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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

SUSAN BITTER SMITH, Chairman  
BOB STUMP  
BOB BURNS  
DOUG LITTLE  
TOM FORESE

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IN THE MATTER OF THE APPLICATION ) DOCKET NO. E-01049A-12-0281  
OF MORENCI WATER & ELECTRIC COMPANY )  
- ELECTRIC DIVISION - FOR APPROVAL OF )  
ITS 2013 AND 2014 RENEWABLE ENERGY )  
STANDARD TARIFF IMPLEMENTATION PLAN )  
AND REQUEST FOR PARTIAL WAIVER )

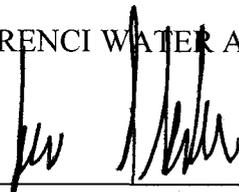
**NOTICE OF FILING  
COMPLIANCE REPORT**

Morenci Water and Electric Company ("MWE") provides the redacted 2014 Renewable Energy Standard Tariff ("REST") Compliance Report. The full un-redacted version will be provided to Arizona Corporation Commission Utilities Division Staff pursuant to the protective agreement entered into in 2014, and A.R.S. § 40-204(C).

RESPECTFULLY SUBMITTED this 1<sup>st</sup> day of April, 2015.

MORENCI WATER AND ELECTRIC COMPANY

By

  
\_\_\_\_\_  
Jason D. Gellman  
SNELL & WILMER, LLP  
One Arizona Center  
400 East Van Buren Street, Suite 1900  
Phoenix, Arizona 85004

Arizona Corporation Commission

**DOCKETED**

APR 01 2015

DOCKETED BY 

1 Original and thirteen copies of the foregoing  
2 filed this 1<sup>st</sup> day of April 2015, with:

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

7 Copy of the foregoing hand-delivered  
8 this 1<sup>st</sup> day of April, 2015, to:

9 Lyn A. Farmer, Esq.  
10 Chief Administrative Law Judge  
11 Hearing Division  
12 ARIZONA CORPORATION COMMISSION  
13 1200 West Washington Street  
14 Phoenix, Arizona 85007

15 Janice Alward, Esq.  
16 Chief Counsel, Legal Division  
17 ARIZONA CORPORATION COMMISSION  
18 1200 West Washington Street  
19 Phoenix, Arizona 85007

20 Steve Olea  
21 Director, Utilities Division  
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23 1200 West Washington Street  
24 Phoenix, Arizona 85007

25 Brian K. Bozzo  
26 Manager, Compliance Enforcement, Utilities Division  
27 ARIZONA CORPORATION COMMISSION  
1200 West Washington Street  
Phoenix, Arizona 85007

28 By

  
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# **Morenci Water & Electric Company**

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## **Renewable Energy Standard and Tariff Compliance Report 2014 Compliance Year**

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March 2015

## **RENEWABLE ENERGY STANDARD AND TARIFF PROGRAM REPORT YEAR-END 2014**

### **Introduction**

Pursuant to Arizona Administrative Code (“A.C.C.”) R14-2-1812, Morenci Water & Electric Company (“MWE”) submits the MWE 2014 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 73632 dated January 31, 2013.

### **Summary**

The 2013-2014 MWE REST plan was approved by Decision No. 73632 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 2014 retail sales were 35,790,815 kWh. This results in a renewable requirement of 1,610,587 kWh, of which 1,127,411 kWh is the grid-tied requirement and the remaining 483,176 kWh is the distributed requirement.

In Decision No. 73632, MWE has been granted a waiver from 2014 compliance with the Distributed Renewable Energy 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 \$69,460.32 in EPS and REST surcharges in 2014.

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

### **The REST Plan**

The 2014 REST plan consists of the following programs:

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

- Incentives programs for 2014 will remain the same as 2013 and be maintained at the 2013 incentive levels.

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 2013-2014 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 2014. 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.

