



GARY R. HERBERT
Governor

SPENCER J. COX
Lieutenant Governor

State of Utah
DEPARTMENT OF COMMERCE
Office of Consumer Services

MICHELE BECK
Director

To: The Public Service Commission of Utah

From: The Office of Consumer Services

Michele Beck, Director

Dan Gimble, Manager

Cheryl Murray, Utility Analyst

Date: December 5, 2014

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

REDACTED

Introduction

On November 7, 2014, Rocky Mountain Power (Company) filed with the Utah Public Service Commission (Commission) an application (Application) for approval of an Electric Service Agreement (ESA) with US Magnesium LLC. On November 13, 2014 the Commission issued a Scheduling Order and Notice of Hearing setting December 5 and December 12, 2014 as the dates for parties to file comments and reply comments, respectively. A hearing on the matter is scheduled for December 17, 2014. The ESA is labeled as confidential; therefore, certain portions of the following initial comments of the Office of Consumer Services (Office) will be confidential.

Background

The proposed ESA provides for US Magnesium to purchase interruptible electric power and energy from the Company for a term of three (3) years beginning January 1, 2015. In connection with the proposed ESA, there are a number of rate adjustments, provisions relating to [Begin Confidential] [REDACTED]. [End Confidential] In its memo the Office discusses these issues and provides its recommendations.

Rate Adjustments

The proposed ESA rates for US Magnesium will become effective, with Commission approval, on January 1, 2015. In keeping with the two-tiered rate increase approved in the settlement stipulation in Docket No. 13-035-184, US Magnesium rates will increase on September 1, 2015. In addition, Section 3.4 of the ESA provides that:

“...the Delivered Power Charges in this Agreement shall be uniformly adjusted by the average percent change for total Utah retail customers concurrently with any Commission-approved rate change in any general rate case or Major Plant Addition case for Utah retail tariff customers on or after September 1, 2016.”

The Office further notes that the Company’s cost of service study in Docket No. 13-035-184 indicates that [Begin Confidential] ¹ [Redacted]

[Redacted]

[End Confidential] the Office does not oppose the provision allowing US Magnesium rates to be adjusted by the average percent change for total Utah retail customers. This rate indexing provision should keep US Magnesium’s

[Begin Confidential] [Redacted]

[Redacted] [End Confidential]

Surcharges and Balancing Accounts

Demand Side Management (DSM) Surcharge

US Magnesium [Begin Confidential] [Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

¹ [Redacted]

[Redacted]

[End Confidential] The Office appreciates this commitment and has no further concerns related to DSM at this time.

Energy Balancing Account (EBA) and REC Revenue Adjustment

The ESA states that [Begin Confidential]

[Redacted]
2.

[Redacted]

[End Confidential]

[End

Surcharge to Fund Low Income Residential Lifeline Program (Lifeline Program Surcharge)

[Begin Confidential]

[Redacted]

[Redacted]

[Redacted]

[End Confidential]

Solar Incentive Program (SIP) Cost Adjustment

[Begin Confidential]

[Redacted]
3

[Redacted]

2

3

[Redacted]

[Redacted]

[Redacted]

[Redacted] 5 [End Confidential]

Load Curtailment

[Begin Confidential] [Redacted]

[Redacted] [End Confidential]

Recommendation

The Office recommends that the Commission approve the ESA between the Company and US Magnesium with the following conditions or requirements: [Begin Confidential]

[Redacted] [End Confidential]

- CC: Chris Parker, Division of Public Utilities
- Artie Powell, Division of Public Utilities
- Charles Peterson, Division of Public Utilities
- David L. Taylor, Rocky Mountain Power
- Daniel Solander, Rocky Mountain Power

⁴ [Redacted] This Report and Order is a public document but in an effort to avoid divulging confidential material in the ESA the Office has marked it as confidential for purposes of this memo.

⁵ Ibid, page 8.

Gary Dodge, US Magnesium
Roger Swenson, US Magnesium