
Application of Rocky Mountain Power for Approval of Electric Service Agreement between PacifiCorp and Nucor-Plymouth Bar Division, a Division of Nucor Corporation	<u>DOCKET NO. 21-035-69</u> <u>ORDER APPROVING ELECTRIC SERVICE AGREEMENT</u>
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ISSUED: May 18, 2022

BACKGROUND

On February 17, 2022, PacifiCorp, dba Rocky Mountain Power (RMP) filed its application in this docket. RMP asks us to approve an extension of the previous electric service agreement (“Previous ESA”)¹ between RMP and Nucor Steel-Utah, a division of Nucor Corporation (“Nucor”), effective January 1, 2022 through the end of February 2022, to approve a Confidential Electric Service Agreement (“Proposed ESA”) with Nucor effective March 1, 2022, to determine that the Proposed ESA is subject to new Schedule No. 198 – Electric Vehicle Infrastructure Program Cost Adjustment, and to find the terms and conditions of the Proposed ESA to be just, reasonable, and in the public interest.

According to RMP, under the Proposed ESA RMP will continue to provide Nucor with full electrical service requirements, and Nucor will continue to provide RMP with certain interruptible products. Modifications from the Previous ESA include an increase to the average rate and changes to the rate structure, revisions to the curtailment value to limit future increases and reduce allowances for downtime, an obligation by Nucor to procure all of its electrical service from RMP, and operational requirements to improve performance and mitigate and minimize voltage flickers.

¹ We approved the Previous ESA in PSC Docket No. 17-035-72, *Application of Rocky Mountain Power for Approval of Electric Service Agreement between PacifiCorp and Nucor-Plymouth Bar Division, a Division of Nucor Corporation*, Order Approving Electric Service Agreement issued Mar. 23, 2018.

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The Division of Public Utilities (DPU), the Office of Consumer Services (OCS), and Nucor each filed comments in this docket and appeared with RMP at the Public Service Commission (PSC) hearing held on May 12, 2022, to provide testimony from their witnesses. Nucor supports approval of the application as filed. The DPU supports approval of the application conditioned on three requirements that we imposed on RMP in previous dockets approving electric service agreements between RMP and Nucor.²

The OCS recommends approving the Proposed ESA but asks the PSC to modify the length of the Proposed ESA from ten years to two years. The OCS argues multiple issues support this modification, including: (1) the proposed curtailment credit uses ten-year calculations based on RMP's 2021 Integrated Resource Plan, a plan that changes every two years along with RMP's resource needs; (2) negotiations for an inter-jurisdictional allocation protocol are underway to replace the protocol that expires at the end of 2023, and the outcome of that process is uncertain; (3) a two-year renewal cycle could better align Nucor's rates with its full cost-of-service; and (4) Nucor ultimately should be moved to an interruptible tariff instead of receiving service under a special contract.

² Those requested conditions are (1) RMP shall provide cost-of-service studies including Nucor as part of any general rate case or surcharge proceeding filed during the term of this Proposed ESA; (2) The interruption and curtailment features of the Proposed ESA are a system resource and will be allocated as such; and (3) RMP will file with the PSC, including copies to the DPU and the OCS, any future amendments to the Proposed ESA, including but not limited to amendments to the exhibits and appendices. The PSC approved these recommendations in previous dockets approving electric service agreements between RMP and Nucor. *See Application of PacifiCorp for Approval of an Electric Service Agreement for Nucor Steel*, Docket No. 06-035-147, Order Approving an Electric Service Agreement and Amended Order Approving an Electric Service Agreement issued Dec. 14, 2006 and Dec. 20, 2006, respectively; *Application of Rocky Mountain Power for Approval of the Electric Service Agreement between PacifiCorp and Nucor Corporation*, Docket No. 15-035-81, Order Approving Electric Service Agreement issued Dec. 17, 2015; and *Application of Rocky Mountain Power for Approval of Electric Service Agreement between PacifiCorp and Nucor-Plymouth Bar Division, a Division of Nucor Corporation*, Docket No. 17-035-72, Order Approving Electric Service Agreement issued Mar. 23, 2018.

FINDINGS, CONCLUSIONS, AND ORDER

No party opposed the extension of the Previous ESA to cover January and February 2022. We approved the Previous ESA with a finding that its prices, terms, and conditions are just, reasonable, and in the public interest.³ Based on that finding we made in 2018 and the lack of any opposition in this docket, we find the extension of the Previous ESA for two months is just, reasonable, and in the public interest.

We conclude that our long-term regulatory objective should be recovery of the cost-of-service from each category and class of customer. We also conclude that where a particular customer or class has historically paid rates above or below the cost-of-service, it is a legitimate regulatory objective to move toward a rate that better reflects cost-of-service at a pace that avoids rate shock.

