

- BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH -

In the Matter of the Application of)	<u>DOCKET NO. 01-035-38</u>
PACIFICORP, dba Utah Power & Light)	
Company for Approval of Provisions for the)	<u>ORDER ON PETITIONS</u>
Supply of Electric Service to Magnesium)	<u>FOR RECONSIDERATION</u>
Corporation of America.)	

ISSUED: July 2, 2002

By the Commission:

On May 24, 2002, this Commission issued an order (May 24th Order) resolving various disputes relating to the terms by which PacifiCorp provides electric service to Magnesium Corporation of America (Magcorp). On June 13, 2002, PacifiCorp filed a Petition for Reconsideration, Rehearing and Clarification of our May 24th Order. On June 13, 2002, Magcorp also filed a Request for Limited Review or Reconsideration of the same order. On June 24, 2002, PacifiCorp, Magcorp and the Committee of Consumer Services filed responses to the June 13th filings. By this order, we respond to a limited number of the matters raised in the June 13th requests for reconsideration.

PacifiCorp asks that the Commission modify the May 24th Order and establish the interjurisdictional allocations associated with the service contract for Magcorp. Interjurisdictional allocations is the subject being pursued in Docket No. 02-035-04. That docket is a multistate proceeding, involving PacifiCorp jurisdictions, to address interjurisdictional allocation issues and endeavoring to reach jurisdictional consensus on such matters; including the proper criteria, and their application, concerning the interjurisdictional allocation of special contracts such as the one with Magcorp. We look to that docket, rather than this docket, as the forum in which to arrive at the appropriate allocation process, applicable across PacifiCorp's entire operational territory, to be applied to special contracts for interruptible customers.

Because of the seemingly limited ability of the participants in this docket to derive measures and methodologies to evaluate, with certainty, the operational benefits of interruptible service for Magcorp and the current difficulty in estimating the true value which is to be obtained from such service, our May 24th Order approached service to Magcorp as an experiment. It is an opportunity for PacifiCorp, regulators and customers to develop measurement and estimation tools and methodologies to determine the specific values that can be obtained from interruptible service. It is also an opportunity to gain experience with such tools and methodologies and confidence that they consistently provide a value estimate which is reflective of actual benefits obtained. Interruptibility is generally touted as providing system benefits, permitting the utility to avoid the expense of having to provide or obtain power during high cost periods. The proceedings in this docket have shown that there is limited ability to move from the generalities to the specifics of interruptible service to a customer. Because of the experimental approach in which we cast service to Magcorp and to avoid the attendant uncertainty, we will allow the use of *situs* treatment of the Magcorp contract pursuant to the terms of our May 24th Order. We do so in recognition of Utah's initiation of this limited experiment and the unsettled nature of the issue pending in the other proceedings.

Both PacifiCorp and Magcorp request clarification concerning the six-hour interruption period specified in our May 24th Order. Our intent is that PacifiCorp may interrupt service, for whatever reason, during a six hour, continuous block of time during each day.

Magcorp requests that we address or clarify other aspects of our May 24th Order as well. We believe it appropriate to address two of the areas to clarify the intent of our May 24th Order. We intend that the terms concerning price index and shaping factors contained in the QF contract between the parties and those terms in the power supply contract, with the

buy-through option, be consistent. If there is merit to using different shaping factors in the power supply contract than the seasonal shaping factors proposed in the QF contract, the QF contract shaping factors may be changed to be consistent with those to be used in the power supply contract. Our intent is to avoid or reduce the opportunity of either party to arbitrage between the two contracts.

We intend that the study of interruptible service ordered in the May 24th Order be open to the participation of all interested parties. We decline, however, to make the detailed specifications requested by Magcorp. The identification of relevant information will occur as the study is initiated and conducted by the Division of Public Utilities. Development of the appropriate areas of exploration to further the purposes of the study and reports and the identification of the likely sources and forms of information that will be useful to these ends will occur as the Division develops its analytical approach and identifies the course of the study and reporting topics it intends to pursue. We suspect that this will be fine tuned as the Division and participants proceed with the study and prepare to make the reports, which will occur over the course of the contract with Magcorp. While the experience with Magcorp will be a potential source of useful information, it is not our intent that the study and reports focus or rely solely on the Magcorp experience. While we intend that all interested parties be able to participate in the process, to identify areas of inquiry and the investigative approaches the Division's undertaking should follow. It is premature, at this time, to prepare a litany of the specific information that should be used in making the study and in preparing the reports, and how such information is to be gathered and disseminated.

DATED at Salt Lake City, Utah, this 2nd day of July, 2002.

/s/ Stephen F. Mecham, Chairman

/s/ Constance B. White, Commissioner

/s/ Richard M. Campbell, Commissioner

Attest:

/s/ Julie Orchard

Commission Secretary

GW# 29992