

PUBLIC SERVICE COMMISSION OF UTAH

Docket No. 21-035-53

PUBLIC HEARING

June 22, 2022

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1 BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

2 -o0o-

3 Application of US Magnesium,)
4 LLC for Determination of) Docket No.: 21-035-53
5 Long-Term Rates, Terms, and)
6 Conditions of Interruptible/) Presiding Officer:
7 DSM Electric Service between) Michael Hammer
8 it and Rocky Mountain Power,)
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10 Public Hearing

11 Taken on Wednesday, June 22, 2022

12 At 9:02 a.m. MDT

14 At Heber M. Wells Building

15 160 East 300 South

16 4th Floor Hearing Room 403

17 Salt Lake City, Utah 84111

25 Reported by: Brooke Simms, RPR, CCR, CSR

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1 P R O C E E D I N G S

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3 PRESIDING OFFICER HAMMER: Let's go on the
4 record, please.

5 Good morning. We should all be here for the
6 hearing in the matter of the application of US
7 Magnesium, LLC, for determination of long-term rates
8 and terms and conditions of interruptible/DSM
9 electric service between it and Rocky Mountain Power.
10 That's Commission Docket Number 21-035-53.

11 My name is Michael Hammer, and I'm the
12 Commission's designated presiding officer. Let's
13 take appearances beginning with US Magnesium, please.

14 MR. RUSSELL: Good morning. Phillip Russell
15 on behalf of US Magnesium. With me is my witness
16 Roger Swenson.

17 PRESIDING OFFICER HAMMER: And for Rocky
18 Mountain Power?

19 MS. WEGENER: Emily Wegener on behalf of
20 Rocky Mountain Power, and with me is my witness Craig
21 Eller.

22 PRESIDING OFFICER HAMMER: For the Division
23 of Public Utilities?

24 MS. SCHMID: Patricia E. Schmid with the
25 Utah Attorney General's Office for the Division of

1 Public Utilities. Casey J. Coleman is the Division's
2 witness today.

3 PRESIDING OFFICER HAMMER: And for the
4 Office?

5 MR. MOORE: Robert Moore of the Office of
6 Consumer Services, AG's office. The Office will not
7 have a witness today, but I can represent that the
8 Office does not oppose the settlement.

9 PRESIDING OFFICER HAMMER: Thank you. Is
10 there any objection to the witnesses today remaining
11 seated?

12 (No audible response.)

13 PRESIDING OFFICER HAMMER: Great. Then
14 we'll plan on doing that.

15 Before we call witnesses, let me ask a
16 clarifying question. So the second stipulation filed
17 May 20th extended the contract terms through
18 June 30th pending approval from the -- that is
19 currently pending approval from the Commission. And
20 the extension would -- would extend the contract
21 terms through July 31st or until the PSC issues a
22 final order, whichever is later. The new stipulation
23 seems to make the terms effective July 1st. So is
24 that second stipulation moot at this point?

25 I kind of butchered that question. So I can

1 rephrase.

2 MR. RUSSELL: I think I understand what
3 you're asking. When you say the second stipulation,
4 you mean the second extension.

5 PRESIDING OFFICER HAMMER: The second
6 extension -- the bridge through the month of July in
7 lieu of not getting a final order.

8 MR. RUSSELL: Yeah. I think the answer to
9 that is yes. And I'll just provide a lengthier
10 explanation. When we -- when we submitted that
11 second extension, the stipulation in support of the
12 second extension, we were actively negotiating, but
13 there was some chance that we weren't going to reach
14 an agreement.

15 What we needed to do was give ourselves a
16 little bit of time for that. And we said, if we're
17 going to reach an agreement, we'll have an agreement
18 for terms that start July 1st. If we don't, it will
19 have to start sometime after that because we'll have
20 a contested hearing, and we imagine that the
21 Commission would require some additional time to
22 issue a ruling and for the parties to react to that
23 ruling.

24 So that's why the extension went to the end
25 of July, but if we were going to reach an agreement,

1 then the parties would know how to react to that
2 agreement by July 1st, if that makes any sense.

3 I think the answer to your question is, yes,
4 it moots the extension through the end of July
5 because now we have an agreement on terms that start
6 July 1st.

7 PRESIDING OFFICER HAMMER: Right. And I
8 suppose to be more clear, the language in the second
9 stipulation, or second extension, extended the
10 contract term through July 31st or until the PSC
11 issues a final order, whichever is later. And it was
12 that "whichever is later" that I thought was worth
13 clarifying because if we're seeking an effective date
14 of July 1st in the instant stipulation, then they
15 would conflict, so will moot --

16 MR. RUSSELL: Yes. It moots that portion of
17 it, yeah.

18 PRESIDING OFFICER HAMMER: Does everyone
19 concur? Yes?

20 (No audible response.)

