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State of Utah
Department of Commerce
Division of Public Utilities

FRANCINE GIANI
Executive Director

THOMAS BRADY
Deputy Director

CHRIS PARKER
Director, Division of Public Utilities

MEMORANDUM

PUBLIC

To: Utah Public Service Commission
From: Division of Public Utilities
Chris Parker, Director
Artie Powell, Manager, Energy Section
Justin Christensen, Utility Analyst
Charles Peterson, Technical Consultant

Subject: In the Matter of Rocky Mountain Power Application for Approval of an Electric Service Agreement between Rocky Mountain Power and US Magnesium LLC, Docket No. 14-035-143.

Date: December 5, 2014

RECOMMENDATION: (Approve)

The Division recommends that the Commission approve the Electric Service Agreement between Rocky Mountain Power and US Magnesium LLC.

BACKGROUND

In an Application dated November 7, 2014 Rocky Mountain Power (RMP, or Company), a division of PacifiCorp, filed for approval of an Electric Service Agreement (ESA) with US Magnesium, LLC (US Mag). The effective date of this agreement is January 1, 2015 and will replace an existing contract that will expire on December 31, 2014. This ESA will continue for 36 months to December 31, 2017.

The Commission issued a Scheduling Order on November 13, 2014 directing that comments were due on December 5, 2014. This memorandum, outlining the Division's investigation and conclusions, is in response to the Commission's Order.

ANALYSIS

The proposed contract between RMP and US Mag outlines the terms, pricing, and conditions under which RMP would continue to provide electric service, including interruption and curtailment, and replacement power to the US Mag facilities. The ESA is more specifically tied to Electric Service Schedules 9 (large industrial users) and 31 (back-up power) than it has been previously.

On November 20th, a meeting was held with, RMP, US Mag, the Division, and the Office of Consumer Services. The Division had given RMP a list of questions with requests for documentation in advance of the meeting. At the meeting or shortly thereafter, the Company was able to answer Division's questions and supply supporting documentation. The following will outline some of the points the Division will focus on.

In the previous contract, Docket No. 09-035-20, the Division recommended changes in pricing term to be no more than 90 days. In Article 3.4 the proposed contract stated that if there are rate adjustments [REDACTED]

[REDACTED] Another concern the Division previously had was the appropriate adjustments for extended Daylight Saving Time. The proposed ESA remedies the Division's concern.¹

Article 3.13 states that US Mag [REDACTED]
[REDACTED]
[REDACTED]

¹ ESA between US Mag and RMP Article. 3.3 pg. 10

One of the benefits in the public interest is that RMP has the right to curtail power and energy to US Mag. Article 4 sets out the terms for power curtailment. [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

In the last rate case, the Commission ordered a two-step increase with Cost of Service. The step increase will bring US Mag much closer to Cost of Service. According to an exhibit filed by the Company, [REDACTED]

CONCLUSIONS AND RECOMMENDATIONS

Based upon the above outlined analysis, the Division recommends Commission approval of the proposed contract between US Magnesium and Rocky Mountain Power. US Magnesium's ESA contract has moved it much closer to full Schedule 9 and 31 pricing compared to where it was years ago, to the benefit of the Company and other ratepayers. The incremental improvement in the pricing structure toward Schedule 9 and 31 pricing terms is consistent with the principle of gradualism as recognized by the Division. The curtailment feature in the contract is a benefit to ratepayers and the Company and justifies the use of a special contract and some terms that are favorable to US Mag. In conclusion, the contract terms and pricing appear to be just, reasonable, and in the public interest.

CC: Paul Clements, PacifiCorp
David Taylor, PacifiCorp
Daniel Solander, PacifiCorp
Roger Swenson US Magnesium
Gary Dodge US Magnesium
Michele Beck, Office of Consumer Services
Cheryl Murray, Office of Consumer Services