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BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

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)

CASE NO. PAC-E-10-07

Direct Testimony of

Kathryn E. Iverson

(Economic Valuation of Monsanto Interruptible Products)

On Behalf of

Monsanto Company

December 22, 2010

Project 9210



**Public
Version**

PACIFICORP dba ROCKY MOUNTAIN POWER
BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

CASE NO. PAC-E-10-07

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Direct Testimony of Kathryn E. Iverson

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Exhibits:

**Exhibit 257 (KEI-4) – Summary of Idaho Class Cost of Service Study with
Monsanto's Load Separated Into Four Components**

**PACIFICORP dba ROCKY MOUNTAIN POWER
BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

CASE NO. PAC-E-10-07

**Direct Testimony of Kathryn E. Iverson
"Economic Valuation of Monsanto Interruptible Products"**

I. INTRODUCTION

1

2 **Q PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

3 A My name is Kathryn E. Iverson; 17244 W. Cordova Court, Surprise, Arizona 85387.

4 **Q ON WHOSE BEHALF ARE YOU APPEARING IN THIS PROCEEDING?**

5 A I am appearing on behalf of Monsanto Company ("Monsanto"), a special contract
6 customer of Rocky Mountain Power ("RMP" or "Company"). RMP is a division of
7 PacifiCorp.

8 **Q ARE YOU THE SAME KATHRYN IVERSON WHO PREVIOUSLY FILED**
9 **TESTIMONY IN THIS PROCEEDING?**

10 A Yes, I am. On November 1, 2010 I provided testimony on Monsanto's rates, the
11 allocation of jurisdictional costs, the impacts from adjustments made by other
12 Monsanto witnesses as to revenue requirement, and rate design.

13 **Q PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND EXPERIENCE.**

14 A This information was included in my direct testimony filed November 1, 2010.

1 Q WHAT ISSUE ARE YOU ADDRESSING IN THIS TESTIMONY?

2 A I am addressing the "economic valuation of Monsanto's interruptible products" as
3 requested by the Commission in Order No. 32098. The suspension of the current
4 rate case has been tolled for 61 days so the Commission can decide the valuation of
5 interruptible products and establish the interruptible rate to be charged by RMP.

6 **II. PURPOSE OF TESTIMONY AND SUMMARY OF CONCLUSIONS**

7 Q WHAT IS THE PURPOSE OF YOUR TESTIMONY?

8 A The purpose of my testimony is to: (1) discuss the fundamental nature of interruptible
9 service and why the Company's "customer indifference" approach is not a suitable
10 basis for valuing interruptible products; (2) review Monsanto's firm and interruptible
11 demand rates including the Company's proposal; (3) provide an analysis of the costs
12 allocated to Monsanto under RMP's premise that Monsanto is served entirely as a
13 firm customer; and (4) present Monsanto's recommended overall rate for interruptible
14 service.

15 Q ARE YOU SPONSORING ANY EXHIBITS IN CONNECTION WITH YOUR
16 TESTIMONY?

17 A Yes. I am sponsoring **Exhibit 257 (KEI-4)**.

18 Q WHAT AMOUNT OF INCREASE IS THE COMPANY SEEKING IN THIS CASE TO
19 MONSANTO'S RATES?

20 A The Company proposes to increase rates to Monsanto by **\$21.8 million, or 51.4%**,
21 based on Supplemental Testimony filed September 30, 2010 and Rebuttal Testimony
22 filed on November 16, 2010:

TABLE 1

**Results of RMP Revenue Increase
and Reduction of Interruptible Credit**

	<u>Present Revenues</u>	<u>RMP Request</u>	<u>Proposed Change</u>
Revenues as "All Firm"	\$59,524,497	\$70,346,599	\$10,822,102
Less: Credit for Interruptibility	<u>(17,086,629)</u>	<u>(6,092,112)</u>	<u>(\$10,994,518)</u>
Net Revenues	\$42,437,868	\$64,254,487	\$21,816,620

1 **Q PLEASE EXPLAIN THE COMPANY'S PROPOSED \$21.8 MILLION INCREASE.**

2 **A** The \$10.8 million increase to firm rates was presented by the Company in its Rebuttal
3 Testimony of Mr. William Griffith, Exhibit No. 84, page 1. The \$11.0 million change in
4 the interruptible credit is the result of the Company's proposal to decrease the current
5 interruptible demand credit from \$8.33 per kW-month down to \$2.97 per kW-month.¹
6 The overall increase to Monsanto from the Company's proposal is thus \$21.8 million,
7 or over 51%.