21 PRESIDING OFFICER HAMMER: Thank you for
22 that.

23 Mr. Russell, please call your first
24 business.

25 MR. RUSSELL: US Magnesium calls Roger

1 Swenson.

2 ROGER SWENSON

3 was sworn and testified as follows:

4 PRESIDING OFFICER HAMMER: Thank you. Go
5 ahead.

6 DIRECT EXAMINATION

7 BY MR. RUSSELL:

8 Q. Please state and spell your name for the
9 record.

10 A. My name is Roger J. Swenson, R-o-g-e-r J
11 S-w-e-n-s-o-n.

12 Q. And can you tell us who you work for?

13 A. I work for E-Quant Consulting, LLC.

14 Q. And have you submitted prefile testimony in
15 this proceeding?

16 A. Yes, I have.

17 Q. And on whose behalf have you submitted that
18 testimony?

19 A. US Magnesium, LLC.

20 Q. Okay. Let's identify that testimony. Did
21 you submit direct testimony labeled as US Mag
22 Exhibit 1.0 along with US Mag Exhibits 1.1 through
23 1.10 on September 21 of 2021?

24 A. Yes, I did.

25 Q. And did you also submit rebuttal testimony

1 labeled as US Mag Exhibit 2 along with US Mag
2 Exhibits 2.1 through 2.8 on May 6th of 2022?

3 A. Yes, I did.

4 Q. And with respect to your prefile testimony
5 in this proceeding, do you have any corrections to
6 make in support of the stipulation in settlement
7 agreement?

8 A. No, not at this time.

9 Q. And if you were asked the same questions
10 today that were posed in your prefile testimony,
11 would you provide the same answers?

12 A. Yes.

13 Q. And after submitting your testimony, did you
14 engage in discussions with Rocky Mountain Power for a
15 new electric service agreement and operating reserve
16 interrupting agreement?

17 A. Yes, I did.

18 Q. And did those discussions result in US
19 Magnesium and Rocky Mountain Power entering into new
20 agreements?

21 A. Yes.

22 Q. And on June 17 of 2022, did the parties file
23 a stipulation and settlement agreement indicating
24 that they had reached a settlement in this docket?

25 A. Yes.

1 Q. And have the parties filed the new electric
2 service agreement and operating reserve interruption
3 agreement with the Commission?

4 A. Yes, it's been filed.

5 Q. Okay. And at this point I'll move for the
6 admission of Mr. Swenson's testimony along with the
7 stipulation settlement agreement, the electric
8 service agreement, and the operating reserve
9 interruption agreement.

10 PRESIDING OFFICER HAMMER: They're admitted.

11 BY MR. RUSSELL:

12 Q. Mr. Swenson, have you prepared a summary of
13 your testimony in a statement in support of the
14 stipulation and settlement agreement?

15 A. Yes, I have.

16 Q. Please proceed with that.

17 A. US Magnesium has received interruptible
18 electric service since it located to Utah more than
19 50 years ago. The rates, terms, and conditions of
20 that interruptible service have been subject to
21 review and negotiation from time to time.

22 The current rates, terms, and condition --
23 conditions of US Magnesium's interruptible electric
24 service from Rocky Mountain Power have essentially
25 been the same for several years with upper rate

1 adjustments to ensure that rates stay close to cost
2 of service. I discussed US Magnesium's reasons for
3 filing the application in this docket at the Phase 1
4 hearing back in November and rely on my statements
5 there instead of repeating them now.

6 Since we filed the application, US Magnesium
7 has met several times with the Division of Public
8 Utilities and the Office of Consumer Services. I
9 want to thank the folks from both the Division and
10 the Office for their willingness to meet with us and
11 to better understand the unique nature of our
12 business and electric service needs.

13 The Magnesium business is very tough. US
14 Magnesium is one of the only few companies in the
15 world that manufactures magnesium in a competitive
16 environment when most magnesium is produced in China
17 and Russia with very lax environmental oversight and
18 what could be economic subsidization as well. We're
19 certainly not looking to be subsidized by other rate
20 payers, and we made sure that we're paying close to
21 our cost of service over time.

