



State of Utah

Department of Commerce
Division of Public Utilities

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Action Request Response

To: Public Service Commission of Utah

From: Utah Division of Public Utilities

Chris Parker, Director

Artie Powell, Manager

Brenda Salter, Utility Technical Consultant Supervisor

Jeff Einfeldt, Utility Technical Consultant

Date: June 30, 2021

Re: **Docket No. 21-035-27**, Application of Rocky Mountain Power for Approval of a Power Purchase Agreement Between PacifiCorp and US Magnesium LLC.

Recommendation (Approve)

The Division of Public Utilities (“Division”) recommends the Public Service Commission of Utah (“Commission”) approve the Non-Firm Power Purchase Agreement (“Agreement” or “PPA”) between PacifiCorp (“Utility”) and U.S. Magnesium, LLC (“U.S. Magnesium”). In addition, the Division recommends PacifiCorp continue to provide reports, at least quarterly, of hourly power purchased to allow the Division to continue to monitor this contract.

The Division continues to request the Commission order the Utility at the time of future PPA filings to provide to the Division and Office of Consumer Services the GRID outputs and Excel spreadsheets supporting the price calculations along with the spreadsheets showing avoided line loss calculations. All spreadsheets are to be provided with formulas left intact. PacifiCorp has provided these calculations and spreadsheets in this docket.

Issue

On April 23, 2021, Rocky Mountain Power filed an Application for Approval of a Power Purchase Agreement between PacifiCorp and U.S. Magnesium. The term of the Agreement runs from January 1, 2021 through December 31, 2023. The Commission held a scheduling conference on May 5, 2021. Following the scheduling conference, the Commission issued a Scheduling Order requiring comments from the Division, and any other interested parties, by June 30, 2021. This memorandum serves as the Division's comments and recommendations regarding the amended PPA.

Analysis

General

Included with the application is a copy of the Agreement between PacifiCorp and U.S. Magnesium dated March 8, 2021 as stated in the Application. U.S. Magnesium owns, operates, and maintains a natural gas cogeneration facility for the generation of electric power located in Tooele County, Utah consisting of three 12.4 megawatt ("MW") minimally rated gas-fired generation units. The nameplate capacity rating of the plant is 37.2 MW with an expected annual delivery to PacifiCorp of -0- MWh¹ for the term of the Agreement. Power sales to PacifiCorp are done on a "net" basis. That is, it is expected U.S. Magnesium will first use the plant's output to supply its own power needs and sell any excess generation to PacifiCorp.

The facility is operated as a qualifying facility ("QF") as defined by 18 C.F.R Part 292² and U.S. Magnesium has previously provided its FERC self-certification to PacifiCorp. All interconnection requirements have been met and the facility is fully integrated with the PacifiCorp system. Under the terms of the QF contract U.S. Magnesium has the option, but not the obligation, to deliver the net output to PacifiCorp at the point of delivery. U.S. Magnesium is not permitted to sell any portion of the net output to parties other than PacifiCorp; however, it is allowed to offset its own retail load before selling any excess power.

¹ PPA, page 1.

² Ibid., page 5, section 3.2.6

QF Pricing

The Division has reviewed the GRID outputs and concludes the pricing for this proposed contract reflects the correct facts of this particular facility. The Utility appears to have correctly complied with Commission orders on the method used to determine pricing for a contract under Schedule 38.

Avoided Line Losses

Under the terms of the Commission order in Docket No. 03-035-14, non-firm QF resources are not entitled to a capacity payment, therefore, this Agreement contains energy-only prices. The Utility supplied the detailed calculations determining the avoided line loss percentage with its filing of the Agreement. The calculations were based on the method the Division, the Utility, and U.S. Magnesium have accepted in prior years.³ The avoided line loss percentage is added to the dollar per megawatt hour pricing set forth on confidential Exhibit E to arrive at the final price.⁴

Other Comments

The proposed Agreement will remain in place through December 31, 2023. The general terms and conditions of the Agreement appear to be generic in nature and are similar to other contracts. The primary difference is the pricing terms including the adjustment factor for avoided line losses. The non-price related conditions within the Agreement remain consistent with previous contracts and appear reasonable.

The rates, terms, and conditions in this Agreement are in accordance with the rates, terms, and conditions approved by the Commission in Docket No. 03-035-14 and Docket No. 12-035-100

³ The method agreed to is based upon the locations in the Utility's transmission topology, i.e. the transmission "bubbles," of the avoided generation sources. The calculation is the ratio of the avoided generation "outside" the bubbles containing the primary load, i.e. the Wasatch Front, to the total generation avoided multiplied by the OATT percentage. The current OATT percentage is 4.45% for real power losses as set forth in Schedule 10 of PacifiCorp's Open Access Transmission Tariff (OATT) approved in FERC Docket No. ER11-3643-000. For a discussion of the history of the determination of this method, see the Division's memorandum to the Commission dated July 21, 2010 and filed July 26, 2010 in the (Miscellaneous) Docket No. 10-999-01.

⁴ The pricing details are set forth in Section 5.1.

for purchases from qualifying facilities.⁵ PacifiCorp represents that “Costs relating to the Agreement will be allocated in accordance with section 4.2.2 of the 2020 Protocol.”⁶ The Division accepts this representation based on its review of the Utility’s price calculations for this Agreement and prior analyses of the Utility’s avoided cost reports.

Conclusion

The terms of the U.S. Magnesium Power Purchase Agreement comply with the Commission’s guidelines and order in Docket Nos. 03-035-14 and 12-035-100. The remaining contractual arrangements and facts in this matter, in particular the method for calculating the avoided energy costs are just, reasonable, and in the public interest.

Cc: Michele Beck, Office of Consumer Services
Bela Vastag, Office of Consumer Services
Jana Saba, PacifiCorp
Irene Heng, PacifiCorp
Roger Swensen, U.S. Magnesium, LLC

⁵ Tesoro PPA Sec 2.1

⁶ Application page 3, paragraph 7.