8 **Q HAS THE COMPANY EVER ACKNOWLEDGED THAT ITS REQUESTS IN THIS**
9 **CASE, IF GRANTED BY THE COMMISSION, WOULD INCREASE MONSANTO'S**
10 **RATE BY OVER 50%**

11 **A** Apparently not. Despite the 1,975 pages of testimony and exhibits filed by RMP in
12 this case thus far, the Company has never once come out with a straight-forward rate
13 impact to Monsanto. Whether intentional or not, the Company's filing is grossly
14 inadequate in providing the rate impact to Monsanto.

¹Response to Monsanto Data Request 18.1.

1 Q **WOULD YOU PLEASE SUMMARIZE YOUR FINDINGS AND CONCLUSIONS?**

2 A My findings and conclusions are as follows:

- 3 1. Interruptible customers impose less costs on the utility than do firm customers.
4 The Company's premise that requires interruptible customers to first buy
5 everything at firm rates, and then "sell" a product to RMP fundamentally ignores
6 this fundamental regulatory cost causation principle.
- 7 2. The Company's valuation method fails to recognize the planning and operational
8 benefits of interruptible service.
- 9 3. The "customer indifference" approach of RMP is not suitable for valuing
10 Monsanto's interruptibility, and can lead to volatile swings in Monsanto's
11 interruptible rates.
- 12 4. I recommend the Commission reject RMP's proposal to convert Monsanto's
13 interruptible load to firm service, and that the Commission establish a lower rate
14 for interruptible service because interruptible loads impose a lower cost on the
15 utility than firm loads.
- 16 5. I recommend the Commission reject RMP's proposal to raise Monsanto's
17 interruptible demand charge by 192%, and instead establish rates that reflect the
18 valuation proposed by Mr. Collins. This would result in an overall net increase to
19 Monsanto of \$2.4 million based on the Company's most recent revenue request.

20 **III. FUNDAMENTAL PRINCIPLES OF INTERRUPTIBLE SERVICE**

21 Q **WHAT TYPE OF ELECTRICAL SERVICE DOES MONSANTO TAKE FROM
22 ROCKY MOUNTAIN POWER?**

23 A Monsanto has a total load of approximately 182 MW served at transmission voltage
24 level and under charges set forth in Schedule 400. Of this amount, 9 MW (just 5%) is
25 served at firm energy and demand rates. The remaining 95% of Monsanto's load is
26 interruptible and billed under interruptible demand charges.

27 Q **WHY DO YOU MAINTAIN THAT 95% OF MONSANTO'S LOAD IS
28 INTERRUPTIBLE?**

29 A The Electric Service Agreement between PacifiCorp and Monsanto dated
30 November 5, 2007 ("2008 Agreement") provides that PacifiCorp is the exclusive

1 provider of all electric power and energy to Monsanto's Soda Springs Plant. The
2 2008 Agreement sets forth the definition of "firm" and "interruptible" power and energy
3 in Sections 1.5 and 1.6. Specifically, it states that the first 9 megawatts are served at
4 firm demand charges, and the remaining measured demand is served at the
5 interruptible demand charge. Based on the 2010 forecasted loads used in this
6 proceeding, Monsanto's firm demand is 108,000 kW-months and the non-firm
7 demand is 2,051,216 kW-months.² Thus, even the Company's own exhibits are
8 unequivocal that 95% of Monsanto's demand is not firm.

9 **Q ARE YOU USING THE TERMS "NON-FIRM" AND "INTERRUPTIBLE"**
10 **INTERCHANGEABLY?**

11 **A** Yes. Mr. Griffith's exhibits clearly describe the majority of Monsanto's billing units as
12 "non-firm." In order to minimize controversy, however, I will use the term
13 "interruptible" in describing Monsanto's service.

