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**BEFORE THE ARIZONA CORPORATION COMMISSION**

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**COMMISSIONERS**

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

Arizona Corporation Commission

**DOCKETED**

APR - 2 2012

DOCKETED BY

IN THE MATTER OF THE APPLICATION  
OF MORENCI WATER & ELECTRIC COMPANY –  
ELECTRIC DIVISION – FOR APPROVAL OF ITS  
2011 RENEWABLE ENERGY STANDARD TARIFF  
IMPLEMENTATION PLAN AND REQUEST FOR  
PARTIAL WAIVER

DOCKET NO. E-01049A-10-0364

**NOTICE OF FILING  
COMPLIANCE**

In compliance with Decision No. 72230 (March 9, 2011) Morenci Water & Electric Company (“MWE”) files its 2011 Renewable Energy Standard and Tariff (“REST”) compliance report.

RESPECTFULLY submitted this 2<sup>nd</sup> day of April, 2011.

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Attorneys for Morenci Water and Electric Company

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1 Original + 13 copies of the foregoing  
2 filed this 2<sup>nd</sup> day of April, 2011 with:

3 Docket Control  
4 ARIZONA CORPORATION COMMISSION  
5 1200 West Washington  
6 Phoenix, Arizona 85007

7 Copies of the foregoing hand-delivered/mailed  
8 This 2<sup>nd</sup> day of April, 2011, to:

9 Lyn Farmer, Esq  
10 Chief Administrative Law Judge  
11 Hearing Division  
12 Arizona Corporation Commission  
13 1200 West Washington  
14 Phoenix, Arizona 85007

15 Janice Alward, Esq.  
16 Chief Counsel Legal Division  
17 Arizona Corporation Commission  
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25 Brian Bozzo  
26 Compliance Manager, Utilities Division  
27 Arizona Corporation Commission  
1200 West Washington  
Phoenix, AZ 85007

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# **Morenci Water & Electric Company**

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## **Renewable Energy Standard and Tariff Compliance Report 2011 Compliance Year**

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March 2012

## **RENEWABLE ENERGY STANDARD AND TARIFF PROGRAM REPORT YEAR-END 2011**

### **Introduction**

Pursuant to Arizona Administrative Code ("A.C.C.") R14-2-1812, Morenci Water & Electric Company ("MWE") submits the MWE 2011 Renewable Energy Standard and Tariff ("REST") Compliance Report. This report relates to the Morenci Water & Electric Company REST Plan which was approved by the Commission in Decision 72230 dated March 9, 2011.

### **Summary**

The 2011 MWE REST plan was approved by Decision No. 72230 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 2011 retail sales were 32,557,825 kWh. This results in a renewable requirement of 976,735 kWh, of which 683,714 kWh is the grid-tied requirement and the remaining 293,021 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 \$55,405.84 in EPS and REST surcharges in 2011.

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

### **The REST Plan**

The 2011 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.

- Decrease incentives for residential solar hot water heaters to \$0.75 per kWh for the kWh saved in the first year.

- Decrease 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 2011 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 2011. 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. In addition, there is no available transmission capacity on a year-around basis to MWE's system from markets where renewable energy is transacted and transmitted. This limits MWE's market to the entities that have transmission access to MWE's system. A solicitation to all the parties that do have access to MWE's system resulted in one offer for Renewable Energy Credits.

**Required Elements pursuant to A.A.C. R14-2-1812**

1. Actual kWh of energy or equivalent obtained from Eligible Renewable Energy Resources:

<b>Renewable Energy Source</b>	<b>kWh</b>
Renewable Energy Credits purchased from TEP	976,735

2. The kWh of energy or equivalent obtained from Eligible Renewable Energy Resources normalized to reflect a full year's production:

<b>Renewable Energy Source</b>	<b>kWh</b>
Renewable Energy Credits purchased from TEP	976,735

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

<b>Renewable Energy Source</b>	<b>kW</b>
	NA

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:

<b>Renewable Energy Source</b>	<b>Cents/kWh</b>	<b>Cents/kW</b>
Renewable Energy Credits purchased from TEP	4.500	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

<b>Annual Renewable Energy Requirement</b>	<b>Annual Renewable Energy Requirement kWh</b>	<b>Distributed Renewable Energy Requirement kWh</b>
Landfill Gas	976,735	0

Attachment 1 is the Renewable Energy Credits Confirmation Statement from TEP confirming the purchase of the Renewable Energy Credits.

