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BEFORE THE ARIZONA CORPORATION COMMISSION
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IN THE MATTER OF ELECTRIC ENERGY)
EFFICIENCY STANDARDS REPORTS FOR 2015)

DOCKET NO. E-00000U-15-0053

NOTICE OF FILING
DEMAND-SIDE MANAGEMENT
PROGRESS REPORT

Morenci Water and Electric Company ("MWE") submits its Demand-Side Management Progress Report as required by A.A.C. R14-2-2409(A) for the 2014 calendar year.

RESPECTFULLY SUBMITTED this 26th day of February, 2015.

MORENCI WATER AND ELECTRIC COMPANY

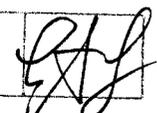
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Original and thirteen copies of the foregoing filed this 26th day of February 2015, with:

Docket Control
ARIZONA CORPORATION COMMISSION
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Phoenix, Arizona 85007

Arizona Corporation Commission
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FEB 26 2015

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1 Copy of the foregoing hand-delivered
this 26th day of February, 2015, to:

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Morenci Water and Electric Company

Energy Efficiency Standard Compliance Report

Compliance Year 2014

Morenci Water and Electric Company (“MWE”) submits its Demand-Side Management (“DSM”) Progress Report for the 2014 calendar year – as required by A.A.C. R14-2-2409(A). MWE launched its three DSM programs in May 2013, and those programs continued to be in effect through 2014. Notably, MWE has a small administrative staff and limited resources to implement the particular programs in a cost-effective manner. So unlike other utilities with personnel dedicated exclusively to implementing Energy Efficiency (“EE”) and DSM programs and measures, MWE personnel have several responsibilities in addition to implementing MWE’s DSM programs.

MWE will continue to make best efforts to encourage customer participation in the programs so that the maximum amount of savings can be achieved within MWE’s service territory.

Compact fluorescent lamp (“CFL”) Program

In 2014, MWE provided 1,250 CFLs to 250 customers. MWE’s program is in accordance with its approved plan. MWE determined that it would be cost-effective to implement a CFL giveaway program by purchasing the CFL’s and distributing them to customers at the MWE office with a handout that explains the savings. The total cost of the program was \$3,914.73 in 2014. MWE, to the best of its ability, has included the cost-effectiveness of the CFL program to date in the accompanying spreadsheet. The cost-benefit information is current through December 2014.

Appliance Recycling Program

As explained in its 2013 Compliance Report, MWE was able to find a contractor based out of Phoenix willing to pick up appliances in MWE’s service territory – with the assistance from the Southeastern Arizona Community Action Program (“SEACAP”). MWE secured the contractor in May 2013, and notified customers through a bill insert. Should a customer or customers participate in the program, MWE intends to monitor when appliances are to be picked up, the number of appliances that are recycled, as well as to obtain the specifications on the new and old appliances, through its contractor.

Since that time, and through December 2014, no customers have participated in the program. Thus, MWE has not incurred any specific program cost for the program. Therefore, there is no cost-benefit analysis done for this program.

Low-Income Weatherization (“LIW”) Program

As explained in its 2013 Compliance Report, MWE secured the assistance of SEACAP to implement this program in May 2013. Since that time, and through December 2014, there has been no customer participation in the program. Thus, MWE has not incurred any specific program cost for the program. Because there has been no customer participation and no specific costs incurred, there is no cost-benefit analysis done for this program.

Education & Outreach Program

MWE does not have a separate marketing department. It inserted a bill stuffer into customer bills in 2014. There was no cost to MWE for the bill stuffer.

Morenci Water & Electric
A.A.C. R14-2-2409.B
Status Report

Table 1
DSM Summary of Participation and Expenses Compared to Budget: January - December 2014

DSM Program	Participants	# Measures	Expenses YTD	2014 Budget
Efficient Products (CFL's)	250	1250	3,914.73	3,800
Refrigerator Recycle Program	0	0	0	1,750
Low Income Weatherization	0	NA	0	16,500
Education & Outreach Program	0	0	0	1,050
Total			\$3,914.73	\$23,100

***CFL Program**

Program cost (for 2014) = (total program cost - financial incentives)/# of units
 *Used incremental measure cost from MWE CFL Prc *kWh saved=savings from 2013 divided by # of units (15.444/234)
 *kW saved =savings from 2013 divided by # of units (7.25/234 *life of DSM came from Energystar.gov average life
 *incremental measure cos \$4.16 *program cost (\$3,914.73/1250)= \$3.13
 *real esc rate of O&M gen comes from EIA data for natural gas prices for electric use-average of the rate of change over the lifetime of the measure

year DSM installed	2014	year gen copy added w/o DSM	2020 TEP Loads Resources	PV of DSM savings
base year	2013	life of gen copy (yrs) (>15 yrs)	40 Staff standard	PV of DSM costs
life of DSM (years)	7	cap cost of copy (base yr \$)/kW	\$ 1,139.00	\$684
Number of units of DSM	1	fixed O&M cost (base yr \$)/kW/yr	\$689+\$450	\$23.66
capital cost of DSM \$/unit (base yr \$)	\$7.29	Unit Cost of Purchase Power \$/kW/yr	0 already in cap cost	
annual incremental O&M costs of DSM	0	Escalation rate for purchase power \$/	0.041642 annual 2012 Not tailored	number of units
real escalation rate for DSM O&M	0	inflation rate	0.00757 EIA (Mountain region) 20-year escalation	benefit-cost ratio
kW saved (per unit)	0.0309	real discount rate	0 Staff does not estimate	4.46
kWh savings per year (per unit)	33.95	nominal discount rate	0.0657 After tax cost of capital	
			0.0657 real discount rate plus inflation	

year	n	kw saved	kWh saved	DSM cap cost nom \$	DSM O & M nom \$	PV fraction	avoided PP cost nom \$	copy cost no dsm nom \$	copy cost with DSM nom \$	fixed O&M no dsm nom \$	fixed O&M with DSM nom \$	PV DSM costs	PV avoided or defrd gen costs
2013	0	0	0	\$0	\$0	1.000000	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
2014	1	0.0309	33.95	\$7	\$0	0.938350	\$1.42	\$0.00	\$0.00	\$0.00	\$0.00	\$6.84	\$1.34
2015	2	0.0309	33.95	\$0	\$0	0.880501	\$1.44	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$1.26
2016	3	0.0309	33.95	\$0	\$0	0.826219	\$1.45	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$1.19
2017	4	0.0309	33.95	\$0	\$0	0.775283	\$1.46	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$1.13
2018	5	0.0309	33.95	\$0	\$0	0.727487	\$1.47	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$1.07
2019	6	0.0309	33.95	\$0	\$0	0.682638	\$1.48	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$1.01
2020	7	0.0309	33.95	\$0	\$0	0.640553	\$1.49	\$35.20	\$0.00	\$0.00	\$0.00	\$0.00	\$23.50