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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

- BOB STUMP, Chairman
- GARY PIERCE
- BRENDA BURNS
- BOB BURNS
- SUSAN BITTER SMITH

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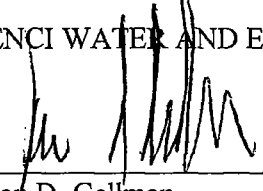
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IN THE MATTER OF THE APPLICATION) DOCKET NO. E-01049A-11-0265
 OF MORENCI WATER & ELECTRIC COMPANY)
 - ELECTRIC DIVISION - FOR APPROVAL OF)
 ITS 2012 AND 2013 RENEWABLE ENERGY) **NOTICE OF COMPLIANCE**
 STANDARD TARIFF IMPLEMENTATION PLAN)
 AND REQUEST FOR PARTIAL WAIVER)

Morenci Water and Electric Company ("MWE") provides the redacted version of the 2012 Renewable Energy Standard Tariff ("REST") Compliance report.

RESPECTFULLY SUBMITTED this 3rd day of April, 2013.

MORENCI WATER AND ELECTRIC 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
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6 Phoenix, Arizona 85007

7 Copy of the foregoing hand-delivered
8 this 3rd day of April, 2013, to:

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By *Missie Maud*

Morenci Water & Electric 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, Morenci Water & Electric Company (“MWE”) submits the MWE 2012 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 72893 dated February 17, 2012.

Summary

The 2012 MWE REST plan was approved by Decision No. 72893 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 2012 retail sales were 32,250,748 kWh. This results in a renewable requirement of 1,128,776 kWh, of which 790,143 kWh is the grid-tied requirement and the remaining 338,633 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 \$66,108.31 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 with the ability to transact at MWE transmission access points.

Incentives programs for 2013 will remain the same as 2012 and be maintained at the 2012 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 2012 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 2012. 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:

Renewable Energy Source	kWh
Renewable Energy Credits purchased from TEP	500,000 ¹

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 TEP	500,000

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

Renewable Energy Source	kW
	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:

Renewable Energy Source	Cents/kWh	Cents/kW
Renewable Energy Credits purchased from TEP		

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
Landfill Gas	500,000	0

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

¹ MWE purchased 1,000,000 Renewable Energy Credits from TEP and subsequently sold 500,000 Renewable Energy Credits to Ajo Improvement Company.

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 foreseeable future. MWE will continue to aggressively market the distributed renewable energy program to its customers.