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BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In the Matter of the Application of Rocky Mountain Power for Approval of Revisions to Back-Up, Maintenance, and Supplementary Power Service Tariff, Electric Service Schedule 31.	Docket No. 13-035-196 PREFILED DIRECT TESTIMONY OF ROGER SWENSON
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US Magnesium LLC (“US Magnesium”) hereby submits the Prefiled Direct Testimony of Roger Swenson in this docket.

DATED this 22nd day of May, 2014.

HATCH, JAMES & DODGE

/s/ _____
Gary A. Dodge
Attorneys for US Magnesium

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was served by email this 22nd day of May, 2014, on the following:

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BEFORE
THE PUBLIC SERVICE COMMISSION OF UTAH

Direct Testimony of Roger Swenson

on behalf of

US Magnesium LLC

Docket No. 13-035-196

May 22, 2014

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DIRECT TESTIMONY OF ROGER SWENSON

INTRODUCTION

Q. Please state your name and business address.

A. My name is Roger Swenson. My business address is 1592 East 3350 South, Salt Lake City, Utah.

Q. By whom are you employed and on whose behalf are you testifying in this matter?

A. I am employed by E-Quant Consulting LLC (E-Quant) as an energy consultant. I am testifying on behalf of US Magnesium LLC.

Q. What are your qualifications to testify in this proceeding?

A. I have a BS degree in Physics and MS degree in Industrial Engineering from the University of Utah. I have testified in numerous proceedings before this Commission on matters involving natural gas related regulatory issues, power related regulatory issues, Qualifying Facilities and other matters.

Q. What is the purpose of your testimony in this Docket?

A. My testimony is focused primarily on the proposal of Rocky Mountain Power (RMP) to impose Schedule 31 partial requirements service and charges on customers with onsite generation for back-up power, particularly as it relates to interruptible customers such as US Magnesium. I also have issues in general with inadequate support or information provided in the case in regards to the

22 determination of the charges shown in the proposed new tariff. I also have
23 concerns that the imposition of these costs as proposed may be discriminatory.

24 **Q. What issues stand out relating to the proposed tariff in regards to**
25 **interruptible customers such as US Magnesium?**

26 A. The industrial operation now known as US Magnesium initially entered into an
27 interruptible service agreement for electric service on May 13, 1968. It has always
28 been an interruptible customer and has never requested firm service from its
29 electric utility provider.

30 **Q. Does US Magnesium have generation at its facility?**

31 A. Yes, US Magnesium has three separate turbine generators each with output
32 ranging between 10MWs to 12 MWs. It is planning on installing an additional
33 new turbine that will have an output of 20MWs to 22 MWs.

34 **Q. Why is this important as it relates to this issue?**

35 A. The issue as described in the testimony of Joelle R. Stewart is that these charges
36 are required if a customer has an onsite generation source because the utility “is
37 required to have generation standing by at all times to provide service” (lines 181-
38 184) and therefore the utility should charge for those costs associated with the
39 generation and transmission resources simply waiting to be called on. As an
40 interruptible customer with some onsite self-generation, US Magnesium has not
41 ever needed any resources built for it or to back up its generation; its power
42 supply is and always has been interruptible. US Magnesium installed its combined

43 heat and power system generation because it is more efficient and more economic
44 than purchasing power from the utility.

45 **Q. If no resources are required by US Magnesium to be standing by waiting for**
46 **a problem with its generation should US Magnesium have an obligation to**
47 **subscribe to or pay for partial requirements service?**

48 A. No, there should not be a cost imposed on US Magnesium for something it does
49 not want or need.

50 **Q. Why is partial requirements service not needed by US magnesium?**

51 A. US Magnesium built its plant to withstand interruption. It has been served as a
52 special contract customer with interruptible service because of its unique service
53 requirements; it is essentially a rate class of its own.

54 **Q. If US Magnesium ever determines that it wants or needs a backup or**
55 **supplementary power service from RMP, what will it do?**

56 A. It will propose that such a service be included in its special contract conditions,
57 based on the circumstances at the time. RMP and US Magnesium will then
58 negotiate appropriate conditions and rates, subject to review and approval of the
59 Commission.

60 **Q. What should be done to address this issue?**

61 A. The tariff language proposed by RMP should be changed to specify that a
62 customer like US Magnesium, a long-time special interruptible contract customer

63 with on-site Qualifying Facility generation, is not covered by the tariff. Rather,
64 the terms of US Magnesium's special contract should apply, now and in the
65 future.

66 **Q. Can you explain your primary concern with how RMP's proposed Schedule**
67 **31 rates were developed?**

68 A. Yes. It is not clear to what extent diversity in demand was taken into
69 consideration in developing the proposed rates, particularly in relation to
70 transmission costs. I would expect that there would be a very low probability that
71 many of the proposed customers would need backup service at the same point in
72 time. Consideration of diversity of demand must be taken into account for both
73 the generation and the transmission components of the proposed facilities charge.
74 Any kind of accurate or reasonable cost of service based backup rate must take
75 the historical and expected timing and diversity of outages into account. Revised
76 backup rates should not be approved unless and until this diversity has been
77 properly taken into account in developing rates.

78 **Q. Do you have other concerns with how the proposed rates were developed?**

79 A. Yes. Cost-based justifications have not been provided for many of the proposed
80 rate components. Excess power costs, for example, are based simply on a
81 doubling of the standard rate. A better, cost-based approach would be to base
82 excess energy charges on RMP's avoided energy costs, which are determined and
83 updated quarterly to reflect RMP's marginal energy costs. If avoided energy rates

84 are determined correctly, they should reflect precisely the cost for RMP to deliver
85 incremental energy. Of course, if a customer takes supplies above its contracted
86 maximum, there should be no expectation of assured delivery and that energy
87 should be available only on an interruptible basis.

88 **Q. Why do you prefer your approaches to the approach suggested by RMP?**

89 A. The use of historic data and actual conditions to reflect expected diversity and
90 marginal energy costs properly takes into account some of the basic value
91 propositions that utilities are expected to provide for their customers, e.g., a
92 sharing of resources based on economies of scale while taking into account
93 diversity of load, and rates based on actual costs.

94 **Q. What should happen with a cost of service based approach to these types of
95 services?**

96 A. The cost that a customer should see should have a close cost correlation to taking
97 firm service. I believe that is what the existing schedule 31 rates attempt to
98 achieve. The proposed new rates seem to be moving towards a more punitive
99 approach, apparently aimed at discouraging customers from using more efficient
100 or renewable forms of generation. I believe that is a mistake.

101 **Q. Do you have other concerns with the proposed tariff?**

102 A. Yes. The proposed tariff uses artificial cut-off points at 1 MW and 15 MW, and
103 uses arbitrary distinctions such as whether an on-site generator is a QF or is net
104 metered. These proposals have not been adequately supported, and they appear

105 discriminatory. Further analysis and justification is needed before any of these
106 arbitrary distinctions should be adopted.

107 **Q. Does this conclude your direct testimony?**

108 A. Yes.