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OPEN MEETING

ORIGINAL

MEMORANDUM

Arizona Corporation Commission

DOCKETED

JAN 24 2014

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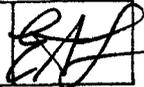
2014 JAN 24 A 9 47

ARIZONA CORPORATION COMMISSION
DOCKET CONTROL

TO: THE COMMISSION

FROM: Utilities Division

DATE: January 24, 2014

DOCKETED BY 

RE: MORENCI WATER AND ELECTRIC COMPANY – APPLICATION FOR APPROVAL OF ITS 2014-2015 ENERGY EFFICIENCY IMPLEMENTATION PLAN AND REQUEST FOR PARTIAL WAIVERS (DOCKET NO. E-01049A-13-0160)

On May 31, 2013, Morenci Water and Electric Company (“Morenci” or “Company”) filed its proposed 2014-2015 Energy Efficiency Implementation Plan (“EE Plan”) in compliance with the Arizona Administrative Code (“A.A.C.”) Electric Energy Efficiency Standards R14-2-2401 through R14-2-2419 (“EE Rules”). Morenci’s previous EE Plan was approved for 2012-2013 in Decision No. 73090 (April 5, 2012).

In addition to its proposed 2014-2015 EE Plan, Morenci has also requested to continue partial waivers to exclude: 1) the energy sales to Freeport-McMoRan Copper & Gold, Inc. mining sites (at both Morenci and Safford) from the calculation of the Energy Efficiency Standard specified in A.A.C. R14-2-2404; and 2) Morenci from the EE Rules standards for the remaining non-mining load. Decision No. 73090 had approved these waivers.

EE Plan Overview

Morenci is proposing to continue all its 2012-2013 EE programs at current budget levels for its 2014-2015 Implementation Plan. During the last year, Morenci has worked to implement these EE programs, although it has had some difficulties that have caused delays, as discussed later in this document. Morenci’s proposed Implementation Plan includes:

- Compact Fluorescent Lamp (“CFL”) Program.
- Appliance Recycling Program.
- Low Income Weatherization (“LIW”) Program.
- Education & Outreach Program.

The Company also proposes to maintain the same rates used for its Energy Efficiency Adjustor Mechanism (“EEAM”) that the Commission approved for cost recovery during 2012-2013.

CFL Program

Morenci’s CFL program is intended to increase use and expand the availability of energy efficient CFLs in its service territory. In Decision No. 73090, Staff calculated this program’s Benefit/Cost (“B/C”) ratio as 2.64. Initially, Morenci intended to distribute CFLs through retailers, although it now reports that it was unable to find retailers willing to participate. In its

current implementation plan, Morenci proposes using a giveaway distribution method as an alternative.

Appliance Recycling Program

Morenci's appliance recycling program is intended to encourage the removal of old or second inefficient refrigerators and freezers. Staff has previously calculated this program's B/C ratio as 2.28. In its previous plan, Morenci planned to use a contractor to perform this service, although it has struggled to find one that could provide pick up and recycling in its service territory. However, Morenci reports that as of May 1, 2013, it has secured a Phoenix-based recycling provider and the program is underway.

LIW Program

Morenci's LIW program is designed to help low-income customers reduce energy consumption with residential weatherization measures. The program is administered through the Southeastern Arizona Community Action Program ("SEACAP"). SEACAP representatives consult with eligible homeowners and provide weatherization services, which are in turn funded by Morenci. Decision No. 73090 directed Morenci to pursue the LIW program instead of its proposed Refrigerator Replacement Program, a program that involved Morenci purchasing new Energy Star refrigerators for qualifying customers, which Staff had found to be not cost-effective.

Education and Outreach Program

Morenci's education and outreach program is designed to communicate the benefits of energy efficiency to customers. The program provides informational material to residential and commercial customers, in addition to an energy usage education program for schools in Morenci's service territory.

Current Commission Direction

During the Open Meeting held June 11, 2013, the Commission directed that a generic docket be opened to address DSM and EE (Docket No. E-00000XX-13-0214) in the State of Arizona. Recent Commission decisions for the DSM/EE Plans of various utilities have approved only continuation of existing programs and declined to approve new programs or additions to existing programs.

Because of these recent Commission decisions, Staff recommends similar treatment for Morenci Water and Electric's 2014-2015 EE Plan. That is, only existing programs will be recommended for approval and with no budget increase from the level approved in 2012.

