

**BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH**

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In The Matter Of The Petition Of US )  
Magnesium LLC For Determination )  
of Long-Term Economic ) Docket No. 03-035-19  
Development Rates and Conditions )  
of Interruptible Service )

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SUPPLEMENTAL TESTIMONY

OF

BRUCE W. GRISWOLD

October 13, 2004

1 **Q. Are you the same Bruce W. Griswold that filed direct testimony in this case?**

2 A. Yes I am.

3 **Purpose of Testimony**

4 **Q. What is the purpose of your testimony?**

5 A. Since filing my direct testimony, the Company has participated in several technical  
6 conferences and held continued negotiations with US Magnesium. My supplemental  
7 testimony takes into account the additional operational flexibility and terms that US  
8 Magnesium LLC (“US Mag”) has now agreed to provide. I will explain and clarify  
9 the prices and appropriate terms and conditions of the power supply agreement and  
10 the operating reserve agreement proposed by the Company to US Mag as a result of  
11 the negotiations and technical conferences. The disputes that remain are how to price  
12 the specific operating terms and reserve values that are now provided by US Mag.

13 **Q. What are the key points of the proposed power supply agreement with US Mag?**

14 A. Mr. Dave Taylor has described the general structure and proposed price for the power  
15 supply agreement in his supplemental testimony. I have summarized those points in  
16 Exhibit UP&L\_(BWG-1S) as well as the other terms, conditions and provisions that  
17 would be included in the agreement.

18 **Q. How would price changes be addressed in the proposed power supply agreement  
19 as compared to the current agreement?**

20 A. The current agreement has no price change provision and the price has been fixed for  
21 the three year term. In the proposed agreement, the price per MWh charged for power  
22 delivered to US Mag would be adjusted by the same percentage and concurrent with  
23 any Utah Commission approved Schedule 9 customer class price changes.

1 **Q. What changes would the Company propose be made to the deposit and security**  
2 **provisions in a new agreement?**

3 A. The Company proposes that the deposit and security provisions be updated as follows  
4 to reflect current and forecast electrical usage. We specifically recommend that US  
5 Mag continue bimonthly prepayments adjusted to reflect the projected electrical  
6 usage. In the event of a dispute, all disputed amounts due for electrical service would  
7 be paid into an escrow account, and such amounts would be released to the prevailing  
8 party by the earlier of a mutual agreement or by order of the Utah Commission.  
9 Conditions and/or circumstances under which amounts could be withheld would be  
10 clearly defined (i.e., what is a qualified dispute). The right to offset would be  
11 expanded to include any and all other agreements entered during the term of the new  
12 power supply agreement. The deposit held by PacifiCorp would be an amount equal  
13 to fifteen (15) days net electrical usage (including net of QF credit). The basis of the  
14 deposit calculation would be the average projected net electrical usage including the  
15 curtailment months. The deposit amount would be adjusted on an annual basis to  
16 reflect the projected 12 month electrical usage.

17 **Q. Are there other changes to the terms and conditions in the power supply**  
18 **agreement?**

19 A. Mr. Taylor, in his supplemental testimony, describes the mechanism for physical  
20 curtailment versus buy-through. The Company proposes that on those days in July  
21 and August when the day-ahead temperature at the Salt Lake Airport is forecast to be  
22 over 100 degrees, US Mag must physically interrupt their load for the four (4) hour  
23 period. In the current contract US Mag has a buy-through option on all curtailment

1 hours when the Company exercises its option to interrupt. This requires the Company  
2 to continue to plan to serve the US Mag load and therefore it is included in the  
3 Company's firm load requirements and service obligations. This includes the cost of  
4 holding reserves for US Mag's load during the "curtailment period". The temperature  
5 trigger provision provides an additional benefit to the Company by releasing the  
6 reserves in those hours, for which the Company will compensate US Mag.

7 **Q. Please describe the terms of operating reserve agreement proposed for US Mag.**

8 A. The operating reserve agreement will run concurrently with the proposed power  
9 supply agreement. US Mag will provide 85MW of contingency non-spin operating  
10 reserves as defined by WECC, under the following conditions:

- 11 • All hours outside of power supply agreement curtailment hours are available  
12 for reserves
- 13 • US Mag can be interrupted three (3) times in any four (4) hour period
- 14 • Cumulative limit of three (3) hours per day
- 15 • Limited to 100 hours per year

16 Under these conditions, the Company updated the reserve calculations as described in  
17 my direct testimony, and will pay US Mag an average price of \$1.38 per kW-month  
18 for the term. This amount would be equal to an annual payment of \$1,407,000. On  
19 an annual usage level of 533,000 MWhs, it equals a credit of \$2.64 per MWh that can  
20 be netted against US Mag's power supply agreement cost of \$25.78 per MWh. The  
21 agreement will have provisions very similar on an operational and contractual basis to  
22 the operating reserve agreements with Nucor and Monsanto including non-  
23 performance penalty payments, agreement re-opener in the event that WECC modifies

1 the volumes and/or type of reserves required of the Company. In my direct  
2 testimony, I describe the basic procedures, terms and conditions that the Company  
3 includes in its operating reserve agreements with retail load. We anticipate using that  
4 same template reserve agreement with US Mag. I have summarized those points in  
5 Exhibit UP&L\_(BWG-2S) and the other terms, conditions and provisions that would  
6 be included in the operating agreement.

7

8 **Conclusion**

9 **Q. Based on the work that has been completed to date, what price do you support**  
10 **for US Magnesium?**

11 A. As Mr. Taylor points out in his supplemental testimony, the proposed power supply  
12 agreement would include a curtailment option with buy-through on certain  
13 curtailment hours. This results in a cost of service based price of \$25.94 per MWh.  
14 The Company then applies a credit of \$0.16 per MWh for the temperature-triggered  
15 physical curtailment provision in July and August. This results in a net price of  
16 \$25.78 per MWh. The separate operating reserve agreement pays US Mag \$1.38 per  
17 kW-month or \$2.64 per MWh based on the test year usage of 533,000 MWhs. Since  
18 these two agreements are concurrent, the payments to US Mag would be netted  
19 against that owed to the Company resulting in a net price of \$23.14 per MWh.

20 **Does this conclude your testimony?**

21 A. Yes it does.