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IDAHO PUBLIC
UTILITIES COMMISSION

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE)
APPLICATION OF ROCKY) CASE NO. PAC-E-10-07
MOUNTAIN POWER FOR)
APPROVAL OF CHANGES TO ITS) Rebuttal Testimony of Gregory N. Duvall
ELECTRIC SERVICE SCHEDULES)
AND A PRICE INCREASE OF \$27.7)
MILLION, OR APPROXIMATELY)
13.7 PERCENT)

ROCKY MOUNTAIN POWER

CASE NO. PAC-E-10-07

November 2010

1 **Q. Please state your name, business address and present position with Rocky**
2 **Mountain Power Company (the Company), a division of PacifiCorp.**

3 A. My name is Gregory N. Duvall. My business address is 825 NE Multnomah, Suite
4 600, Portland, Oregon, 97232. My present position is Director, Long Range
5 Planning and Net Power Costs.

6 **Qualifications**

7 **Q. Briefly describe your education and business experience.**

8 A. I received a degree in Mathematics from University of Washington in 1976 and a
9 Masters of Business Administration from University of Portland in 1979. I was
10 first employed by PacifiCorp in 1976 and have held various positions in resource
11 and transmission planning, regulation, resource acquisitions and trading. From
12 1997 through 2000 I lived in Australia where I managed the Energy Trading
13 Department for Powercor, a PacifiCorp subsidiary at that time. After returning to
14 Portland, I was involved in direct access issues in Oregon and was responsible for
15 directing the analytical effort for the Multi-State Process ("MSP"). Currently, I
16 direct the work of the integrated resource planning group, the load forecasting
17 group, the net power cost group, and the renewable compliance area.

18 **Q. Did you file direct testimony in this proceeding?**

19 A. No.

20 **Summary of Testimony**

21 **Q. What is the purpose of your rebuttal testimony?**

22 A. I will respond to Mr. Brian Collins and Ms. Kathryn Iverson's testimony that was
23 filed on behalf of Monsanto. Specifically my testimony will rebut:

- 1 • Mr. Collins' comments regarding the treatment of Monsanto's load and
- 2 interruptible products in the Company's Integrated Resource Planning (IRP);
- 3 • Ms. Iverson's comments regarding the interruptible nature of Monsanto's
- 4 load; and
- 5 • The appropriate regulatory treatment of Monsanto.

6 **IRP treatment of Monsanto**

7 **Q. Is it true that Rocky Mountain Power models Monsanto's load as non-firm**
8 **for integrated resource planning purposes?**

9 A. No. Monsanto's load is treated as firm load and their interruptible products are
10 treated as firm resources. If Monsanto's interruptible products were no longer
11 economic, the Company would find other means to meet its firm load obligations
12 and would have an obligation to serve Monsanto's entire load. If Monsanto's load
13 were non-firm, the Company would be able to interrupt it at any time for any
14 reason with no limitations, and would only provided power on an as, if and when
15 available basis.

16 **Q. Mr. Collins states that Rocky Mountain Power is now deducting 157**
17 **megawatts¹ of Monsanto's interruptible load for purposes of determining its**
18 **planning reserve obligation. Is this correct?**

19 A. No. The Company conducted a review of the Monsanto contract for peak
20 capacity planning purposes subsequent to the 2008 IRP Update. Based on that
21 review for the 2011 IRP, the Company IRP plans on 116 MW of the 162
22 megawatts total furnace capacity will be available on a firm basis at the time of

¹ Collins, direct page 3 lines 23-24 and page 4 lines 1-11.

1 the annual system coincident peak, and thus serves as a resource for peak capacity
2 planning purposes. These 116 megawatts are composed of 67 megawatts for the
3 economic curtailment portion of the contract, plus 49 megawatts of non-spin
4 reserves. The remaining 47 megawatts of the 162 megawatt total interruptible
5 product are not considered to be available as a firm resource during the system
6 peak because this capacity can only be called upon during a double contingency
7 event. This planning assumption was highlighted on slide 44 of the slide
8 presentation² that was discussed at the October 5, 2010, IRP public input meeting,
9 which included the following bullet:

10 “Modeling change to Monsanto curtailment/reserves contract: 47 MW
11 reduction in non-spin contingency reserves available for the peak hour;
12 this amount now assumed to be non-firm (available only in the event of
13 double-contingency outages)”

14 **Q. What do you mean by a double contingency event?**

15 **A.** As defined in the energy service agreement a double contingency event is the
16 forced outage of two or more PacifiCorp generating units totaling 500 megawatts
17 or more of capacity. To qualify these outages must have occurred within forty-
18 eight hours of each other and must overlap for at least one hour. It would not be
19 reasonable to assume that a double contingency would occur at the time of the
20 Company’s system coincident peak for planning purposes.

21 **Q. Does the Company include Monsanto in its load requirements when making**
22 **long term capacity planning decisions?**

23 **A.** Yes. The IRP uses a peak load forecast that includes Monsanto’s full load,

² The slide presentation from the October 5, 2010, IRP public input meeting can be found on the Company’s website at <http://www.pacificorp.com/es/irp/pip.html>.

1 including the portion of this load that is interruptible on a firm basis during the
2 annual system coincident peak load hour.

3 **Q. If the Company has a contract allowing interruption of Monsanto why does**
4 **the Company include that load in the IRP.**

5 A. For resource planning and dispatch it is necessary to include Monsanto's full
6 energy and demand in the IRP otherwise their interruptible capacity would be
7 double counted since the interruptible products are included as a firm system
8 resource.

