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**BEFORE THE ARIZONA CORPORATION COMMISSION**

SUSAN BITTER SMITH  
Chairman  
BOB STUMP  
Commissioner  
BOB BURNS  
Commissioner  
DOUG LITTLE  
Commissioner  
TOM FORESE  
Commissioner

IN THE MATTER OF THE APPLICATION  
OF MORENCI WATER AND ELECTRIC  
COMPANY-ELECTRIC DIVISION- FOR  
APPROVAL OF ITS 2016-2017 ENERGY  
EFFICIENCY IMPLEMENTATION PLAN  
AND REQUEST FOR PARTIAL WAIVERS

DOCKET NO. E-01049A-15-0167  
DECISION NO. 75349  
ORDER

Arizona Corporation Commission  
**DOCKETED**

DEC 17 2015

DOCKETED BY *AK*

Open Meeting  
December 8 and 9, 2015  
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. Morenci Water and Electric Company ("Morenci" or "Company") is certificated to provide electricity as a public service corporation in the State of Arizona.
2. On May 28, 2015, Morenci filed its proposed 2016-2017 Energy Efficiency Implementation Plan ("EE Plan") in compliance with the Arizona Administrative Code Electric Energy Efficiency Standards § R14-2-2401 through § R14-2-2419 ("EE Rules"). Morenci's previous EE Plan was approved for 2014-2015 in Decision No. 74368 dated February 26, 2014.
3. In addition to its proposed 2016-2017 EE Plan, Morenci has also requested to continue partial waivers to exclude at least through 2017: 1) the energy sales (mining load) to Freeport-McMoRan Copper & Gold, Inc. mining sites (at both Morenci and Safford) from the calculation of the Energy Efficiency Standard specified in Arizona Administrative Code ("A.A.C.") § R14-2-2404; and 2) Morenci from the EE Rules standards for the remaining non-mining load. Decision Nos. 73090 and 74368 previously approved these waivers.

1           3.       Finally, Morenci requests that the Arizona Corporation Commission (“Commission”)  
2 approve maintaining its current Energy Efficiency Adjustor Mechanism (“EEAM”) rates and charges.

3 **EE Plan Overview**

4           4.       Morenci is proposing to continue all of its 2014-2015 EE programs for its 2016-2017  
5 Implementation Plan. Morenci’s proposed EE Plan includes:

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

10           5.       The Company proposes to maintain the same rates used for its EEAM that the  
11 Commission approved for cost recovery in Decision No. 74368, except to reduce the set surcharge for  
12 mining operations from \$650 to \$600 per month.

13 *CFL Program*

14           6.       Morenci’s CFL program is intended to increase use and expand the availability of  
15 energy efficient CFLs in its service territory. Staff calculated this program’s Benefit/Cost (“B/C”)  
16 ratio as 2.69. Morenci will continue to purchase and distribute CFLs to customers from its office and  
17 at events within its service territory and provide information about the benefits and safe and proper  
18 disposal of CFLs. During the 2014 timeframe, Morenci gave out 1,250 CFLs at a cost of \$3,914.73.  
19 As of July 31, 2015, Morenci has distributed 990 CFLs at a cost of \$3,907.12.

20           7.       Recently, other Arizona electric utilities such as Tucson Electric Power have included  
21 offering residential light-emitted diode (“LED”) lamps as part of their EE plan as LED technology  
22 represents the most efficient lamp technology currently available. As the Morenci CFL Program  
23 appears to be successful, Staff suggests Morenci take the opportunity to begin exploring the  
24 incorporation of offering LED lamps to customers in a cost-efficient manner.

25 *Appliance Recycling Program*

26           8.       Morenci’s appliance recycling program is intended to encourage the removal of old or  
27 second inefficient refrigerators and freezers to reduce energy consumption and keep inefficient  
28 appliances out of the used market. Staff calculated this program’s B/C ratio as 3.30. In its previous

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Decision No. \_\_\_\_\_

1 plan, Morenci reported that as of May 1, 2013, it had secured a Phoenix-based contractor to perform  
2 pick-up and disposal service. However, this contractor subsequently determined it would not be cost-  
3 effective for it to perform this service in Morenci's territory. Instead, Morenci has now set up a  
4 process with Morenci Mine to handle the pick-up, storage and disposal of appliances. As of July 31,  
5 2015, no customers have used this program and Morenci has incurred no costs for this program.