22 Electricity is one of the big cost items,
23 and it's vitally important to us that we get the
24 pricing right. That's why it's so important for us
25 to meet with the Division and the Office and for them

1 to make the effort to understand our issues, and they
2 certainly put in the work to do that. From US
3 Magnesium's standpoint, hearing and understanding the
4 concerns of the Division and the Office and finding
5 ways to address those concerns was essential to
6 reaching an agreement with Rocky Mountain Power. So
7 again, thanks to the Division and the Office for
8 their hard work in this process.

9 I also want to thank the folks at Rocky
10 Mountain Power. We had very different visions of how
11 things should work, and the Division and Office have
12 their views as well. I think we had to go through
13 this process to really see eye to eye on some things,
14 and I appreciate Rocky Mountain Power's willingness
15 to sit down and discuss where we might find common
16 ground. The common ground isn't what either of us
17 wanted on our own, but I think we've ended up with
18 something that can work. So I appreciate their hard
19 work in helping us get there.

20 I want to talk a little bit about the new
21 electric service agreement and the operating
22 service -- operating reserve interruption agreement.
23 While doing so, I'll discuss various issues that
24 arose in the docket and how we sought to address
25 them. The new ESA, energy service agreement, and the

1 operating reserve agreement are confidential. So
2 I'll avoid talking too specifically about some of the
3 terms and simply refer to some of the sections that
4 have been filed confidentiality with this Commission.

5 The term. I'll start with the term of the
6 agreement, which was an area parties focused on in
7 testimony. US Magnesium wanted a long-term contract
8 for a period of ten years. In its direct testimony,
9 Rocky Mountain Power proposed a two-year term. The
10 Division and the Office each proposed interim
11 agreements that leave many of the existing terms of
12 the current agreement intact while parties worked on
13 a longer term deal. For this interim term agreement,
14 the Division proposed one to two -- one- to
15 three-year term while the Office proposed a two-year
16 term.

17 In the agreement that we negotiated between
18 US Magnesium and Rocky Mountain Power, the term of
19 the new agreement is an initial term of 18 months
20 starting July 1, 2022, and going through
21 December 31st of 2023. The agreements will
22 automatically renew for a one-year period unless
23 either party sends written notice of termination
24 180 days in advance. There can be no more than two
25 such automatic one-year renewals.

1 The details are set forth in Section 2.3 of
2 the energy services agreement. The term is far less
3 than what US Mag had wanted, but it's in the range of
4 terms proposed by all other parties. US Magnesium
5 can accept the compromise.

6 Interruption triggers and purpose. A second
7 issue that the parties focused on in the testimony
8 was the purpose of interruption and when they should
9 occur. Everyone agrees that the purpose of
10 interruptions in the previous US Mag agreement was to
11 reduce US Mag's load during system coincident peaks
12 and to act as an operating reserve resource.

13 Reducing load during coincident peak times reduces
14 the system cost attributable to Utah in the system
15 cost allocation.

16 The way we accomplished that reduction
17 during system coincident peaks in the past was to
18 allow Rocky Mountain Power to call for a curtailment
19 at its discretion in winter months and during summer
20 months when forecasted temperatures in Utah were
21 above the average daily maximum temperature. The
22 idea was that in summer the system peaks tend to be
23 at times of high temperatures, but it got to the
24 point with temperatures increasing we were basically
25 called on for a majority of weekdays because

1 temperatures were above the temperature threshold.

2 Everyone acknowledged that this temperature
3 trigger was an inaccurate method of reducing load
4 during system peaks. The Division and the Office
5 each proposed an interim agreement that keeps the
6 temperature trigger in place while the parties figure
7 out a different method. US Magnesium and Rocky
8 Mountain Power negotiated a new method in this
9 agreement, which is set forth in Article 4 of the
10 energy services agreement.

11 The new method looks back at the same month
12 in the prior -- prior calendar year and considers the
13 average system peak load on curtailment days in that
14 month as well as the maximum peak load in that month
15 and creates a range. Whenever the forecasted daily
16 system peak load is above the lower bound of that
17 range, US Magnesium is subject to curtailment.

18 US Magnesium believes that this mechanism
19 will more accurately predict system peak loads so
20 that there are fewer curtailments but we are still --
21 will still be curtailed during monthly coincident
22 peaks.

23 Interruption curtailment months. Another
24 issue discussed in the testimony was the months in
25 which US Magnesium would be subject to curtailment.

1 Under the previous energy service agreement, US
2 Magnesium was subject to curtailment in winter months
3 of January and December and in the summer months of
4 June, July, August, and September. Some of the
5 testimony raised questions about the value of
6 curtailing US Magnesium's load during the winter
7 months, particularly given the fact that market
8 prices of energy in winter months is typically lower
9 than summer months.