**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>
Banked Renewable Energy Credits	920,698
Renewable Energy purchased from Xcel	66,000

Freeport-McMoRan Copper & Gold Energy Services, LLC ("FMES"), on behalf of MWE contracted with Xcel Energy on July 22, 2014 to purchase 3,000,000 kWh of wind energy and associated RECs to be delivered November 1, 2014 through November 30, 2014. Due to transmission constraints in November, and transmission maintenance in December, Xcel was unable to deliver the full quantity of renewable energy FMES contracted. On January 27, 2015, FMES and Xcel Energy extended the delivery period to March 31, 2015. Barring additional transmission issues, MWE fully expects to meet it 2014 compliance by the end of the first quarter 2015.

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 Xcel	66,000

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>
Banked Renewable Energy Credits	4.5	NA
Renewable Energy purchased from Xcel	█	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>
Banked Renewable Energy Credits	920,698	0
Wind Energy	66,000	0

Attachment 1 is the Renewable Energy Confirmation Statement from Xcel Energy confirming the purchase of the Renewable Energy Credits. Attachment 2 is the Renewable Energy Confirmation Statement from Xcel Energy confirming the extension of the delivery period through March 31, 2015.

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 long-term transmission capacity available 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 foreseeable future. MWE will continue to aggressively market the distributed renewable energy program to its customers.

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Attachment 1

2014 Renewable Energy Credits Confirmation  
Statement

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Commercial Operations  
1800 Larimer Street  
Suite 1000  
Denver, CO 80202

January 26, 2015

Mr. Donald Stoneberger  
Freeport-McMoRan Copper & Gold Energy Services, LLC  
333 N. Central Avenue  
Phoenix, AZ 85004  
By email

Dear Mr. Stoneberger:

Public Service Company of Colorado, a Colorado corporation ("Seller") and Freeport-McMoRan Copper & Gold Energy Services, LLC ("Buyer") are each parties to the WSPP, Inc. Agreement, as amended (the "WSPP Agreement"). Seller is a utility that, among other things, provides wholesale customers with various energy related products inclusive of electricity and "Colorado Renewable Energy Credits" ("Colorado RECs") (defined below). Buyer desires to purchase both WSPP Agreement Service Schedule C firm energy (transmission contingent) and Colorado RECs from Seller. This letter ("Letter Agreement") is to set forth the terms and conditions governing these transactions, and constitutes a Confirmation Agreement for a transaction under the WSPP Agreement. Buyer and Seller are individually referred to in this Letter Agreement as a "Party" and collectively as the "Parties." The Parties hereby terminate, and the Letter Agreement supersedes and replaces, the Letter Agreement dated July 21, 2014 executed by the Parties. The Parties agree as follows:

**Section 1 (Definitions)**

- 1.1 "Colorado Renewable Energy Credits" or "Colorado RECs" as used in this Letter Agreement refers to renewable energy credits as defined in Rule 3652 (n) of the Colorado Public Utilities Commission's Rules Regulating Electric Utilities, as registered in the Western Renewable Energy Generation System ("WREGIS") tracking system.
- 1.2 "MWh" means Megawatt-hour(s).
- 1.3 "Generating Unit(s)" means one or more of the following Colorado wind facilities:
  - Cedar Creek
  - Colorado Green
  - Logan Wind
  - Spring Canyon

Seller may exercise its sole discretion to provide energy and associated Colorado RECs from similar Colorado wind generation facilities when the above listed facilities are unavailable.

## Section 2 (Bundled Colorado RECs plus Energy Sale and Delivery Schedule)

### 2.1 Energy Sale and Delivery Schedule

**Governing Agreement:** WSPP Agreement. All terms and conditions of the WSPP Agreement shall apply to this Letter Agreement as supplemented herein; provided, however, in the event there is a conflict between the terms of this Letter Agreement and the WSPP Agreement, the terms of the Letter Agreement shall control.