6 *LIW Program*

7 9. Morenci's LIW program is designed to help low-income customers reduce energy  
8 consumption with residential weatherization measures. The program is administered through the  
9 Southeastern Arizona Community Action Program ("SEACAP"). SEACAP representatives consult  
10 with eligible homeowners and provide weatherization services, which are in turn funded by Morenci.  
11 SEACAP receives no "up front" funding from Morenci and would only receive funds after the  
12 completion of weatherization work. Morenci informs its customers about the LIW program as well as  
13 providing information about SEACAP. Currently, no customers have used this program, and  
14 Morenci has incurred no costs for this program. After lowering Morenci's proposed per unit cost  
15 from \$3,000.00 to \$2,250.00, Staff calculated this program's B/C ratio as 0.96. Staff believes that the  
16 LIW program would reach a B/C ratio of 1.0 if environmental benefits were monetized.

17 10. Despite the lack of customer participation, Staff believes it is in the public interest for  
18 Morenci to maintain this program in case an applicant in Morenci's service territory qualifies. But  
19 because of the lack of customer participation, Staff contacted a representative from the Arizona  
20 Community Action Association who offered the following suggestions Morenci could explore and/or  
21 possibly adopt in order to stimulate participation:

- 22 • Reach out to Southwest Gas Corporation to partner efforts to identify  
23 potential eligible customers.
- 24 • Support weatherization without United States Department of Energy  
25 Weatherization Assistance Program money. This would allow customers  
26 whose homes were weatherized after September 30, 1994, to receive assistance.  
27 Work with SEACAP to combine Morenci, Southwest Gas Corporation and  
28 Utility Repair, Replacement and Deposit funds.

- 1                   •     Work with Morenci Mine, the landlord for the town of Morenci, to find  
2                   eligible residents in company housing. A family of four would qualify with an  
3                   income of \$48,500 per year. As a landlord, Morenci Mine might know the age  
4                   and quality of the housing stock as well as tenants' energy bills, and thus be  
5                   able to connect high-usage customers with weatherization services.
- 6                   •     Work closely with faith communities and nonprofits in the area that would  
7                   likely know of families in need of weatherization such as Saints Philip & James  
8                   Episcopal Church in Morenci, the American Legion post in Clifton and the  
9                   Clifton/Morenci Food Bank.

10     *Education and Outreach Program*

11           11.     Morenci's education and outreach program is designed to communicate the benefits of  
12     energy efficiency and the availability of its EE programs to customers. The program provides  
13     informational material to residential and commercial customers, in addition to an energy usage  
14     education program for schools in Morenci's service territory. Morenci makes educational materials  
15     available at its office as well as providing a bill insert.

16     **Measurement and Verification**

17           12.     Morenci's 2016-2017 EE Plan includes programs that have been fully implemented.  
18     To ensure that the programs included in its proposed EE Plan are meeting the projected goals and  
19     objectives, Morenci will continue to monitor and evaluate each of the programs. Morenci's  
20     measurement and verification includes the following methods, although it is not limited to those  
21     described below:

- 22                   •     CFL Program: Morenci will track the number of CFLs and estimated kWh  
23                   savings per lamp type distributed. Using these data, Morenci will aggregate  
24                   savings, benefits and costs.
- 25                   •     Appliance Recycling Program: Morenci will track the number of appliances  
26                   recycled, and if possible track the specifications of those appliances and those  
27                   of the units replacing the recycled units. Using these data, it will aggregate  
28                   savings and other benefits.

- 1           •     LIW Program: Morenci will work with SEACAP to collect the necessary data  
2                   to track the effectiveness of this program. This includes the number of homes  
3                   weatherized and measures used to reduce energy consumption. As with its  
4                   other programs, Morenci will aggregate savings, benefits and costs.
- 5           •     Education and Outreach Program: Morenci will pursue customer feedback as  
6                   to the program's effectiveness in influencing enhanced energy efficiency.  
7                   Morenci will also solicit feedback from schools as to the effectiveness of the  
8                   educational materials.

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

#### 12   **Energy Efficiency Adjustor Mechanism**

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

18           15.    Morenci seeks no change in its residential and non-residential EEAM rates. Morenci  
19           currently recovers a monthly assessment from mining operations at both Safford and Morenci, even  
20           though the two sites' energy sales are presently waived in calculating EE requirements. Morenci  
21           proposes lowering the mining operations surcharge from \$650 per month to \$600 per month.

