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State of Utah
DEPARTMENT OF COMMERCE
Office of Consumer Services

MICHELE BECK
Director

To: Utah Public Service Commission

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

Date: May 5, 2022

Re: **Rocky Mountain Power's Request for Approval of an Electric Service Agreement (ESA) between PacifiCorp and Nucor - Docket No. 21-035-09**
OCS 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 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) submitted initial comments on April 18, 2022 recommending that the PSC not approve an ESA with a 10-year term. The OCS submits the following reply comments on the Nucor ESA in order to provide additional information received from RMP after our initial comments were filed.

Additional Information Supporting Why a 10-year Term Is Not in the Public Interest

In its initial comments, the OCS explained that the proposed 10-year term for a new ESA between PacifiCorp and Nucor is not in the public interest for several reasons. To summarize, our comments outlined the many uncertainties affecting the future of PacifiCorp's system that make it unwise to lock in Nucor's curtailment credit for 10 years. In addition, RMP's filing does not provide sufficient evidence on how Nucor's proposed new ESA rates follow the principle of cost causation.

On April 14, 2022, just before our initial comments were filed in this docket, the OCS submitted an informal data request to RMP to clarify how the curtailment credit was modeled. Specifically, the OCS asked:

> "…when you calculate the capacity value of Nucor's curtailment product, you use avoided capacity from years 2028 to 2031. Also, the intra-hour value is calculated for 2025 to 2031. Why are the starting years of 2028 and 2025, respectively, used to calculate these two values? The 2021 IRP preferred portfolio has battery, wind and solar resources added in 2024, 2025 and 2026. No generating resources are added in 2027. 2028 has solar/battery and the Natrium nuclear."

On April 21, 2022, RMP provided a response to this informal data request. The response is attached to the end of these comments. As the response shows, RMP used a significant amount of subjective judgement in deciding how to model Nucor's curtailment credit. Specifically, 2028 was chosen as the first year for the capacity value benefit and 2025 was chosen for the intra-hour benefit not based on actual modeling but on subjective estimates as to what years were likely to be appropriate starting points. These decisions made in developing this ad hoc modeling approach could easily prove to be inaccurate, especially over the term of a 10-year contract.

The OCS continues to recommend approval of the ESA for only a two (2) year term which allows the contract to be reviewed and updated as necessary on a regular basis as conditions change.

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

Bela Vastag <bvastag@utah.gov>

RE: Question on Nucor ESA

1 message

Saba, Jana (PacifiCorp) <Jana.Saba@pacificorp.com> Thu, Apr 21, 2022 at 10:36 AM
To: "Bela Vastag (OCS)" <bvastag@utah.gov>, "Eller, Craig (PacifiCorp)" <Craig.Eller@pacificorp.com>
Cc: Jeff Einfeldt <jeffeinfeldt@utah.gov>

Sorry for the delay in getting back to you on this Bela. Here is our response:

PacifiCorp's 2021 IRP preferred portfolio (IRP) already includes Nucor's curtailment product, so in the absence of this proposed contract, we would likely have seen additional resources in the preferred portfolio. With that in mind, while there are wind and solar resources in 2026, they both are capturing expiring tax credits and may have been accelerated from the true deficiency date as a result. In 2028, the preferred portfolio has the TerraPower Natrium resource which offset the retiring Dave Johnston coal resources. While there may be capacity needs prior to 2028, there was a high likelihood that capacity needs would begin no later than 2028, so that was used as the start date for the Nucor pricing.

The intra-hour benefits primarily reflect periods when resource deficiency drives up prices in the EIM. The Company's 2021 IRP had restricted market purchases (FOTs) that made it difficult for the model to balance the Company's system in the first few years (before long term planning can bring in more resources), in which case the model reports a large deficiency cost, and a large benefit from incremental resources like Nucor. To avoid double-counting those two types of deficiencies, the intra-hour benefit was only included to the extent that it was larger than the deficiency costs already included in the model results. By 2025, the addition of Gateway South and various RFP resources reduce the frequency of deficiency events within PacifiCorp's system that it becomes appropriate to consider deficiency events from the broader EIM footprint. The math associated with this calculation is in rows 34:36 of tab "Summary" in the workpapers provided with Mr. Eller's testimony.

Thanks,

Jana

From: Bela Vastag <bvastag@utah.gov>
Sent: Thursday, April 14, 2022 12:09 PM
To: Eller, Craig (PacifiCorp) <craig.eller@pacificorp.com>
Cc: Saba, Jana (PacifiCorp) <jana.saba@pacificorp.com>; Jeff Einfeldt <jeffeinfeldt@utah.gov>
Subject: [INTERNET] Question on Nucor ESA

Sorry, I did not think to ask this during our meeting on the Nucor ESA on March 7. Craig, when you calculate the capacity value of Nucor's curtailment product, you use avoided capacity from years 2028 to 2031. Also, the intra-hour value is calculated for 2025 to 2031. Why are the starting years of 2028 and 2025, respectively, used to calculate these two values? The 2021 IRP preferred portfolio has battery, wind and solar resources added in 2024, 2025 and 2026. No generating resources are added in 2027. 2028 has solar/battery and the Natrium nuclear.

Thanks, Bela

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