Measurement and Verification

Morenci's 2014-2015 EE Plan includes programs that have either only recently been fully implemented or are in the process of being phased in. To ensure that the programs included in its proposed EE Plan are meeting the projected goals and objectives after having been fully implemented, Morenci intends to monitor and evaluate each of the programs. Morenci's

measurement and verification will include the following methods, although it is not limited to those described below:

- CFL Program: Morenci will track the number of CFLs distributed and estimate kWh savings per bulb. Using these data, Morenci will aggregate savings and other benefits.
- Appliance Recycling Program: Morenci will track the number of appliances recycled, and if possible track the specifications of those appliances. Using these data, it will aggregate savings and other benefits.
- LIW Program: Morenci is working with SEACAP to implement its LIW Program. Through SEACAP, Morenci will collect the data needed to track the program's progress, including number of homes weatherized and measures used to reduce energy consumption. As with its other programs, Morenci will aggregate savings and other program benefits.
- Education and Outreach Program: Morenci will pursue customer feedback as to the program's effectiveness in influencing enhanced energy efficiency.

If the Company finds any Commission-approved program or measure is no longer cost-effective, the Company should file, in this docket, a letter stating that the program or measure will be discontinued.

Energy Efficiency Adjustor Mechanism

Morenci seeks no change in its EEAM rates. The EEAM was approved in Decision No. 73737 on February 20, 2013. The EEAM allows Morenci to recover the costs associated with the implementation of its EE programs, and is designed to do so during the same year funds are expended. MWE has proposed to roll over any funds not expended to subsequent years. Morenci also requests the rates and charges for the EEAM remain in effect for the two years its EE plan is effective.

Morenci currently recovers a monthly assessment from mining operations at both Safford and Morenci, even though the two sites' energy sales are presently waived in calculating EE requirements. Morenci also would continue its existing EEAM rate for residential and non-mining non-residential customers.

As part of Decision No. 73737, Morenci is required to maintain a bank balance for EE funds, and report that balance in every EE Implementation Plan it files. As of the date of its filing, Morenci reports this amount as \$21,781.40.

In summary, Morenci would like to maintain the rates below:

- \$0.000245 per kWh per month for residential and non-mining, non-residential customers.
- \$650 per month from mining operations at each mining site.

The table below outlines the estimated amounts to be collected for EE implementation in 2014-2015 based on the proposed rates.

Rate Class	Proposed Rate	Average Use	Estimated Monthly Total	Estimated Annual Total	Percentage Breakdown
Residential	\$0.000245 per kWh	604 kWh	\$311.35 (\$0.148 x 2,104 customers)	\$3,736.20	16.19%
Non-Residential	\$0.000245 per kWh	4,723 kWh	\$312.04 (\$1.16 x 269 customers)	\$3,744.48	16.22%
Mining Operations	\$650 monthly from each	N/A	\$1,300.00 (\$650 x 2 customers)	\$15,600.00	67.59%
Total				\$23,080.68	100%

A summary of the budget, by program, can be seen in the table below along with Staff's recommendation on the budget for 2014-2015. Staff's budget is based, as stated earlier, on recent Commission decisions to maintain the status quo on current programs.

MORENCI WATER AND ELECTRIC
2014-2015 EE PLAN BUDGET

	<u>Current Budget</u>	<u>MWE Proposed Annual Budget</u>	<u>Staff Proposed Annual Budget</u>
	<u>2013</u>	<u>2014-15</u>	<u>2014-15</u>
CFL Program	\$3,800	\$3,800	\$3,800
Appliance Recycling Program	\$1,750	\$1,750	\$1,750
Low Income Weatherization Program	\$16,500	\$16,500	\$16,500
Education and Outreach	\$1,050	\$1,050	\$1,050
Total Operating Cost	\$23,100	\$23,100	\$23,100

Recommendations

As stated earlier, the Commission determined there was a need for further discussion to more fully explore the various options that could better analyze energy efficiency. As a result, Docket No. E-00000XX-13-0214 was opened to examine the current EE Standards and Rules while maintaining the status quo on existing programs. Given this determination, Staff recommends that Morenci continue with its EE programs at its currently approved budget.

Given the effort to maintain the current programs and budget levels and taking into consideration that Morenci has only begun to implement these programs, Staff agrees with Morenci's proposal to keep the EEAM rate at its current level, as well as maintaining the current assessment for each respective mining operation.

In addition, Staff recommends that Morenci's 2014-2015 EE Plan as specified herein remain in effect until further order of the Commission. Further, as the unique circumstances in

THE COMMISSION

January 24, 2014

Page 5

Morenci's service territory have not changed subsequent to its previous Implementation Plan, Staff recommends that the proposed waivers for the exclusion of mining and non-mining load from the EE rules be approved.



