

High Voltage (“Schedule 9”) customers; and 4) US Mag should be subject to the Utah Solar Incentive Program (“Solar Program”) Cost Adjustment (“Solar Program Surcharge”), as included in the Electric Service Schedule No. 195 tariff (“Schedule 195”).

PacifiCorp stated it met with the Division and the Office to discuss certain items in the initial ESA requiring correction due to clerical error or modification to address issues raised by the parties. On December 8, 2014, pursuant to these discussions, PacifiCorp filed an Amended and Restated Electric Service Agreement (“Amended ESA”) which is intended to supersede and replace the ESA. The Amended ESA corrects clerical errors in the agreement and addresses three of the four additional recommendations identified in the Office’s December 5, 2014, comments. The Amended ESA includes a provision whereby US Mag shall pay a surcharge to fund PacifiCorp’s Low Income Residential Lifeline Program in the amount applicable to Schedule 9 customers. The Amended ESA also includes a provision whereby US Mag will provide the Division and the Office with an annual report of its demand-side management (“DSM”) activities, consistent with the Office’s recommendations. The Amended ESA does not address the Office’s fourth recommendation that US Mag be subject to the Solar Program Surcharge. On December 17, 2014, US Mag filed reply comments in response to the Division’s and the Office’s December 5, 2014, comments.

On December 17, 2014, the Commission’s designated Presiding Officer held a hearing to consider PacifiCorp’s application for approval of the Amended ESA. At the conclusion of the hearing, the Commission authorized its designated Presiding Officer to issue a bench ruling approving the Amended ESA, as modified by the verbal commitments made by the

parties at hearing and as discussed in detail below. This written order memorializes that bench ruling.

DISCUSSION, FINDINGS AND CONCLUSIONS

The Amended ESA modifies an existing electric service agreement between PacifiCorp and US Mag that expired December 31, 2014. The existing electric service agreement was approved by the Commission in Docket No. 09-035-20.¹ The Amended ESA outlines the terms, pricing, and conditions under which PacifiCorp will continue to provide electric service, including interruption and curtailment, and replacement power to the US Mag facility.

PacifiCorp states the Amended ESA includes interruptible provisions similar to the existing electric service agreement, in which PacifiCorp is allowed to curtail or interrupt US Mag's load during periods of peak summer and winter demand.

The term of the Amended ESA is 36 months beginning January 1, 2015, and ending December 31, 2017. PacifiCorp represents the initial rates in the Amended ESA are based on the cost of service study included in the most recent general rate case proceeding in Docket No. 13-035-184.² Under the Amended ESA, US Mag will incur rate changes consistent with rate changes identified in the settlement stipulation in that docket. Such rate changes will occur concurrently with rate changes for all Utah customers instead of January 1 of each year, as is the case under the existing electric service agreement.

¹ See *In the Matter of the Application of US Magnesium LLC, for Determination of Rates and Conditions for Interruptible Service from and QF Sales to Rocky Mountain Power*, Docket No. 09-035-20, (Report and Order; December 23, 2009).

² See *In the Matter of the Application of Rocky Mountain Power for Authority to Increase its Retail Electric Utility Service Rates in Utah and for Approval of its Proposed Electric Service Schedules and Electric Service Regulations*, Docket No. 13-035-184.

At hearing, PacifiCorp represents the Amended ESA addresses all of the Division's and the Office's recommendations included in their December 5, 2014, reply comments except for the Office's recommendation that US Mag be subject to the Solar Program Surcharge. Regarding the Office's Solar Program Surcharge recommendation, PacifiCorp testifies US Mag is not subject to the Solar Program Surcharge in the existing electric service agreement and was therefore not included in the original rate design and determination process for the program. PacifiCorp notes US Mag expresses concerns on assigning a Solar Program Surcharge to US Mag because of these issues. However, PacifiCorp testifies it does not have a strong position whether US Mag should pay the Solar Program Surcharge and indicates it will follow whatever direction the Commission determines to be appropriate. PacifiCorp notes that any Solar Program Surcharge paid by US Mag will simply go into the balancing account for that program and will not be received as incremental general revenues to PacifiCorp. PacifiCorp represents the terms and conditions of the Amended ESA are just, reasonable, and in the public interest and recommends the Commission approve the agreement.

US Mag testifies it accepts all the additional conditions identified by the parties regarding the Amended ESA except for the Office's recommendation that US Mag be subject to the Solar Program Surcharge. US Mag argues that since it was not part of the rate design process in the determination of this surcharge, it did not have an opportunity to provide input on how the program either provided benefits or costs to specific large customers. US Mag argues it is therefore difficult to propose a reasonable means of assigning a Solar Program Surcharge to US Mag based on cost of service principles.

US Mag also argues there has not been a clear showing that the Solar Program will benefit US Mag as a separate customer class and claims the program is not designed for large users like US Mag. US Mag notes it has unique operating characteristics, specifically that it may be off line during peak demand periods, which are not considered in the determination of the Solar Program Surcharge. US Mag claims the Solar Program does not permit US Mag to participate on a fair or reasonable basis and argues it is unlikely it will realize benefits from participating in the Solar Program. If the Commission determines it should be subject to a Solar Program Surcharge as an additional component of the Amended ESA, US Mag indicates it would be willing to pay a charge of up to about two times the average Solar Program Surcharge payment charged to Schedule 9 customers divided by US Mag's expected annual energy use.

