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Date: October 29, 2012

Subject: Office of Consumer Services' Recommendation on the Application of Rocky Mountain Power for Approval of an Electric Service Agreement between Rocky Mountain Power and Kennecott Utah Copper LLC.  
Docket No. 12-035-94

REDACTED

1 Background

On September 14, 2012, Rocky Mountain Power (Company) filed for Public Service Commission (Commission) approval of a two-year Electric Service Agreement (2013 ESA or contract) between the Company and Kennecott Utah Copper LLC (Kennecott). The Company currently provides both back-up and supplemental electric service to Kennecott under an ESA that expires on December 31, 2012. The new ESA would begin on January 1, 2013 and end on December 31, 2014. The Company deems the contract to be confidential in its entirety. A hearing on the matter is scheduled for November 29, 2012.

2 Contract Overview

Kennecott Load

Under the new two-year ESA the Company will continue to provide back-up and supplemental electric service to Kennecott during the term of the 2013 ESA. Kennecott's [Begin Confidential]

[Redacted]

[Redacted]

[End Confidential]

Kennecott Pricing

[Begin Confidential]

[Redacted]

[End Confidential]

The current ESA includes a rate adjustment mechanism (scaler) which is applied to the Schedule 9 energy rates to provide Kennecott with a potential energy discount. The 2013 ESA removes the scaler and makes Kennecott subject to Schedule 9 energy rates without adjustment. The scaler was intended to be a one year, short use mechanism while the design issues of the Company's EBA were being determined. The Office views the removal of the scaler adjustment as an improvement over the current ESA.

The 2013 ESA requires that if the Commission approves any change in rates [Begin Confidential]

[Redacted]

[End Confidential]

Balancing Accounts

The Office has previously asserted that special contract customers should be allocated their share of costs associated with items such as the energy balancing account (EBA), solar incentive program<sup>1</sup> and demand side management (DSM) surcharge. [Begin Confidential] [REDACTED] [End Confidential].<sup>2</sup> [End Confidential] The current ESA provides Kennecott the opportunity to pay its share of [Begin Confidential] [REDACTED] [End Confidential]. The purpose is to allow Kennecott to avoid paying interest on monthly surcharges resulting from [Begin Confidential] [REDACTED] [End Confidential]. In comments filed November 7, 2011 regarding the current Kennecott ESA the Office asserted that there needed to be a reconciliation process to ensure that [Begin Confidential] [REDACTED] [End Confidential] was the appropriate amount. The 2013 ESA does not contain a [Begin Confidential] [REDACTED] [End Confidential] therefore our concern with a reconciliation process is eliminated.

The Parties agree that Kennecott will be subject to [Begin Confidential] [REDACTED] [End Confidential].<sup>3</sup>[End Confidential] The Office continues to maintain that special contract customers should be subject to [Begin Confidential] [REDACTED] [End Confidential]

Section 4.9 of the ESA reads: Schedule [Begin Confidential] [REDACTED] [End Confidential]

4 Conclusion

[Begin Confidential] [REDACTED] [End Confidential] Further, the 2013 ESA continues the requirement that [Begin Confidential] [REDACTED] [End Confidential]

<sup>1</sup> [Begin Confidential] [REDACTED] [End Confidential]  
<sup>2</sup> [Begin Confidential] [REDACTED] [End Confidential]

<sup>3</sup> ESA Section 4.6, page 5.

[End Confidential] However, it is unclear if Kennecott would be subject to a [Begin Confidential] [REDACTED] [End Confidential] It is the Office's view that the 2013 Kennecott ESA is an improvement over the current ESA however, without modifying [Begin Confidential] [REDACTED] [End Confidential] the Office does not believe the ESA can result in just and reasonable rates.

## 5 Recommendation

The Office recommends that the Commission order that the parties make a minor revision to the contract clarifying that Kennecott would be subject to a [Begin Confidential] [REDACTED] [End Confidential] Once that change is in place, the Office supports approval of the 2013 Kennecott ESA.