

Case No. PAC-E-01-16  
Exhibit No. 9  
Witness: Bruce Griswold

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

PACIFICORP

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Exhibit Accompanying Rebuttal Testimony of Bruce Griswold

August, 2002

825 N.E. Multnomah  
Portland, Or 97232  
(503) 813-5000



November 5, 2001

Dennis Hansen, Commissioner  
Paul Kjellander, Commissioner  
Marsha Smith, Commissioner  
Idaho Public Utilities Commission  
472 West Washington  
Boise, Idaho 83720-0074

RE: October 25, 2001 Meeting on Monsanto Negotiations

Dear Commissioners:

This letter is a follow-up to our meeting on Thursday October 25, 2001 with you and your staff regarding our negotiation with Monsanto. First I would like to thank you for taking the time from your schedule to review the current negotiations with Monsanto. Our intent was to provide you background, perspective on the negotiations and the issues so that as we finalize our negotiations and bring forward our agreements, you and your staff would have a more complete understanding of the approach on which to make a decision. The basic premise we are working against is to develop a contractual arrangement with Monsanto that compensates PacifiCorp for its cost of service to Monsanto and also recognizes the value Monsanto can provide to PacifiCorp's system through its unique plant operation for such products as operating reserves and curtailment. The structure we are in the process of negotiating will separate this arrangement into at least two agreements, a special contract for delivering electric service to Monsanto at the cost of providing that service and a second agreement for the value that Monsanto provides to our electrical system. The special contract for electric service will be situs and consider Monsanto as a firm retail customer. Our intent is to align the terms of all the agreements such that Monsanto achieves the lowest net energy cost over that term.

In December 2000, we provided formal notification per the existing contract that the contract would terminate on December 31, 2001. In the first quarter of 2001, the current negotiating teams were put in place and the teams began meeting on a regular basis in Salt Lake City as of April 2001. Over the past seven months we have met with Monsanto monthly plus arranged several sub-meetings addressing specific power supply issues. We have openly shared our cost of service model and assumptions with Monsanto and their consultants, in fact, agreeing on changing several assumptions that have reduced the initial estimate of the cost of service by over ten percent.

As you can see from our meeting, your discussions with Monsanto, and the questions posed by you and your staff, that there are a number of outstanding issues that require agreement in the coming weeks. PacifiCorp is negotiating in good faith with Monsanto and every effort is being made to reach an amenable agreement. We will continue to keep you apprised of our progress and would welcome any guidance you feel is appropriate over the coming weeks. Thank you again for your time and comments. If you have any questions, please call me at 503-813-5716.

Sincerely,

Frank Mitchell  
Vice President, Commercial

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August, 2002

# *Monsanto Draft Terms for Electric Service*

## **Monsanto Proposed Electric Service 2002 - 2006**

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Electric service to Monsanto for the entire facility includes:

Electric service agreement (the “ESA”) for the elemental phosphorous manufacturing plant (the “Plant”) in Soda Springs, Idaho effective September 1, 2002 and terminating December 31, 2006. Price components for the electric service to the Plant are cost of service demand and energy components. The ESA will be retail load situs to Idaho jurisdiction.

Interruptible agreement (the “Interruptible Agreement”) for the Plant pays Monsanto monthly payments for three interruptible or curtailment options including system integrity, non-spin contingency operating reserves and an economic curtailment option which has a buy-through provision. Total allowed hours of interruption or curtailment are 800 hours per calendar year. The operating reserve component of the Interruptible Agreement would be subject to reopener for WECC operating reserve criteria changes. The Interruptible Agreement will be system allocated. Additional interruptible or curtailment opportunities may be negotiated between PacifiCorp and Monsanto as separate agreements during the term.

Additional interruptible or curtailment opportunities may be negotiated between PacifiCorp and Monsanto as separate agreements during the Term.

### **Summary**

Term:	4+ years ( September 1, 2002 – December 31, 2006)
Delivered Power:	\$31.40 per MWh based on cost of service components
Interruptibility:	800 hours total
Credit for Interruptibility	
System Integrity:	Monthly credit of \$ 40,500. Hours included in 800 hours.
Operating Reserves:	Monthly credit of \$ 259,350 for 95MW minimum for 300 hours.
Economic Curtailment:	Monthly credit of \$ 195,000 for 46MW minimum for 500 hours.
TOTAL CREDIT	Monthly credit of \$ 494,850
Monsanto net price	\$ 27.00 per MWh.