10 So in the newer agreement, we've reduced the
11 curtailment months. US Magnesium will no longer be
12 curtailed in December and January. While Utah rate
13 payers will no longer receive the benefits of reduced
14 cost allocation in those winter months but Rocky
15 Mountain Power will be able to depend on US Mag as an
16 operating resource for all hours throughout those
17 winter months.

18 US Mag will be subject to curtailment for a
19 period of three summer months from June 15th through
20 September 15th. The hope, from US Mag's perspective,
21 is that we'll be able to be curtailed during system
22 coincident peaks during each of June, July, August,
23 and September, which will reduce the system cost
24 allocation to Utah.

25 Interruption duration was another issue

1 discussed in testimony at length -- at the length and
2 duration of each curtailment. Under the previous
3 agreement, US Magnesium was subject to curtailment
4 for four consecutive hours in summer months and for
5 up to two periods of two consecutive hours in the
6 winter months. US Magnesium has long felt that the
7 four-hour curtailment was too long and that
8 curtailments of that length of time negatively
9 affected the operations at US Magnesium.

10 We took a long look at the data for when
11 system coincident peaks occur and determined that in
12 the summer months, they seem to occur in a fairly
13 tight window of two hours, roughly between 5:00 p.m.
14 and 7:00 p.m. The data suggests that US Magnesium
15 doesn't need to be curtailed for four
16 consecutive hours to miss the system peak.

17 So in the new energy service agreement,
18 we've agreed that those hours will be -- a
19 curtailment will be on the days that meet the
20 curtailment trigger that I discussed earlier. The
21 reduced duration of the curtailments of two hours
22 means that US Mag will be an operating reserve
23 resource for more hours in the year. This more
24 targeted curtailment will provide benefits to the
25 system and reduces system cost allocation to Utah.

1 Buy-through during curtailment was an issue
2 that was subject to much discussion in the testimony,
3 and it was concerning US Magnesium's ability to
4 continue operations through the purchase of market
5 energy during curtailment periods, a process we
6 typically refer to as buy-through.

7 For the past several iterations of its
8 interruptible agreement with Rocky Mountain Power, US
9 Magnesium has been able to buy-through during a
10 curtailment, and when we've done that, we haven't
11 paid the contract price for the energy we use, but
12 instead we pay a price equivalent to the index price
13 of the day ahead market shaped to an hourly price
14 value. That indexed price can be significantly
15 higher than the contract price in high load hours,
16 particularly in the summer.

17 In this docket, parties have questioned the
18 wisdom of allowing US Mag to buy-through during a
19 curtailment and have questioned whether the day ahead
20 index price is the appropriate price to utilize.
21 I'll address both of those issues.

22 Is buy-through appropriate? Buy-through is
23 appropriate because it places US Magnesium at the
24 risk of paying very high market prices. We have the
25 choice of whether to continue operations during our

1 curtailment or to reduce load, and that choice is an
2 economic one. When we buy-through, Rocky Mountain
3 Power can devote its system resources that otherwise
4 would serve US Magnesium's load to other customers.

5 US Magnesium can decide whether to
6 buy-through based on its operational needs and the
7 market cost of energy during that curtailment period.
8 As my rebuttal shows, US Magnesium has in the past
9 decided not to buy-through during winter --
10 during hours when market costs are very high because
11 it just doesn't make economic sense to do so.
12 Because US Magnesium assumes the risk of very high
13 market cost during the curtailment period, we believe
14 that ability to buy-through remains appropriate.

15 The new energy services agreement allows US
16 Magnesium to continue the practice of buying-through
17 during a curtailment. The terms of that buy-through
18 have changed somewhat and can be found in Article 5
19 of the energy services agreement.

20 With all of that said, US Magnesium hopes
21 that it will reduce the hours in which it relies on
22 buy-through going forward. With a reduction in the
23 number of curtailment hours that will result from the
24 new framework that I discussed previously, US
25 Magnesium should not need to buy-through as

1 frequently to satisfy its operational needs and will
2 seek to put in place mechanisms that can allow US
3 Magnesium to physically curtail more easily.

4 How should buy-through be priced? Several
5 parties suggested in testimony that there may be a
6 better pricing marker for buy-through than using the
7 day ahead market price and whether the buy-through
8 price should ever be lower than the contract price.
9 In direct testimony, the Division and Office each
10 suggested that US Magnesium be permitted to continue
11 the buy-through using the day ahead index pricing
12 during an interim period with a fuller examination of
13 a better mechanism for -- for a long-term agreement.

