



February 8, 2011

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IDAHO PUBLIC  
UTILITIES COMMISSION

Jean Jewell  
Idaho Public Service Commission  
472 W. Washington Street  
P.O. Box 83720  
Boise, Idaho 83720-0074

RE: Case No. PAC-E-10-07- In the Matter of the Application of Rocky Mountain Power for Approval of Changes to its Electric Service Schedules and a Price Increase of \$27.7 Million, or Approximately 13.7 Percent.

Dear Ms. Jewell:

Attached please find an original and seven copies of Rocky Mountain Power's Statement of Position in the above captioned proceeding, filed in accordance with the opportunity provided to the parties at the conclusion of the hearings on February 1, 2011.

Please contact me directly at (801)220-4014 if you have any questions or if I can be of further assistance.

Very Truly,

*for*

Daniel E. Solander  
Senior Counsel  
Rocky Mountain Power

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*Attorneys for Rocky Mountain Power*

**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 ) STATEMENT OF POSITION  
ELECTRIC SERVICE SCHEDULES )  
)  
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**ROCKY MOUNTAIN POWER'S STATEMENT OF POSITION**

Comes now, Rocky Mountain Power, hereinafter "RMP" or "the Company" and pursuant to the opportunity given parties at the conclusion of the hearing, does hereby submit its Statement of Position on the issue of the economic valuation of Monsanto's interruptible products.

**I. INTRODUCTION:**

The Commission set the February 1, 2011, hearing for the sole purpose of addressing "the economic valuation of Monsanto interruptible products." ORDER No. 32098 at 4, 5 and 6. Cost of service and rate design issues were litigated in Phase 1 of these hearings. Therefore, the

impact of the now approved rate increase was previously decided in the INTERLOCUTORY ORDER NO. 32151 entered on December 27, 2010. See Attachments A and B to ORDER No. 32151.

RMP respectfully submits that the public interest to be addressed at this phase of the case is to see that other Idaho customers do not subsidize Monsanto's cost of electricity. Monsanto's self serving argument of "rate shock" is an attempt to divert the Commission's attention from the fact that it asks that other customers fund a portion of its cost of electricity in the form of its interruptible curtailment value. Such a result is unfair and not in the public interest.

Testimony clearly established that the value of the interruptible products is market driven. The interruptible credit increased significantly from 2008 to 2010. Over these three years, Monsanto enjoyed a 31% increase in the contract value of the credit when compared to the 2007 credit amount. If Monsanto's proposed value in this case of \$25.5 million is considered, the interruptible credit value will increase by 95% when compared to the 2007 credit amount. No complaint is lodged by Monsanto regarding the magnitude of the increase to the credit, a cost that is paid by other customers, when market conditions increase the value of the interruptible products. Now, however, when current market conditions have decreased the value of the interruptible products, Monsanto claims rate shock and opposes setting the value of its interruptible products at a level that is reflective of current market conditions. Rather, it offered inflated and overstated values based upon a peakier methodology rejected by both staff and the Company. Monsanto can't have it both ways. It must accept that market values fluctuate downward, just as they fluctuated upward, during the term of the now expired electric service agreement.

Finally, in order to protect due process in this proceeding, RMP is compelled to comment on the brief filed by Monsanto on February 7, 2011. Monsanto's brief includes new information

that was not presented in either pre-filed testimony or discussed in any manner during the February 1, 2011, hearing. Furthermore, Monsanto's brief contains misrepresentations of other parties' positions and inaccurate statements and facts, all of which they are now trying to introduce on the record without the Applicant having the opportunity to challenge these facts either through cross examination or through rebuttal by Company witnesses. The Commission's instructions that the brief contain only a short summary of the submitting party's proposal were clearly ignored by Monsanto. Consistent with the Commission's clear instructions regarding the content of the brief, the Company does not intend to rebut in its brief the new information or misrepresentations contained in Monsanto's brief. Instead, the Company submits for consideration a brief summary of the key points supporting the Company's position and a summary of the Company's proposed contract values for Monsanto's interruptible products, and asks the Commission to not prejudice the Company by giving any weight to the assertions in Monsanto's unsubstantiated summary of position.

