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**BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH**

Application of Rocky Mountain Power for Approval of Electric Service Agreement and Operating Reserves Agreement between PacifiCorp and US Magnesium LLC	Docket No. 20-035-47
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**REPLY COMMENTS OF US MAGNESIUM, LLC**

US Magnesium, LLC (“US Magnesium”) files these comments in response to the recommendation of the Utah Division of Public Utilities (“Division”), set forth in its January 26, 2021 Action Request Response, in which the Division recommends that this Commission approve 1-year extensions to the existing agreements between Rocky Mountain Power (“RMP”) and US Magnesium (“Division Recommendation”). US Magnesium very much appreciates the Division’s Recommendation to extend the Agreements. However, US Magnesium believes that a few clarifications are necessary to properly understand US Magnesium’s relationship with RMP and the cost of serving US Magnesium’s electric loads.

The first clarification is in response to the following sentence on page 2 of the Division’s Recommendation: “The Division understands the primary reason for a special contract between PacifiCorp and US Mag is PacifiCorp may interrupt service to US Mag under the terms set forth in the Agreement.” In fact, the reason US Magnesium has a special contractual relationship with

RMP is because the Utah Public Service Commission entered an order dated April 19, 1968 directing RMP's predecessor, Utah Power & Light Company, to enter into a power supply agreement to furnish interruptible power to US Magnesium's predecessor (the "Magnesium Project"), with no guarantee as to availability and at specific rates stated therein. Otherwise, the Magnesium Project would never have located in Utah. The energy intensive electrolytic process involved in making magnesium has always been and remains unsustainable at firm cost of service rates. The concept of the Magnesium Project's interruptible special service arrangement is that the Magnesium Project will be served out of surplus power when available and, when not, service will be interrupted or provided from the marketplace, if available.

The second clarification is in response to the following sentence on page 3 of the Division's Recommendation: "The Agreement remains an improvement over preceding contracts in that it brought US Mag's pricing closer to being in-line with other large industrial customers, i.e. those customers on Schedule 9." US Magnesium has never been and will never be a firm service Schedule 9 customer. It has a special contractual arrangement because of the uniqueness of its circumstances and electrical services. US Magnesium developed its facilities to withstand interruption, and those circumstances have been considered in setting the prices of the electrical services that it receives. Significantly, data provided in the recent general rate case demonstrates that US Magnesium is paying very close to, or somewhat higher than, its cost of service.

Finally, the Division's Recommendation suggests a collaborative working group to engage in discussions regarding cost of service methods for special contracts. While US Magnesium welcomes such discussions, it is not necessary to re-create the wheel; it is important to recognize that similar working groups have held similar discussions in the past. In the most recent round of such working group discussions, it was recommended that an interruptible contract should be priced above its variable cost and with a contribution to fixed cost of 5% or more. The current rates being charged to US Magnesium make a substantially higher contribution to fixed costs than the 5% recommended by that working group.

Again, US Magnesium appreciates the Division's Recommendation to approve the extensions of its current contracts and it welcomes good faith discussions going forward, both in the context of MSP negotiations and/or a Utah working group, to determine long-term workable contract solutions that recognize the unique background and service characteristics of US Magnesium and that adequately protect the legitimate interests of US Magnesium, Rocky Mountain Power, and other customers.

DATED this 2nd day of February 2021.

JAMES DODGE RUSSELL & STEPHENS, P.C.



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Phillip J. Russell  
*Counsel for US Magnesium, LLC*

Certificate of Service  
Docket No. 20-035-47

I hereby certify that a true and correct copy of the foregoing Petition to Intervene was served by email this day 2nd day of February 2021, on the following:

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