14 US Magnesium and Rocky Mountain Power
15 negotiated a pricing mechanism that addresses the
16 issues now. Specifically, we've agreed that if US
17 Magnesium buys-through during a curtailment, it will
18 pay the higher of its contract price or the market
19 price of energy. So there won't be a situation where
20 US Magnesium is buying market energy at a lower cost
21 than it would have paid if it had not been curtailed.

22 In addition, revise the cost for market
23 price. We'll continue to use the day ahead Palo
24 Verde index shaped to an hourly rate through the end
25 of '22, 2022, and we will begin using a more realtime

1 EIM pricing starting in 2023. This will ensure that
2 the market price that US Magnesium pays during
3 buy-through is closer to the price that Rocky
4 Mountain Power actually pays for market energy.
5 Whether that price is higher or lower will be the day
6 ahead index price.

7 We've also agreed that wherever -- whenever
8 US Magnesium buys market energy, it will pay to Rocky
9 Mountain Power an administrative fee per megawatt
10 hour. The formula is found in Section 5.3 of the
11 energy services agreement.

12 US Magnesium believes that the provisions
13 related to a more targeted curtailment will reduce
14 its reliance on buy-through, which should reduce the
15 concerns of the parties regarding the practice. We
16 also believe that the revisions to the market price
17 during buy-through address the concerns of the
18 parties about the index pricing from the previous
19 agreement.

20 ESA pricing and cost of service. As stated
21 earlier, US Magnesium does not seek a subsidy from
22 rate payers. US Magnesium has proposed in this
23 docket, as it has in past dockets and past agreement,
24 that its pricing recover its cost of service. All
25 parties agreed with that concept, though there has

1 been disagreement about how that cost is calculated.

2 The current method of calculating US Mag's
3 cost of service is to calculate the cost of service
4 such that its load is not included in the system
5 coincident peaks for the months it is subject to
6 curtailment. The cost of service methodology has
7 been used for quite some time but has been questioned
8 in this docket.

9 The Division testified in this docket that
10 the mechanism remains appropriate, stating that if US
11 Magnesium is subject to curtailment to avoid system
12 coincident peaks, the cost of service to US Magnesium
13 should reflect that fact. US Magnesium agrees.

14 As noted previously, the agreement between
15 US Magnesium and Rocky Mountain Power reduces the
16 number of months in which US Magnesium is subject to
17 curtailment. US Magnesium was previously subject to
18 curtailment in six months. It is now subject to
19 curtailment from June 15th through September 15th.

20 US Magnesium has agreed that its cost of
21 service should reflect that fact by not including its
22 load in three monthly coincident peaks. Although, as
23 I noted earlier, we're hoping that we'll be subject
24 to curtailment during the coincident peaks in four
25 months -- June, July, August, and September.

1 The pricing we agreed on is set forth in
2 Section 3.3 of the new energy services agreement.
3 The pricing aims to recover US Magnesium's cost of
4 service with its load not included for three
5 coincident peaks.

6 The pricing, also, for the first time,
7 includes demand and facility charges; whereas,
8 previously, everything was recovered through an
9 energy charge. So in that respect, the structure is
10 more consistent with the rate structures for other
11 large industrial customers, though the pricing
12 reflects US Magnesium's unique set -- unique use of
13 the system and its benefits it can provide.

14 Operating reserve pricing. Lastly, Rocky
15 Mountain Power and US Magnesium have agreed on a new
16 operating reserve pricing. The new price reflects
17 the fact that US Magnesium is subject to fewer
18 curtailment hours throughout the year and is
19 therefore able to provide more operating reserve
20 value throughout the year. The agreed on number is a
21 result of calculations based on a method agreed to
22 where the parties is -- derived from forecasted
23 market prices.

24 So, in conclusion, on the whole, we think
25 this is a good compromise. US Magnesium didn't get

1 everything that it wanted, but it gained some
2 certainty and can live with the result. We believe
3 that the stipulation and settlement agreement along
4 with the new energy service agreement and operating
5 reserve agreement are just and reasonable in result
6 and approval is in the public interest.

7 On behalf of US Magnesium, I recommend that
8 the Commission approve the new energy services
9 agreement and operating reserve agreement that we've
10 negotiated with Rocky Mountain Power.

