

- BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH -

Application of Rocky Mountain Power for Approval of Electric Service Agreement between PacifiCorp and Nucor-Plymouth Bar Division, a Division of Nucor Corporation	<p style="text-align: center;"><u>DOCKET NO. 17-035-72</u></p> <p style="text-align: center;"><u>ORDER APPROVING ELECTRIC SERVICE AGREEMENT</u></p>
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ISSUED: March 23, 2018

The Public Service Commission (“PSC”) approves the electric service agreement between PacifiCorp dba Rocky Mountain Power (“PacifiCorp”) and Nucor Steel-Utah, a Division of Nucor Corporation (“Nucor”).

**PROCEDURAL HISTORY**

On December 29, 2017, PacifiCorp filed an application (“Application”) for approval of a confidential electric service agreement (“ESA”) between PacifiCorp and Nucor. Under the ESA, PacifiCorp will provide Nucor with electric power and energy and Nucor will provide PacifiCorp with certain interruptible products.

On January 16, 2018, the PSC held a scheduling conference and on January 17, 2018, issued a scheduling order and notice of hearing (“Scheduling Order”). Pursuant to the Scheduling Order, the Division of Public Utilities (“DPU”) and the Office of Consumer Services (“OCS”) filed comments on the Application on February 26, 2018. No party filed reply comments.

On March 14, 2018, the PSC’s designated presiding officer conducted a hearing to consider the Application. At hearing, PacifiCorp provided testimony recommending PSC approval of the Application. The DPU also provided testimony recommending approval of the Application and the OCS testified it did not object to the approval. The evidence supporting the Application is briefly summarized below.

**DISCUSSION, FINDINGS AND CONCLUSIONS**

**A. The ESA**

PacifiCorp and Nucor are parties to an existing ESA (“Existing ESA”), which the PSC extended through March 31, 2018 by order in a separate docket.<sup>1</sup> The term defined in the ESA begins 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. Under the ESA, PacifiCorp will provide Nucor with retail full requirements service of electric power and energy. Nucor will receive an interruption credit against the rates it pays PacifiCorp in exchange for providing PacifiCorp with certain interruptible products.

**B. Parties’ Positions**

**1. PacifiCorp**

PacifiCorp states, under the ESA, it will continue to provide Nucor with retail full requirements service of electric power and energy and Nucor will provide PacifiCorp with certain interruptible products. PacifiCorp further states the rates for full requirements service that Nucor will pay PacifiCorp and the curtailment credit to Nucor are the same as in the Existing ESA. According to PacifiCorp, the curtailment credit rate takes into account the short and long-term value of the reserves as modeled in PacifiCorp’s GRID model and System Optimizer (“SO”) model. It also takes into consideration the confidence PacifiCorp has that the reserves will be there when needed, due to both Nucor’s relatively high load factor and its long history of providing these reserves to PacifiCorp. PacifiCorp notes Nucor will continue to be subject to

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<sup>1</sup> Order Approving Stipulation issued November 15, 2017, *Application of Rocky Mountain Power for Approval of Electric Service Agreement Extension between PacifiCorp and Nucor Corporation*, Docket No. 17-035-55.

surcharge rates, including the Energy Balancing Account, REC Balancing Account, Low Income Residential Lifeline, and Solar Incentive Surcharge. Similar to the Existing ESA, the ESA includes other provisions related to surcharges or surcredits and adjustments to base rate charges for power and energy.

At hearing, PacifiCorp referred to the DPU's February 26, 2018 comments, specifically the DPU's recommended conditions for approval of the ESA. PacifiCorp testifies it currently follows these recommendations and agrees to continue to do so, with one exception pertaining to the filing of cost-of-service studies. PacifiCorp states it does not typically file cost of service studies in rate proceedings such as the energy balancing account. Therefore PacifiCorp clarifies that the recommendation to file cost-of-service studies will apply to proceedings where a cost of service study is typically filed, as in a general rate case. The DPU supported PacifiCorp's clarification.

