

- 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. 11-035-182  
ORDER APPROVING POWER PURCHASE AGREEMENT  
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ISSUED: December 7, 2011

SYNOPSIS

The Commission approves this one-year power purchase agreement between PacifiCorp d/b/a Rocky Mountain Power and U.S. Magnesium, LLC.

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By The Commission:

This matter is before the Commission on the application of PacifiCorp (“Application”), doing business in Utah as Rocky Mountain Power (“Utility”), for approval of a power purchase agreement (“Agreement”) between the Utility and U.S. Magnesium, LLC (“US Mag”). The Utility submitted its Application together with a copy of the underlying Agreement on October 25, 2011.

The Division of Public Utilities (“Division”) filed a memorandum recommending approval of the Application on November 8, 2011. The Commission, through a designated presiding officer, held a duly-noticed hearing on November 14, 2011. The parties represented included the Utility, US Mag, the Division, and the Office of Consumer Services (“OCS”).

US Mag owns, operates, and maintains in Tooele County magnesium production and related facilities, including a gas-fired generation facility. According to the Division, the generation 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 Utility’s system.

According to the Division, US Mag estimates the average net monthly output of the facility to be delivered to the Utility under the Agreement will be about 238,272 megawatt-hours (MWh), or about 27.2 MW per hour on average. The Agreement provides US Mag with the option, but not the obligation, to deliver approximately 45 MW per hour to the Utility.

The Agreement will run for 12 months, from January 1, 2012 through December 31, 2012, in essence extending the basic non-price terms of an existing contract which expires on December 31, 2011. Pricing under the Agreement varies by month, with “on-peak” and “off-peak” hourly pricing for each month. On-peak (high load) hours are defined as Monday through Saturday from 7:00 a.m. through 11:00 p.m. Off-peak (low load) hours are defined as all hours that are not on-peak hours.

Under the terms of the Commission’s order in Docket No. 03-035-14, non-firm QF resources are not entitled to a capacity payment. Accordingly, the Agreement provides only for energy prices. As set forth in Section 5 and Exhibit E of the Agreement, the price per megawatt hour varies by month and by on-peak and off-peak hours. Higher monthly on-peak prices during the months of July through September provide an incentive for US Mag to generate power during the months of high demand on the Utility’s system. Similarly, the higher prices during on-peak hours encourage the QF to operate during the hours when demand on the Utility’s system is highest. These pricing arrangements benefit the public by allowing the Utility to reduce expensive power purchases to satisfy peak demand.

The total energy price under the Agreement includes a 4.64% adjustment for avoided line losses. The Division notes this adjustment is based on a rate of 5.0% for real power losses, as set forth in Schedule 10 of the Utility's proposed Open Access Transmission Tariff ("OATT") filed with FERC on May 26, 2011. The proposed OATT tariff rate has been used in this contract since the proposed rate is scheduled to become effective as of September 2011. In the event FERC approves a different line loss rate with an effective date during the term of this Agreement, the Utility will recalculate the adjustment factor from the FERC effective date.

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 the Utility 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 Utility 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 Utility'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 8, 2011, memorandum. The Division accepts the terms of the Agreement as compliant with the Commission's guidelines and orders in Docket No. 03-035-14, pertaining to QF pricing methodology.

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ORDER

Based on the unopposed Application submitted by the Utility, 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. The Utility 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.

DATED at Salt Lake City, Utah this 7<sup>th</sup> day of December, 2011.

/s/ David R. Clark  
Presiding Officer

Approved and confirmed this 7<sup>th</sup> day of December, 2011, 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  
D#212053

Notice of Opportunity for Agency Review or Rehearing

Pursuant to Utah Code Ann. §§ 63G-4-301 and 54-7-15, a party may seek agency review or rehearing of this order by filing a request for review or rehearing with the Commission within 30 days after the issuance of the 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 fails to grant a request for review or rehearing within 20 days after the filing of a request for review or rehearing, it is deemed denied. Judicial review of the Commission's final 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 Utah Code Ann. §§ 63G-4-401, 63G-4-403, and the Utah Rules of Appellate Procedure.

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on the 7<sup>th</sup> day of December, 2011, a true and correct copy of the foregoing Order Approving Power Purchase Agreement was served upon the following as indicated below:

By U.S. Mail:

Data Request Response Center  
PacifiCorp  
825 NE Multnomah Street, Suite 800  
Portland, OR 97232

Dave Taylor  
Rocky Mountain Power  
201 South Main Street, Suite 2300  
Salt Lake City, UT 84111

Daniel E. Solander  
201 South Main Street, Suite 2300  
Salt Lake City, UT 84111

Gary A. Dodge  
Hatch, James & Dodge  
10 West Broadway, Suite 400  
Salt Lake City, UT 84101

By Hand-Delivery:

Division of Public Utilities  
160 East 300 South, 4<sup>th</sup> Floor  
Salt Lake City, UT 84111

Office of Consumer Services  
160 East 300 South, 2<sup>nd</sup> Floor  
Salt Lake City, UT 84111

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Administrative Assistant