

- BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH -

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In the Matter of the Application of )	<u>DOCKET NO. 03-035-19</u>
US Magnesium LLC for )	<u>REPORT AND ORDER</u>
Determination of Long-Term )	<u>APPROVING AN ELECTRIC SERVICE</u>
Economic Development Rates and )	<u>AGREEMENT</u>
Conditions of Interruptible Service.	

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ISSUED: December 16, 2004

SUMMARY

By this Order, the Commission approves an Electric Service Agreement between PacifiCorp and US Magnesium LLC. The Electric Service Agreement specifies the rates, terms and conditions under which PacifiCorp will provide interruptible electric service to US Magnesium.

By The Commission:

Pursuant to notice regularly given, a hearing was held on November 29, 2004, to take evidence on a proposed electric service agreement (Agreement) between PacifiCorp and US Mag. Edward Hunter appeared on behalf of PacifiCorp; Patricia Schmid, Assistant Attorney General, appeared on behalf of the Division of Public Utilities (Division); Paul Proctor, Assistant Attorney General, appeared on behalf of the Committee of Consumer Services (Committee); and Gary A. Dodge appeared on behalf of US Magnesium LLC (US Mag). At the hearing, PacifiCorp, the Division, US Mag and the Committee presented evidence in support of the Agreement. No person appeared in opposition to the Agreement.

Bruce Griswold, the witness for PacifiCorp, explained that the Agreement, which has a five year term, provides for interruptible service at a base rate of \$25.14 per MWh. Mr. Griswold testified that the base rate, which is subject to escalation, was determined in accordance with cost of service principles. The escalation will be one-half of the average percentage adjustment to the Schedule No. 9 customer class and will take effect on January 1 of the following year. Mr. Griswold concluded that the Agreement is just and reasonable and in the public interest.

Ms. Andrea Coon, the witness for the Division, discussed the benefits to customers associated with PacifiCorp's

ability to interrupt service to US Mag, including the benefits associated with physical curtailment during the hottest days of the year. Ms. Coon testified that the Division is satisfied with the term and escalation provisions of the Agreement and that the Agreement is just and reasonable and in the public interest. Ms. Coon also requested that the Commission direct PacifiCorp to provide cost of service studies for US Mag in all the rate cases between now and the end of the term of the Agreement.

Mr. Phil Hayet, the witness for the Committee, testified that the base rate for interruptible service to US Mag under the Agreement reflects the cost of that service and that the issues raised by US Mag have been addressed in the Agreement. Finally, Mr. Roger Swenson, the witness for US Mag, testified that the Agreement is just and reasonable and in the public interest.

#### DISCUSSION

The testimony provided in this Docket demonstrates that this matter was thoroughly reviewed and considered and all the parties have reached the conclusion that the rates, terms and conditions of the Agreement are just and reasonable and in the public interest. We also find and conclude that the rates, terms and conditions of the Agreement are just and reasonable and that it is in public interest to approve the Agreement. The value of operating reserve provided by US Mag is not included in this price and will be the subject of a separate agreement that will be filed with us.

#### ORDER

NOW, THEREFORE, IT IS HEREBY ORDERED, that:

1. The Agreement is approved; and
2. PacifiCorp shall provide cost of service studies for US Mag in all the rate cases during the term of the Agreement.

DATED at Salt Lake City, Utah, this 16th day of December, 2004.

/s/ Ric Campbell, Chairman

/s/ Constance B. White, Commissioner

/s/ Ted Boyer, Commissioner

Attest:

/s/ Julie Orchard, \_\_\_\_\_  
Commission Secretary

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