- BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH -

Application of Rocky Mountain Power for Approval of the Power Purchase Agreement between PacifiCorp and Kennecott Utah Copper LLC – Refinery	DOCKET NO. 18-035-41
Application of Rocky Mountain Power for Approval of the Power Purchase Agreement between PacifiCorp and Kennecott Utah Copper LLC – Smelter	DOCKET NO. 18-035-42 ORDER APPROVING QUALIFYING FACILITY POWER PURCHASE AGREEMENTS

ISSUED: December 14, 2018

SYNOPSIS

The PSC approves two qualifying facility power purchase agreements between PacifiCorp and Kennecott Utah Copper LLC.

BACKGROUND AND PROCEDURAL HISTORY

On October 26, 2018, PacifiCorp filed applications (Applications) with the Public Service Commission of Utah (PSC) for approval of two qualifying facility power purchase agreements (PPAs) between PacifiCorp and Kennecott Utah Copper LLC (Kennecott) concerning Kennecott's Refinery (Refinery PPA) in Docket No. 18-035-41, and Kennecott's Smelter (Smelter PPA) in Docket No. 18-035-42 (collectively, PPA Dockets). The PPAs each provide for the sale of net-electric energy for a period of 12 months, beginning January 1, 2019, and PacifiCorp represents that the facilities are qualifying facilities (QFs) as defined in 18 C.F.R. Part 292 of the Public Utility Regulatory Policies Act of 1978 (PURPA). Accordingly, PacifiCorp seeks PSC approval of the PPAs consistent with the pricing methodology for QFs under Rocky Mountain Power Electric Service Schedule No. 38 – Qualifying Facility Procedures (Schedule 38) as authorized by the PSC in Docket Nos. 03-035-14 and 12-035-100.[1]

On November 7, 2018, the PSC held a scheduling conference and on November 8, 2018, issued a Scheduling Order and Notice of Hearing (Scheduling Order) in the PPA Dockets. Pursuant to the PSC's Scheduling Order, the Division of Public Utilities (DPU) filed comments on December 5, 2018, recommending the PSC approve the PPAs. The DPU also recommends that in future PPA filings, PacifiCorp provide GRID outputs and spreadsheets supporting the PPA price calculations and spreadsheets showing avoided line loss calculations, with all spreadsheet formulae intact. Additionally, the DPU recommends that PacifiCorp continue to provide, at least quarterly, hourly power purchased so that the DPU can continue to monitor the PPAs. Regarding the Refinery, the DPU determined that its actual generation capacity, as currently configured, is slightly lower than the plant's nameplate capacity rating stated in the Refinery PPA; the DPU recommends that PacifiCorp identify this distinction in future PPA filings.

On December 11, 2018, PacifiCorp filed reply comments in which it agreed to continue to provide, concurrent with future PPA filings: 1) supporting GRID outputs and spreadsheets in the requested format, and 2) at least quarterly, a report of hourly power purchased. In addition, PacifiCorp agreed to the DPU's recommendation to identify the actual generation capacity of the Refinery plant in future filings.

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[1] *See In the Matter of the Application of PacifiCorp for Approval of an IRP-Based Avoided Cost Methodology for QF Projects Larger than One Megawatt*, Docket No. 03-035-14; and *In the Matter of the Application of Rocky Mountain Power for Approval of Changes to Renewable Avoided Cost Methodology for Qualifying Facilities Projects Larger than Three Megawatts*, Docket No. 12-035-100.

On December 13, 2018, the PSC's designated presiding officer held a hearing to consider the Applications. At the hearing, PacifiCorp and the DPU provided testimony supporting PSC approval of the PPAs. The evidence supporting the Applications is uncontested and is briefly summarized below.

DISCUSSION, FINDINGS AND CONCLUSIONS

A. The PPAs

1. The Kennecott Refinery PPA

Kennecott owns, operates, and maintains a waste-heat-fired steam cogeneration facility for the generation of electric power near Magna, Utah. The facility is operated as a QF with a nameplate capacity rating of 7.54 MW and expected average monthly output of about 5.4 MW. All interconnection requirements have been met and the facility is fully integrated with PacifiCorp's system.

Under the Refinery PPA, Kennecott has the option, but not the obligation, to sell to PacifiCorp all of Kennecott Refinery's QF net output. While Kennecott is not permitted to sell any portion of the output to parties other than PacifiCorp, Kennecott may offset its own retail load before selling any excess power under the Refinery PPA.

