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November 2, 2006

Jean Jewell, Secretary
Idaho Public Utilities Commission
472 W. Washington Street
Boise, Idaho 83702-5983

Re: Case No. PAC-E-06-09

Dear Jean:

Enclosed please find for filing in the above-referenced matter Supporting Comments of Monsanto Company, an original plus eight copies. Please note the attached Summary and Comparison has been redacted to delete confidential information pursuant to the Protective Agreement entered into on June 9, 2006 between PacifiCorp, Monsanto, Commission Staff, the Idaho Irrigators Pumpers Association and Nu-West, and the Attorney's Certified filed in support thereof. The following copy of the same document on yellow-colored paper contains all confidential information, is being served only upon the parties to the Protective Agreement and should not be included as an attachment to the original filed in the public record, but instead filed under seal.

Thank you for your cooperation and assistance. If you have any questions, please don't hesitate to contact me.

Sincerely,


RANDALL C. BUDGE

RR

RCB:rr

Enclosures

cc: Parties per Certificate of Mailing

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UTILITIES COMMISSION

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BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

In the Matter of the Application of)
PacifiCorp, dba Rocky Mountain Power,) **Case No. PAC-E-06-09**
for Approval of an Electric Service)
Agreement with Monsanto Company.)
_____)

SUPPORTING COMMENTS OF MONSANTO COMPANY

INTRODUCTION:

COMES NOW Monsanto Company (“Monsanto”), through counsel, and hereby submits the following Comments in support of PacifiCorp’s Application for Approval of an Electric Service Agreement with Monsanto dated May 18, 2006 (“Agreement”) and in response to the Idaho Public Utilities Commission (“Commission”) Notice of Modified Procedure, Notice of Scheduling and Notice of Hearing dated August 21, 2006, establishing a deadline of November 3, 2006 for written Comments. Monsanto’s Comments will include a discussion of background information, provide a brief history of Monsanto’s Special Contracts, review of the current Contract, discuss the proposed new Agreement and address the Protective Agreement in effect.

BACKGROUND:

Monsanto is PacifiCorp’s largest single point customer in its six state service area with an electric load of just under 200 MW. On average, Monsanto consumes in excess of 1.33 million MWH of electricity, roughly 43 percent of PacifiCorp’s Idaho jurisdictional load, contributing annual revenues exceeding \$30M. Monsanto mines phosphate ore in Eastern Idaho utilized at

the Soda Springs plant to produce elemental phosphorus. Following the closure of the FMC Plant in Pocatello in December of 2001, Monsanto remains as the only elemental phosphorus producer in the United States.

Monsanto's Soda Springs plant produces the highest quality of phosphorus in the world in the safest and most environmentally friendly manner. Most of the phosphorus produced by Monsanto at the Soda Springs Plant is used to produce glyphosate, the primary ingredient of Roundup Herbicide. Phosphorus is a commodity that is produced and sold on a global market that is extremely competitive. Chinese production has labor, electricity, environmental and safety cost advantages and proposes an ongoing threat to the viability of the Soda Springs Plant. On average, 870 people derive full-time employment from the Plant. Monsanto's Soda Springs operations are by far the largest contributor to the economies of Caribou, Bear Lake and Franklin Counties in Southeast Idaho.

Electricity is the largest single cost of producing phosphorus at Monsanto's Soda Springs Plant and represents approximately one-third of the total production costs. Low electricity costs together with price certainty and stability are critically important to Monsanto because of large long-term capital costs that must be expended to open and operate phosphate mines and meet stringent environmental requirements in both the mine and plant.

SPECIAL CONTRACT HISTORY:

Monsanto has been a special contract customer of PacifiCorp and its predecessor Utah Power & Light Company since 1952. The current Contract became effective January 1, 2003, and terminates December 31, 2006, with rates and other terms established by the Commission in Order Nos. 28918, 29157 and 29206 as a result of contested proceedings in Case No. PAC-E-01-16 ("2003 Contract")¹. The rates and terms of all special contracts prior to the 2003 Contract were arrived at by agreement negotiated between the parties and approved by the Commission.