**Transaction Type:** Seller will provide to Buyer Firm Energy pursuant to Service Schedule C of the Governing Agreement [Firm Capacity/Energy Sale or Exchange Service] ("Service Schedule C") and this sale shall be interruptible only due to an Uncontrollable Force as provided in Section 10 of the Governing Agreement; or where applicable, to meet Seller's public utility or statutory obligations to its customers; provided, however, this paragraph shall not be used to allow interruptions for reasons other than reliability of service to native load. If service under this Letter Agreement is interrupted under Section C-3.7(a) or (b) of Service Schedule C, neither Seller nor Purchaser shall be obligated to pay any damages under this Letter Agreement. If service under this Letter Agreement is interrupted for any reason other than pursuant to Section C-3.7(a) or (b) of Service Schedule C, the Non-Performing Party shall be responsible for payment of damages as provided in Section 21.3 of the Governing Agreement. Without limiting the foregoing, Uncontrollable Force shall include low wind production. Seller intends to utilize firm transmission to deliver the energy and Seller has not reserved transmission on the date hereof. Seller's transmission provider(s) shall be the sole arbiter(s) of whether a transmission contingency has

occurred. Physical energy and Colorado RECs are to be provided when energy available from the Generating Units is supplied to Buyer under this Letter Agreement. All energy associated with this Letter Agreement will be delivered with the Generating Unit's EIA number on the NERC E-Tag.

**Delivery Hours:** Light Load Hours, meaning Hours Ending ("HE") 1 through 6 and HE 23 through 24 on Monday through Saturday, plus HE 1 through 24 on most Sundays, flat schedule of 10 MWh per hour or other flat schedules as needed to achieve the Target Quantity.

**Delivery Point:** Four Corners 345kV

**Energy Delivery and Scheduling:** Seller will provide to Buyer the associated EIA numbers on the NERC E-Tag for the Colorado RECs.

**Delivery Term:** November 1, 2014 through March 31, 2015

**Delivery Term Extension:** Certain terms of this Letter Agreement can be extended upon the approval of the Parties, with no obligation for either Party to enter in to an extension of the Letter Agreement.

**Target Quantity:** Up to 3,000 MWh

**Notification:** Seller shall notify Buyer of deliveries under this Letter Agreement in accordance with WECC guidelines. Delivery may be made on a prescheduled basis or in real time with one-hour notice of interruption to the Buyer. All schedules will be in Pacific Prevailing Time (PPT).

## 2.2 **Colorado RECS (Purchase, Delivery and Quantity)**

Subject to the terms and conditions of this Letter Agreement, Seller agrees to sell, assign and transfer to Buyer all rights, title and interest, and Buyer agrees to purchase from Seller Colorado RECs from Seller's Generating Units in the equivalent Quantity of one Colorado REC per MWh delivered as set forth in Section 2.1 above. Seller represents and warrants that it has good and marketable title to the Colorado RECs sold hereunder and the Colorado RECs sold hereunder are delivered free and clear of all liens,

encumbrances, and claims or any interest therein or thereto by any person arising prior to delivery to Buyer.

Seller's Generating Units and associated EIA number(s) will be indicated on the NERC E-Tag for the associated energy when Colorado RECs are provided under this Letter Agreement. Colorado REC attestations will be provided to the Buyer.

**Section 3 (Price)**

Buyer shall pay Seller [REDACTED] for all deliveries of energy and Colorado RECs (bundled price) during the term of this Letter Agreement. Buyer acknowledges that Seller's analysis shows that the Price is above the price floor but under the price cap as specified in Schedule Q for Public Service Company of Colorado of the Governing Agreement.

**Section 4 (Delivery of RECs)**

Seller represents that all Colorado RECs will be registered in the WREGIS tracking system, and will be retired on Buyer's behalf no later than June 30, 2015.

**Section 5 (Exclusion of Warranty)**

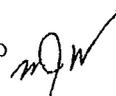
Seller makes no representation as to the specific Colorado RECs meeting any of Buyer's obligations or other regulatory requirements.

If the above reflects your understanding of the agreement reached between the representatives of our organizations, please sign, date and return one fully executed copy of this Letter Agreement.

Sincerely,

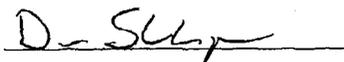


Eric W. Pierce  
Managing Director -- Energy Trading and Origination  
by Xcel Energy Services Inc., agent for Public Service Company of Colorado, a Colorado corporation



**Accepted:**

Buyer: Freeport-McMoRan Copper & Gold Energy Services, LLC

Signature: 

Name (please print): DON STODERBERGER

Title: PRESIDENT

Date: 27 JANUARY 2015