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 has no direct access to renewable energy markets. In addition, there is no available transmission capacity on the bulk transmission system to where MWE can take capacity and energy. MWE received one offer for renewable energy that met all the requirements of the Arizona REST, therefore, 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.

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Attachment 1

2011 Renewable Energy Credits Confirmation  
Statement

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**DEAL CONFIRMATION BETWEEN  
Tucson Electric Power Company (TEPC) and  
Morenci Water and Electric Company (MWE)**

This document ("**Confirmation**"), which incorporates Attachment 1 and Appendix A, confirms the terms of a transaction entered into on November 20<sup>th</sup>, 2009 between Tucson Electric Power Company ("**TEPC**") and Morenci Water and Electric Company ("**MWE**") regarding the sale and purchase of Renewable Energy Credits, which the parties agree shall be governed in accordance with the WSPP Inc agreement ("**WSPP Agreement**"), effective May 6, 2009, between the Parties as supplemented by this Confirmation.

Renewable Energy Credits sold and purchased hereunder are more fully described in Attachment 1. In the event of any conflict between the terms of the WSPP Agreement and this Confirmation, this Confirmation will govern.

Terms used but not defined in this Confirmation, including Attachment 1, shall have the meanings ascribed to them in the WSPP Agreement.

**Seller:** Tucson Electric Power Company  
Represented by: Carmine Tilghman Phone: (520) 745-7108  
Fax: (520) 571-4065

**Purchaser:** Morenci Water and Electric Company  
Represented by: H.D. Garz Phone: (602) 366-8173  
Fax: (602) 366-7314

**Product:** Renewable Energy Credits (REC) as defined in the Arizona Renewable Energy Standard and Tariff, Arizona Administrative Code R14-2-1803.

**Eligible Facility:** Landfill gas production credits from Sundt #4 Generating Facility, located at Sundt Generating Station, 3950 E. Irvington Road, Tucson, Arizona 85714.

**Contract Quantity:** 1,800,000 credits (1 credit per kWh derived from an Eligible Renewable Energy Resource).

**Renewable Energy Credit Price:** \$0.045 per credit.

**Total Amount Due:** \$81,000

**Trade Date:** November 20, 2009

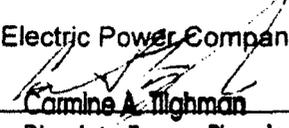
**Special Conditions**

The terms of this Transaction are confidential, and any information contained in or provided pursuant to this Confirmation is confidential and is intended solely for the Party to whom it is addressed. Each Party agrees to keep confidential all information contained herein, provided to it, discussed or otherwise exchanged between the Parties in relation to this Transaction, except as otherwise mandated by statute, regulation or court order.

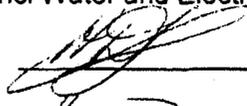
Please confirm that the terms stated in this Confirmation accurately reflect the agreement between TEPC and MWE by returning an executed copy of this Confirmation by fax to TEPC at (520) 545-1536.

**ACKNOWLEDGED AND AGREED TO:**

Tucson Electric Power Company

By:   
Name: Carmine A. Tilghman  
Director - Energy Planning and  
Procurement  
Title: Wholesale Energy  
Tucson Electric Power Co.  
Date: 11/20/09

Morenci Water and Electric Company

By:   
Name: HORST-DIETER EGARZ  
Title: PRESIDENT  
Date: 11/20/09

## **ATTACHMENT 1 RENEWABLE ENERGY CREDITS**

This Attachment 1 is incorporated into and forms a part of the Confirmation, entered into between Tucson Electric Power Company and Morenci Water and Electric Company, to which it is attached. Terms used but not defined in this Attachment 1 shall have the meanings ascribed to them in the WSPP Agreement or the Confirmation, as the case may be.

