



Salt Lake City, Utah 84116  
December 10, 2015

1407 W. North Temple

***VIA ELECTRONIC FILING  
AND HAND DELIVERY***

Public Service Commission of Utah  
Heber M. Wells Building, 4<sup>th</sup> Floor  
160 East 300 South  
Salt Lake City, UT 84114

Attention: Gary Widerburg  
Commission Secretary

RE: In the Matter of the Application of Rocky Mountain Power for Approval of Electric Service Agreement Between PacifiCorp and Nucor Corporation – Docket No. 15-035-81

In accordance with the Scheduling Order issued by the Public Service Commission of Utah (the “Commission”) on November 10, 2015, Rocky Mountain Power submits the following reply comments in response to the comments filed by the Utah Division of Public Utilities (“DPU”) and the Utah Office of Consumer Services (“OCS”).

**REPLY COMMENTS RELATED TO THE BASE RATE PRICING TERMS**

The DPU states on page 4 of its comments and shows in DPU Exhibit 1 that the pricing included in the proposed Nucor Electric Service Agreement (“ESA” or “Agreement”) makes additional improvements in bringing Nucor’s pricing in-line with other large industrial customers. The DPU recommends the Commission approve the ESA as just and reasonable.

The OCS asserts there is no analysis regarding the rates and charges contained in the ESA and states its view that Nucor’s cost of service study is an important element for determining appropriate rates and charges for Nucor. In the “Final Comments” section of its comments, the OCS contends the Company should continue to try to bring Nucor’s rates in-line with its cost of service. The OCS states it is unable to recommend the Commission approve the ESA because it believes adequate evidence has not been provided.

The Company agrees with the DPU that the rates in the proposed ESA make additional improvements in bringing Nucor’s rate in-line with other large industrial customers. The Company reviewed Nucor’s cost of service study from the 2014 Utah general rate case and used the study results as a reference when negotiating the rates and charges in the proposed ESA. The final rates and charges in the ESA are a result of negotiation between Nucor and the Company and bring Nucor closer to the cost of service study results from the last Utah general rate case. DPU Exhibit 1 illustrates the improvement made relative to the starting point for the existing

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contract. The Company disagrees that it has not provided adequate evidence and recommends the Commission approve the rates and charges in the proposed ESA.

### **REPLY COMMENTS RELATED TO THE CURTAILMENT CREDIT**

The DPU states the amount proposed for the curtailment credit continues to approximate the value to customers of PacifiCorp's curtailment rights (the full terms and conditions of curtailment are found in Appendix B to the ESA). The OCS asserts that it would be appropriate for the Company to conduct a study before entering into additional curtailment contracts. The Company was unsure if the OCS was referring to this proposed Nucor ESA or future contracts (with Nucor and or other interruptible customers) in regards to the study.

Nucor's curtailment credit is currently [REDACTED]. The basis for this credit amount was established via negotiation in 2006 for inclusion in a seven-year contract that started in 2007. The credit established at that time was based upon negotiations with Nucor and was supported by PacifiCorp's front office model evaluation of Nucor's 130 curtailment hours. The credit for 2007 was set at [REDACTED] month based on the negotiations with Nucor at that time.

[REDACTED]. This occurred during the course of the seven-year contract that started in 2007 and continued for the two-year contract that started in 2013 (both were approved by the Commission).

The curtailment credit in the new contract is again the outcome of a negotiation between Nucor and the Company. [REDACTED]

As part of the negotiations, Nucor offered and desired to increase the amount of curtailment that it allowed in order to reduce its net rate. Nucor offered to increase the curtailment hours [REDACTED]

This was a negotiated settlement.

As described above, the Company performed an analysis of the curtailment credit to be included in the proposed Nucor ESA and determined the curtailment credit is just and reasonable.

### **REPLY COMMENTS RELATED TO THE CONDITIONS SUGGESTED BY THE OCS AND DPU**

Both the DPU and the OCS include suggested conditions in their recommendations. The DPU recommends the following three conditions continue to be applied to the ESA:

1. Cost of service studies including Nucor will be provided by PacifiCorp as part of any general rate case or surcharge proceeding filed during the term of this Agreement.
2. The Division recommends that the Commission in its Order specify that the interruption and curtailment feature of the Agreement is a system resource and will be allocated as such.
3. PacifiCorp will file with the Commission, with copies to the Division and the Committee of Consumer Services, any future amendments to the Agreement, including but not limited to amendments to the exhibits and appendices.

The Company does not oppose the conditions recommended by the DPU.

The OCS recommends that if the Commission approves the proposed ESA the following conditions must be applied in order to meet the public interest standard.

1. Nucor must be subject to Schedule 91 Surcharge to Fund Low Income Residential Lifeline Program; and
2. It must be clarified that Nucor is subject to any new surcharge approved by the Commission concurrent with other customers.

The Company does not oppose the conditions recommended by the OCS.

Very Truly Yours,

Jeffrey K. Larsen  
Vice President, Regulation  
Rocky Mountain Power

CC: DPU  
OCS  
Nucor