2. The Kennecott Smelter PPA

Kennecott also owns, operates, and maintains a waste-heat-fired steam cogeneration facility for the generation of electric power located at its Magna, Utah smelter. The facility is operated as a QF with a nameplate capacity rating of 31.8 MW and expected average monthly output of approximately 18.5 MW. All interconnection requirements have been met and the facility is fully integrated with PacifiCorp's system.

Under the Smelter PPA, Kennecott has the option, but not the obligation, to deliver to PacifiCorp all of the net electric power output generated by the Kennecott Smelter QF. Kennecott may offset its own retail load before selling any excess power to PacifiCorp, but it may not sell any portion of its net output to other parties.

B. Parties' Positions

1. PacifiCorp

PacifiCorp represents in the Applications that it is a "purchasing utility" pursuant to Utah Code Ann. § 54-12-1, and, as such, is obligated to purchase power from QFs under PURPA, Utah Code Ann. § 54-12-1 and PSC orders. PacifiCorp also represents it calculated the purchase prices set forth in the PPAs using the PSC's approved method for calculating Schedule 38 prices.

At hearing, PacifiCorp testified that the PPAs are compliant with relevant PSC orders on avoided cost and with Schedule 38. Additionally, PacifiCorp testified the PPAs are in the public interest and recommended PSC approval of them.

2. The DPU

At hearing, the DPU testified that PacifiCorp's reply comments satisfy the concerns identified in the DPU's December 5, 2018 written comments. Based on its review of the PPAs, the DPU testified that PacifiCorp appears to have correctly applied the pricing method the PSC approved in Docket Nos. 03-035-14 and 12-035-100. According to the DPU's testimony, the

PPAs are just, reasonable, and in the public interest; thus, the DPU recommended PSC approval of them.

No one testified in opposition of the Applications.

C. Findings and Conclusions

Based on the current regulatory framework in place as established by PURPA, Utah law, prior PSC orders, and PacifiCorp's tariff, the PSC reviews the PPAs to assure PacifiCorp has properly administered its tariff in dealings with Kennecott and, in particular, that PacifiCorp has properly determined pricing for the PPAs based on the appropriate PSC-approved methodology.

Based on our review of the Applications, the PPAs, the comments filed in the dockets, and the testimony provided at hearing, and the lack of opposition to the Applications, we find the prices, terms and conditions of the PPAs are consistent with the applicable state laws, relevant PSC orders, and Schedule 38. We conclude that approval of the Applications constituting the PPAs is just and reasonable, and in the public interest.

ORDER

Pursuant to the foregoing discussion, findings and conclusions, we order:

1. PacifiCorp's Application in Docket No. 18-035-41 is approved. The Refinery PPA between PacifiCorp and Kennecott is approved.
2. PacifiCorp's Application in Docket No. 18-035-42 is approved. The Smelter PPA between PacifiCorp and Kennecott is approved.
3. As with past practice, PacifiCorp shall provide in its applications GRID outputs and spreadsheets supporting the derivation of PPA prices and avoided line loss

calculations, with all spreadsheet formulae intact. Likewise, PacifiCorp shall provide to the DPU, at least quarterly, data reflecting the hourly power purchased under the Refinery and Smelter PPAs to allow the DPU to monitor contract performance.

4. In future PPA filings involving Kennecott's Refinery, PacifiCorp shall identify the actual generation capacity of the Refinery plant based on the plant's current configuration at the time of filing.

DATED at Salt Lake City, Utah, December 14, 2018.

/s/ Melanie A. Reif
Presiding Officer

Approved and Confirmed December 14, 2018, as the Order of the Public Service Commission of Utah.

/s/ Thad LeVar, Chair

/s/ David R. Clark, Commissioner

/s/ Jordan A. White, Commissioner

Attest:

/s/ Gary L. Widerburg
PSC Secretary
DW#305842

Notice of Opportunity for Agency Review or Rehearing

Pursuant to §§ 63G-4-301 and 54-7-15 of the Utah Code, an aggrieved party may request agency review or rehearing of this written Order by filing a written request with the PSC within 30 days after the issuance of this Order. Responses to a request for agency review or rehearing must be filed within 15 days of the filing of the request for review or rehearing. If the PSC does not grant a request for review or rehearing within 20 days after the filing of the request, it is deemed denied. Judicial review of the PSC's final agency action may be obtained by filing a petition for review with the Utah Supreme Court within 30 days after final agency action. Any petition for review must comply with the requirements of §§ 63G-4-401 and 63G-4-403 of the Utah Code and Utah Rules of Appellate Procedure.

CERTIFICATE OF SERVICE

I CERTIFY that on December 14, 2018, a true and correct copy of the foregoing was served upon the following as indicated below:

By Electronic-Mail:

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