9 **Q. Ms. Iverson makes the following comment in her testimony findings and**
10 **conclusions; "The concept of forcing a non-firm customer to first "buy all-**
11 **firm" and then "sell a product" back to the utility is neither reasonable nor**
12 **fair and in fact is a fiction that does not reflect reality."³ What is your**
13 **response to this statement?**

14 A. Ms. Iverson's claim is nonsensical, the concept that Rocky Mountain Power is
15 forcing Monsanto to do anything is a fiction and does not reflect reality. The
16 Company provides Monsanto firm electric service, the same service quality as any
17 other customer on the electric system. Monsanto has offered to allow the
18 Company to interrupt that service and in return the Company has compensated
19 Monsanto for the right not to serve them under specific prices, terms and
20 conditions. These arrangements are contractual and represent mutually agreeable
21 arrangements to which both Monsanto and the Company have chosen to accept.

³ Iverson direct page 3 lines 11 through 13, bold underline added for emphasis.

1 Q. Do you agree with Ms. Iverson statement that: “The fundamental principle is
2 that non-firm customers receive a lower quality service than the firm
3 customers do.”⁴

4 A. No. Once power enters the electric grid there is no distinction or difference to that
5 power. There is no distinction between green or brown power just as there is no
6 difference between firm or non-firm power; the service is the same. Ms.
7 Iverson’s claim that Monsanto’s loads are served at a lower quality of service is
8 not based on any facts.

9 Q. What percent of Monsanto’s load is interruptible?

10 A. Ms. Iverson claims that 95 percent⁵ of Monsanto’s load is interruptible by
11 comparing nine megawatts of firm load to a total of 182 megawatts, which is a
12 correct mathematical statement given the numbers she used, but one that only
13 provides a single perspective and uses incorrect assumptions⁶. Looking at this
14 ratio from a different perspective, the current energy service agreement between
15 Rocky Mountain Power and Monsanto allows interruption for a maximum of
16 1,050 hours out of 8,760 total hours in a year, which is less than 12 percent. On a
17 megawatt-hour basis, Monsanto receives approximately 1,385,000 megawatt
18 hours⁷ per year and the current contract allows for only approximately 76,754
19 hours of curtailment for a maximum of 5.5 percent interruptible service from
20 Monsanto.

⁴ Iverson direct page 7 lines 18 through 19, page 10 lines 3 through 4.

⁵ Iverson, direct page 4 line 14.

⁶ If Ms. Iverson had used the 2011 IRP assumption that 116 megawatts are interruptible, her percentage of load that is interruptible would change from 95 percent to 64 percent.

⁷ Company witness Griffith Exhibit No. 50 line 16.

1 **Regulatory Treatment of Monsanto**

2 **Q. Has the Idaho Public Utilities Commission previously ruled on Ms. Iverson**
3 **proposal of a “non-firm” approach to both jurisdictional and class**
4 **allocations?**

5 **A. Yes. In Case No. PAC-E-01-16 Monsanto argued that they should only pay a**
6 **single net energy rate. The Commission rejected this proposal and ordered**
7 **Monsanto to pay a capacity and energy charge for all of Monsanto’s service;**

8 “The Commission does support separate pricing components. The
9 Commission finds that the contract for **Monsanto should specify**
10 **separate rate components for firm service** and for the
11 **interruptibility discount. The fixed costs of service to Monsanto**
12 **should not be buried in an energy only rate,** payable only if
13 energy is used and possibly not recovered in full, but should be
14 captured in a fixed customer charge and demand charge.
15 **Recovering fixed charges in this manner is consistent with**
16 **rates formulated for other customer classes and recognizes the**
17 **fact that PacifiCorp continues to incur charges and is required**
18 **to be ready to serve even when Monsanto is idle.”**⁸

19 On December 18, 2006 in Order No. 30197 the Commission ruled on the
20 appropriate jurisdictional treatment of Monsanto:

21 “The transition of Monsanto from contract to tariff standard
22 customer, we find, will facilitate future rate adjustments and
23 **should serve to keep Monsanto’s rates better aligned with its**
24 **cost of service**... While tariff rates may present Monsanto with
25 new challenges, **we perceive the regulatory result to be positive**
26 **and one of greater equity.** Under the submitted Agreement
27 Monsanto’s future rates after January 1, 2008 will be adjusted
28 using the same process as all other customers.”⁹

29 **Q. Does the Company have a proposed solution for this issue?**

30 **A. Yes. The Company follows a “customer indifference” approach when valuing**

⁸ Final Order No. 29157, page 4 lines 12-22, emphasis added.

⁹ Order No. 30197 page 9 lines 1 – 8, bold underline added for emphasis.

1 interruptible products offered by industrial customers. In other words, the
2 Company seeks to pay industrial customers who can offer interruptible products
3 the same price the Company would otherwise pay if it were to acquire those same
4 products from other sources, such as the market or its own resources.

5 **Conclusions**

6 **Q. Please summarize your testimony.**

7 A. Monsanto's full load is included as firm load in the IRP for resource planning
8 purposes and should be include for allocation purposes. The Company has
9 appropriately treated Monsanto's load for jurisdictional allocation purposes
10 consistent with previous Commission orders.

11 **Q. Does this conclude your testimony?**

12 A. Yes.