14 **Q THE COMPANY HAS TESTIFIED REPEATEDLY THAT MONSANTO IS**
15 **RECEIVING THE EXACT SAME SERVICE AS EVERYONE IN ITS SERVICE**
16 **TERRITORY, AND THAT THEY HAVE NO OBLIGATION TO PROVIDE NON-FIRM**
17 **OR INTERRUPTIBLE SERVICE. DO YOU AGREE WITH THEIR ASSESSMENT?**

18 **A** No. If nothing else, this case has certainly revealed the Company's true intent for
19 serving Monsanto, a long-standing interruptible customer. Rather than recognize the
20 unique interruptible nature of Monsanto's load, the Company is determined to convert
21 Monsanto to a 100% firm customer. Consequently, RMP and Monsanto have a
22 fundamental difference of opinion on the provision of interruptible service that is truly
23 at the heart of determining the economic valuation of Monsanto's interruptibility.

²Exhibit No. 84, page 12 of 21.

1 Q HOW SO?

2 A It is now obvious that RMP no longer desires to supply Monsanto interruptible power
3 and energy. It wants to sell *only* firm power to Monsanto as Mr. Walje claims it has
4 no obligation to provide interruptible service

5 Rocky Mountain Power has the obligation to provide electric service.
6 There is no obligation to provide non-firm or interruptible service -- that
7 type of service is arranged through a separate agreement between the
8 Company and Monsanto or other businesses that are willing to allow
9 the Company to interrupt their service and receive just financial
10 consideration for that interruption. (Walje Rebuttal, page 11 -12,
11 emphasis added.)

12 The Company's premise that requires interruptible customers to "sell" a
13 product to RMP fundamentally ignores the very real notion of regulatory
14 cost-causation. A lower rate for interruptible service is not due to the customer
15 "selling" a product back to the utility. A lower rate for interruptible service reflects the
16 lower costs incurred by the utility to provide the interruptible service. It is a lesser
17 quality of service, with corresponding lower costs than firm service for the utility to
18 provide and corresponding lower rates than firm service:

19 In contrast, interruptible power may be curtailed or interrupted if
20 conditions arise that are burdensome to the supplier. In short, the
21 interruptible customer is buying a lower quality service that a cost
22 incurrence philosophy would deem appropriate for a lower rate.

23 Interruptible and curtailable rates are particularly beneficial when they
24 involve relatively large loads. Under interruptible rates, a utility turns
25 off service for specified periods of time during system peak, while still
26 providing the customer with a satisfactory level of service. Interruptible
27 customers are charged lower rates since they do not have any
28 demand or capacity costs. (*Principles of Public Utility Rates*, by James
29 C. Bonbright, Albert L. Danielsen and David R. Kamerschen, 1988,
30 p. 403, emphasis added.)

1 Q HAS PACIFICORP PREVIOUSLY RECOGNIZED THAT INTERRUPTIBLE LOADS
2 ARE LESS COSTLY TO SERVE?

3 A Yes. As noted in a 2002 Utah order, all parties - including PacifiCorp - agreed with
4 this cost incurrence philosophy:

5 All parties agree that large customers who are willing to receive
6 interruptible service under certain conditions impose less costs on the
7 utility than do firm customers, and therefore warrant special pricing
8 consideration. (Order of Public Service Commission of Utah, Docket
9 No. 01-035-38, issued May 24, 2002, page 3, emphasis added)

10 Q HOW DO INTERRUPTIBLE LOADS IMPOSE LOWER COSTS ON THE SYSTEM?

11 A Interruptible power offers several benefits to the utility from both a planning and
12 operational perspective. Reduced capacity costs are usually associated with
13 planning benefits, and reduced energy and maintenance costs are associated with
14 operating benefits, although there is some overlap.

15 Q WHAT ARE THE PLANNING BENEFITS ASSOCIATED WITH INTERRUPTIBLE
16 SERVICE?

17 A From a planning perspective, load supplied on an interruptible basis does not require
18 the installation of generating capacity since it is provided from capacity available on
19 the system after the utility has served the needs of its firm customers. By contrast, to
20 provide firm service, the utility must install enough generating capacity to meet the
21 maximum firm demands of its customers, regardless of when they occur. Unlike a
22 restaurant, a utility cannot tell a firm customer that he or she will have to wait for
23 service. When a customer flips a switch, they expect instantaneous results.
24 Therefore, the utility must always have sufficient capacity and reserves to meet all
25 demands from its firm customers.

