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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

Arizona Corporation Commission  
**DOCKETED**  
FEB 26 2014  
DOCKETED BY *nr*

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. 74368  
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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### EE Plan Overview

3. 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.

4. 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**

5. 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**

6. 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.

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**LIW Program**

7. 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**

8. 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

9. 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.

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

Measurement and Verification

11. 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

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

- 3 • CFL Program: Morenci will track the number of CFLs distributed and estimate kWh  
4 savings per bulb. Using these data, Morenci will aggregate savings and other benefits.  
5
- 6 • Appliance Recycling Program: Morenci will track the number of appliances recycled,  
7 and if possible track the specifications of those appliances. Using these data, it will  
8 aggregate savings and other benefits.  
9
- 10 • LIW Program: Morenci is working with SEACAP to implement its LIW Program.  
11 Through SEACAP, Morenci will collect the data needed to track the program's  
12 progress, including number of homes weatherized and measures used to reduce energy  
13 consumption. As with its other programs, Morenci will aggregate savings and other  
14 program benefits.  
15
- 16 • Education and Outreach Program: Morenci will pursue customer feedback as to the  
17 program's effectiveness in influencing enhanced energy efficiency.  
18

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

#### 22 Energy Efficiency Adjustor Mechanism

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

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

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

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

- 9 • \$0.000245 per kWh per month for residential and non-mining non-residential  
 10 customers.
- 11 • \$650 per month from mining operations at each mining site.

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

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

21  
 22 17. A summary of the budget, by program, can be seen in the table below along with  
 23 Staff's recommendation on the budget for 2014-2015. Staff's budget is based, as stated earlier, on  
 24 recent Commission decisions to maintain the status quo on current programs.

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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>
	<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

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.

Annual Demand-Side Management (DSM) Progress Reports

21. We find that it is in the public interest to require Morenci to include in its Annual DSM Progress Reports, beginning with the report filed in March 2014, a chart that lists all Commission-approved programs and measures, the Commission-approved budgeted expenditures by program, the actual annual expenditures by program, the planned cost effectiveness ratio per measure (last calculated by Staff), and the actual cost effectiveness ratio per measure (using the

1 Staff-approved method with all criteria updated with the most recent data available). In addition,  
2 the Annual DSM Progress Reports shall include data on program annual kWh savings and lifetime  
3 kWh savings (plan and actual data), plus program cost-effectiveness test benefits, costs, and net  
4 benefits (plan and actual data).

5 Re-calculation of the EE Plan's Measures' Cost-Effectiveness for Purposes of a Possible Early  
6 Reset of the Energy Efficiency Adjustor Mechanism (EEAM) Rate

7 22. We find that it is important and in the public interest to ensure that only EE  
8 measures that are truly cost effective continue to be funded. Because Morenci's Plan's measures'  
9 cost effectiveness have not been recently re-calculated, we find it reasonable and necessary to  
10 direct Staff to review and re-calculate the cost effectiveness of all the measures included in the EE  
11 Plan. To ensure consistent consideration of all available EE measures, Staff should also review and  
12 calculate the cost-effectiveness of any new proposed EE measures. By June 27, 2014, Staff shall  
13 file a report on its review of the measures, and include recommendations based on its re-  
14 calculations for possible early reset of the EEAM rate. Interested parties and stakeholders shall  
15 file any comments on the Staff report and recommendations within 30 days of Staff filing its report  
16 and recommendations.

17 23. We find the EEAM rate approved herein interim and subject to possible early reset  
18 upon further Commission consideration of the Staff report and comments concerning the re-  
19 calculation of the cost effectiveness of the EE Plan's measures.

20 CONCLUSIONS OF LAW

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

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

25 3. The Commission, having reviewed the filing and Staff's Memorandum dated  
26 January 24, 2014, concludes that it is in the public interest to approve Morenci Water and Electric  
27 Company's proposed 2014-2015 Energy Efficiency Implementation Plan.

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ORDER

IT IS THEREFORE ORDERED that Morenci Water and Electric Company's 2014-2015 Energy Efficiency Implementation Plan is approved as discussed herein.

IT IS FURTHER ORDERED that Morenci Water and Electric Company shall continue with its energy efficiency programs at its currently approved budget and Energy Efficiency Adjustor Mechanism rates.

IT IS FURTHER ORDERED that Morenci Water and Electric Company shall include in its Annual DSM Progress Reports, beginning with the report filed in March 2014, a chart that lists all Commission-approved programs and measures, the Commission-approved budgeted expenditures by program, the actual annual expenditures by program, the planned cost effectiveness ratio per measure (last calculated by Staff), and the actual cost effectiveness ratio per measure (using the Staff-approved method with all criteria updated with the most recent data available). In addition, the Annual DSM Progress Reports shall include data on program annual kWh savings and lifetime kWh savings (plan and actual data), plus program cost-effectiveness test benefits, costs, and net benefits (plan and actual data).

IT IS FURTHER ORDERED that Staff shall re-calculate the cost effectiveness of all of Morenci Water and Electric Company's EE Plan's measures, review and calculate the cost-effectiveness of any new EE measures and file a report and recommendations by June 27, 2014. Interested parties and stakeholders shall file any comments on the Staff report and recommendations within thirty (30) days of Staff filing its report and recommendations.

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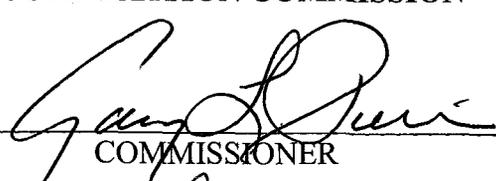
1 IT IS FURTHER ORDERED that Morenci Water and Electric Company's 2014-2015  
2 Energy Efficiency Implementation Plan as specified herein shall remain in effect until further  
3 order of the Commission.

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**

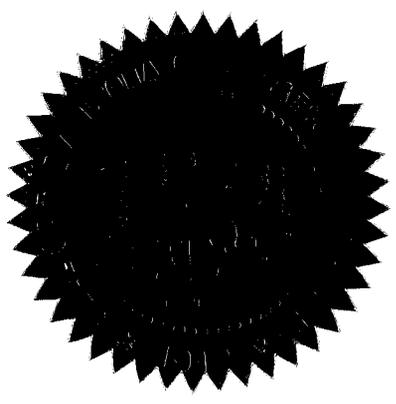
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11 CHAIRMAN

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11 COMMISSIONER

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16 IN WITNESS WHEREOF, I, JODI JERICH, Executive  
17 Director of the Arizona Corporation Commission, have  
18 hereunto, set my hand and caused the official seal of this  
19 Commission to be affixed at the Capitol, in the City of  
20 Phoenix, this 26th day of February, 2014.

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21   
22 JODI JERICH  
23 EXECUTIVE DIRECTOR

23 DISSENT: \_\_\_\_\_

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25 DISSENT: \_\_\_\_\_

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27 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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