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3 **BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

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5 **In the Matter of the Application of PacifiCorp)**
6 **dba Utah Power & Light Company for) Case No. PAC-E-01-16**
7 **Approval of Interim Provisions for the Supply)**
8 **of Electric Service to Monsanto Company.) REBUTTAL**
9 **TESTIMONY OF**
10 **DANIEL R. SCHETTLER**
11

12 **Q: PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND**
13 **EMPLOYMENT.**

14 **A:** Daniel R. Schettler, Monsanto Company, 800 North Lindbergh Blvd, St.
15 Louis, MO 63167.

16 **Q: ARE YOU THE SAME DANIEL R. SCHETTLER THAT**
17 **PREVIOUSLY FILED DIRECT TESTIMONY IN THIS CASE?**

18 **A:** Yes.

19 **Q: WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

20 **A:** I will discuss PacifiCorp's new curtailment proposal and describe why it
21 is not adequate to meet Monsanto's price needs. Additionally, I will
22 address certain positions asserted by Bruce W. Griswold in his Rebuttal
23 Testimony.

24 **Q: WHEN DID MONSANTO FIRST LEARN IN THIS CASE THAT**
25 **PACIFICORP WAS WILLING TO PROVIDE MONSANTO AN**
26 **ELECTRIC SERVICE AGREEMENT AND SEPARATE**

1 **CURTAILMENT AGREEMENT THAT HAVE THE SAME**
2 **LENGTH OF TERM?**

3 **A:** We learned in late August 2002, upon reading the Rebuttal Testimony of Mr.
4 Griswold filed August 23, 2002, at page 1, lines 15-18. The Company's
5 Application and Direct Testimony filed previously in this case gave no
6 indication that PacifiCorp would enter into an agreement for curtailment that
7 had the same term as the electric service agreement. To the contrary, in this
8 proceeding prior to Mr. Griswold's Rebuttal Testimony, PacifiCorp has
9 repeatedly and continuously insisted that curtailment would only be acquired
10 from Monsanto pursuant to short-term agreements. Monsanto is pleased that
11 PacifiCorp now concedes in its Rebuttal Testimony that interruptible service
12 will be provided, and that both firm and interruptible service will be provided
13 simultaneously for a fixed term. We only wish this concession had been made
14 long ago, which would have facilitated settlement negotiations and avoided the
15 considerable effort made in Monsanto's filing to oppose PacifiCorp's new
16 policy against long-term interruptible contracts.

17 **Q:** **DO YOU AGREE WITH MR. GRISWOLD'S TESTIMONY ON**
18 **PAGE 1, LINE 20-22, THAT ALL DURING CONTRACT**
19 **NEGOTIATIONS, PACIFICORP WAS WILLING TO ALIGN**
20 **THE TERMS OF ALL AGREEMENTS SUCH THAT THEY**
21 **WERE OF THE SAME LENGTH OF TERM?**

1 A: No. Mr. Griswold's statement is totally irrelevant to the issues
2 presented to the Commission in this case and ordinarily should be
3 ignored as unworthy of a response. However, Monsanto feels
4 compelled to respond. First, because Mr. Griswold's statement is
5 absolutely inaccurate. Second, because Mr. Griswold improperly
6 brought before this Commission the substance of settlement
7 negotiations between the parties which were highly confidential and
8 privileged communications. It is my understanding that confidential
9 settlement negotiations are not admissible evidence and should
10 properly be stricken from the record. While Monsanto believes it is
11 totally inappropriate and in bad faith to discuss before this Commission
12 any details of confidential settlement negotiations, I will do so only to
13 the extent necessary to respond to Mr. Griswold's statement. At no
14 time, from the time our settlement negotiations began in 1999 until
15 August 21, 2002, did PacifiCorp ever offer Monsanto a long-term
16 curtailment agreement of the same term as an electric service
17 agreement, either in a single agreement or separate agreements. The
18 first time any such proposal was ever made by PacifiCorp was just a few
19 days ago on August 21, 2002, when I traveled to Portland and met with
20 Mr. Griswold, Mr. Kline, Sr. Vice President for PacifiCorp, and others in
21 a final attempt to negotiate a settlement of this case, in addition to
22 settling the pending Federal Court litigation, and Monsanto's kiln-

1 damage claim. Following our meeting, PacifiCorp sent me draft terms
2 for a proposed Electric Service Agreement and Interruptible Agreement
3 of equal terms. This was essentially the same document now marked as
4 Mr. Griswold's Exhibit 10, except that some of the pricing terms were
5 changed and the document I received was clearly marked confidential
6 for the purpose of settlement of litigation. It appears obvious that after
7 Monsanto's Testimony was filed, PacifiCorp changed its tune and abandoned
8 its previously-stated policy of offering only short-term curtailment agreements.

9 **Q: DO YOU HAVE COMMENT ON MR. GRISWOLD'S EXHIBIT NO. 9,**
10 **THE NOVEMBER 5, 2001 LETTER FROM FRANK MITCHELL TO**
11 **THE COMMISSION?**

12 **A:** Yes. First of all, PacifiCorp did not provide Monsanto with a copy of this
13 letter. Nor was Monsanto invited, nor aware, that PacifiCorp was meeting
14 October 25, 2001, with the Commission and Staff for the purpose of discussing
15 the negotiations with Monsanto, as referred to in Mr. Mitchell's letter. We are
16 surprised and disappointed to know that PacifiCorp cannot be trusted to honor
17 the confidential and privileged nature of settlement negotiations, despite their
18 claims of good faith negotiations.