22           16.    As part of Decision No. 73737, Morenci is required to maintain a bank balance for EE  
23           funds, and report that balance in every EE Implementation Plan it files. As of April 30, 2015,  
24           Morenci reports this amount as \$64,299.12.

25           17.    In summary, Morenci would like to use the rates below:

- 26           •     \$0.000245 per kWh per month for residential and non-mining non-residential  
27                   customers.
- 28           •     \$600 per month from mining operations at each mining site.

18. The table below outlines the estimated amounts to be collected for EE implementation in 2016-2017 based on the proposed rates.

Table 1

## Morenci's Proposed Adjustor Rates

Rate Class	Proposed Rate	Average Use	Estimated Monthly Total	Estimated Annual Total	Percentage Breakdown
Residential	\$0.000245 per kWh	604 kWh	\$348.64 (\$0.148 x 2,356 customers)	\$4,183.69	18.17%
Non-Residential	\$0.000245 per kWh	4,723 kWh	\$370.28 (\$1.16 x 320 customers)	\$4,443.40	19.30%
Mining Operations	\$600 monthly from each	N/A	\$1,200.00 (\$600 x 2 customers)	\$14,400.00	62.53%
Total				\$23,027.09	100%

19. A summary of the budget, by program, can be seen in the table below along with Staff's recommendation on the budget for 2016-2017. Based on past experience, Morenci has lowered the budget slightly for the Education and Outreach program and slightly increased the budget for the CFL program. Based on Morenci anticipating approximately five (5) customers annually in its service territory can benefit from the LIW program at a cost of \$3,000 per customer, Morenci has lowered the budget for this program accordingly. However, as mentioned previously, Staff's calculations using Morenci's proposed \$3,000 cost per customer for the LIW program found the LIW program non-cost effective. Therefore, Staff proposes lowering the budget for this program even further to \$2,250 per customer.

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Table 2  
MORENCI WATER AND ELECTRIC  
2016-2017 EE PLAN BUDGET

	<u>Morenci Current Annual Budget</u>	<u>Morenci Proposed Annual Budget</u>	<u>Staff Proposed Annual Budget</u>
	<u>2014-15</u>	<u>2016-17</u>	<u>2016-17</u>
CFL Program	\$3,800	\$3,950	\$3,950
Appliance Recycling Program	\$1,750	\$1,750	\$1,750
Low Income Weatherization Program	\$16,500	\$15,500	\$11,250
Education and Outreach	\$1,050	\$500	\$500
Total Operating Cost	\$23,100	\$21,700	\$17,450

### 9 Recommendations

10 20. Staff has recommended that Morenci continue with its EE programs at Staff's  
11 proposed budget.

12 21. Also, given that Morenci reports a bank balance as of April 30, 2015 of \$64,299.12—  
13 approximately three (3) years of funding for the EE programs at Morenci's proposed budget of  
14 \$21,700 or 3.7 years at Staff's proposed budget—and indicates as of yet no participation in the  
15 Appliance Recycling and LIW programs—Staff has recommended lowering the EEAM rates to zero.

Table 3  
Staff's Proposed Adjustor Rates

Rate Class	Proposed Rate	Average Use	Estimated Monthly Total	Estimated Annual Total
Residential	\$0.00 per kWh	604 kWh	\$0.00	\$0.00
Non-Residential	\$0.00 per kWh	4,723 kWh	\$0.00	\$0.00
Mining Operations	\$0.00 monthly from each	N/A	\$0.00	\$0.00
Total			\$0.00	\$0.00

25 22. In addition, Staff has recommended Morenci's 2016-2017 EE Plan as specified herein  
26 remain in effect until Morenci's EE fund bank balance reaches the Staff proposed budget amount of  
27 \$17,450. Upon reaching this balance, Staff has recommended Morenci file with the Commission an  
28 application to reset the EEAM rate. As the time it may take for Morenci to reach the proposed bank

1 balance may exceed two years, Staff has recommended Morenci be granted a waiver of A.A.C. § R14-  
2 2-2405.A., which requires an affected utility to file its implementation plan at least every two years.

3 23. Further, as the unique circumstances in Morenci's service territory have not changed  
4 subsequent to its previous Implementation Plan, Staff has recommended that the proposed waivers  
5 for the exclusion of mining load from the calculation of the Energy Efficiency Standard and Morenci  
6 from the EE rules standards for the remaining non-mining load be approved.

