

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In the Matter of the Application of)	
US Magnesium, LLC for Determination of)	
Long-Term Rates, Terms, and Conditions)	Docket No. 21-035-53
Of Interruptible/DSM Electric Service)	
Between it and Rocky Mountain Power)	

REBUTTAL TESTIMONY OF

BELA VASTAG

FOR THE

OFFICE OF CONSUMER SERVICES

MAY 6, 2022

REDACTED VERSION

1 **Q. WHAT IS YOUR NAME, BUSINESS ADDRESS AND OCCUPATION?**

2 A. My name is Béla Vastag. My business address is 160 East 300 South Salt
3 Lake City, Utah 84111. I am a Utility Analyst for the Utah Office of
4 Consumer Services (OCS).

5 **Q. HAVE YOU PREVIOUSLY FILED TESTIMONY IN THIS PROCEEDING?**

6 A. Yes, I filed direct testimony for the OCS on April 7, 2022.

7 **Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?**

8 A. The purpose of my rebuttal testimony is to respond to the direct testimony
9 of Rocky Mountain Power (RMP) witness Craig M. Eller and to the direct
10 testimony of the Utah Division of Public Utilities (DPU) witness Casey J.
11 Coleman. I respond to Mr. Eller's contention that it is not in the public
12 interest for RMP to provide rates for US Magnesium, LLC (US Mag) that are
13 less than the cost to serve them based upon the consideration of external
14 factors such as US Mag's impact on the local economy. I respond to Mr.
15 Coleman's differing contention that it may be in the public interest to provide
16 US Mag special rates due to factors such as economic benefits, maintaining
17 domestic supplies of magnesium, environmental benefits and system
18 security. I also respond to Mr. Coleman's assertion that "RMP has been
19 able to curtail US Mag for hundreds of hours over the course of a year".
20 Finally, I will highlight several of the DPU's concluding recommendations
21 that the OCS agrees with. Please note that the lack of response in this
22 testimony to other issues raised by RMP or the DPU should not be
23 interpreted as agreement or disagreement on those issues.

24 **Consideration of Special Public Interest Factors for US Mag's Rates**

25 **Q. DOES MR. ELLER BELIEVE THAT THE ECONOMIC BENEFITS THAT**
26 **US MAG BRINGS TO THE STATE OF UTAH SHOULD BE A FACTOR IN**
27 **RMP DETERMINING RATES FOR US MAG?**

28 A. No. On lines 412 to 442 of his direct testimony, Mr. Eller explains that
29 external factors that do not impact RMP's cost of service for a customer,
30 factors including community, social and local economic benefits (such as
31 jobs), should not be used for setting rates for a particular customer. He
32 supports his argument by pointing to a recent 2020 Order by the Utah Public
33 Service Commission (PSC) in the export credit proceeding (Docket No. 17-
34 035-61) where the PSC declined to incorporate these types of factors in
35 setting the rates in that case.

36 **Q. DO YOU AGREE WITH MR. ELLER THAT THESE TYPES OF SPECIAL**
37 **PUBLIC INTEREST FACTORS SHOULD NOT BE USED WHEN**
38 **SETTING RATES FOR US MAG?**

39 A. Yes. I especially agree that an economic benefit factor should not be
40 incorporated in the calculation for setting rates in this case, as Mr. Eller
41 argues in this direct testimony. Many of RMP's customers bring economic
42 benefits to the state of Utah; and therefore, why should one particular
43 customer receive a special deal due for this factor when other customers
44 who may be similarly situated do not receive special rates.

45 In addition, this case lacks evidence demonstrating the current
46 impact of US Mag's operations on the economy of Utah and how this may

47 support US Mag's current discounted rates; and importantly, there is no
48 evidence presented that examines whether there are other customers who
49 are similarly situated and would warrant similar treatment.

50 **Q. WHAT DID MR. COLEMAN SAY REGARDING THE USE OF SPECIAL**
51 **PUBLIC INTEREST FACTORS?**

52 A. On lines 282 to 290 of his direct testimony, Mr. Coleman states that
53 sometimes special public interest factors "could warrant unique treatment"
54 for an RMP customer. He lists several public interest factors that could be
55 considered, including:

- 56 • Significant economic benefit to the state
- 57 • Maintaining domestic supplies of magnesium
- 58 • Environmental benefits
- 59 • System security and stability

60 **Q. DO YOU AGREE WITH MR. COLEMAN THAT THESE FACTORS COULD**
61 **BE USED IN SETTING RATES FOR US MAG?**

62 A. No, I do not agree. Unless mandated by the appropriate policy makers,
63 such as our federal or state legislatures, these types of factors should not
64 be a primary consideration when determining cost of service based rates
65 for a regulated utility. The OCS generally believes that if a subsidy is given
66 to an industry or an entity, it should not be provided through customer's
67 utility rates but policy makers can use other more broadly-applied
68 mechanisms - for example, tax credits. Also, I note that Mr. Coleman states
69 that these factors "could" warrant unique treatment but he does not provide

70 additional evidence demonstrating how or when these factors are
71 appropriate to use for US Mag.

