

EXCEPTION

OPEN MEETING AGENDA ITEM



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ORIGINAL

BEFORE THE ARIZONA CORPORATION COMMISSION

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Arizona Corporation Commission

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ARIZONA CORPORATION COMMISSION
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COMMISSIONERS

KRISTIN K. MAYES, Chairman

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SANDRA D. KENNEDY

BOB STUMP

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IN THE MATTER OF THE NOTICE OF
PROPOSED RULEMAKING REGARDING
ELECTRIC ENERGY EFFICIENCY RULES.

) DOCKET NO. RE-00000C-09-0427

) **MORENCI WATER & ELECTRIC
COMPANY'S EXCEPTIONS**

The Morenci Water & Electric Company ("MWE") hereby submits exceptions to the proposed rulemaking on electric energy efficiency rules docketed December 4, 2009. MWE's significant concerns about the rules and how those rules would apply to its unique circumstances remain.

MWE's load profile is well documented. More than 98 percent of its load is mining load due to its sales to Freeport McMoRan Morenci, Inc. ("FMI Morenci") and Freeport McMoRan Safford, Inc ("FMI Safford"). FMI Morenci and FMI Safford already have every incentive to be as energy efficient as possible. This is because electricity represents a major cost input to mining operations.

Imposing the energy efficiency standards on MWE for its mining load creates an untenable situation. To the extent that MWE is entitled to recover the costs for its energy efficiency efforts for the mines, those costs could be enormous. There is simply not much opportunity for FMI Morenci and FMI Safford to reduce energy consumption beyond what they are already doing. Further, if new cost-effective measures become available to further reduce consumption, it is already in the mines' own best interest to do so. Even so, FMI Morenci and FMI Safford must consume a significant amount of energy in order to operate both now and for the foreseeable future. In short, MWE may not be able to meet the proposed electric energy efficiency standards if mining operations within its

1 service territory are to continue – if the standards contained within the rules apply to the MWE’s
2 entire load.

3 Further, the draft electric energy efficiency rules will likely impose significant administrative
4 requirements onto affected utilities. MWE has a very small administrative staff and limited resources
5 – and it currently lacks the staffing levels and expertise to provide much of the information that
6 would be required in these rules. To acquire the staff and expertise would likely result in substantial
7 increased administrative costs that eventually would be incurred by the ratepayer. Many customers in
8 MWE’s service territory are lower-income customers and/or do not own their own property. It is
9 questionable how much benefit is achieved by imposing these significant requirements on a utility
10 with approximately 2,300 total customers in relation to the costs that MWE would likely incur.

11 MWE reiterates that it understands Commission’s desire to promote energy efficiency.
12 MWE is not disputing that energy efficiency can and likely will provide benefits, including lower
13 costs, less need for additional electricity infrastructure and environmental benefits. MWE’s point is
14 that its large industrial customers already have every incentive to reduce energy consumption. In
15 addition, the proposed electric energy efficiency rules would impose a substantial burden on an
16 electric utility with a small administrative staff and limited resources.

17 As a result of its unique circumstances, MWE requests that the proposed electric energy
18 efficiency contain a waiver provision – similar to what is provided in the Renewable Energy
19 Standard Tariff Rules at A.A.C. R14-2-1816 – be included as part of these rules. This would allow
20 the Commission to recognize MWE’s unique customer and load profile and allows MWE to develop
21 a cost-effective DSM program that it could implement for its non-mining customers. Specifically,
22 MWE respectfully requests that the following waiver provision be added to the rules as A.A.C. R14-
23 2-2418:

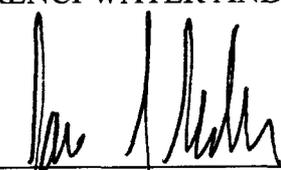
24 **Waiver from the Provisions of this Article**

- 25 A. The Commission may waive compliance with any provision of this Article for
26 good cause.
- 27 B. The Affected Utility may petition the Commission to waive its compliance
with any provision of the Article for good cause.

1 C. A petition filed pursuant to these rules shall have priority over other matters
2 filed at the Commission.
3 At a minimum, MWE believes it should be allowed the opportunity to demonstrate good cause as to
4 why a waiver is appropriate.

5 Wherefore, MWE requests that the Commission amend the draft rules as requested herein.

6 RESPECTFULLY SUBMITTED this 11th day of December, 2009.

7 MORENCI WATER AND ELECTRIC COMPANY
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9
10 By 
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17 Original and thirteen copies of the foregoing
18 filed this 11th day of December 2009, with:

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23 Copy of the foregoing hand-delivered
24 this 11th day of December, 2009, to:

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