¹Monsanto and PacifiCorp became engaged in litigation in the U.S. District Court for the District of Idaho, Case No. CIV-01-0607-E-BLW to establish the termination date of the 1995 Contract. By reason of the District Court's Decision in favor of Monsanto, affirmed by the Ninth Circuit Court of Appeals, and Commission Order 28918, December 31, 2002 was established as the termination date of the prior 1995 Contract. As a result the start date of the 2003 Contract

2003 CONTRACT:

The 2003 Contract became effective January 1, 2003 and terminates December 31, 2006. Unique features of the 2003 Contract included 800 hours of interruption options consisting of 288 hours of operating reserves, 12 hours of system integrity interruptions and 500 hours of economic interruptions. Monsanto was provided with the option of buying through interruptions at replacement energy costs at an adjusted index price. Under the 2003 Contract, the firm and interruptible rates for Monsanto are currently as follows:

ITEM	2003 CONTRACT
1. <u>Firm Rates:</u> Firm Energy Charge Customer Charge Firm Demand Charge	16.31 mills per kWh \$283 per billing period \$8.81 per kW
2. <u>Interruptible Rates:</u> Interruptible Energy Charge Interrupt. Demand Charge	16.31 mills per kWh \$4.09 per kW

As a result of taking both firm and interruptible service, the overall net rate to Monsanto averages 22.97 mills per kWh under the 2003 Contract. While the 800 hours of interruption negatively affect Monsanto's production and increases the per-pound cost of phosphorus, the resulting overall rate has enabled Monsanto's Soda Springs plant to operate competitively.

PROPOSED NEW CONTRACT:

In early May of 2005, Monsanto began direct negotiations with PacifiCorp in an attempt to arrive at the rates and terms for a new Agreement to become effective January 1, 2007, following the termination of the 2003 Contract. While the parties negotiated earnestly and in

became January 1, 2003.

good faith, substantial progress was not made until after Mid-American Energy Corporation's acquisition of PacifiCorp from Scottish Power was approved in all states and the transaction closed in March 2006. Thereafter, rapid progress was made with PacifiCorp's new management and the parties entered into a new Electric Service Agreement dated May 18, 2006 ("2007 Agreement") to follow the termination of the 2003 Contract.

The 2007 Agreement would become effective January 1, 2007, subject to approval of the Commission, with an initial term through December 31, 2009. The Agreement will automatically renew for successive one-year terms unless and until either party gives not less than 180 days written notice of termination.

The basic Contract terms of the 2007 Agreement are fundamentally the same as the terms of the 2003 Contract, with the exception of significant pricing changes and a 25 percent increase in interruptions from 800 hours to 1000 hours. Attached is a Summary providing a comparison of the 2003 Contract and the 2007 Agreement.

The most significant changes under the proposed 2007 Agreement are price increases and a price adjustment mechanism based upon tariff rate changes after January 1, 2008. Monsanto's firm rates will increase by \$6,843,817, or 16.5 percent above existing firm rates. Additionally, pursuant to Section 2.2 of the Agreement, the prices specified in Section 4.1 of the Agreement and in Idaho Electric Service Schedule No. 400 or its successor shall be subject to adjustment resulting from any general rate case or other filing by PacifiCorp after January 1, 2008, effective on the Commission authorized date.

Subjecting Monsanto's rates to tariff rate adjustments represents a substantial departure from all past Contracts. This considerable concession by Monsanto was made in order to establish a new and improved business relationship with PacifiCorp, to align the timing of Monsanto rate changes with that of other customers and overcome perceived problems with cost of service studies and the allocation of costs and revenues on an interjurisdictional basis. The new rate adjustment mechanism is likely to render less important in the future the term of the Contract as the automatic renewal provision is expected to be utilized. The price adjustment mechanism also meets a strong objective of PacifiCorp to have the rates of all special contract customers subject to tariff rate adjustments.

