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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
Cheryl Murray, Utility Analyst

Date: March 12, 2018

Subject: Office of Consumer Services Initial Comments. Docket No. 17-035-71, 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 October 12, 2017, Rocky Mountain Power (Company) filed with the Public Service Commission of Utah (Commission) a Stipulation and Settlement Agreement regarding the Company's request for an extension of the existing Electric Service Agreement (ESA) with US Magnesium LLC through April 30, 2018. The ESA would expire on December 31, 2017 unless granted an extension by the Commission. The stipulating parties, the Company, Division of Public Utilities (Division) and the Office of Consumer Services (Office), agreed to keep the current terms and conditions of the US Magnesium ESA in effect through April 30, 2018, unless a new ESA is approved prior to that date. Rocky Mountain Power agreed to file a new ESA prior to January 1, 2018. On November 15, 2017, the Commission issued an Order approving the stipulation.

On December 29, 2017, the Company filed an Application for approval of an Electric Service Agreement and Operating Reserves Agreement (Agreements) between PacifiCorp and US Magnesium LLC (Parties) and requesting Commission review before April 30, 2018. Following a January 16, 2018 scheduling conference, the Commission issued a Scheduling Order and Notice of Hearing on January 17, 2018 setting March 12, 2018 and April 5, 2018 for parties to file comments and reply comments, respectively. A hearing on

the matter is scheduled for April 12, 2018. The Company has marked the entire ESA as confidential¹.

Application General Information

The term of the proposed Agreements will be May 1, 2018, through December 31, 2019, with an automatic one-year extension through the end of 2020, unless either Party gives 180 days' notice to terminate.

The new Agreements retain the existing rates to US Magnesium for electric service as well as the current day-ahead curtailment structure in the existing agreements. Additionally, the Operating Reserves billing credit of \$4.01/kilowatt-month remains the same.

The Company affirms at Number 7 of the Application that the new Agreements maintain the terms of the existing agreements that were recommended for inclusion by the Division and the Office and approved by the Commission in Docket No. 14-035-143. "Under the Agreements, US Mag will continue to pay a surcharge to fund PacifiCorp's Low Income Residential Lifeline Program in the amount applicable to Schedule 9 customers. Also, US Mag will continue to be subject to the Utah Solar Incentive Program (USIP) Cost Adjustment through rates paid on Tariff Schedule No. 136 (sic)."² Currently, US Magnesium pays USIP on a different formula.

Electric Service Agreement Terms and Conditions

The Office notes that throughout the ESA the following terms have been defined as [BEGIN CONFIDENTIAL] [REDACTED]³ [END CONFIDENTIAL]

Demand Side Management

Although the Application states that the new Agreements maintain the terms of the existing agreements, the Office notes that the ESA does not include one prior commitment related to Demand Side Management (DSM).

The Office's December 5, 2014 reply comments in Docket No. 14-035-143 contain the following paragraphs related to DSM surcharge:

"US Magnesium [Begin Confidential] [REDACTED]

¹ The Application is not marked confidential and certain terms from the ESA are identified in the Application.

² The correct Tariff is Schedule 196; the correct tariff number is specified in the ESA.

³ [Begin Confidential] [REDACTED] [End Confidential]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[END CONFIDENTIAL]

Rate Adjustments

The proposed ESA rates for US Magnesium are proposed to become effective, if approved by the Commission, on May 1, 2018. However, as noted above they are not changed from

the current rates. Section 3.4 of the ESA provides for [BEGIN CONFIDENTIAL] [REDACTED]

[REDACTED]

[REDACTED]

Surcharges and Balancing Accounts

[BEGIN CONFIDENTIAL] [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] [END CONFIDENTIAL]

Load Curtailment

[BEGIN CONFIDENTIAL] [REDACTED]

[REDACTED] [END CONFIDENTIAL]

Operating Reserve Interruption Agreement

The Operating Reserve Interruption Agreement is separate from the ESA although both Agreements have the same expiration date. As previously noted, the Operating Reserves billing credit of \$4.01/kilowatt-month remains the same as the existing agreement. [BEGIN CONFIDENTIAL]

[REDACTED]

[REDACTED]
CONFIDENTIAL]

[END

Recommendation

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

1)

[REDACTED] [END CONFIDENTIAL]

CC: Chris Parker, Division of Public Utilities
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