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August 20, 2007

Jean M. Jewell
Commission Secretary
Idaho Public Utilities Commission
472 W. Washington Street
Boise, Idaho 83702
(Overnight Mail/UPS)

Re: *PacifiCorp dba Rocky Mountain Power 2007 IRP*
Case No. PAC-E-07-11

Dear Mrs. Jewell:

Enclosed for filing please find the original and eight copies of Comments of Monsanto Company.

Sincerely,


RANDALL C. BUDGE

PK

RCB:rr

Enclosures

cc: Brian Dickman, PacifiCorp
James R. Smith, Monsanto Company
Gary R. Kajander, Monsanto Company

IDAHO PUBLIC
UTILITIES COMMISSION

2007 AUG 21 11 A 9:35

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BEFORE THE IDAHO PUBLIC UTILITY COMMISSION

IN THE MATTER OF THE FILING BY)
PACIFICORP DBA ROCKY MOUNTAIN)
POWER OF ITS 2007 INTEGRATED)
RESOURCE PLAN (IRP))
)

Case No. PAC-E-07-11

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2007 AUG 21 A 9:38
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COMMENTS OF MONSANTO COMPANY

Monsanto Company (“Monsanto”) appreciates the opportunity to provide comments to the Idaho Public Utilities Commission (“Commission”) on the PacifiCorp’s 2007 Integrated Resource Plan (“Plan” or “IRP”). These Comments are submitted in response to Order No. 30362 authorizing interested persons to submit written comments no later than August 21, 2007.

Monsanto recognizes that utility planning in the current market environment is a difficult task and requires a significant commitment of time and resources. To that end, we believe that PacifiCorp has fulfilled its responsibility to provide a planning document that can serve as a framework for PacifiCorp’s planning decisions as well as discussion and debate among the various parties affected by the utility’s future behavior.

Resource planning and decisions is critically important to ratepayers, yet must remain the responsibility and risk of the Company. Furthermore, to protect ratepayers investment decisions and the resulting resource acquisitions must continue to be subject to full scrutiny and prudence review and acceptance in the normal regulatory process. In the past the Commission has accepted the Company’s IRP filings without approval or endorsement. For example, in Case No. PAC-E-05-2, the Commission’s Acceptance of Filing dated August 26, 2005“ states:

"Our acceptance of the 2004 IRP should not be interpreted as an endorsement of any particular element of the Plan, nor does it constitute approval of any resource acquisition contained in the plan."

Monsanto encourages the Commission to continue to follow the process and practice of accepting IRP filings without approval or endorsement. Similarly, Monsanto's Comments set forth below addressing certain aspects of PacifiCorp's Plan should not be construed as approval or endorsement of any aspects of the Plan by Monsanto, nor construed to waive Monsanto's right to challenge the Company's resource acquisition decisions in an appropriate proceeding where their acceptance and rate base inclusion is sought. Monsanto does have considerable concern about various aspects of the Plan which are highlighted below.

Our concerns begin with the review process the Plan receives in Idaho. Monsanto believes the IRP plan to be of substantial concern to all ratepayers within the State and to the Commission as well. PacifiCorp has incorporated its IRP results into key inputs into its filing for new rate adjustments. Accordingly, the IRP itself serves not only as a framing document outlining future resource needs, but in turn, becomes a supporting document for capital investments PacifiCorp undertakes. This is a relatively new level of importance given to the IRP results and this increased importance, Monsanto believes, may be not be balanced by the current level of review afforded the Plan. Monsanto would hope that all ratepayers and advocacy groups become more involved in a detail review of the plan

Monsanto is also concerned that the capital projects resulting from the Plan do not reflect all states' interest equally. It is our belief that the Plan is highly influenced by those parties in the States of Oregon and Utah that participate in those states' respective

review processes. Perhaps this is to be expected given the market size of those two states within the PacifiCorp system. However, the costs incurred for those projects that are promoted by those states are ultimately borne by ratepayers in all states. A more balanced and inclusive Plan that reflects the interest of all six states in the PacifiCorp system we believe should be a fundamental characteristic of each Plan.

From a general perspective, Monsanto is very concerned about the increasing competitive pressures within the global economy. In today's world market place, it is particularly critical that the cost of production be managed in the most aggressive manner otherwise a competitive advantage will be awarded to others. This is particularly true within the realm of manufacturing since the location of a manufacturing plant will, to a large degree, reflect the relative cost of necessary inputs at that location. It is also true that in most manufacturing energy cost is often a critical component of the overall cost of production. Failure to control energy cost will often lead to a loss of competitive advantage and thus threaten the economic viability of the plant itself. For this reason future energy costs to the manufacture sector of the Idaho economy must be carefully guarded. The negative impacts to Idaho manufacturers due to increasing energy costs can and will be very harmful. Sustaining economic viability and retaining high-paying manufacturing jobs within the Idaho economy is unlikely under a scenario characterized by unstable and rapidly escalating energy costs.

Because future energy cost are so critical Monsanto urges the Commission to carefully weigh the impact of increasing energy cost to the Idaho economy. We recognize that in today's environment a number of complex issues influence a utility's future plans. Risk and uncertainty are clearly present and must be addressed. The

modeling effort the Company has employed appears to have included market, technology and environmental risks as mitigating factors that influence the preferred generation portfolios the Company seeks to develop. We believe to that list must be added the risk of negative economic impact. It is a critical and major risk that seems to have not been addressed in any of the PacifiCorp planning models and documents. As a result, the balancing of this risk against others remains incomplete. In fact, given its lack of recognition, the modeling effort implicitly assumes a zero value for the risk of negative economic impacts. This lack of recognition and failure to account for such a critical risk negates, in Monsanto's opinion, any recommendations the Plan currently advocates.

