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Division of Public Utilities

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## **ACTION REQUEST RESPONSE**

**To:** Public Service Commission of Utah

**From:** Division of Public Utilities

Chis Parker, Director  
Artie Powell, Energy Section Manager  
Charles E. Peterson, Technical Consultant  
David Williams, Utility Analyst

**Date:** April 23, 2019

**Re:** Application of Rocky Mountain Power for Approval of the Master Electric Service Agreement between PacifiCorp and Utah Refractories Corporation; Docket No. 19-035-09.

### **RECOMMENDATION (Approve with Condition)**

The Division of Public Utilities (Division) recommends that the Public Service Commission of Utah (Commission) approve the Master Electric Service Agreement (Agreement) between PacifiCorp (Utility) and Utah Refractories Corporation (Customer) with a condition.

The condition the Division recommends is that five years from the date the Commission approves this Agreement, if Utah Refractories Corporation is still a customer of PacifiCorp receiving service under this Agreement, that this Agreement be reopened for review to determine whether it is still appropriate for the Customer to continue receiving power under the terms of Electric Service Schedule 9A.

## **ISSUE**

In an application dated March 13, 2019, PacifiCorp dba Rocky Mountain Power applied for approval of the Master Electric Service Agreement between it and the Customer. The Commission issued an Action Request to the Division on the same date. In a scheduling order issued on March 22, 2019, the Commission set comments to be due on May 16, 2019. This memorandum constitutes the Division response to the Commission's Action Request.

## **DISCUSSION**

Utah Refractories Corporation is located in an area of Utah County that is now surrounded by Lehi City. The Customer receives service from the Utility from a 46 kV line and has been receiving this service under Schedule 9A since February 2001. At the present time the Customer qualifies for Schedule 9A, since it receives service at 46 kV. Although the Customer receives service at 46 kV, it does not currently use power at that voltage; it steps down the voltage using transformers on the property. Rocky Mountain Power has been requested by Lehi City to upgrade the 46 kV power line to 138 kV to accommodate growth in Lehi City.

If it upgrades the 46 kV line to 138 kV, the Utility would be required to make investments in substation equipment in order to supply power to Utah Refractories Corporation from the 138 kV line. The Utility has determined that as an alternative to upgrading the substation equipment and connecting the Customer to the 138 kV line, it can instead provide service using a 12.7 kV connection, which can be made from the existing distribution system. Connecting to the existing distribution system would have a significantly lower cost of investment than would supplying power from the 138 kV line.

Under its requirement to serve, the Utility believes that its alternatives are either: (1) to supply service from its 12.7 kV distribution facilities in the area, or (2) to supply service from the 138 kV line. However, at a 12.7 kV connection, the Customer would no longer qualify to receive service under Schedule 9A, which it desires to continue to do. For this reason, Rocky Mountain

Power negotiated the Agreement that is before the Commission. The Agreement would allow the Customer to continue to receive power under Schedule 9A.

The Division, along with a representative of the Office of Consumer Services, met on April 11, 2019 with representatives of the Utility to discuss informal data request questions the Division had submitted to the Utility, and other questions that came up during the course of the meeting.

As alluded to in the Utility's application, Rocky Mountain Power believes that it is highly probable that the "island" in which Utah Refractories has its facilities will be annexed to Lehi City in the next three to five years, with the likely result that it would lose this Customer and presumably the other customers in the area to Lehi City's municipal electric service company. Consequently the Utility believes that this Agreement with the Customer will be relatively short-lived. However, Section 2.01 of the Agreement provides that the Agreement could possibly continue into perpetuity.

Given that the Customer has been under Schedule 9A since 2001 and that, from the Customer's viewpoint, it is the Utility that is initiating the change, the Division believes that it is reasonable and in the public interest to allow a period of "grandfathering" of service under Schedule 9A. This grandfathering is further supported by the fact that the Utility will have to expend fewer funds to connect the Customer to its distribution line rather than to its new 138 kV line, especially when there is a probability that the Utility will lose Utah Refractories as a customer in the next few years.

However, given that the Customer does not need to receive power at the voltage required to qualify for Schedule 9A, the Division does not believe that it is appropriate that the Customer continue under Schedule 9A forever when it does not qualify for it. Therefore the Division recommends that five years from the date the Commission approves this Agreement, if Utah Refractories Corporation is still a customer of PacifiCorp receiving service under this Agreement, that this Agreement be reopened for review to determine whether it is still appropriate for the Customer to continue to receive power under the terms of Electric Service Schedule 9A.

## **CONCLUSION**

The Division recommends that the Agreement be approved by the Commission as being just and reasonable and in the public interest, with the condition that five years from the date the Commission approves this Agreement, if Utah Refractories Corporation is still a customer of PacifiCorp receiving service under this Agreement, that this Agreement be reopened for review to determine whether it is still appropriate for the Customer to continue to receive power under the terms of Electric Service Schedule 9A.

cc     Jana Saba, Rocky Mountain Power  
       Michele Beck, Office of Consumer Services  
       Cheryl Murray, Office of Consumer Services