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BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

**IN THE MATTER OF THE
APPLICATION OF US MAGNESIUM
LLC FOR DETERMINATION OF
RATES AND CONDITIONS FOR
INTERRUPTIBLE SERVICE FROM
AND QF SALES TO ROCKY
MOUNTAIN POWER**

DOCKET NO. 09-035-20

**PETITION OF US MAGNESIUM LLC
FOR DETERMINATION OF RATES
AND TERMS FOR INTERRUPTIBLE
ELECTRIC SERVICE FROM AND
PRICES AND TERMS FOR QF SALES
TO ROCKY MOUNTAIN POWER**

Pursuant to Utah Code Ann. §§ 54-3-1, 54-4-1, 54-4-4 and 54-7-12, US Magnesium LLC (“USM”) hereby petitions the Commission for an Order determining just and reasonable rates and conditions of service for continued interruptible electric service to be provided by Rocky Mountain Power (“RMP”) to USM following termination of the parties’ current contracts on December 31, 2009.

Pursuant to Utah Code Ann. § 54-12-1, et seq., and Section 210 of the Public Utility Regulatory Policies Act of 1978, 16 U.S.C. §824a-3, USM also petitions the Commission for an

Order determining just and reasonable prices and terms for the sale of electric energy and capacity to RMP from USM's qualifying facilities following expiration of the existing QF contract on December 31, 2009.

Background - Interruptible Service

1. US Magnesium has operated magnesium extraction and production facilities near Rowley, Tooele County, Utah, for nearly forty years. For that entire period, USM has been an interruptible electric service customer of RMP.¹

2. Over RMP's objections, in a 1968 Report, Findings and Conclusions entered in Dockets 5639 and 5640 on April 19, 1968, this Commission ordered RMP to provide long-term interruptible electric service to US Magnesium at discounted prices and under terms and conditions designed to permit the proposed magnesium production facilities to be constructed and operated on an economical basis. That order resulted in a 30-year power supply agreement which expired in December 2000.

3. Lengthy and contentious negotiations and litigation between USM and RMP commenced as the term of the 30-year contract wound down. In Dockets 01-035-38 and 03-035-19, the Commission approved power supply arrangements for continued interruptible service to USM at reasonable and economic rates that have permitted USM to continue its operations.

4. USM currently receives interruptible electric service from RMP through an Electric Service Agreement ("ESA") and an Operating Reserve Interruption Agreement ("ORIA"), each dated November 23, 2004. The ESA was approved by the Commission in a

¹ References in this Petition to RMP and USM are intended to also refer, as appropriate given the context, to their respective predecessors in interest.

Report and Order dated December 16, 2004, in Docket 03-035-19. The ORIA was filed with the Commission. The ESA and the ORIA are both scheduled to expire on December 31, 2009.

5. The viability of USM's operations continues to depend upon the availability of a long-term, economical source of electric energy. USM, which pays livable wages to hundreds of full-time employees and contributes significantly to the economy of the State of Utah, is the sole surviving producer of magnesium in the United States today due to intense international competition. Facilities designed to extract magnesium from concentrated salt water brines, such as those operated by USM, are extremely electric intensive. Electricity is a direct input into the process -- significant amounts of electricity are continually fed through cathodes in large electrolytic cells into evaporated magnesium chloride brines in order to separate magnesium from chlorine.

6. USM has historically provided valuable services to RMP, including physical and economic interruptibility and operating reserves. USM is willing to continue providing similar services, and respectfully requests a determination of just and reasonable prices and terms for the same.

7. USM and RMP are engaged in ongoing, good-faith negotiations for continued interruptible electric supply arrangements. Given the length of time required in the past to litigate and negotiate acceptable electric service arrangements, USM is filing this Petition in order to provide adequate time for discovery, testimony and thoughtful analysis by all interested parties and the Commission prior to the end of the year.

8. USM respectfully asks the Commission to establish in this docket just and reasonable rates, terms and conditions for interruptible electric service to be supplied by RMP to USM and by USM to RMP on and after January 1, 2010.

QF Contract

9. USM operates an electric generation facility at its site that qualifies as a cogeneration facility and qualifying facility (“QF”) under federal and state law. USM’s QF currently generates approximately 36 MW of capacity.

10. Under applicable federal and state laws, RMP is required to purchase all QF power and energy offered to it by USM at full avoided costs.

11. QF rights provided by Section 210 of the Public Utility Regulatory Policy Act (PURPA) and Utah Code Sections 54-12-1 and 54-12-2 are intended to encourage the development of more efficient technologies and to encourage the greatest amount of energy utilization per unit of resource input. The need to promote the most efficient use of valuable resources is vitally important in today’s environment.

12. Energy-intensive businesses must constantly find the most efficient manner to produce products in ever-increasingly competitive world markets. QF laws present an important means of helping industrial processes to increase efficiency, maintain competitiveness and retain Utah jobs, while also benefiting utility ratepayers.

13. In January 2002, USM filed a petition with this Commission to require PacifiCorp to purchase the output of its QF facility at full avoided cost rates. In orders in Dockets 02-035-02 and 03-035-38, the Commission approved prices and terms for the sale of USM’s QF energy to RMP. RMP’s current QF Power Purchase Agreement expires on December 31, 2009.

14. Despite ongoing, good-faith negotiations, RMP and USM have not reached agreement on prices or terms for USM's sale of QF energy and/or capacity to RMP on or after January 1, 2010.

15. US Magnesium respectfully asks the Commission to establish reasonable prices and terms for the purchase by RMP of USM's QF power and/or energy on and after January 1, 2010.

Requested Relief

16. USM respectfully asks the Commission to promptly enter a protective order to facilitate the exchange of confidential information, set a date for a scheduling conference in this docket to establish reasonable deadlines for the exchange of data and the filing of testimony, and set dates for plenary hearings that will enable the Commission to establish long-term rates and conditions for interruptible service to US Magnesium and QF prices and terms that are just, reasonable and in the public interest.

RESPECTFULLY SUBMITTED this 9th day of April, 2009

HATCH, JAMES & DODGE

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CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was served by email this 9th day of April, 2009, on the following:

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