

1 **EXPLANATION OF CERTAIN CONTRACT ISSUES RELATED TO THE**  
2 **MASTER ELECTRIC SERVICE AGREEMENT BETWEEN ROCKY**  
3 **MOUNTAIN POWER AND PRAXAIR, INC. DATED OCTOBER 18, 2010**

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5 **Background**

6 On October 18, 2010 the Company filed a petition for approval of a one year Electric  
7 Service Agreement (“Agreement”) between Rocky Mountain Power and Praxair, Inc  
8 (“Praxair”). On October 27, 2010, the Company filed a revised Agreement in which  
9 certain changes were made to Sections 4.1 and 5.1 of the Agreement to clarify the  
10 timetable under which future changes in the rates included in the Agreement would be  
11 implemented.

12 **Purpose of this Explanatory Memorandum**

13 The Company desires to address two issues related to the Agreement: 1) the rationale  
14 behind entering into a special contract with Praxair and 2) the rationale behind the 45 day  
15 interval in implementation of future rate changes in the Agreement.

16 **Analysis: Special Contract**

17 The Company has historically entered into a special contract with Praxair under which it  
18 provides retail electric service to Praxair under terms and conditions similar to those in  
19 Utah Schedule No. 9. These Praxair special contracts have been approved by the Utah  
20 Public Service Commission (“Commission”) as just and reasonable in past proceedings.  
21 To the Company’s knowledge, the Commission has not provided definitive rules  
22 establishing which customers qualify for retail special contracts. The Company typically  
23 does not seek or allow retail special contracts unless the customer has specific

1 characteristics that require unique treatment in a negotiated contract. Praxair is a supplier  
2 of gas products that is located adjacent to Kennecott Utah Copper, LLC (“Kennecott”).  
3 Kennecott is the largest off-taker of product from Praxair’s facility. Furthermore,  
4 Kennecott could physically supply Praxair’s electrical needs from Kennecott generation  
5 facilities with relative ease. Due to Praxair’s unique relationship to Kennecott, Praxair,  
6 like Kennecott, has been considered a special contract customer of the Company. While  
7 Praxair’s contract is considered a “special contract”, the initial rates in the Praxair  
8 contract are identical to the rates they would receive under the Utah Schedule No. 9 tariff.

9 **Analysis: 45 Day Interval in Rate Implementation**

10 In its Order dated December 10, 2009 in Docket No. 09-035-101, the Commission  
11 approved the 2010 Electric Service Agreement between the Company and Praxair. In  
12 that Order, the Commission ordered the following:

13 *“The Company and Praxair shall ensure that for future ESAs, the interval*  
14 *between the approved changes in the pricing terms of the Schedule 9, and the*  
15 *changes in the pricing terms of future ESAs shall be no more than 90 days*  
16 *apart.”<sup>1</sup>*

17 The Company negotiated an agreement with Praxair in which the interval between the  
18 approved changes in the pricing terms of Schedule 9 and the changes in the pricing terms  
19 of the Agreement is 45 days. This is compliant with the Commission Order referenced  
20 above since the 45 day interval is less than the 90 day interval considered in that Order.  
21 Since prior Praxair agreements have included up to a 365 day interval, the Company and  
22 Praxair agreed that a 45 day interval was a just and reasonable interval for this one year  
23 agreement in that it allows Praxair some gradualism in this change yet it is still  
24 compliant, and indeed a shorter interval, than that ordered by the Commission.

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<sup>1</sup> December 10, 2009 Commission Order in Docket No. 09-035-101, page 3.