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COMMISSIONERS

GARY PIERCE, Chairman
BOB STUMP
SANDRA D. KENNEDY
PAUL NEWMAN
BRENDA BURNS

BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF THE
APPLICATION OF TUCSON ELECTRIC
POWER COMPANY FOR APPROVAL
OF ITS 2011-2012 ENERGY
EFFICIENCY IMPLEMENTATION
PLAN

Docket No. E-01933A-11-0055
**REQUEST FOR EXEMPTION
FROM A.A.C. R14-2-2408(E)**

Freeport-McMoRan Copper & Gold, Inc. ("Freeport-McMoRan" or "Company") hereby submits this Request for Exemption from A.A.C. R14-2-2408(E) with respect to Tucson Electric Power Company's 2011-2012 Energy Efficiency Implementation Plan, pursuant to A.A.C. R14-2-2419(A).

INTRODUCTION

Freeport-McMoRan is the world's largest publicly traded copper company, with several mining operations employing approximately 8,000 persons in Arizona. The Company has been active in sustainable development efforts, which is the foundation on which Freeport-McMoRan operates. As a large multi-national entity, one of the Company's fundamental challenges is to find the most efficient production methods that will enable it to meet demand for products in a cost-effective manner while minimizing negative impacts. Energy efficiency is central to this theme, and vital to Freeport-McMoran in managing electricity costs in order to stay competitive in the marketplace. The Company budgets at least \$10 million annually on energy-related

1 technology. As a result, Freeport-McMoRan has developed several initiatives in order
2 to address the efficient use of electricity during all stages of its mining operations.

3 The Company runs a Technology Center that staffs over 300 professionals, with
4 offices and laboratories in Safford, Morenci and Tucson. The three major disciplines at
5 the Technology Center include improving mining, processing and environmental
6 technologies in order to improve operating efficiencies. For instance:

- 7 • as an energy-conserving alternative to smelting, concentrated leaching is useful
8 where allowed by mineral type and market demand.
- 9 • The Company is also developing a full scale electrowinning technology (at the
10 Morenci location) that can reduce the electricity used for this type of processing
11 by 50%.
- 12 • In reducing ore variances, power can be minimized for crushing and grinding
13 purposes.
- 14 • The Company was the first in its industry to utilize the most energy efficient
15 comminution facilities.
- 16 • Copper and molybdenum pressure oxidization techniques can reduce power
17 consumption in the smelting process by between 29-36%.
- 18 • Freeport-McMoRan is developing technology for producing electrowon
19 cathodes and copper with 15% less energy.
20

21 Clearly, TEP cannot implement an energy efficiency program for Freeport-
22 McMoRan that is more cost effective than what has been, or will be, spent internally to
23 reduce power consumption. In short, the margin for increasing energy efficiency
24 savings beyond the Company's efforts and current electric load is miniscule, if
25 available at all. The free market and competition force companies in power-intensive
26 industries such as mining to become more efficient, which in turn benefits TEP's other

1 ratepayers due to the reduction in fuel costs, purchased power costs, new capacity costs,
2 transmission costs and distribution costs. In addition, there are reduced adverse
3 environmental impacts (such as water consumption and air emissions) associated with
4 reducing the need for new facilities to serve growth.

5 As an additional benefit to TEP and its ratepayers, removing Freeport-
6 McMoRan's electric load (and the kilowatt-hour sales associated with the load) from
7 TEP's cumulative annual energy savings calculation will improve the percentage
8 savings on an annual basis through 2020. In turn, the Company can use the funds – that
9 would otherwise go to pay the existing Demand Side Management Surcharge – in a
10 more efficient and effective manner that achieves concrete, sizeable reductions in
11 energy consumption within TEP's service territory.

12 **RELIEF REQUESTED**

13 A.A.C. R14-2-2408(E) states that “All customer classes of an affected utility
14 shall bear the costs of DSM programs by payment through a non-bypassable
15 mechanism, unless a customer or customer class is specially exempted by Commission
16 order.” A.A.C. R14-2-2419(A) allows the Commission to “waive compliance with any
17 provision of this Article for good cause.” Based on the arguments contained herein,
18 Freeport-McMoRan requests that the Commission grant the Company an exemption
19 from the funding requirements set forth in A.A.C. R14-2-2408(E) in this proceeding,
20 for good cause shown, pursuant to the authority set forth in A.A.C. R14-2-2419(A).

21 If the Commission wishes to expand the exemption to a customer class rather
22 than just Freeport-McMoRan specifically, then the Company suggests that in order to
23 qualify for the exemption, the retail customer must spend at least \$10 million annually
24 on company-wide energy related programs, and take service at a voltage threshold of
25 46kV or above.
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RESPECTFULLY SUBMITTED this 9th day of March 2012.

FENNEMORE CRAIG, P.C.

By 

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ORIGINAL and **13 COPIES** of the foregoing
FILED this 9th day of March 2012 with:

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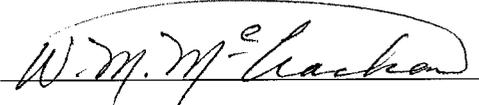
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