19 **Q: ARE THE TERMS OF PACIFICORP'S NEW PROPOSAL DETAILED**
20 **IN MR. GRISWOLD'S REBUTTAL TESTIMONY AND EXHIBIT 10**
21 **ACCEPTABLE?**

1 **A:** No. Without discussing all reasons, the primary objection Monsanto has is
2 that the net price of \$27 per MWH proposed by PacifiCorp will not allow the
3 Soda Springs plant to remain competitive. Additionally, PacifiCorp continues
4 to insist that the price be adjusted with tariff rate changes. This does not
5 provide the required price stability and certainty as discussed in my Direct
6 Testimony.

7 **Q:** **DO YOU HAVE ANY COMMENTS ON THE CALCULATION OF**
8 **MONTHLY PAYMENTS FOR THE CURTAILMENT OPTIONS**
9 **UNDER THE SEPARATE INTERRUPTIBLE AGREEMENT**
10 **DISCUSSED ON PAGE 9, LINES 1-7 OF MR. GRISWOLD’S**
11 **REBUTTAL TESTIMONY, AND ALSO ON PAGE 8 OF MR. WATERS’**
12 **REBUTTAL TESTIMONY?**

13 **A:** Yes. Mr. Griswold and Mr. Waters calculate the operating reserves payment
14 for 95 MW, which would be Monsanto Furnaces 7 and 8. They then calculate
15 the economic curtailment payment for 46 MW. That payment should be
16 calculated for 67 MW, the size of the remaining Furnace No. 9. Mrs. Iverson’s
17 and Mr. Rosenberg’s rebuttal testimony will address the correct calculations
18 and value.

19 **Q:** **AS A RESULT OF PACIFICORP’S REBUTTAL TESTIMONY, IS**
20 **MONSANTO WILLING TO CHANGE ANY OF THE TERMS OF ITS**
21 **PROPOSAL TO THE COMMISSION FOR ELECTRIC SERVICE AS**

1 **DISCUSSED IN YOUR DIRECT TESTIMONY AND EXHIBIT NO.**
2 **210?**

3 **A:** Yes. If necessary, to achieve the stable price of \$18.50 per MWH for a 5-year
4 contract term requested by Monsanto for the Soda Springs plant, Monsanto is
5 willing to propose an alternative curtailment proposal. It has been Monsanto's
6 understanding based on numerous conversations and meetings with PacifiCorp
7 that operating reserves were of greater value to PacifiCorp as economic
8 curtailment. However, Mr. Griswold's and Mr. Water's Rebuttal Testimonies
9 place a considerably higher value on economic curtailment than on operating
10 reserves. Accordingly, Monsanto now proposes to eliminate the 300 hours of
11 operating reserves curtailment previously proposed, and offers economic
12 curtailment of up to 1000 hours (12%) per year. Additionally, Monsanto
13 offers up all three furnaces, provided a two-hour notice of curtailment is given
14 when all three furnaces are to be taken down simultaneously as proposed by
15 PacifiCorp in Mr. Griswold's Exhibit 9. The emergency curtailments and
16 other terms would continue as set forth in Exhibit A to Monsanto's Proposed
17 Electric Service Agreement, Exhibit 210. The Rebuttal Testimony and
18 Exhibits of Mrs. Iverson quantify the value of this alternative curtailment
19 proposal.

20 **Q:** **DO YOU AGREE WITH PACIFICORP'S ARGUMENT THAT THE**
21 **EFFECTIVE PRICE MONSANTO IS CURRENTLY PAYING IS \$23.50**

1 **PER MWH, AS A RESULT OF THE \$30 MILLION PAYMENT MADE**
2 **IN 1995?**

3 **A:** No. Monsanto definitely considered the \$30 million as a buy-out of the old
4 1992 Contract. Additionally, Monsanto reflects power supply costs under the
5 1995 Contract on the books at \$18.50 per MWH. In fact, since Monsanto
6 entered into the 1995 Contract, it has never paid more than \$18.50 per MWH.
7 In each of the last 3 years, Monsanto’s annual energy rate has actually been
8 considerably less than \$18.50, as a result of payments received under various
9 Operating Reserve Agreements and the Deferred Outage Agreement. As a
10 result, the net price Monsanto paid to PacifiCorp was as follows:

	<u>Year</u>	<u>MWh</u>
11	2000	\$17.5726
12	2001	\$16.6103
13	2002	\$18.237 (Year to date through July)
14		
15		

16 Keep in mind that PacifiCorp came to Monsanto to acquire these interruptions.
17 When PacifiCorp argues that the effective price is \$23.50, it conveniently
18 neglects to mention that the pricing for the 1995 Contract provided no
19 operating reserve or economic curtailment, while the proposed new contract
20 provides 1000 hours of curtailment.

21 **Q:** **ARE THERE OTHER ASPECTS OF PACIFICORP’S REBUTTAL**
22 **TESTIMONY MONSANTO DISAGREES WITH?**

1 **A:** Yes. Some of these areas will be addressed by the Rebuttal Testimony of Mr.
2 Anderson, Mrs. Iverson and Mr. Rosenberg. The fact that Monsanto may not
3 specifically address in its Rebuttal Testimony all of the points raised by
4 PacifiCorp should not be construed as acceptance or approval.

5

6 **Q: DOES THIS CONCLUDE YOUR TESTIMONY?**

7 **A:** Yes.

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