# *Monsanto Draft Terms for Electric Service*

## **Electric Service Agreement**

Term Four (4) years and 4 months, effective September 1, 2002 and terminating December 31, 2006. No extension language.

Delivered Power Charges Customer Charge: \$282.89 per month  
Demand Charge: \$ 9.51 per kW month  
Energy Charge: \$ 16.31 per MWh

Monsanto will be responsible to maintain at all a power factor of 90% lagging, or higher, as determined by measurement. If the average power factor is found to be less than 90% lagging, the energy as recorded by PacifiCorp's meters will be increased by  $\frac{3}{4}$  of 1% for every 1% that the power factor is less than 90%.

Monsanto must 'take' a minimum monthly quantity of 112,500 MWhs at \$31.40 for the fixed payments to occur. System Integrity, Economic Curtailment and Operating Reserve payments would be prorated for consumption below this level.

Billing All billing statements for power and energy shall show the amount due for the type and quantity of power and energy purchased and charged in accordance with this agreement and any charges permitted or required under the applicable Electric Service Rules and Regulations of Idaho. Payments for interruptibility identified and applied to monthly bills.

## **Interruptibility**

Product

### System Integrity

PacifiCorp may temporarily physically interrupt service to Monsanto's Interruptible Load at its Facility if PacifiCorp reasonably determines, pursuant to Prudent Utility Practice, that an interruption of Power and Energy to Monsanto is necessary to maintain System Integrity.

Interruptible Load All defined interruptible plant load – up to three (3) furnaces and auxiliary load – 162MW

Availability All hours HE 0100 through HE 2400. Allowable option days shall be each Monday through Sunday during the Term.

Duration of Interruption As long as required to stabilize PacifiCorp's electrical system

Frequency Limited to System Integrity only – included in 300 hours of Operating Reserves total.

## *Monsanto Draft Terms for Electric Service*

Notification	Except under emergency conditions, PacifiCorp shall give Monsanto as much advance notice as practicable, but not less than two (2) hours, of any required interruption, and at least one hour's advance notice of when interruption will be discontinued.
Monthly Payment	Monthly payment to Monsanto for the interruptibility for System Integrity would be \$ 40,500.
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Product	<u>Operating Reserves</u> Day-of Call option for PacifiCorp's right to interrupt Monsanto's furnace load (capacity and associated energy use).
Interruptible Load	Minimum 95 MW
Availability	All hours HE 0001 through HE 2400. Allowable option days shall be each Monday through Sunday during the Term.
Duration	Up to one (1) hour continuous
Frequency	<ul style="list-style-type: none"><li>• Maximum three hundred (300) interruptions per calendar year.</li><li>• Maximum of twenty-five (25) interruptions per month.</li><li>• Maximum of three (3) interruptions in any four (4) hour period per day</li></ul>
Notification	PacifiCorp shall provide Monsanto at least 6 minutes notice prior to the beginning of the Load Interruption Period.
Monthly Payment	Monthly payment of \$259,350 for 95MW minimum
Liquidated Damages / Non-performance	NONE – Failure to interrupt load upon notification shall result in PacifiCorp invoking unilateral right to interrupt Monsanto load remotely. PacifiCorp shall utilize metering to verify that the noticed Interruptible Load was actually interrupted when PacifiCorp executed the option.
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Product	<u>Economic Curtailment</u> Day-of Call option for PacifiCorp's right to interrupt Monsanto's furnace load (capacity and associated energy use). Monsanto has option to buy-through the interruption at defined market index hourly shaped.
Interruptible Load	46MW minimum
Availability	Hours HE 0700 through HE 2200 Mountain Prevailing Time. Allowable option days shall be each Monday through Sunday during the Term.
Duration of Interruption	Maximum of 500 hours based on one (1) furnace in calendar year <ul style="list-style-type: none"><li>• Up to eight (8) hours for one (1) furnace. PacifiCorp has right</li></ul>

## ***Monsanto Draft Terms for Electric Service***

to designate which furnace the curtailment for that shall apply.

