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UTAH DEPARTMENT OF COMMERCE

Division of Public Utilities

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Action Request Response

To: Public Service Commission of Utah

From: Utah Division of Public Utilities

Chris Parker, Director

Artie Powell, Manager

Brenda Salter, Utility Technical Consultant Supervisor

Jeff Einfeldt, Utility Technical Consultant

Date: April 6, 2022

Re: **Docket No. 21-035-69**, In the matter of the Application of Rocky Mountain Power for Approval of an Electric Service Agreement Between PacifiCorp and Nucor Corporation.

Recommendation (Approve)

The Division of Public Utilities ("Division") recommends the Public Service Commission of Utah ("Commission") approve the Electric Service Agreement ("Agreement" or "ESA") between PacifiCorp and Nucor Corporation ("Nucor").

The Division continues to request the Commission order PacifiCorp, at the time of future ESA filings, to provide to the Division and Office of Consumer Services the modeling outputs and Excel spreadsheets supporting the price calculations along with the spreadsheets showing avoided line loss calculations. All spreadsheets are to be provided with formulas left intact.

Issue

On February 17, 2022, PacifiCorp filed an Application for Approval of an Electric Service Agreement with Nucor. The Commission held a scheduling conference on March 1, 2022.

Division of Public Utilities

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Following the scheduling conference, the Commission issued a Scheduling Order requiring comments from the Division and any other interested parties by April 18, 2022. This memorandum serves as the Division's comments and recommendations regarding the ESA. This Application was filed several months later than the Division has requested in the past. However, for this instance only, the Division agreed to work with PacifiCorp to process this Application in a judicious manner to accommodate the parties.

Background

The term of the proposed Agreement between PacifiCorp and Nucor begins March 1, 2022, through December 31, 2031. The proposed Agreement replaces the current contract that originally expired on December 31, 2021 and was extended through February 28, 2022. The prior ESA between the parties was approved in Docket No. 17-035-72 on March 23, 2018. Included with the application is a copy of the proposed Agreement between PacifiCorp and Nucor dated February 9, 2022.

Discussion

General

Under the Agreement, PacifiCorp will continue to provide interruptible electric service to Nucor's steel plant located near Plymouth in Box Elder County, Utah. PacifiCorp commits to provide Nucor with up to [REDACTED] of power during on-peak hours and up to [REDACTED] of power during off-peak hours.¹ Under certain conditions, PacifiCorp may provide additional power upon Nucor's request.² The Division understands a primary reason for the special contract between PacifiCorp and Nucor is PacifiCorp may interrupt service to Nucor under the terms set forth in the Agreement.³ For this ability to interrupt or curtail service, PacifiCorp pays Nucor a Curtailment Credit.⁴ Except for the Curtailment Credit and the pricing terms, which will be discussed below, the remaining terms of the Agreement reflect the technical electrical services to be provided—tailored to the Nucor plan—or otherwise appear to be mostly generic contractual terms.

¹ Agreement, Article II sec 2.2, page 4.

² Agreement, Article II, 2.1, page 4.

³ Agreement, Article IV, page 6.

⁴ Agreement, Article V, sec 5.3 and Appendix A.

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Consistent with the Division's recommendations in Docket Nos. 06-035-147 and 15-035-81, which have been approved in previous dockets, the Division recommends the following conditions for approval of the contract.⁵

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 the Commission, in its Order, specify 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, including copies to the Division and the Office of Consumer Services, any future amendments to the Agreement, including but not limited to amendments to the exhibits and appendices.

Pricing Terms

The proposed Agreement changes the pricing terms and structure to align with tariffs 9 and 31 more closely, and to more clearly determine whether Nucor is covering an appropriate share of the cost of service. The pricing components are set forth primarily in Article V and VI of the Agreement (pages 6-7). The prices will continue to be adjusted by any changes in average rates ordered by the Commission related to General Rate Cases and Major Plant Addition Cases (see Agreement, Article VI).

In addition, prices will change concurrent with the price changes to other ratepayers. The Agreement explicitly provides that Nucor will be subject to the EBA, REC Revenue Adjustment, Sustainable Transportation and Energy Plan, Low Income Residential Lifeline

⁵ Memorandum from the Division of Public Utilities to the Public Service Commission, Docket No. 15-035-81, pages 2-3.

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Program, Federal Tax Act Adjustment, and other Tariffs and Schedules made applicable by Commission order.⁶

Nucor does not contribute to the DSM account because, like other companies with electric service agreements, it has its own internal DSM programs, and is not eligible to receive DSM funding.

The Division believed the expiring contract was an improvement over the preceding contracts in that it brought Nucor's pricing closer to being in line with other large industrial customers, i.e. customers on Schedule 9. The Division believes the proposed Contract continues to bring Nucor's pricing closer to alignment with other large industrial customers.

Curtailment Credit Terms

As compensation for PacifiCorp's right to interrupt service to Nucor under the terms set forth in the Agreement, PacifiCorp pays Nucor a monthly curtailment credit. The curtailment credit in the proposed Agreement is increased from [REDACTED] [REDACTED] each month. A schedule and detailed discussion regarding the parameters dictating any change to the curtailment credit is included in Exhibits A and B. The Division believes the amount proposed for the curtailment credit continues to approximate the value to customers of PacifiCorp's curtailment rights.

The proposed contract [REDACTED]
[REDACTED] The total number of interruptible hours remains the same compared to the previous contract. This change provides PacifiCorp more flexibility in balancing its system.

Conclusion

Based on the foregoing analysis, the Division recommends the Commission approve the Electric Service Agreement between PacifiCorp and Nucor dated February 9, 2022, (the

⁶ Agreement, 1.37 (page 4), and Article V, 5.2 (page 7).

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subject document of this Docket), as just, reasonable, and in the public interest. In addition, the Division requests the Commission reaffirm the continued application of the three conditions contained in its previous order in Docket No. 15-035-81.

cc: Michele Beck, Office of Consumer Services
Jana Saba, PacifiCorp
Emily Wegener, PacifiCorp
Craig Eller, PacifiCorp
Eric Lacey, Nucor