Beyond the failure to adequately address the economic impacts on the Idaho economy, Monsanto also offers the following comments in regard to the Plan:

- 1) Increased reliance on demand side reductions as a way to cost-effectively reduce the need for expensive new power supplies should be mandated. Demand reduction alternatives should be given preference in the selection process as they support broader economic objectives and are better suited to meet the current environmental agenda. Payments to demand response providers should be based on fuel, capacity and lost opportunity costs as an incentive. Interruptible contracts that provide the Company with critical resources at peak demand are a vital part of a cost-effective resource portfolio. Accordingly, these type resources should be aggressively pursued.
- 2) Avoid the development of new gas-fired generation sources. Modeling of the gas-fired generation sources should include recognition of not only the volatility of the natural gas market (price risk) but also the increasing supply risk associated with tightening of regional supplies. We were surprised to see that the modeling of the natural gas market in the western states does not even address the development of new transportation lines that will carry western gas to mid-west and east coast markets. This structural change, due to be in place as early as 2009, will greatly alter the natural gas market in the Rocky Mountain region. Those working in the natural gas industry expect substantial upward pressure on the price of Rocky Mountain gas as early as 2008 in anticipation of the expanded transmission service to the Midwest. Forward prices curves employed by the Company in the IRP appear not to have captured such an event, thus calling in question the reliance of the Company's projected future cost of fuel.

Coupled to this structural change in the transportation delivery system is the increasing reliance on natural gas as a generation fuel source in other western regional markets. New state mandated environmental regulations in California and Washington (and pending in Oregon) will not only increase the demand for renewable development but will also likely have a spillover increase in the demand for gas-fired (CCCT) generation. The Company in their modeling effort has chosen to address the future gas market simply by reliance on forward price curves reflecting NYMEX (Henry Hub) values. Regional demand and regional gas market structural changes are ignored. Recommended gas-fired generation development must be made to correspond to verifiable increases in competitively priced supplies of natural gas attainable within the western region.

We remain unconvinced that this increase in the demand for natural gas produced in the western region can be offset by the import of LNG. The ability of LNG to offset either declining production or expansion in demand for western gas is highly uncertain. Gas industry experts have advocated that LNG imports into the west will, at best, simply replace the amount of declining imports from Canada. Additionally, the LNG market is to be a global market, with competition for the fuel virtually coming from most industrialized countries of the world. This will surely increase the price risk associated with dependence on such a commodity. One only needs to look at Italy, who recently was paying \$20 MMBtu for LNG imports.

- 3) Lastly, we believe that the gas price modeling undertaken within the IRP fails to fully account for the volatility of this market. In the recent past, the natural gas market has experienced volatility as much as 70 %. The modeling of natural gas prices conducted by the Company does not account for this extreme amount of volatility, thus it fails to account properly for the total price risk associated with this commodity.
- 4) Monsanto supports the development of environmentally-responsible coal-fired generation. PacifiCorp should take a leadership role in the development of IGCC and other appropriate technologies that will provide an expanded option to employ our vast source of coal in the western states. We recognize that there exists considerable technology risk in this type development. However, given the availability of the supply of the resource juxtaposed to that of natural gas, we feel that the risk of clean coal technology is likely much less risky than continued development of gas-fired generation.
- 5) Monsanto supports an aggressive investigation into the application of nuclear power within the PacifiCorp system. While the Plan did not pursue such an investigation, we believe the development of nuclear power should be reviewed within the same modeling of generation options as those currently contained within the Company's Plan.

- 6) Monsanto is concerned with the increased reliance on Front Office Transactions (FOTs) as a source of firm resources. The volatility of the wholesale market is well known. Increased reliance on FOTs will entail additional market risk. We feel that the Company has failed to demonstrate that this proposed increase in FOTs is a cost effective alternative to increased reliance on more cost-effective regional generation resources.
- 7) Monsanto supports PacifiCorp taking a leadership role in reducing environmental emissions. However, emission reductions must be balanced against the other components embedded within the Company's energy plan. This would include the economic impact to industrial customers in Idaho and the overall impact to the Idaho economy. As mentioned above, it is our concern that the balance of all the components of a fully developed energy plan has not been addressed in the current Plan. We recommend that a more complete assessment and measure of such tradeoffs be undertaken prior to the acknowledgement or acceptance of any proposed generation portfolio resulting from the Company's modeling efforts.

Again, Monsanto appreciate the opportunity to comment on PacifiCorp's 2007 Draft IRP and its potential impacts on Idaho manufacturers.

Respectively Submitted. this 20th day of August, 2007.

RACINE, OLSON, NYE, BUDGE &
BAILEY, CHARTERED



RANDALL C. BUDGE
Attorney for Monsanto

CERTIFICATE OF SERVICE

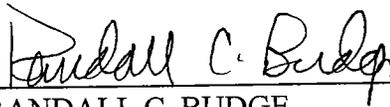
I HEREBY CERTIFY that on this 20th day of August, 2007, I served a true and correct copy of the foregoing document, in the manner indicated, on each of the following:

Commission Secretary (Overnight Mail)
Idaho Public Utilities Commission
472 W. Washington Street
Boise, Idaho 83702-5983

PacifiCorp dba Rocky Mountain Power (U.S. Mail)
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