Consistent with the firm and interruptible rates set forth in the 2007 Contract, PacifiCorp has submitted the Revised Tariff Schedule No. 400 in a separate Application, Case No. PAC-E-06-04, reflecting new rates for Monsanto, together with Schedule No. 401 reflecting new rates for Nu-West and Schedule No. 10 reflecting new Irrigation Rates. As a result, upon approval by the Commission, the firm rates for Monsanto, Nu-West and Irrigation customers will increase 16.5 percent, 3.8 percent and 3.7 percent respectively, while the rates of all other customers will not be subject to any increase and will remain unchanged. The overall result of these proposed rate adjustments will increase PacifiCorp's Idaho revenues by \$8,250,543, or 5.1 percent.

Monsanto reluctantly agreed to raise the hours of interruption from 800 to 1000 hours, a 25 percent increase from the 2003 Contract. After PacifiCorp's cost of service studies indicated a substantial increase in firm rates, Monsanto felt compelled to increase the interruption hours to increase the interruptible credit in an amount sufficient to establish a lower net rate in an effort to keep production costs at a competitive level. Both parties continue to place considerable value on Monsanto's interruptibility as to its quantity, timing and dependability. The agreed-upon interruptible credit was a matter of compromise necessary to achieve the Agreement both parties strongly sought.

PROTECTIVE AGREEMENT:

It should be especially noted that the proposed 2007 Agreement between Monsanto and PacifiCorp was filed with the Application as "Confidential Information" on yellow-colored paper pursuant to Protective Agreement entered into on June 9, 2006, between PacifiCorp, Monsanto, the Commission Staff, the Idaho Irrigation Pumpers Association and Nu-West. Pursuant to the Protective Agreement and in compliance with I.C. §48-801(5) an Attorney's Certificate was filed by Monsanto's counsel claiming as confidential information the Interruptible Credit in dollars per kW of interruptible power as set forth in paragraph 4.1.2 of the Agreement, and the furnace sizes available for operating reserve, system integrity and economic curtailment interruptions as set forth in Exhibits A and B attached to the Agreement. This same confidential information is redacted from the Summary and Comparison of the 2003 and 2007 Contracts attached to these Comments. The disclosure of this confidential information of Monsanto, particularly phosphorus

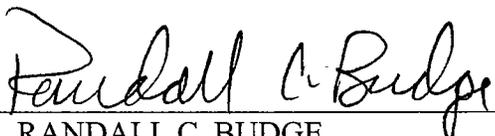
production costs and quantities to the Chinese and other competitors, would severely damage Monsanto's competitive positions. Accordingly, Monsanto provides this further emphasis to the Commission Staff and other parties of the importance of protecting the described confidential information under the Protective Agreement from being disclosed in the public record.

RECOMMENDATION:

Based on the foregoing, Monsanto respectfully submits that the proposed 2007 Agreement between PacifiCorp and Monsanto and the Revised Tariff Schedule No. 400 are in the public interests and that their terms and conditions produce rates that are fair, just and reasonable. Accordingly Monsanto recommends approval under modified procedure. Monsanto further recommends approval of the related Tariff Schedules for Nu-West and the Irrigators in Case No. PAC-E-06-04.

DATED November 2, 2006.

RACINE, OLSON, NYE, BUDGE &
BAILEY, CHARTERED

By 
RANDALL C. BUDGE
Attorneys for Monsanto Company

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on this 2nd day of November, 2006, I mailed a true and complete copy of the foregoing document, postage prepaid, to each of the following:

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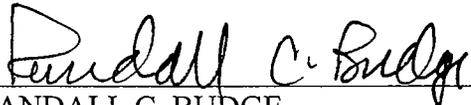
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