72

73 **When US Mag Buys-Through, there is no Physical Curtailment**

74 **Q. DOES MR. COLEMAN TAKE THE POSITION THAT US MAG'S**
75 **TEMPERATURE TRIGGERED CURTAILMENT IS AN ACTUAL**
76 **PHYSICAL CURTAILMENT OF US MAG'S LOAD?**

77 A. I am not sure. I am confused because he seems to make contradictory
78 statements about how the temperature curtailment/buy-through mechanism
79 works. On lines 532 to 533 of his direct testimony, he states "When RMP
80 has sent a curtailment notice, USMag has opted to buy through every time."
81 However, on lines 560 to 563 he states "Because the Commission has
82 allowed TPC [Temperature Psuedo Curtailments] and the associated BTO
83 [Buy Through Option] in past contracts, RMP has been able to curtail
84 USMag for hundreds of hours over the course of a year when the electric
85 system was strained. It's [RMP's] planning needs also have ostensibly
86 benefited."

87 **Q. WHAT IS CONFUSING ABOUT THESE STATEMENTS BY MR.**
88 **COLEMAN?**

89 A. Because US Mag always buys-through when a temperature curtailment is
90 called by RMP, US Mag is still a load on RMP's system, i.e. there is no
91 physical curtailment. Therefore, Mr. Coleman's statement that US Mag is

92 curtailed “for hundreds of hours” per year is incorrect.¹ Furthermore, if
93 RMP were to perform its long-term system planning as if US Mag were
94 curtailed for hundreds of hours a year, RMP’s plan would be insufficient to
95 cover the load on its system. If this type of planning were to occur, I do not
96 see this as a benefit to RMP’s “planning needs” but rather a flaw. In my
97 opinion, it appears that RMP needs to account for US Mag’s load during
98 the hours of curtailment with buy-through in its day-to-day operations as I
99 indicated in my direct testimony² and likewise in its long-term planning
100 because of the realities of how the temperature curtailment mechanism
101 operates. Thus, I do not see any planning benefits associated with the
102 current temperature curtailment mechanism. On the other hand, I do see
103 RMP gaining system planning benefits from the Operating Reserve
104 Interruption Agreement (ORIA) portion of the US Mag contract and in my
105 opinion the terms of that agreement are what compensate US Mag for
106 those benefits.

107 **The DPU’s Overall Recommendations**

108 **Q. DESPITE THE TWO ISSUES DISCUSSED ABOVE, ARE THERE SOME**
109 **AREAS WHERE YOU AGREE WITH MR. COLEMAN’S DIRECT**
110 **TESTIMONY?**

¹ Note that actual physical curtailment of US Mag’s load can occur under its Operating Reserve Interruption Agreement (ORIA) with RMP. The ORIA allows for curtailment [REDACTED] and RMP has indicated that actual curtailment averages [REDACTED].

² See direct testimony of Bela Vastag, April 7, 2022, lines 75 – 91.

111 A. Yes, on lines 980 to 1048 of Mr. Coleman's direct testimony, he provides a
112 summary of the DPU's recommendations for moving forward with a new
113 electric service agreement (ESA) for US Mag. The OCS supports many of
114 these recommendations including, of note:

- 115 • Allow for a transition period between the current rate structure
116 and a new rate structure.
- 117 • A shorter-term contract of 1 to 3 years because electricity
118 markets and interstate allocations are changing.
- 119 • The PSC should provide direction for future interruptible
120 contracts.

121

122 **OCS Recommendations**

123 **Q. PLEASE RESTATE THE OCS'S RECOMMENDATIONS FOR THE**
124 **DEVELOPMENT OF A NEW ESA FOR US MAG.**

125 A. The OCS recommends:

- 126 • A term of no more than 2 years.
- 127 • Consideration of the inter-state benefits from US Mag lowering
128 the Utah contribution to PacifiCorp's system peaks.
- 129 • Instead of the current temperature curtailment and buy-through
130 mechanisms, evaluate improved mechanisms for curtailment.
- 131 • Ensure that US Mag's rates move closer to covering its full cost
132 of service.
- 133 • Gradualism is employed to avoid rate shock.

- 134 • The PSC require RMP to work toward harmonizing its treatment
135 of demand-side resources.
- 136 • The PSC provide guidelines on how special contracts should be
137 approached to promote the public interest.

138

139 **Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?**

140 **A.** Yes it does.