11 MR. RUSSELL: Mr. Swenson is available for
12 cross-examination and Commission questions.

13 PRESIDING OFFICER HAMMER: We'll go to you,
14 Ms. Wegener.

15 MS. WEGENER: I have no questions. Thank
16 you.

17 PRESIDING OFFICER HAMMER: Ms. Schmid?

18 MS. SCHMID: No questions. Thank you.

19 PRESIDING OFFICER HAMMER: Mr. Moore?

20 MR. MOORE: No questions. Thank you.

21 PRESIDING OFFICER HAMMER: And I have none.
22 Your summary was very thorough. Thank you,
23 Mr. Swenson.

24 No other witnesses, Mr. Russell?

25 MR. RUSSELL: No. Thank you.

1 PRESIDING OFFICER HAMMER: Ms. Wegener?

2 MS. WEGENER: Yes. The company calls Craig
3 Eller.

4 CRAIG ELLER

5 was sworn and testified as follows:

6 PRESIDING OFFICER HAMMER: Thank you.

7 DIRECT EXAMINATION

8 BY MS. WEGENER:

9 Q. Good morning, Mr. Eller. Can you state and
10 spell your name.

11 A. Yes. Craig Eller, C-r-a-i-g E-l-l-e-r.

12 Q. What's your position with Rocky Mountain
13 Power?

14 A. Vice president of business policy and
15 development.

16 Q. Did you prepare and submit testimony and
17 exhibits in this matter specifically on January 7th,
18 April 7th, and May 6th?

19 A. I did.

20 Q. Do you have any corrections to that
21 testimony?

22 A. No.

23 Q. If I asked you the same questions in that
24 testimony today, would your answers be the same?

25 A. They would.

1 MS. WEGENER: Move to admit the prefilled
2 testimony filed on the days I specified.

3 PRESIDING OFFICER HAMMER: It's admitted.

4 MS. WEGENER: Thank you.

5 BY MS. WEGENER:

6 Q. Did you participate in negotiating the
7 electric service agreement and the operating reserve
8 interruption agreement that were filed with the
9 Commission on June 17th?

10 A. I did.

11 Q. Can you provide a summary of your support of
12 those agreements?

13 A. Yes. Good morning, Mr. Hammer. Like
14 Mr. Swenson, I am here today to offer testimony in
15 support of the stipulation and settlement agreement,
16 electric service agreement, which I'll refer to as
17 the ESA, and operating reserve interruption
18 agreement, which I'll refer to as the ORIA, between
19 US Magnesium and PacifiCorp effective July 1st, 2022.

20 These agreements were filed with the
21 stipulation and settlement agreement that was filed
22 in this docket on June 17th, 2022. I testify today
23 that these agreements are in the interest of Rocky
24 Mountain Power's customers and recommend that the
25 Commission approve them.

1 US Magnesium has been an interruptible
2 customer of the company for many years. Under the
3 proposed ESA, PacifiCorp will continue to provide US
4 Magnesium with partial -- partial requirement service
5 of electric energy with restructured curtailment and
6 buy-through provisions. A summary of details of the
7 changes to the ESA were covered by Mr. Swenson in his
8 opening summary.

9 The proposed ESA is in the public interest
10 as it provides the following benefits to customers.
11 It better lines demand and energy charges with the
12 cost -- with cost generation by eliminating the
13 energy only rate structure of the existing ESA and
14 replaces it with one that mirrors Schedule 31 and
15 Schedule 9 rates, albeit with some adjustments to
16 account for the removal of three coincident peaks
17 from the US Magnesium's cost of service.

18 It includes protections that ensure US
19 Magnesium's rate structure will result in revenues
20 that land within a fixed percentage of any future
21 cost of service rate determination. The details of
22 those mechanisms can be found in Section 3.4 of the
23 ESA.

24 It improves the structure of the replacement
25 power cost provisions by including a higher of retail

1 or market index trigger and includes language that
2 the parties will replace the day ahead index price
3 with an energy in balance market, or EIM, buy-through
4 price beginning in 2023. And it continues to reduce
5 jurisdictional cost allocations to Utah under the
6 existing multistate protocol.

7 Under the proposed ORIA, US Magnesium will
8 continue to provide PacifiCorp with interruptible
9 products. As noted by Mr. Swenson, the terms and
10 conditions of the ORIA are largely unchanged. The
11 primary revision to the ORIA is an increase in the
12 per unit reserve credit provided to US Magnesium.
13 The changed credit amount represents a reduction to
14 the amount originally proposed by the company in my
15 January 7th, 2022, response testimony.

16 The reduction from the prior proposal
17 represents a reasonable and mutually acceptable
18 adjustment to account for the potential loss of
19 interruptible products, including the ORIA, in the
20 event that US Magnesium physically curtails its load
21 under the ESA to ensure that customers do not pay for
22 interruptible products which are unavailable.

