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State of Utah
DEPARTMENT OF COMMERCE
Office of Consumer Services

MICHELE BECK
Director

REDACTED

To: Utah Public Service Commission

From: Office of Consumer Services
Michele Beck, Director
Béla Vastag, Utility Analyst

Date: April 18, 2022

Re: **Rocky Mountain Power's Request for Approval of an Electric Service Agreement between PacifiCorp and Nucor - Docket No. 21-035-09**
OCS Initial Comments

Background

On February 17, 2022, Rocky Mountain Power (RMP) filed an application requesting approval of a new electric service agreement (ESA) for service to Nucor Steel-Utah (Nucor) with the Public Service Commission of Utah (PSC). The PSC issued a Scheduling Order on March 3, 2022 setting a schedule for comments on the Nucor ESA, with initial comments due April 18, 2022 and reply comments due May 5, 2022. The Utah Division of Public Utilities (DPU) filed its initial comments and recommendations on April 6, 2022. The Utah Office of Consumer Services (OCS) submits the following initial comments on the Nucor ESA.

OCS Recommendation – Approve But For a Term of Only Two Years

The proposed Nucor ESA filed by RMP has a term beginning March 1, 2022 and ending December 31, 2031. This is almost a 10-year term. The OCS asserts that a 10-year term for an ESA is not in the public interest. This is too long a time period to not review the rate structure, how curtailment credits are calculated and what value is brought to the system from a special contract ESA, especially considering the rapid changes that are currently impacting the electricity industry and will continue to impact the industry and PacifiCorp's system for the foreseeable future. Therefore, the OCS recommends that the PSC require RMP to limit the term to no more than two (2) years which would allow parties to review the

costs and benefits of this ESA on a regular basis when it comes before the PSC for the approval of a contract renewal.

The OCS asserts that the proposed 10-year term is not in the public interest for the following reasons:

- RMP estimates the value of Nucor’s proposed curtailment credit by performing 10-year calculations based on PacifiCorp’s 2021 IRP preferred portfolio (which contains new resources needed for PacifiCorp’s system over the next 20 years, i.e. 2022 to 2041). RMP’s curtailment credit estimate consists of three components: operating reserve value, capacity value and intra-hour value. The capacity and intra-hour values are significant contributors that justify RMP’s higher amount (higher than in Nucor’s current ESA) for the curtailment credit.¹ However, these two components only provide values in outer years, 2028 to 2031 and 2025 to 2031, respectively.² Of significance, the capacity value is based on the avoidance of a speculative non-emitting peaker resource beginning in 2028.³ The OCS questions the accuracy of these 10-year calculations since PacifiCorp’s IRP, and thus its resource needs, change significantly every two years. The OCS is also concerned about the capacity value being based on an unproven resource added in the outer years of the 10-year ESA term that has not yet been approved, or even acknowledged by the PSC in an IRP. These are compelling reasons not to lock in these values (i.e. for the curtailment credit) in a 10-year Nucor contract but instead they should be reviewed at least every two years in order to make any necessary adjustments.
- Both RMP and the DPU state that the PSC should order that the Nucor curtailment product be treated as a system resource that will be allocated using the current multi-state protocol (MSP) allocation method. However, the 2020 PacifiCorp Inter-Jurisdictional Allocation Protocol is in place only through the end of 2023. This is another reason to approve the ESA for only a 2-year term as negotiations for a new MSP protocol are currently underway and the outcome is uncertain.
- As discussed in previous OCS comments⁴ and can be [REDACTED] RMP’s application in this docket does not discuss this issue or provide evidence [REDACTED] A two-year renewal cycle for the Nucor ESA will enable parties to [REDACTED]

¹ See Direct Testimony of Craig M. Eller, Confidential Tables 4 & 5. The capacity and intra-hour values contribute 25% (Table 4) and 29% (Table 5) to the estimated curtailment product value.

² Eller Direct Testimony, Confidential Tables 4 & 5 and lines 176 – 180.

³ Eller Direct Testimony, lines 189 – 202.

⁴ See OCS comments in Docket No. 17-035-72, RMP Request for Approval of ESA with Nucor, February 26, 2018.

- In our February 2018 comments on Nucor’s current ESA, the OCS stated “The Office contends that the Company should continue to try to ... move Nucor to an existing schedule.” Furthermore, in Docket No. 21-035-53 for US Mag’s ESA, the OCS is advocating for some reform of the use of ESAs, including promoting the use of interruptible tariffs instead of special contracts.⁵ The OCS has also observed the expansion of demand-side resources such as interruptibility that are likely to continue, especially with the expansion of markets in the West. The OCS has advocated, and will continue to do so, that the treatment and use of these resources should be more transparent and consistent across various utility programs. In anticipation of likely changes relevant to the interruptible provisions of this ESA, the OCS asserts that such a long 10-year term for the Nucor ESA is not appropriate.

Summary

For the reasons described above, the OCS believes that a 10-year term for the Nucor ESA is too long and not in the public interest. The OCS recommends approval of the ESA only for a two (2) year term which allows the contract to be reviewed and updated as necessary on a regular basis.

CC: Chris Parker, Division of Public Utilities
Jana Saba, Rocky Mountain Power
Distribution List

⁵ See Direct Testimony of Bela Vastag in Docket No. 21-035-53, April 7, 2022.