Frequency	Limited to one (1) interruption per day
Notification	PacifiCorp shall provide Monsanto at least 2 hours notice prior to the beginning of the curtailment period. For example, PacifiCorp shall notify Monsanto by hour ending 1400 for a curtailment period that begins hour ending 1600.
Monthly Payment	Monthly payment to Monsanto for the interruptibility for would be \$195,000 per month.
Buythrough provision	<p>Monsanto shall have the right to decline the Day-of option and purchase power for the Curtailment Load for the Duration of Interruption for the day. (“Replacement Power”).</p> <p>Monsanto shall notify PacifiCorp by phone and/or fax of its decision to decline the Day-of option within one (1) hour after PacifiCorp provides notification to Monsanto for the Day-of option to curtail. <i>For example, if PacifiCorp notifies Monsanto by 11AM MPT, Monsanto must respond to PacifiCorp by 12PM MPT.</i> If Monsanto fails to notify PacifiCorp of its decision to decline the Day-of option within the one- (1) hour period, Monsanto will be obligated to physically provide Curtailment Load as agreed.</p>

### **Replacement Power Price**

Monsanto shall purchase daily Replacement Power for the Duration of Interruption from the PacifiCorp as calculated:

*Hourly Shaped Market Price multiplied by the Interruptible Load multiplied by the Duration of Interruption (hours).*

Hourly Shaped Market Price shall be defined as daily Dow Jones<sup>TM</sup> Palo Verde Firm On-Peak Price, as reported at [www.dowjones.com](http://www.dowjones.com) each Monday – Sunday multiplied by the following hourly shaping factors for each applicable month:

January	<u>114%</u>	May	<u>122%</u>	September	<u>119%</u>
February	<u>114%</u>	June	<u>126%</u>	October	<u>113%</u>
March	<u>114%</u>	July	<u>130%</u>	November	<u>111%</u>
April	<u>110%</u>	August	<u>130%</u>	December	<u>116%</u>

Holidays include only New Year’s Day, President’s Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day and Christmas Day. When a holiday falls on a Saturday or Sunday, the Friday before the holiday (if the holiday falls on a Saturday) or the Monday following the holiday (if the holiday falls

## *Monsanto Draft Terms for Electric Service*

on a Sunday) will be considered a Holiday.

Monthly Replacement Power shall equal the sum of daily Replacement Power for that month.

### Agreement Reopeners

#### Direct Access

In the event that the statutes of the state of Idaho are amended to provide customers with the ability to choose an electric supplier other than PacifiCorp, either party may terminate this agreement within 90 days of the date open access commences by written notice delivered to the other party.

#### Cost of Service

In the event the Delivered Power Charges are not achieving PacifiCorp's cost of providing service to Monsanto; then either Party may apply to the Commission not more frequently than once per year for reasonable changes or adjustments to the rates, terms and conditions contained in this Agreement.

#### Interruptibility

In the event (i) other interruptible service options become available to Monsanto as a result of the adoption of interruptible service tariff(s) by the Commission; (ii) analyses, offerings, or findings of the Commission or the interruptible service task force recently created by the Utah Commission suggest or support new or different rates or terms, or approaches to or conditions of interruption; then either Party may apply to the Commission for reasonable changes or adjustments to the rates, terms and conditions for interruptibility contained in the 2002 Agreement.

### Other Provisions

#### Annual Price Adjustment

Once per year adjustment to all price components in the agreement based on overall average Idaho jurisdictional rate increase or decrease for that calendar year.

#### Agreement Language

Modify or remove contentious terms including favored nation, significant changes, and termination clauses.

Update to reflect any new power quality standards based on prudent industry practice. Agree to joint task force to address flicker issue.

Update to address cooperation in operation for safety issues



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Monsanto Load	<u>MWh</u>	<u>Load Factor</u>
	1,354,000	83%

**Interruptible / Curtailment Load**

	MW	Hours	Monthly Credit	Annual \$	Cost / Benefit per MWh	
<b>Agreement Price</b>				<b>\$ 42,502,060</b>	<b>\$ 31.39</b>	
Reserves (\$ per kW month)	95	300	\$ (259,350)	\$ (3,112,200)	\$ (2.30)	
Economic Curtailment (\$ per kW month)	46	500	\$ (195,000)	\$ (2,340,000)	\$ (1.73)	
System Integrity (\$ per MWh)	162	<u>Included in 800</u>	<u>\$ (40,500)</u>	<u>\$ (486,000)</u>	<u>\$ (0.36)</u>	\$ (4.39)
		800	\$ (494,850)	\$ 36,563,860	<b>\$ 27.00</b>	