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BEFORE THE ARIZONA CORPORATION COMMISSION

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COMMISSIONERS

- BOB STUMP, Chairman
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IN THE MATTER OF THE APPLICATION
 OF AJO IMPROVEMENT COMPANY
 ELECTRIC DIVISION – FOR APPROVAL OF
 ITS 2012 AND 2013 RENEWABLE ENERGY
 STANDARD TARIFF IMPLEMENTATION PLAN

DOCKET NO. E-01025A-11-0268

NOTICE OF COMPLIANCE

Ajo Improvement Company (“AIC”) provides the redacted version of the 2012 Renewable Energy Standard Tariff (“REST”) Compliance report.

RESPECTFULLY SUBMITTED this 3rd day of April, 2013.

AJO IMPROVEMENT COMPANY

By _____

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1 Original and thirteen copies of the foregoing
2 filed this 3rd day of April, 2013, 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 3rd day of April, 2013, to:

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

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By *Debbie Howard*

Ajo Improvement Company

Renewable Energy Standard and Tariff Compliance Report 2012 Compliance Year

March 2013

RENEWABLE ENERGY STANDARD AND TARIFF PROGRAM REPORT YEAR-END 2012

Introduction

Pursuant to Arizona Administrative Code (“A.C.C.”) R14-2-1812, Ajo Improvement Company (“AIC”) submits the AIC 2012 Renewable Energy Standard and Tariff Compliance Report. This report relates to the Ajo Improvement Company 2012 Renewable Energy Standard Implementation Plan which was approved by the Commission in Decision 72894 dated February 17, 2012.

Summary

The 2012 AIC REST plan was approved by Decision No. 72894 pursuant to A.C.C. R14-2-1813.

AIC 2012 retail sales were 12,695,836 kWh. This results in a renewable requirement of 444,354 kWh, of which 311,048 kWh is the grid-tied requirement and the remaining 133,306 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. AIC collected \$3,286.72 in EPS and REST surcharges in 2012.

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

The REST Plan

The 2012 REST plan consists of the following programs:

- Procure grid-tied requirements from entities willing to transact at AIC transmission access points.

- Incentives programs for 2013 will remain the same as 2012 and be maintained at the 2012 incentive levels.

AIC is faced with circumstances unique to AIC in meeting grid-tied and distributed REST requirements. The challenges in meeting its distributed requirement are well documented and will not be repeated here.

AIC 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 AIC’s system from markets where renewable energy is transacted and transmitted.

Because of the well documented challenges that AIC has in meeting its distributed requirement and the timeframe to install physical generation, AIC used purchased Renewable Energy Credits from Morenci Water & Electric ("MWE") for compliance year 2012.

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
Renewable Energy Credits purchased from MWE	500,000

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
Renewable Energy Credits purchased from MWE	500,000

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

Renewable Energy Source	kW
	NA

Generation capacity not available due to the type of transaction between AIC and MWE.

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
Renewable Energy Credits purchased from MWE		

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:

Annual Renewable Energy Requirement	Annual Renewable Energy Requirement kWh	Distributed Renewable Energy Requirement kWh
Renewable Energy Credits purchased from MWE	500,000	0

Attachment 1 is the Renewable Energy Credits Confirmation Statement from MWE 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.

For the 2012 Compliance year, AIC purchased the balance of its requirements from MWE. Of the two entities that can deliver power to the AIC distribution system, only MWE offered to sell Renewable Energy Credits to AIC. Because of these facts, an independent audit was not performed.

Planned Projects

AIC will continue to aggressively market the distributed renewable energy program to its customers.