23 The company represents that the terms and
24 conditions in the US Magnesium ESA and ORIA are just,
25 reasonable, and in the public interest. Therefore,

1 the company recommends and requests that the
2 Commission approve the settlement stipulation ESA and
3 ORIA.

4 MS. WEGENER: Thank you. I have nothing
5 further for this witness, and he's available for
6 cross-examination and questions from the hearing
7 officer.

8 PRESIDING OFFICER HAMMER: Mr. Russell?

9 MR. RUSSELL: No questions. Thank you.

10 PRESIDING OFFICER HAMMER: Ms. Schmid?

11 MS. SCHMID: No questions.

12 PRESIDING OFFICER HAMMER: Mr. Moore?

13 MR. MOORE: Thank you. No questions.

14 PRESIDING OFFICER HAMMER: And I have none.
15 Thank you, Mr. Eller.

16 No other witnesses, Ms. Wegener?

17 MS. WEGENER: No other witnesses. Thanks.

18 PRESIDING OFFICER HAMMER: Ms. Schmid?

19 MS. SCHMID: Thank you. The Division calls
20 Mr. Casey Coleman.

21 CASEY J. COLEMAN

22 was sworn and testified as follows:

23 PRESIDING OFFICER HAMMER: Thanks.

24 ///

25 ///

DIRECT EXAMINATION

BY MS. SCHMID:

Q. Could you please state and spell your name for the record.

A. Yes. My name is Casey J. Coleman, C-a-s-e-y J C-o-l-e-m-a-n.

Q. By whom are you employed?

A. I work for the Division of Public Utilities.

Q. What is your title and your business address?

A. My business title is utility technical consultant, and the address is 160 East 300 South, Salt Lake City, Utah 844 -- 84414.

Q. Have you participated in this docket on behalf of the Division?

A. Yes.

Q. Could you please briefly describe your participation and that of the division in this docket.

A. Yes. As a party to this docket, we were involved in reviewing all of the testimony, the application, and information provided by the companies, as well establishing some working groups, both with US Magnesium and Rocky Mountain Power, to allow both parties the opportunity to help the

1 Division understand more some of what the issues were
2 with past contracts and also just to gain a better
3 understanding of US Magnesium's process and how it
4 impacts the system with Rocky Mountain Power.

5 And so that's part of the role that we
6 participated and did and tried to help understand
7 more of what the issues were with this docket.

8 **Q. Have you reviewed the stipulation and the**
9 **accompanying confidential contracts?**

10 A. Yes.

11 **Q. Did you prepare and cause to be filed direct**
12 **testimony on April 7th, 2022, labeled DPU 1 --**
13 **Exhibit 1.0 Direct?**

14 A. Yes.

15 **Q. Do you have any changes or corrections to**
16 **that prefiled testimony?**

17 A. No.

18 **Q. If I were to ask you the same questions in**
19 **that testimony today, would your answers be the same?**

20 A. Yes.

21 **Q. Do you adopt that prefile testimony as part**
22 **of your testimony here today?**

23 A. Yes.

24 MS. SCHMID: The Division requests the
25 admission of DPU Exhibit 1.0 Direct.

1 PRESIDING OFFICER HAMMER: It's admitted.

2 MS. SCHMID: Thank you.

3 BY MS. SCHMID:

4 Q. Mr. Coleman, do you have a summary of the
5 Division support for the stipulation and contracts?

6 A. Yes, I do.

7 Q. Please proceed.

8 A. The Division of Public Utilities recommends
9 the Commission approve the stipulation as filed by
10 Rocky Mountain Power and US Magnesium, the parties in
11 this docket. There are a number of elements to this
12 stipulation that the Division would like to highlight
13 for the Commission.

14 The new electric service agreement, or ESA,
15 and operating reserve interruption agreement, or
16 ORIA, negotiated between Rocky Mountain Power and US
17 Magnesium is a short-term contract. The initial term
18 of the contract is 18 months from July 1st, 2022, to
19 December 31st, 2023, with two 1-year extensions,
20 which can be terminated by either party with six
21 months notice and initiation of a new docket.

22 The contract's short time period allows
23 parties some time to determine if the new terms of
24 the ESA contract is meeting the needs of the parties
25 as well providing the perceived benefits to the State

1 of Utah. Additionally, because the base contract
2 period in each extension would result in a relatively
3 short-term contract, if the terms of the new ESA or
4 ORIA do not meet the parties' objectives, the
5 contract can be terminated relatively quickly without
6 significant long-term implications to the parties and
7 the State of Utah.