Steven M. Olea
Director
Utilities Division

SMO:EAH:sms\WVC

ORIGINATOR: Eric Hill

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BEFORE THE ARIZONA CORPORATION COMMISSION

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

IN THE MATTER OF MORENCI WATER
AND ELECTRIC COMPANY'S
APPLICATION FOR APPROVAL OF ITS
2014-2015 ENERGY EFFICIENCY
IMPLEMENTATION PLAN AND
REQUEST FOR PARTIAL WAIVERS

DOCKET NO. E-01049A-13-0160
DECISION NO. _____
ORDER

Open Meeting
February 6 and 7, 2014
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. On May 31, 2013, Morenci Water and Electric Company ("Morenci" or "Company") filed its proposed 2014-2015 Energy Efficiency Implementation Plan ("EE Plan") in compliance with the Arizona Administrative Code ("A.A.C.") Electric Energy Efficiency Standards R14-2-2401 through R14-2-2419 ("EE Rules"). Morenci's previous EE Plan was approved for 2012-2013 in Decision No. 73090 (April 5, 2012).

2. In addition to its proposed 2014-2015 EE Plan, Morenci has also requested to continue partial waivers to exclude: 1) the energy sales to Freeport-McMoRan Copper & Gold, Inc. mining sites (at both Morenci and Safford) from the calculation of the Energy Efficiency Standard specified in A.A.C. R14-2-2404; and 2) Morenci from the EE Rules standards for the remaining non-mining load. Decision No. 73090 had approved these waivers.

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3 levels for its 2014-2015 Implementation Plan. During the last year, Morenci has worked to
4 implement these EE programs, although it has had some difficulties that have caused delays, as
5 discussed later in this document. Morenci's proposed Implementation Plan includes:

- 6 • Compact Fluorescent Lamp ("CFL") Program.
7 • Appliance Recycling Program.
8 • Low Income Weatherization ("LIW") Program.
9 • Education & Outreach Program.

10 4. The Company also proposes to maintain the same rates used for its Energy
11 Efficiency Adjustor Mechanism ("EEAM") that the Commission approved for cost recovery
12 during 2012-2013.

13 **CFL Program**

14 5. Morenci's CFL program is intended to increase use and expand the availability of
15 energy efficient CFLs in its service territory. In Decision No. 73090, Staff calculated this
16 program's Benefit/Cost ("B/C") ratio as 2.64. Initially, Morenci intended to distribute CFLs
17 through retailers, although it now reports that it was unable to find retailers willing to participate.
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19 alternative.

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MORENCI WATER AND ELECTRIC
2014-2015 EE PLAN BUDGET

	<u>Current Budget</u>	<u>MWE Proposed Annual Budget</u>	<u>Staff Proposed Annual Budget</u>
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Recommendations

18. As stated earlier, the Commission determined there was a need for further discussion to more fully explore the various options that could better analyze energy efficiency. As a result, Docket No. E-00000XX-13-0214 was opened to examine the current EE Standards and Rules while maintaining the status quo on existing programs. Given this determination, Staff has recommended that Morenci continue with its EE programs at its currently approved budget.

19. Given the effort to maintain the current programs and budget levels and taking into consideration that Morenci has only begun to implement these programs, Staff agrees with Morenci's proposal to keep the EEAM rate at its current level, as well as maintaining the current assessment for each respective mining operation.

20. In addition, Staff has recommended that Morenci's 2014-2015 EE Plan as specified herein remain in effect until further order of the Commission. Further, as the unique circumstances in Morenci's service territory have not changed subsequent to its previous Implementation Plan, Staff has recommended that the proposed waivers for the exclusion of mining and non-mining load from the EE rules be approved.

CONCLUSIONS OF LAW

1. Morenci Water and Electric Company is an Arizona public service corporation within the meaning of Article XV, Section 2, of the Arizona Constitution.

2. The Commission has jurisdiction over Morenci and over the subject matter of the application.

...

1 IT IS FURTHER ORDERED that Morenci Water and Electric Company's 2014-2015
2 Energy Efficiency Implementation Plan as specified herein shall remain in effect until further
3 order of the Commission.

4 IT IS FURTHER ORDERED that waivers for the exclusion of mining and non-mining load
5 from the EE rules are hereby approved.

6 IT IS FURTHER ORDERED that this Decision shall become effective immediately.

7
8 **BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION**

9
10 _____
11 CHAIRMAN

COMMISSIONER

12
13 _____
14 COMMISSIONER

COMMISSIONER

COMMISSIONER

15 IN WITNESS WHEREOF, I, JODI JERICH, Executive
16 Director of the Arizona Corporation Commission, have
17 hereunto, set my hand and caused the official seal of this
18 Commission to be affixed at the Capitol, in the City of
19 Phoenix, this _____ day of _____, 2014.

20 _____
21 JODI JERICH
22 EXECUTIVE DIRECTOR

23 DISSENT: _____

24 DISSENT: _____

25 SMO:EAH:sms\WVC

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1 SERVICE LIST FOR: MORENCI WATER AND ELECTRIC COMPANY
2 DOCKET NO. E-01049A-13-0160

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4 Roshka DeWulf & Patten, PLC
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9 Director, Utilities Division
10 Arizona Corporation Commission
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13 Ms. Janice M. Alward
14 Chief Counsel, Legal Division
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