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To: Utah Public Service Commission

From: Nucor Steel-Utah
Jeremy Cook
Peter Mattheis
Eric Lacey

Date: May 5, 2022

Re: **In the Matter of the Application of Rocky Mountain Power for Approval of an Electric Service Agreement Between PacifiCorp and Nucor-Plymouth Bar Division, a Division of Nucor Corporation - Docket No. 21-035-69, Nucor Steel-Utah Reply 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 Utah Public Service Commission (PSC). On April 6, 2022, the Division of Public Utilities (Division) filed initial comments recommending approval of the ESA. On April 18, 2022, the Office of Consumer Services (OCS) filed Initial Comments also recommending approval of the ESA, but for a term of only two years.

Recommendation – Approve the ESA as Filed

Nucor and RMP engaged in discussions for a number of years and extensive negotiations over a period of many months before finally reaching an agreement upon the proposed ESA, which maximizes value for RMP's customers and is in the public interest. The 10-year term of the agreement provides the necessary level of price predictability for Nucor to make long-term investments that will continue to provide economic growth for Utahns. The longer term allows PacifiCorp to plan for its long-term resource needs knowing that Nucor's load will continue to be interruptible. The term is a necessary and foundational element of the ESA; modifying the agreement to a shorter term would have a material impact on the overall economics of the agreement and would force Nucor and RMP to completely rewrite the agreement. Nucor thus recommends that the PSC approve the ESA as just, reasonable, and in the public interest.

Response to OCS Recommendation

To date, the only material concerns raised about the proposed ESA were included in the OCS's Initial Comments. OCS's main concerns with the ESA primarily revolve around the 10-year term of the agreement; OCS recommends that the PSC limit the term to no more than two years.

Although Nucor would have preferred a longer term, a 10-year ESA provides enough price predictability for Nucor to continue to invest in steel-making operations, maintain employment, and provide economic development to the surrounding community and the state of Utah.

The ESA is a perfect example of why the PSC has approved Special Contracts for unique industrial customers like Nucor for decades. Given the size and flexibility of Nucor's interruptible load, a special contract can optimize value for RMP's ratepayers and make the best use of resources. None of RMP's current tariffs would allow for that level of optimization, and any general service tariff designed to meet Nucor's and RMP's needs would have little to no applicability to other, differently situated customers. Because a significant percentage of Nucor's load is interruptible on very short notice, at the sole discretion of Rocky Mountain Power, it does not make sense for Nucor's rates to match those of firm customers on Schedule 9 or any other Rocky Mountain Power tariff. RMP's ratepayers have benefitted for many years from the operational flexibility provided by Nucor's interruptibility, and the proposed ESA will continue to bring value to the system over the next 10 years.

It is important to note that under the proposed ESA (as with previous agreements) Nucor's rates will change automatically and concurrently with other customers' rates as a result of General Rate Cases, Major Plant Additions, and riders such as the Energy Balancing Account (among others). Thus, to the extent that rate changes are necessary to adapt to changes in the electric industry or in Utah, Nucor's rates will track rate changes as they are made to other RMP customers. In addition, the proposed ESA includes a number of limitations that do not apply to other industrial customers, such as [redacted] which should reduce the risk of cost-shifting onto other RMP customers; the proposed ESA also requires Nucor [redacted]. These and other guardrails included in the ESA are designed to limit the risk that RMP's other customers bear unwarranted costs as a result of this agreement.

OCS's Initial Comments also raise a concern that [redacted]. RMP's Class Cost of Service Study does not, and has never, properly reflected the full value of Nucor's interruptible load in Utah. There are two main benefits of a large interruptible load, neither of which are fully accounted for in a Class Cost of Service Study. First, a large interruptible load provides long-term avoided capacity cost savings because the utility does not have to plan for the capacity to serve the interruptible load. Second, interruptible load provides operational value, since it can be used to balance loads and respond to system emergencies in real-time. While utilities have taken numerous approaches to estimating the value of interruptibility, Utah's historical approach of combining a negotiated rate for power supply and a negotiated demand-based interruptible credit has worked well, and that approach has been carried forward in the proposed ESA.

Conclusion

The proposed ESA resulted from lengthy and fair negotiations between RMP and Nucor and is in the public interest. The agreement is designed to further reduce the risks of any cost-shifting onto other RMP customers and will provide benefits for all Utah ratepayers. We urge the PSC to approve the ESA as filed.