### **1. DEFINITIONS**

In the Confirmation, including this Attachment 1, the following capitalized terms, whether in the singular or plural, will have the following meanings:

- (a) "Eligible Facility" means the electricity generating facility(s) as described above and meeting the requirements of the Arizona Renewable Energy Standard and Tariff, Arizona Administrative Code R14-2-1802.
- (b) "Emission Reduction Rights" means all the right, benefit, title and interest related, in whole or in part, to any rights, credits or offsets arising from a reduction in Greenhouse Gas Emissions.
- (c) "Renewable Energy Credit" means a representation of all credits, benefits, and allowances (including Emission Reduction Rights) attributable to the non-energy, environmental attributes, if any, associated with the generation of one kilowatt-hour (kWh) of energy from Eligible Facilities but excludes any tax credits or deductions, incentives, grants or subsidies associated with any Eligible Facility.
- (d) "Greenhouse Gas Emissions" means emissions of carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons, sulphur hexafluoride, and any other gas substance that is the subject of the United Nations Framework Convention on Climate Change and subsequent or related protocols, treaties, agreements and instruments.

### **2. RENEWABLE ENERGY CREDITS**

- (a) Seller represents that:
  - (i) only one Renewable Energy Credit was issued for each kWh of energy produced from the Eligible Facility and allocated to the Transaction;
  - (ii) there is no energy associated with the sale of these Renewable Energy Credits;
  - (iii) each Renewable Energy Credit is sold only once;

- (b) Seller will provide verification to ensure that the Renewable Energy Credits purchased and sold hereunder are effectively transferred and credited to Purchaser and Purchaser is able to derive the benefits, if any, available from such Renewable Energy Credits.

**3. ATTESTATION/AUDIT**

- (a) Seller will provide Purchaser with a Certification of Retirement for the Renewable Energy Credits sold or transferred (signed by Seller or the owner, operator or party entitled to output from Eligible Facilities) which shall verify;
  - (i) The total number of Renewable Energy Credits delivered to Purchaser
  - (ii) The number of Renewable Energy Credits delivered to Purchaser that was generated by each Eligible Facility.

Such letter shall be the instrument that conveys, sells and transfers to Purchaser the Renewable Energy Credits associated with the Renewable Energy to be purchased and sold hereunder.

- (b) Purchaser shall be entitled to obtain an audit, at the sole expense of Purchaser, from a qualified independent third party of the Eligible Facilities and generation records thereof (to the extent that Seller has access to such records) for the purpose of verifying the requirements referred to in items (i) to (ii) inclusive of paragraph (a) above. Purchaser shall give Seller at least 10 days' notice of its wish to obtain such an audit. Any such audit will be at the sole cost of Purchaser.

**4. ASSIGNMENT OR TRANSFER**

Purchaser may not transfer or assign any of its interest in the Renewable Energy Credits to any third party without the prior written consent of Seller (which will not be unreasonably denied).

APPENDIX A



## CERTIFICATE OF RETIREMENT OF RENEWABLE ENERGY CREDITS

Original Certificate Issue

Certificate No. TEP/MWE: LG00000002 – 1,800,000

On November 20, 2009 Tucson Electric Power Company (TEP) retired 1,800,000 Landfill Gas Credits for a sale to the Morenci Water and Electric Company (MWE).

1. TEP certifies that it derived the Landfill Credits from application of the Actual Generation of Electricity from the combustion of landfill gas produced at the Los Reales Landfill for the generation of electricity at TEP's Sundt Generating Station.
2. TEP further certifies that, at the time of this transfer, it had title to the Credits transferred to MWE and that such Credits have not previously expired, have not been otherwise used by TEP to meet its Environmental Portfolio Standard or Renewable Energy Standard requirements, and have not been transferred by TEP to any other entity.

Attested to:

Name of TEP officer – Philip J. Dion  
Title – Vice President, Legal & Environmental Services  
Date – November 20, 2009

Signature \_\_\_\_\_

A handwritten signature in black ink, appearing to be 'P. J. Dion', written over a horizontal line. The signature is stylized and cursive.