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Division of Public Utilities

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MEMORANDUM

REDACTED

To: Utah Public Service Commission

From: Division of Public Utilities

Chris Parker, Director
Artie Powell, Manager, Energy Section
Doug Wheelwright, Technical Consultant
Justin Christensen, Utility Analyst
Charles Peterson, Technical Consultant

Subject: In the Matter of Rocky Mountain Power Application for Approval of an Electric Service Agreement between Rocky Mountain Power and Kennecott Utah Copper LLC, Docket No. 14-035-117.

Date: October 30, 2014

RECOMMENDATION: (Approve)

The Division recommends that the Commission approve the Electric Service Agreement between PacifiCorp and Kennecott Utah Copper LLC.

BACKGROUND

In an Application dated September 8, 2014 Rocky Mountain Power (RMP, or Company), a division of PacifiCorp, filed for approval of an Electric Service Agreement (ESA) with Kennecott Utah Copper, LLC (Kennecott). The effective date of this agreement is January 1,

2015 and will replace an existing contract that will expire on December 31, 2014. Unlike recent agreements which were effective for one or two years, this ESA will continue for 23 months to November 30, 2016.

The Commission issued Scheduling Order on September 18, 2014 directing that comments were due on October 31, 2014. This memorandum, outlining the Division's investigation and conclusions, is in response to the Commission's Order.

ANALYSIS

The proposed contract between PacifiCorp and Kennecott outlines the terms, pricing, and conditions under which PacifiCorp would continue to provide backup, maintenance, and supplementary power to the Kennecott facilities. The ESA is more specifically tied to Electric Service Schedules 9 (large industrial users) and 31 (back-up power) than it has been previously; for example, this ESA [REDACTED]

The ESA appears to make Kennecott subject to other tariff riders and rate adjustments that affect Schedule 9 and 31 customers such as the Company's Energy Balancing Account (EBA) and Schedule 98 (Renewable Energy Credits).¹

Kennecott has entered into this contract to receive back-up, maintenance, and supplementary power from RMP. Back-up and maintenance is set at a maximum of [REDACTED]

[REDACTED] The terms and pricing are based upon RMP's Schedules 9 and 31. Continuing what was new in the expiring

¹ See ESA Section 4, pages 4-6 and Exhibit 1.

agreement, the ESA has a commitment for [REDACTED]
[REDACTED] Other changes to this ESA versus
prior years appear to be relatively minor.

The Division notes that the ESA with Kennecott creates benefits for RMP and its customers generally by the fact that Kennecott usually supplies its own power during the peak summer months, which effectively means that RMP does not incur the costs to acquire what otherwise would be a significant amount of additional peak power. During the relatively low load months of November through February when Kennecott does not operate its coal plant, RMP can supply power relatively easily to Kennecott.

CONCLUSIONS AND RECOMMENDATIONS

Based upon the above outlined analysis, the Division recommends Commission approval of the proposed contract between Kennecott and Rocky Mountain Power. Kennecott's ESA contract has moved it much closer to full Schedule 9 and 31 pricing compared to where it was six years ago, to the benefit of the Company and other ratepayers. The incremental improvement in the pricing structure toward Schedule 9 and 31 pricing terms is consistent with the principle of gradualism as recognized by the Division. In conclusion, the contract terms and pricing appear to be just, reasonable, and in the public interest.

CC: Paul Clements, PacifiCorp
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