We find the Proposed ESA results in a price increase for Nucor in a confidential amount.⁴ We find that price increase constitutes a material movement towards RMP recovering Nucor's cost-of-service. We also find that the interruptible products Nucor provides under the Proposed ESA provide reasonably anticipated benefits to RMP's other customers. While the record in this docket is not sufficient to numerically quantify those benefits, the substantial evidence is sufficient to find those benefits to be meaningful.

We conclude that the Proposed ESA contains provisions to adjust the rates Nucor pays in connection with rate changes to RMP's other customers. Those future, but currently unknown,

³ *Application of Rocky Mountain Power for Approval of Electric Service Agreement between PacifiCorp and Nucor-Plymouth Bar Division, a Division of Nucor Corporation*, Docket No. 17-035-72, Order Approving Electric Service Agreement issued Mar. 23, 2018.

⁴ The confidential price increase was disclosed to the PSC and to all parties, and was evaluated at the hearing.

rate changes should be informed by RMP's future Integrated Resource Plans to an extent that gives us comfort Nucor's rates and curtailment credits should not shift unreasonably farther away from Nucor's cost-of-service during the term of the Proposed ESA. Rates and resources require us to consider and balance uncertain forecasts with contractual certainty. We find the Proposed ESA was negotiated, contingent on a ten-year term, to provide additional benefits to RMP's other customers including modifications to Nucor's rates, curtailment credits, obligations to procure energy from RMP, and performance requirements. We conclude these certain benefits, in context of that negotiation, are sufficient to justify the uncertainties associated with a ten-year contract term.

We conclude that approval of a ten-year Proposed ESA that provides benefits to RMP's other customers should not be delayed due to ongoing negotiations regarding RMP's inter-jurisdictional allocation protocol. We are not aware of having previously delayed approval of resources or contracts on that basis, and to do so would introduce uncertainty related to both costs and reliability based on an allocation protocol that has been under a virtually constant state of ongoing negotiations for decades. Additionally, we conclude that approving the Proposed ESA does not prevent us from thoroughly considering the costs and benefits of a future proposed allocation protocol.

We find that the record in this docket did not identify any customers who would be obvious candidates to join Nucor in a new interruptible tariff. We conclude that the concept has merit, but it is not sufficiently developed at this point to warrant disapproval or modification of the Proposed ESA.

No party opposed a determination that the Proposed ESA is subject to Schedule No. 198 – Electric Vehicle Infrastructure Program Cost Adjustment. We conclude that such a determination is consistent with the policies and goals of that schedule.

No party opposed the conditions on which the DPU recommends our approval should be contingent. We have approved those conditions in connection with previous electric service agreements between RMP and Nucor, and we find that they continue to be just, reasonable, and in the public interest in context of the Proposed ESA.

Accordingly:

1. We find that the extension of the Previous ESA for the months of January and February 2022 is just, reasonable, and in the public interest, and we approve that extension.
2. We find that the Proposed ESA, the terms of which became effective on March 1, 2022, is just, reasonable, and in the public interest, and we approve the Proposed ESA contingent on three conditions:
 - a. RMP shall provide cost-of-service studies including Nucor as part of any general rate case or surcharge proceeding RMP files during the term of the Proposed ESA.
 - b. The interruption and curtailment features of the Proposed ESA are a system resource and shall be allocated as such.

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- c. RMP shall file with the PSC, including copies to the DPU and OCS, any future amendments to the Proposed ESA, including but not limited to amendments to the exhibits and appendices.
3. We direct that the Proposed ESA is subject to Schedule No. 198 – Electric Vehicle Infrastructure Program Cost Adjustment.

DATED at Salt Lake City, Utah, May 18, 2022.

/s/ Thad LeVar, Chair

/s/ David R. Clark, Commissioner

/s/ Ron Allen, Commissioner

Attest:

/s/ Gary L. Widerburg
PSC Secretary
DW#324027

Notice of Opportunity for Agency Review or Rehearing

Pursuant to §§ 63G-4-301 and 54-7-15 of the Utah Code, an aggrieved party may request agency review or rehearing of this Order by filing a written request with the PSC within 30 days after the issuance of this Order. Responses to a request for agency review or rehearing must be filed within 15 days of the filing of the request for review or rehearing. If the PSC does not grant a request for review or rehearing within 30 days after the filing of the request, it is deemed denied. Judicial review of the PSC's final agency action may be obtained by filing a petition for review with the Utah Supreme Court within 30 days after final agency action. Any petition for review must comply with the requirements of §§ 63G-4-401 and 63G-4-403 of the Utah Code and Utah Rules of Appellate Procedure.

CERTIFICATE OF SERVICE

I CERTIFY that on May 18, 2022, a true and correct copy of the foregoing was delivered upon the following as indicated below:

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