Action Request Response

To: Public Service Commission of Utah

From: Utah Division of Public Utilities

Chris Parker, Director
Brenda Salter, Assistant Director
Doug Wheelwright, Utility Technical Consultant Supervisor
Annette Orton, Utility Analyst

Date: November 4, 2025

Re: **Docket No. 25-035-56,** In the matter of the Application of Rocky Mountain Power for Approval of an Amendment to the Power Purchase Agreement Between PacifiCorp and Kennecott Utah Copper LLC – Refinery.

Recommendation (Approval)

The Division of Public Utilities ("Division") recommends the Public Service Commission of Utah ("Commission") approve the Sixth Amendment to the Non-Firm Power Purchase Agreement ("Amendment", or "PPA") between PacifiCorp ("Utility" or "Company") and Kennecott Utah Copper LLC ("Kennecott") for the Kennecott Refinery. In addition, the Division recommends the Utility continue to provide reports, at least quarterly, of hourly power purchased so the Division can continue to monitor this contract.

The Division appreciates the Company providing the PLEXOS outputs and Excel spreadsheets supporting the price calculations and avoided line loss calculations for the current filing. The spreadsheets provided are essential to the Division's ability to complete an effective and efficient analysis. The Division requests the Company continue to provide this information in future filings, with formulae intact.

Issue

On October 6, 2025, PacifiCorp dba Rocky Mountain Power filed an Application for Approval of an Amendment to the Non-Firm Power Purchase Agreement with Kennecott. The effective date of the Amendment is January 1, 2026. Since there are multiple contracts with Kennecott, this contract is informally referred to as the Kennecott “Refinery” QF. The Commission issued a Scheduling Order on October 14, 2025, requesting comments by November 10, 2025, and reply comments by November 18, 2025. This memorandum serves as the Division’s comments and recommendations in this matter.

Background

Kennecott owns, operates, and maintains a waste heat-fired steam cogeneration facility for the generation of electric power located at the Magna, Utah refinery.[1] The nameplate capacity rating of the plant is 7.54 megawatts (MW) with an expected average monthly output of approximately 5.40 MW.[2] However, the Division understands that, as configured, the actual capacity of the plant is about 6.20 MW.[3] Included with the Application is a copy of the Sixth Amendment between PacifiCorp and Kennecott, dated September 30, 2025.

The Kennecott facility is operated as a qualifying facility (“QF”) as defined by 18 C.F.R Part 292[4] and Kennecott has previously provided its FERC self-certification to PacifiCorp. All interconnection requirements have been met, and the Kennecott facility is fully integrated with the PacifiCorp system.

Discussion

Under the terms of the QF contract Kennecott has the option, but not the obligation, to deliver the net output to PacifiCorp at the point of delivery. Kennecott is not permitted to sell any portion of the net output to parties other than PacifiCorp; however, it is allowed to offset its own retail load before selling any excess power. Kennecott estimates the average net monthly output of the facility will be approximately 3,900 megawatt-hours (“MWh”) because

[1] Docket No. 19-035-37, Exhibit A, PPA (Power Purchase Agreement), page 1.
[2] *Ibid*, page 1.
[3] *Ibid*, page 17
[4] *Ibid*, page 5, Section 3.2.6

of scheduled maintenance.[5] The contract continues to include the specification "that for accounting purposes, any energy sold under this Agreement shall follow the sale of energy under the Parties Non-Firm Qualifying Facility Power Purchase Agreement dated October 9, 2019, as amended on September 30, 2025, relating to Seller's Smelter ("Smelter QF PPA").[6] The Division understands this to mean any sales to the Utility will be construed to first come from the Smelter and then from the Refinery.

QF Pricing

The Division has reviewed the PLEXOS outputs and concludes that the pricing for this amended contract reflects the correct facts of this facility, i.e. that the practical capacity is 6.2 MW. The Company appears to have correctly complied with Commission orders on the method used to determine pricing for a contract under Schedule 38 (see Docket No. 24-035-04 General Rate Case effective April 25, 2025).

Included with the pricing is an adjustment for avoided line losses. The Division reviewed and checked the avoided line loss calculation, which has been in use since 2010, and was updated in 2022 in pursuant to the Open Access Transmission Tariff ("OATT"). It appears to comply with the method developed by the Utility and approved by the Commission.

Additionally, the pricing of this Amendment is tied to the Electric Service Agreement ("ESA") between the Utility and Kennecott, which was approved by the Commission in Docket No.16-035-33. The pricing is set forth in confidential Exhibit E. This states:

> The purchase prices set forth in the Agreement include a "lesser of" provision to account for Kennecott's ability to purchase market blocks of power under the Energy Services Agreement approved by the Commission in Docket No. 16-035-33, where the Company will pay the lesser of the price for market blocks or prices that were calculated using the methodology approved by the Commission orders in Docket No. 03-035-14 and Docket No. 12-035-100.[7]

[5] *Ibid*, page 1.
[6] *Ibid*, page 6, Section 4.2.
[7] Docket No. 25-035-56, Application, paragraph 5, page 3.

This provision protects ratepayers from potential price gaming between Kennecott's PPA and Kennecott's ESA. The Company and Kennecott negotiated a new ESA, Docket No. 23-035-51, which ends December 31, 2032.

The proposed Amendment will remain in place for a term of 12 months beginning January 1, 2026, and ending December 31, 2026. The general terms and conditions of the Amendment appear to be generic in nature and are like the previous contracts. The other conditions within the original Agreement remain unchanged and appear to be reasonable and consistent with previous contracts. Although the PPA has been active for some time, the last instance of power transfer from the Kennecott Refinery to the Company was in 2015.

The rates, terms, and conditions in this Amendment appear to be in accordance with the rates, terms, and conditions approved by the Commission in Docket No. 03-035-14 and Docket No. 12-035-100 for purchases from qualifying facilities. PacifiCorp represents that the cost of this Amendment does not exceed the cost that would have been incurred from acquiring other market resources.[8] The Division accepts this representation based upon its review of the Utility's price calculations for this Amendment and prior analyses of the Utility's avoided cost reports.

Conclusion

The terms of the Amended Kennecott Refinery Power Purchase Agreement appear to comply with the Commission's guidelines and orders in Docket Nos. 03-035-14 and 12-035-100. The contractual arrangements and facts in this matter, particularly the method for calculating the avoided energy costs, have been previously found to be just and reasonable and in the public interest. The Division concludes that this Amendment is also just, reasonable, and in the public interest. The Division recommends the Commission approve the Sixth Amendment to the Non-Firm Power Purchase Agreement between PacifiCorp and Kennecott pertaining to the Refinery.

[8] Docket No. 19-035-37, Exhibit A, PPA (Power Purchase Agreement), page 3, Section 2.1.

cc: Michele Beck, Office of Consumer Services
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