8 The negotiated agreement between the parties
9 continues to provide for interruptible service and a
10 buy-through provision, although the terms and
11 conditions have changed from what was agreed to in
12 the past contracts. Retaining this conceptual option
13 allows US Magnesium, Rocky Mountain Power, and the
14 rate payers in the State of Utah to still accrue the
15 benefits of interruptible service.

16 Throughout this proceeding, the Division, as
17 well as other parties, was critical of the pseudo
18 temperature curtailment or PTC provisions of the
19 former contracts. The new agreement eliminates the
20 PTC and instead moves to a curtailment mechanism
21 based upon a dynamic peak load curtailment range.
22 The Division sees this new curtailment trigger as a
23 positive outcome of the new contract and stipulations
24 submitted by the parties.

25 The new curtailment triggers should allow

1 Rocky Mountain Power to better manage its electricity
2 grid, have fewer curtailment situations for US
3 Magnesium, and ultimately add a blend of expertise
4 and reasoning as to when a curtailment event will
5 occur. This new trigger appears to be an encouraging
6 solution to a flaw in the previous contracts.

7 With the submitted stipulation, the parties
8 agreed to new contract pricing. The Division's
9 reviewed the pricing provisions as outlined in the
10 ESA and ORIA and find the rates are just and
11 reasonable.

12 Consistent with the stipulation and the
13 representations made by the parties, the Division
14 accepts that both parties negotiated in good faith
15 and reached a settlement agreement that each party
16 considered just and reasonable.

17 Because the proposed stipulation includes a
18 short-term contract, still allows for interruptible
19 service, outlines new process for curtailment, and
20 establishes new contract rates that are covering or
21 close to covering the required cost of service, it is
22 the Division's position that the stipulation with
23 this proposed contract taken as a whole are just and
24 reasonable in result and in the public interest.

25 The division recommends that the commission

1 approves the stipulation and the contracts as
2 submitted by the parties.

3 MS. SCHMID: Mr. Coleman is now available
4 for cross-examination questions and questions from
5 the Commission.

6 PRESIDING OFFICER HAMMER: Mr. Russell?

7 MR. RUSSELL: No questions. Thank you.

8 PRESIDING OFFICER HAMMER: Ms. Wegener?

9 MS. WEGENER: No questions. Thank you.

10 PRESIDING OFFICER HAMMER: Mr. Moore?

11 MR. MOORE: Thank you. No questions.

12 PRESIDING OFFICER HAMMER: And I have none.

13 Thank you, Mr. Coleman.

14 No other witnesses, Ms. Schmid?

15 MS. SCHMID: Correct. The Division has
16 nothing more to present. Thank you.

17 PRESIDING OFFICER HAMMER: Mr. Moore, I
18 believe you've already stated on the record the
19 Office's lack of opposition to the settlement. Do
20 you have anything else?

21 MR. MOORE: No. That's -- that's all the
22 Office has.

23 PRESIDING OFFICER HAMMER: Thank you. Is
24 there anything else before we adjourn?

25 MR. RUSSELL: Nothing from US Magnesium.

1 MS. WEGENER: Nothing from the company.

2 MS. SCHMID: Nothing from the Division.

3 MR. MOORE: And, again, nothing from the
4 Office.

5 PRESIDING OFFICER HAMMER: Thank you,
6 everyone. Have a wonderful morning. We're
7 adjourned.

8 (This hearing was concluded at
9 9:39 a.m. MDT.)

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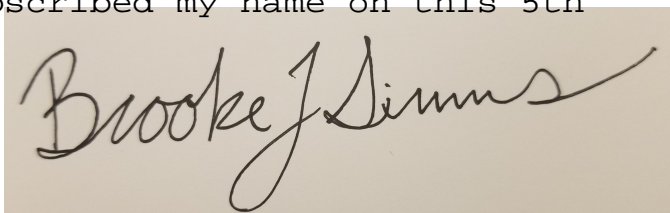
REPORTER'S CERTIFICATE

STATE OF UTAH)
)
SALT LAKE COUNTY)

I, BROOKE SIMMS, a State Certified Court Reporter and Registered Professional Reporter, hereby certify:

THAT the foregoing proceedings were taken before me at the time and place set forth in the caption hereof; that the proceedings were taken down by me in shorthand and thereafter my notes were transcribed through computer-aided transcription; and the foregoing transcript constitutes a full, true, and accurate record of such oral proceedings had, and of the whole thereof.

I have subscribed my name on this 5th day of July, 2022.



Brooke Simms, RPR, CCR, CSR

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