The Division finds the Amended ESA to be just, reasonable, and in the public interest. Regarding the Office's condition that US Mag be subject to the Solar Program Surcharge, the Division testifies that in its October 1, 2012 Order ("October 2012 Order") in Docket No. 11-035-104³ the Commission determined that it would address the applicability of the Solar Program Surcharge on a case by case basis as it reviews future special contract applications. Under Schedule 195, according to the Division, collection of Solar Program Surcharge costs from customers paying contract rates is governed by the terms of the contract. The Division testifies that if the Commission directs US Mag to contribute to the Solar Program Surcharge, it is not opposed to US Mag's proposal to pay a charge based on the average Solar Program Surcharge payments of Schedule 9 customers.

³ See *"In the Matter of the Investigation into Extending and Expanding the Solar Incentive Program and Possible Development of an Ongoing Program,"* Docket No. 11-035-104, (Report and Order; October 1, 2012).

At hearing, the Office testifies that it believes special contract customers should contribute to the Solar Program Surcharge. According to the Office, the Commission in its October 2012 Order determined the Solar Program was expected to generate system-wide benefits. Therefore, the Office argues that if the Solar Program benefits are system-wide, then a portion of those benefits will accrue to US Mag. At the same time, the Office recognizes rates for the Amended ESA would likely be different from those included in the standard Schedule 9 tariff. The Office does not object to US Mag's Solar Program Surcharge payment proposal included as part of the Amended ESA. Since US Mag is larger than the typical Schedule 9 customer, the Office asserts that the upper range of US Mag's Solar Program Surcharge proposal is appropriate and, when included with the terms and conditions of the Amended ESA, would result in an agreement that would be just, reasonable, and in the public interest.

No party opposes US Mag's proposal to pay a Solar Program Surcharge at a rate two times the current Schedule 9 average surcharge per customer, per year as an additional component of the Amended ESA. If adopted, PacifiCorp agrees to implement this surcharge immediately or upon effectiveness of the Amended ESA, as modified by the terms and conditions discussed above. PacifiCorp testifies this rate would remain in place until PacifiCorp changes the solar incentive surcharge for all customers. PacifiCorp further testified that US Mag and PacifiCorp do not intend to enter into any additional agreements to memorialize the additional terms and conditions discussed at hearing but rather agreed to comply with the additional terms and conditions if included in a Commission order.

Based on our review of the Amended ESA application, the Amended ESA, and the comments filed in this docket pertaining to the Amended ESA, the testimony provided at hearing, and hearing no opposition, we find the prices, terms and conditions of the Amended ESA, as modified by the additional terms and conditions discussed above, are consistent with applicable state laws and Commission orders. Therefore, we conclude the Amended ESA is just, reasonable, and in the public interest.

ORDER

The Amended ESA, modified by the additional terms and conditions agreed to by PacifiCorp and US Mag and discussed herein, including US Mag's proposal to pay a Solar Program Surcharge at a rate two times the current Schedule 9 average surcharge per customer, per year as an additional component of the Amended ESA, is approved, effective January 1, 2015.

DATED at Salt Lake City, Utah, this 28th day of January, 2015.

/s/ Jordan A. White
Presiding Officer

DOCKET NO. 14-035-143

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Approved and Confirmed this 28th day of January, 2015, as the Order of the
Public Service Commission of Utah.

/s/ Ron Allen, Chairman

/s/ David R. Clark, Commissioner

/s/ Thad LeVar, Commissioner

Attest:

/s/ Gary L. Widerburg
Commission Secretary
DW#263417

Notice of Opportunity for Agency Review or Rehearing

Pursuant to §§ 63G-4-301 and 54-7-15 of the Utah Code, an aggrieved party may request agency review or rehearing of this written 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 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 §§ 63G-4-401 and 63G-4-403 of the Utah Code and Utah Rules of Appellate Procedure.

CERTIFICATE OF SERVICE

I CERTIFY that on the 28th day of January, 2015, a true and correct copy of the foregoing was served upon the following as indicated below:

By Electronic-Mail:

Data Request Response Center (datarequest@pacificorp.com)
PacifiCorp

Bob Lively (bob.lively@pacificorp.com)
Paul Clements (paul.clements@pacificorp.com)
Daniel E. Solander (daniel.solander@pacificorp.com)
Rocky Mountain Power

Patricia Schmid (pschmid@utah.gov)
Justin Jetter (jjetter@utah.gov)
Rex Olsen (rolsen@utah.gov)
Assistant Utah Attorneys General

By Hand-Delivery:

Division of Public Utilities
160 East 300 South, 4th Floor
Salt Lake City, Utah 84111

Office of Consumer Services
160 East 300 South, 2nd Floor
Salt Lake City, Utah 84111

Administrative Assistant