

- BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH -

In the Matter of the Application of)	<u>DOCKET NO. 01-035-06</u>
PacifiCorp for Approval of the Letter)	
Agreement with the Magnesium)	<u>ORDER</u>
Corporation of America for Load)	
Curtailment at Building #3)	

ISSUED: March 23, 2001

By The Commission:

BACKGROUND

On March 9, 2001, PacifiCorp filed an Application, accompanied by just a copy of a Letter Agreement for Load Curtailment, asking for expedited approval of the load curtailment agreement with Magnesium Corporation of America (Magcorp) for Load Curtailment relating to Magcorp's Building #3. The Division of Public Utilities and the Committee of Consumer Services have reviewed the Application and the Agreement and recommend approval of the same.

FINDINGS OF FACT AND CONCLUSION OF LAW

1. PacifiCorp is a public utility which provides retail electric service in the states of California, Idaho, Oregon, Utah, Washington, and Wyoming. PacifiCorp conducts its electric utility business in the state of Utah under the assumed business name of "Utah Power & Light Company."
2. Magcorp manufactures magnesium and other products at facilities located in Tooele County, Utah.
3. Utah Power and Magcorp entered into a Letter Agreement (Agreement) dated March 7, 2001, between PacifiCorp and Magnesium Corporation of America (Magcorp) for Load Curtailment relating to Magcorp's Building #3.
4. Under the Agreement, Magcorp agreed to electrically disconnect and remove from PacifiCorp's system its magnesium cell building #3 during all hours from the date of approval through September 30, 2001. The Agreement is anticipated to remove from PacifiCorp's system, up to 20 megawatts per hour of electrical demand and associated energy.
5. Under the Agreement, PacifiCorp will pay Magcorp \$100 per MWh saved as a result of the removal of Building #3 during each month of the Agreement, so long as Magcorp's total remaining demand does not exceed certain maximum allowable demand limits specified in the Agreement. PacifiCorp may terminate the Agreement if Magcorp suspends operations at 80 percent of its facilities, files bankruptcy, or defaults under existing agreements.
6. The Agreement will benefit PacifiCorp and its other ratepayers because it will reduce PacifiCorp's dependence on the wholesale market and reduce the amount of market-priced electricity that it must purchase to meet its load requirements.
7. Because Magcorp's cell building #3 will be shut down, the Agreement will also provide environmental benefits in the form of reduced emissions.
8. PacifiCorp proposes that, as with Schedule 71 transactions, the cost of the Agreement be allocated on a system-wide basis.
9. In a letter dated March 19, 2001, the Division of Public Utilities provided the Commission with a confidential analysis of the Agreement, stated that the Agreement is in the public interest, and recommended that the Commission approve the Agreement.

10. In a letter dated March 21, 2001, the Committee of Consumer Services provided the Commission with a confidential analysis of the Agreement and, based on a limited analysis by staff, recommended approval of the agreement. The Committee also recommended that approval of the contract not set precedent and that the contract approval not replace formal prudence review as needed in a future rate case.

11. The Amendment is in the public interest and should be approved.

ORDER

NOW, THEREFORE, IT IS HEREBY ORDERED, that:

1. The Agreement is hereby approved effective immediately according to its terms; provided, however, that all cost recovery issues are reserved for consideration in an appropriate docket or proceeding.
2. In future applications of this sort, the Company is directed to submit supporting analyses for the Commission's consideration and record.

DATED at Salt Lake City, Utah, this 23rd day of March, 2001.

/s/ Stephen F. Mecham, Chairman

/s/ Constance B. White, Commissioner

/s/ Richard M. Campbell, Commissioner

Attest:

/s/ Julie Orchard

Commission Secretary