



GARY R. HERBERT
Governor

SPENCER J. COX
Lieutenant Governor

State of Utah
DEPARTMENT OF COMMERCE
Office of Consumer Services

MICHELE BECK
Director

REDACTED

To: Public Service Commission of Utah

From: Office of Consumer Services
Michele Beck, Director
Cheryl Murray, Utility Analyst

Copies to: Rocky Mountain Power
Jana Saba
Daniel Solander

Division of Public Utilities
Chris Parker, Director
Artie Powell, Energy Section Manager

Nucor-Plymouth Bar Division
Peter Mattheis
Eric Lacey
Jeremy Cook

Date: February 26, 2018

Subject: Application of Rocky Mountain Power for Approval of Electric Service Agreement
Between PacifiCorp and Nucor-Plymouth Bar Division – Docket 17-035-72

1. Background

On October 30, 2017, Rocky Mountain Power (Company) filed with the Public Service Commission of Utah (Commission) a Stipulation and Settlement Agreement regarding the Company's request for an extension of the existing Electric Service Agreement (ESA) with Nucor-Plymouth Bar (Nucor) through March 31, 2018. Barring an extension the ESA would expire on December 31, 2017. Stipulating parties included the Company, the Office of Consumer Services (Office) and the Division of Public Utilities (Division). The stipulating parties agreed to keep the current terms and conditions of the Nucor ESA in effect through March 31, 2018, unless the Commission approves a new ESA prior to that date. PacifiCorp agreed to file a new ESA before January 1, 2018. On November 15, 2017, the Commission issued an Order Approving Stipulation.

On December 29, 2017, the Company filed an Application requesting approval of an ESA between PacifiCorp and Nucor (Parties). The term of the ESA begins on April 1, 2018, and expires on December 31, 2019, with two automatic one-year extensions through the end of 2020 and 2021, unless either Party gives 180 days' notice to terminate. The Application was filed as a public document although the ESA is designated as confidential.

2. General Comments about Process for Requests for ESA approval

Timing of Request

The Office agreed to the aforementioned Stipulation in an effort to avoid a situation where uncertainties and disagreements about pricing for Nucor arise when there is a lapse between an existing ESA and approval of a new ESA. This extension was also to allow the Division and Office time to evaluate a new ESA rather than be required to expedite the schedule to meet the expiration date. The Division and Office have repeatedly commented that expedited schedules do not afford adequate time to evaluate and examine special contracts. The Office again asserts that the responsibility for avoiding a lapse between an expiring ESA and the request for a new ESA rests with the contracting parties. Extensions and/or expedited schedules should be rare exceptions rather than the normal process they are becoming.

Filing Deficiency

The Office's concerns with this filing are similar to those expressed regarding the request for approval for the current ESA. The Company provides no explanation or rationale for its determination to provide service to Nucor through an ESA rather than Schedule 9.¹ The Office continues to believe that this lack of explanation is a filing deficiency. Basic justification should be required with any request for special rates.

3. Discussion of ESA Terms

ESA Rates and Charges

The rates Nucor will pay for full requirements service are unchanged from its current ESA, which means that Nucor rates [BEGIN CONFIDENTIAL] [REDACTED]. [END CONFIDENTIAL].

The Company's last general rate case filed in 2013 (Docket No. 13-035-184) resulted in a two-step rate increase which also applied to Nucor.² In addition, a term in the current ESA required

¹ The Application does indicate that Nucor will provide PacifiCorp with certain interruptible products, however no reason is given for not entering into a separate interruptible contract.

² The rate increases for Nucor were [BEGIN CONFIDENTIAL] [REDACTED] s. [END CONFIDENTIAL]

Potential Changes to Nucor Rates, Charges and Curtailment Credit During the Term of the ESA

The ESA provides the potential for changes to the rates Nucor pays and the curtailment credit it receives.

Article V describes potential changes to the Curtailment Credit. [BEGIN CONFIDENTIAL]

[REDACTED]

[END CONFIDENTIAL]

Article VI of the ESA provides that [BEGIN CONFIDENTIAL]

[REDACTED]

[END CONFIDENTIAL]

That being said the Office supports the timing of potential changes as being necessary to the public interest.

Surcharges

The proposed ESA states that Nucor is subject to the Energy Balancing Account (EBA), REC Balancing Account (RBA), Surcharge to Fund Low Income Residential Lifeline Program, and the Sustainable Transportation and Energy Plan (STEP) Cost Adjustment Pilot Program⁵. Nucor will also be subject to any new surcharge rates if so ordered by the Commission. [BEGIN CONFIDENTIAL]

[REDACTED]

[END CONFIDENTIAL]

Article V. C. describes the process for modifying surcharge rates. [BEGIN CONFIDENTIAL]

[REDACTED]

⁵ No. 5 of the Application states "...and Solar Incentive Surcharge (collected through Utah Tariff Schedule 136)." The Office notes that the correct tariff number should be 196. The ESA does include the correct tariff number.

