

- BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH -

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In the Matter of the Application of Rocky Mountain Power for Approval of a Power Purchase Agreement between PacifiCorp and U.S. Magnesium, LLC )  
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DOCKET NO. 10-035-105

ORDER APPROVING POWER PURCHASE AGREEMENT

ISSUED: December 20, 2010

By The Commission:

This matter is before the Commission on the application of PacifiCorp (“Application”), doing business in Utah as Rocky Mountain Power (“Company”), for approval of a power purchase agreement (“Agreement”) between the Company and U.S. Magnesium, LLC (“US Mag”). The Company submitted its Application together with a copy of the underlying Agreement on September 23, 2010.

The Division of Public Utilities (“Division”) filed a memorandum recommending approval of the Application on November 15, 2010. The Administrative Law Judge of the Commission held a duly-noticed hearing on November 18, 2010. The parties represented included the Company, US Mag, the Division, and the Office of Consumer Services (“OCS”).

US Mag owns, operates, and maintains in Tooele County, Utah, magnesium production and related facilities, including a gas-fired generation facility. The facility is operated as a qualifying facility (“QF”), as defined in 18 C.F.R Part 292, with a nameplate capacity rating of 45 megawatts (“MW”). The estimated normal maximum sustained output of the generating facility is about 36 MW. All interconnection requirements have been met, and the US Mag facility is fully integrated with the Company’s system.

US Mag estimates the average output of the facility to be delivered to the Company will be about 238,272 megawatt-hours (MWh), or about 27.2 MW per hour on average. US Mag has the option, but not the obligation, to deliver approximately 45 MW per hour to the Company.

The Agreement will run for 12 months—from January 1, 2011 through December 31, 2011, in essence extending the basic non-price terms of an existing contract which expires on December 31, 2010. Pricing under the Agreement varies by month, with high load and low load hour pricing for each month. In addition US Mag has indicated it tentatively plans for major scheduled maintenance on one of its units in March 2011.

The average annual price under the Agreement is approximately \$37.00 per MWh, which is about \$5.00 per MWh lower than last year's average price. The prices under the Agreement are based on the Company's June 2010 forecast price curves, showing prices significantly down from last year's prices and much lower than historical highs.

To this MWh price is added an adjustment for avoided line losses which increases the price by 4.44 percent. Relatively high prices during the months of July through September provide an incentive for US Mag to provide as much power as possible during those months of relatively high demand on the Company's system.

The Agreement constitutes a "New QF Contract" under the PacifiCorp Inter-Jurisdictional Cost Allocation Protocol and, as such, Agreement costs are allocated as a system resource, unless any portion of those costs exceeds the costs PacifiCorp would have otherwise incurred acquiring comparable resources. In that event, the Revised Protocol assigns those excess costs on a situs basis to the State of Utah. The Company represents that its costs under

the Agreement do not exceed the costs it would have incurred acquiring other market resources. The Division accepts this representation based upon its prior analysis of the Company's avoided cost reports.

The Division has reviewed the Application and Agreement and recommends their approval. The specifics of the Agreement are detailed in the Application, which includes the Agreement, and are summarized in the Division's November 15, 2010, memorandum. The Division concludes the terms of the Agreement comply with the Commission's guidelines and orders in Docket No. 03-035-14, pertaining to QF pricing methodology. The OCS does not oppose approval.

#### ORDER

Based on the unopposed Application submitted by the Company, and the recommendation of the Division, the Commission finds the terms and conditions of the Agreement to be just and reasonable, and in the public interest. Accordingly, the Application and the Agreement are hereby approved. As recommended by the Division, the Company shall provide to the Division, at least quarterly, data reflecting the hourly power purchased under the Agreement so that the Division may monitor contract performance.

Pursuant to Sections 63G-4-301 and 54-7-15 of the Utah Code, an aggrieved party may request agency review or rehearing of this Order by filing a written request with the Commission within 30 days after the issuance of this Order. Responses to a request for agency review or rehearing must be filed within 15 days of the filing of the request for review or rehearing. If the Commission does not grant a request for review or rehearing within 20 days after the filing of the request, it is deemed denied. Judicial review of the Commission's final

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agency action may be obtained by filing a petition for review with the Utah Supreme Court within 30 days after final agency action. Any petition for review must comply with the requirements of Sections 63G-4-401 and 63G-4-403 of the Utah Code and the Utah Rules of Appellate Procedure.

DATED at Salt Lake City, Utah this 20<sup>th</sup> day of December, 2010.

/s/ Ruben H. Arredondo  
Administrative Law Judge

Approved and confirmed this 20<sup>th</sup> day of December, 2010 as the Order Approving Power Purchase Agreement of the Public Service Commission of Utah.

/s/ Ted Boyer, Chairman

/s/ Ric Campbell, Commissioner

/s/ Ron Allen, Commissioner

Attest:

/s/ Julie Orchard  
Commission Secretary  
G#70174