PacifiCorp also testified the ESA is just and reasonable and in the public interest and recommends the PSC approve the ESA.

## **2. DPU**

On February 26, 2018, the DPU filed comments recommending the PSC approve the ESA. Regarding the proposed ESA rates, the DPU contends that cost of service analyses historically have been controversial in general rate cases. Further, the DPU asserts little justification exists to adjust rates charged a contract customer when rates charged to other customers are being held constant as a result of infrequent general rate cases. The DPU will evaluate the cost of service study in the next rate case to inform its decisions regarding any

future electric service agreements between Nucor and PacifiCorp. The DPU states the ESA is just and reasonable and in the public interest with the continued application of the three conditions contained in the PSC's December 17, 2015 Order Approving Electric Service Agreement in Docket No. 15-035-81 ("December 2015 Order"),<sup>2</sup> i.e.,

1. The interruption and curtailment aspects of service to Nucor be considered a system resource and that it be allocated as such;
2. PacifiCorp will include Nucor's service in future cost of service studies; and
3. PacifiCorp will provide the DPU and the OCS information concerning any amendments to the current ESA.

### **3. OCS**

On February 26, 2018, the OCS filed comments stating it is not advocating for any specific modifications to the ESA but will be monitoring how Nucor performs relative to its cost of service under the terms of the ESA.

The OCS noted concerns with this filing similar to those expressed regarding the request for approval for the prior ESA. The OCS states PacifiCorp did not provide explanation or rationale for its determination to provide service to Nucor through an ESA rather than Electric Service Schedule No. 9. The OCS continues to believe that this lack of explanation is a filing deficiency and basic justification should be required with any request for special rates.

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<sup>2</sup> Order Approving Electric Service Agreement issued December 17, 2015 at 7, *In the Matter of the Application of Rocky Mountain Power for Approval of the Electric Service Agreement between PacifiCorp and Nucor Corporation*, Docket No. 15-035-81.

At hearing, the OCS testified that the ESA provisions relating to the proposed timing for implementation of rate changes and the applicability of identified surcharges are appropriate. Further, the OCS testified that PacifiCorp's ability to hold reserves and curtail Nucor can provide system benefits. The OCS stated its concerns are not significant enough to cause it to oppose approval of the ESA.

**C. Findings and Conclusions**

Based on the Application, our review of the ESA, the comments filed in this docket, and the testimony provided at hearing, we find the prices, terms and conditions of the ESA are just and reasonable and in the public interest. We further find the conditions of approval recommended by the DPU to continue the application of the three conditions contained in our December 2015 Order are reasonable and in the public interest.

**ORDER**

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

1. The ESA between PacifiCorp and Nucor is approved;
2. The interruption and curtailment aspects of service to Nucor shall be considered a system resource and shall be allocated as such;
3. PacifiCorp will include Nucor's service in future cost of service studies; and
4. PacifiCorp will provide the DPU and the OCS information concerning any amendments to the current ESA.

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DATED at Salt Lake City, Utah, March 23, 2018.

/s/ Michael J. Hammer  
Presiding Officer

Approved and Confirmed March 23, 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#300905

Notice of Opportunity for Agency Review or Rehearing

Pursuant to Utah Code Ann. §§ 63G-4-301 and 54-7-15, a party may seek agency review or rehearing of this written order by filing a request for review or rehearing with the Commission within 30 days after the issuance of the 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 Commission fails to grant a request for review or rehearing within 20 days after the filing of a request for review or rehearing, it is deemed denied. Judicial review of the Commission'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 Utah Code Ann. §§ 63G-4-401, 63G-4-403, and the Utah Rules of Appellate Procedure.

CERTIFICATE OF SERVICE

I CERTIFY that on March 23, 2018, a true and correct copy of the foregoing was served upon the following as indicated below:

By Electronic-Mail:

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