7 24. Finally, Staff has further recommended Morenci file, as a compliance item in this  
8 docket, a revised Energy Efficiency Surcharge Schedule consistent with the Decision in this case  
9 within fifteen (15) days of the effective date of the Decision.

#### 10 CONCLUSIONS OF LAW

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

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

15 3. The Commission, having reviewed the filing and Staff's Memorandum dated  
16 November 24, 2015, concludes that it is in the public interest to approve Morenci Water and Electric  
17 Company's 2015-2016 Energy Efficiency Implementation Plan as proposed and discussed herein.

#### 18 ORDER

19 IT IS THEREFORE ORDERED that Morenci Water and Electric Company's 2016-2017  
20 Energy Efficiency Implementation Plan is approved as discussed herein.

21 IT IS FURTHER ORDERED that Morenci Water and Electric Company shall continue with  
22 its energy efficiency programs using the Staff-recommended budget and Energy Efficiency Adjustor  
23 Mechanism rates.

24 IT IS FURTHER ORDERED that Morenci Water and Electric Company's 2016-2017 Energy  
25 Efficiency Implementation Plan as specified herein shall remain in effect until Morenci's Energy  
26 Efficiency fund bank balance reaches the Staff budget amount of \$17,450.

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1 IT IS FURTHER ORDERED that upon reaching an Energy Efficiency Fund bank balance of  
2 \$17,450, Morenci Water and Electric Company shall file with the Commission an application to reset  
3 the Energy Efficiency Adjustor Mechanism rate.

4 IT IS FURTHER ORDERED that Morenci Water and Electric Company file, as a  
5 compliance item in this docket, a revised Energy Efficiency Surcharge Schedule consistent with the  
6 Decision in this case within fifteen (15) days of the effective date of the Decision.

7 IT IS FURTHER ORDERED that Morenci Water and Electric Company be granted a waiver  
8 of A.A.C. § R14-2-2405.A., which requires an affected utility to file its implementation plan at least  
9 every two years.

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1 IT IS FURTHER ORDERED that waivers for the exclusion of mining load from the  
2 calculation of the Energy Efficiency Standard and Morenci from the Energy Efficiency rules standards  
3 for the remaining non-mining load are hereby approved.

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

6 BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION

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CHAIRMAN

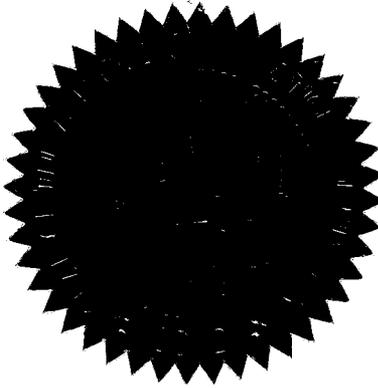
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COMMISSIONER

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10 **EXCUSED**  
COMM. STUMP

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13 IN WITNESS WHEREOF, I, JODI JERICH, Executive  
14 Director of the Arizona Corporation Commission, have  
15 hereunto, set my hand and caused the official seal of this  
16 Commission to be affixed at the Capitol, in the City of  
17 Phoenix, this 17th day of December, 2015.

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JODI JERICH  
EXECUTIVE DIRECTOR

20 DISSENT: \_\_\_\_\_

21 DISSENT: \_\_\_\_\_

23 TMB:MAC:red\RWG

1 SERVICE LIST FOR: MORENCI WATER AND ELECTRIC COMPANY  
2 DOCKET NO. E-01049A-15-0167

3 Mr. Jason D. Gellman  
4 Snell & Willmer, LLP  
5 One Arizona Center  
6 400 East Van Buren Street, Suite 1900  
7 Phoenix, Arizona 85004

8 Mr. Thomas M. Broderick  
9 Director, Utilities Division  
10 Arizona Corporation Commission  
11 1200 West Washington Street  
12 Phoenix, Arizona 85007

13 Ms. Janice M. Alward  
14 Chief Counsel, Legal Division  
15 Arizona Corporation Commission  
16 1200 West Washington Street  
17 Phoenix, Arizona 85007

18 Mr. Dwight Nodes  
19 Chief Administrative Law Judge  
20 Hearing Division  
21 Arizona Corporation Commission  
22 1200 West Washington Street  
23 Phoenix, Arizona 85007

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25  
26  
27  
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