.

Planned Projects

MWE does not have any distributed projects planned at this time, and plans to obtain its renewable requirements from the bi-lateral market for the next few years. MWE will continue to aggressively market the distributed renewable energy program to its customers.