## **II. ARGUMENT**

### **1.**

#### **THE PEAKER METHODOLOGY WAS THOROUGHLY DISCREDITED AS NOT COMPARABLE AND AN INFLATED VALUATION OF MONSANTO'S INTERRUPTIBLE PRODUCTS.**

The evidence was nearly uncontroverted that the peaker methodology offered by Monsanto substantially overstated the value of the interruptible products. Indeed, even Mr. Collins conceded that Monsanto's interruptible products are not equivalent to a combustion turbine. The evidence also was unrefuted that the resource that Monsanto's products allow RMP to avoid is market purchases, not a simple cycle combustion turbine. Both the GRID analysis (short-term) and IRP analysis (long-term), as explained by Mr. Clements and Mr. Duvall, demonstrated that Monsanto's products do not avoid, or defer, the acquisition of a combustion turbine. In fact, the GRID analysis showed that the Monsanto contract would not need to be

replaced during certain time periods and that the contract can be replaced by utilizing existing resources during time periods when replacement is needed. See also RMP Exhibit 58, IRP analysis.

The evidence was further unrefuted that a combustion turbine provides other products and services that simply cannot be offered by Monsanto. Because base load energy, load following, and automatic generation control are not offered by Monsanto's products, the peaker methodology is not an appropriate surrogate for purposes of setting the value of the interruptible credit.

Finally, nothing in the record supports the use of Monsanto's peaker methodology as a means of defining the payment to be made to Monsanto for their interruptible products. Monsanto's curtailment products have been valued consistent with the models that the Company uses to value all of its commercial wholesale transactions in all six states.

**2.**  
**MONSANTO IS NOT INTERRUPTED 1000 HOURS A YEAR  
BECAUSE OF BUY THROUGH OPTION.**

Evidence was also unrefuted that Monsanto has routinely bought through the economic curtailment notifications. Therefore, even though the 800 to 850 hours of economic curtailment appear significant, as testified to by Mr. Clements, because of the numerous and frequent buy through events, the actual physical interruptions have been extremely limited. The economic curtailment product could more appropriately be termed a "pricing mechanism". Monsanto, as explained by Mr. Smith, looks at the market price of electricity, inventory levels, customer orders and makes an economic decision whether to buy through or allow interruptions. Mr. Smith stated during the hearing that Monsanto's practice has been to buy through a substantial number of times in accordance with the terms of the contract.

**3.**  
**STAFF'S EVALUATION OF THE INTERRUPTIBLE PRODUCTS IS**

**MORE REASONABLE THAN THE MONSANTO PEAKER METHODOLOGY.**

While RMP believe the values proposed by Staff are higher than current market, it does acknowledge that the values identified by Mr. Hessing are more reasonable than Monsanto's inflated peaker methodology.

Mr. Clements has proposed two adjustments to Mr. Hessing's analysis which result in modifying Staff's incremental operating reserve capacity value from \$7.3 Million to \$3.0 Million. See RMP Exhibit 97. The Company would accept staff's valuation with these modifications.

Monsanto incorrectly attempts to adjust Staff's position at page 4 of its Post-Hearing Position Statement filed February 7, 2011. Monsanto did not question Mr. Hessing on any such adjustment and it cannot now imply or assert that Staff's valuation has been adjusted or increased. No evidence of any such adjustment is in the record and no consideration should be given to Monsanto's contention that Staff's valuation of the credit was adjusted.

**4.**

**IT WOULD BE UNFAIR TO REQUIRE OTHER RMP CUSTOMERS TO  
SUBSIDIZE MONSANTO'S COST OF ELECTRICITY.**

Monsanto's Peaker Methodology must be rejected because it would unfairly result in other RMP customers (in Idaho and other states) subsidizing Monsanto's cost of electricity. This unjust outcome should not be allowed by the Commission.

III. CONCLUSION:

RMP asks that the Commission adopt the value for the interruptible credit set forth in Mr. Clements testimony, to wit:

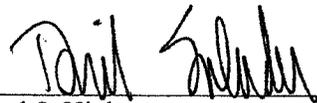
<u>\$ millions</u>	<u>Operating Reserves</u>	<u>Economic Curtailment</u>	<u>System Integrity</u>	<u>Total</u>
2011	2.4	3.6	0.1	6.1
2012	3.0	4.0	0.1	7.1
2013	3.3	4.2	0.1	7.6

Alternatively, RMP would accept Staff's valuation, as adjusted by RMP Exhibit 97, in the event the Commission determines incremental capacity value is to be assigned to the non-spinning operating reserves product.

Lastly, RMP respectfully requests that the Commission state values for each product for the three years of 2011, 2012, 2013. The Company and Monsanto will then need to determine the actual contract terms and length given the pricing decision by the Commission.

DATED this 9<sup>th</sup> day of February, 2011.

ROCKY MOUNTAIN POWER



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