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

January 2011

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

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

Q. Are you the same Gregory N. Duvall that submitted rebuttal testimony in this proceeding?

A. Yes.

Summary of Testimony

Q. What is the purpose of your rebuttal testimony?

A. I will respond to Mr. Brian C. Collins' testimony that was filed on behalf of Monsanto. Specifically my testimony will rebut:

- Mr. Collins' discussion of the method used to value the Idaho Irrigation Load Control Program;
- Mr. Collins' comments regarding the treatment of Monsanto's load and interruptible products in the Company's Integrated Resource Plan ("IRP"); and
- Mr. Collins' claim that the avoided peaker costs should be increased by 12 percent based on his assertion that Monsanto allows the Company to avoid planning reserves.

Valuation of the Idaho Irrigation Load Control Program

Q. What does Mr. Collins say about the valuation methodology the Company uses to value the Idaho irrigation load control program?

A. On page 14 of Mr. Collins' direct testimony, he quotes the Company's response to IIPA Data Request 46. In that response, the Company describes the methodology used to value the Idaho Irrigation Load Control Program. Most importantly, the response states the following:

> This methodology captures the capacity deferral benefit of the resource via displacement of simple cycle combustion turbine proxy resources **and firm market purchases**. (Emphasis added)

In addition, the response cites the latest estimated value of $73.09 per kilowatt-year.

Q. Is Mr. Collins' proposed peaker method consistent with the Company's approach to valuing the Idaho Irrigation Load Control Program?

A. No. Mr. Collins relies solely on peaker units, while the Company includes both peakers and market purchases in the evaluation of the Idaho Irrigation Load Control Program.

Q. Does the Company pay irrigators $73.09 per kilowatt-year to be interrupted?

A. No. In 2010, the Company paid irrigators $30 per kilowatt-year, or about 41 percent of the estimated value produced by the IRP model evaluation of the program. Thus, irrigators receive a discount and other customers receive a benefit from a "share the savings" arrangement. If a similar "share the savings" arrangement were made with Monsanto, Mr. Collins' capacity value would need to be discounted by 59 percent (1 - 0.41), which would reduce his proposed $17.6

million capacity value[1] by $10.4 million to $7.2 million. As a result of this adjustment, the total value of $25.6 million[2] would be reduced to 15.2 million. I would note that the Company does not endorse Mr. Collins' peaker method; rather this information is provided to the Commission to illustrate how his results would need to be modified to be consistent with the treatment of the Idaho Irrigation Load Control Program. Further downward adjustments would need to be made to the capacity value in order to compensate for the fact that Mr. Collins limited his analysis to peaker units, while the Idaho Irrigation Load Control Program study used a combination of peaker units and market purchases.

Q. Does the Company plan to add any peaking units as a result of its IRP?

A. No. The Company's most recent IRP does not include any peaking units because they are not least cost. This conclusion has been reinforced through the Company's resource procurement process. In that process, peaking resources are allowed to participate in the Company's competitive bidding process, but have not been found to be economic compared to other resource types. Monsanto's assumption that their interruptible product would avoid the addition of a peaking unit has no basis in fact.

IRP treatment of Monsanto

Q. On page 4 of Mr. Collins' testimony, he claims that Monsanto's full load is not treated as firm load in the Company's IRP. Is he correct?

A. No. First, Mr. Collins makes up a formula that he claims is in the 2008 IRP but is

[1] See Mr. Collins' Exhibit No. 254 (BCC-1), page 1 of 1, line 7, column 4.

[2] Ibid.

not. Mr. Collins' formula is shown on page 4, line 12 of his testimony[3]. Second, he defines the phrase "net firm obligations" in a way not used by the Company. This apparently comes about because Mr. Collins mistakenly used the discussion on page 89 of the 2008 IRP – a discussion that describes how the Company determines its planning reserve – to somehow conclude that Monsanto's load is not treated as firm load in the IRP. The discussion should be ignored by the Commission since it is out of context and illogical.

Q. How is Monsanto's load treated in the IRP?

A. As I stated in my rebuttal testimony in phase 1 of this proceeding, Monsanto's load is treated as firm load and their interruptible products are treated as firm resources. If Monsanto's interruptible products were no longer economic, the Company would find other means to meet its firm load obligations and would have an obligation to serve Monsanto's entire load. If Monsanto's load were non-firm, the Company would be able to interrupt it at any time for any reason with no limitations, and would only provide power on an as if and when available basis.

Planning Reserve Margin

Q. What does Mr. Collins assert about the effect of Monsanto's interruptible load on the Company's planning reserve margin?

A. On page 10 of Mr. Collins' testimony, he asserts that Monsanto's interruptible load allows the Company to avoid construction or purchasing a firm resource. Based on this, he concludes that the planning reserve for these avoided firm resources would also be avoided.

[3] The referenced formula is: Net Firm Obligation – Purchases – DSM – Interruptible.

Q. How do you respond to his assertion?

A. First, Monsanto's interruptible load does not allow the Company to avoid construction of firm resources. As described in the testimony of Company witness Mr. Paul H. Clements, Monsanto's interruptible product is not comparable to the types of firm resources the Company plans to construct or acquire. Monsanto's interruptible load does allow the Company to avoid the purchase of firm power and generation at existing facilities which is exactly what is reflected in the Company's valuation studies in this case.

With regard to planning reserves, Monsanto's interruptible load does not avoid planning reserves since the avoided purchased power is firm and requires no reserves.

Q. Does this conclude your rebuttal testimony?

A. Yes.