



State of Utah  
Department of Commerce  
Division of Public Utilities

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THAD LEVAR  
*Deputy Director*

CHRIS PARKER  
*Director, Division of Public Utilities*

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*Governor*  
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*Lieutenant Governor*

## ACTION REQUEST RESPONSE

**To:** Public Service Commission

**From:** Chris Parker, Director *CP*  
Artie Powell, Energy Section Manager *AP*  
Charles E. Peterson, Technical Consultant *CEP*

**Date:** April 12, 2011

**Re:** Docket No. 11-035-45, In the Matter of the Application of Rocky Mountain Power for Approval of an Electric Service Agreement Between Rocky Mountain Power and Magnum Holdings, LLC.

### RECOMMENDATION (CONDITIONAL APPROVAL)

The Division of Public Utilities (Division) recommends approval of the Electric Service Agreement (ESA) between Rocky Mountain Power and Magnum Holdings, LLC, dated March 9, 2011. However, at this date certain data requests sent by the Division and the Office of Consumer Services (Office) are outstanding that may not be answered for another two weeks. Therefore, the Division conditions its recommendation of approval of the ESA on the responses to these data requests.

### ISSUE

Rocky Mountain Power (RMP, or the Company) filed for the approval of an ESA with Magnum Holdings, LLC (Magnum) on March 14, 2011. The ESA was signed on February 28, 2011 by Magnum and March 9, 2011 by the Company. RMP requests that the Commission approve the ESA. On March 15, 2011 the Commission issued an action request to the Division in this matter with a due date of April 14, 2011. This memorandum is submitted in response to this action

request. The Division understands that a hearing date of May 4 or 5, 2011 will likely be set in this matter.

## DISCUSSION

Rocky Mountain Power proposes to sell power to Magnum Holdings, LLC via the ESA.<sup>1</sup> The Company is the division of PacifiCorp that provides local electric distribution service to customers in much of Utah. The site of the proposed Magnum plant is within RMP's service territory. Magnum is a Utah Limited Liability Company.

Magnum proposes to build and operate an underground natural gas storage facility referred to as the Magnum Gas Storage Project near Delta, Millard County, Utah.<sup>2</sup> The ESA outlines [REDACTED] of development at the Magnum site between approximately [REDACTED]. Construction is expected to begin sometime [REDACTED]

[REDACTED]. Each phase will require up to [REDACTED] of power. At this time there is no assurance that there will be power for the [REDACTED]

[REDACTED]<sup>4</sup> As discussed in the Company's application, there were two scenarios evaluated to provide service to Magnum. The first scenario entailed PacifiCorp using exclusively its own resources which would require an additional \$25 million in upgrades. The second scenario used power from the nearby Intermountain Power Project plant (IPP) which is currently controlled and operated by the Los Angeles (California) Department of Water and Power (LADWP).<sup>5</sup>

Interconnection with IPP would require the construction of about 2 miles of transmission lines, about 1.5 miles of which would be owned by PacifiCorp and the remainder by IPP. Under this second scenario the Company would purchase electric power from IPP in the exact amount needed to supply Magnum and then simultaneously sell it to Magnum by contractually having

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<sup>1</sup> This ESA has similarities with the ESA the Commission approved for the First Wind wind projects near Milford, Utah, in that both agreements required a third party agreement with LADWP for power from the IPP plant.

<sup>2</sup> See <http://www.westernenergyhub.com/projectinfo>.

<sup>3</sup> Per Magnum's answer to a DPU data request.

<sup>4</sup> ESA, Sections 6.01, 6.02, and 6.03.

<sup>5</sup> The IPP plant is nominally owned by the Intermountain Power Agency (IPA) which is the agent for 23 municipal power companies in Utah. See <http://www.ipautah.com/about/index.asp>.

LADWP transmit the power to Magnum.<sup>6</sup> The Company and Magnum determined that this second scenario is more cost efficient than the first scenario. The Division understands that the cost to build these additional facilities to interconnect with IPP will be paid for by Magnum. The Company will collect a \$ [REDACTED] administrative fee and a monthly facilities fee estimated at about \$ [REDACTED] Magnum in addition to amounts to cover the electric purchases from IPP.<sup>7</sup> Based upon this ESA, it is expected that there will be no cost impact on other ratepayers either through additional operating costs or additions to rate base. There could be a slight benefit to other ratepayers through the collection of the \$ [REDACTED] administrative fee.

There are several additional contracts behind the ESA between the Company and the Los Angeles Department of Water and Power (LADWP), between LADWP and Magnum, and Magnum and the Company. These additional contracts include the power purchase agreement and an interconnection agreement between PacifiCorp and LADWP; an Applicant Built Line Extension agreement, an Engineering and Materials Procurement agreement, and an Engineering Services agreement between PacifiCorp and Magnum, and finally a Facilities Construction, Operation and Management agreement between LADWP and Magnum. Magnum is responsible for the costs incurred under all of these agreements. Furthermore, Magnum will build, at its own cost, the additional power lines and facilities necessary to deliver power from IPP to its facilities. Only after completion of construction and approval by PacifiCorp and LADWP, which will include evidence release of all liens, will ownership in these facilities be transferred to PacifiCorp and the IPP plant.

## CONCLUSION

Based upon the Division's review of the documents provided including the answers to its and the Office's data requests and informal discussions with the parties, the Division finds no reason that this ESA should not be approved and therefore recommends approval conditioned on the responses to the outstanding data requests. It appears that there should be no negative impacts on either other ratepayers or on PacifiCorp. After the outstanding data requests are received and

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<sup>6</sup> Application, p. 3, para. 5.

<sup>7</sup> ESA p. 3 and p. 11, Section 7.01.

evaluated, the Division will supplement this memo either in writing before the hearing on this matter, or orally at the hearing.

CC Dave Taylor, Rocky Mountain Power  
Daniel Solander, Rocky Mountain Power  
Barbara Ishimatsu, Rocky Mountain Power  
Dave Detton, Magnum Holdings, LLC  
Gary Dodge, attorney for Magnum  
Michele Beck, Office of Consumer Services  
Cheryl Murray, Office of Consumer Services