1 Like most service providers, RMP has seasonal peak loads -- times of the
2 year when load is higher than average -- and valley periods, when the load is lower.
3 During these valley periods, there is capacity that is able to serve load, but it is
4 unused because customers do not desire service at such times. Interruptible load,
5 thus, helps the utility avoid installing excess capacity by smoothing out the peaks and
6 valleys of the firm demand that must be served. The utility does not have to install
7 capacity to serve the interruptible load; nor does it have to install a reserve margin
8 that is necessary to assure continuous, on-demand service characterized as "firm."

9 **Q DOES RMP RECOGNIZE THE PLANNING BENEFITS OF INTERRUPTIBLE**
10 **SERVICE?**

11 A Yes, apparently they do, but this recognition does not translate whatsoever into Mr.
12 Clements' valuation. As explained by Mr. Collins, RMP includes Monsanto's
13 interruptibility as a resource in the 2008 IRP Update in PacifiCorp's assessment of
14 need.³ Furthermore, interruptible resources are excluded from the Company's
15 obligations for purposes of determining its planning reserves. The presence of
16 interruptible load thus enables PacifiCorp to avoid future resource additions.

17 **Q WHAT ARE SOME OF THE OPERATIONAL BENEFITS OF INTERRUPTIBLE**
18 **SERVICE?**

19 A Interruptible load can provide greater operating flexibility. For example, large base
20 load generating units are often constrained in their ability to follow loads (that is, to
21 respond quickly to changes in load). System demand can increase very quickly or
22 capacity can be lost instantaneously if the utility loses a large generating unit. A large
23 block of interruptible load gives the utility the means to meet such load increases on

³See Monsanto Exhibit 248.

1 short notice by diverting service from interruptible customers to firm customers. If the
2 utility is unsure about hourly variations in load, it may decide that a particular type of
3 unit is uneconomical because it is not flexible enough. On the other hand, if some
4 load can be interrupted to offset large increases in firm load, overall system load
5 changes can be moderated and the utility can have flexibility to pick the economical
6 generation alternative.

7 From an operating perspective, savings can also be achieved when
8 interruptible service provides an opportunity for the utility to make more efficient use
9 of its existing generating capacity. Additional energy can be sold to interruptible
10 customers during light load periods without incurring the obligation to serve those
11 customers during heavy load periods.

12 Potential fuel cost savings associated with "noticed" interruptible load are also
13 possible. For example, some units may be run at reduced levels, below their most
14 efficient loading. If these units are used to carry interruptible load, instead of simply
15 idling, they can be loaded to a more efficient level, thereby reducing the amount of
16 fuel required to produce energy. Less cycling of base load and intermediate capacity
17 can also result in lower maintenance costs. This is because cycling causes greater
18 thermal stress on the boiler and related equipment.

19 And finally, no-notice interruptible load can protect system integrity during
20 sudden frequency decays (i.e., voltage) caused by significant generation and/or
21 transmission outages.

22 **Q HAS RMP RECOGNIZED ANY OF THESE BENEFITS IN ITS VALUATION OF**
23 **INTERRUPTIBLE PRODUCTS?**

24 **A** No. According to Mr. Clements, the Company follows a "customer indifference"
25 approach that pays interruptible customers "the same price the Company would

1 otherwise pay if it were to acquire those same products from other sources, such as
2 the market or its own resources."⁴

3 **Q DO YOU BELIEVE THE COMPANY'S UNDERLYING PRINCIPLE OF "CUSTOMER**
4 **INDIFFERENCE" MAKES SENSE IN VALUING MONSANTO?**

5 **A** No, I do not. In the first place, the entire "indifference" approach requires the initial
6 assumption that the product being priced (that is, Monsanto's interruptibility) can
7 actually be acquired from other sources. They cannot. We are not talking about a
8 structured marketplace where PacifiCorp is deciding to buy widgets from either
9 Supplier A or Supplier B. Monsanto's own unique interruptibility is just that -
10 Monsanto's own. It is not a "product" one could find in the marketplace, as the
11 Commission noted in Order No. 29157: "the economic curtailment option offered by
12 Monsanto is not available in the market and ... there are no counter parties willing to
13 sell this product."⁵ Consequently, the entire "indifference" approach is based upon a
14 faulty starting position.

15 Second, if the product cannot be found in the marketplace, then Mr. Clements'
16 approach claims the price paid would be what the Company would pay to acquire
17 those same products from "its own resources." However, Mr. Clements does not
18 price out this acquisition based upon the full cost of the Company's resources. He
19 conveniently ignores all capital-related costs in his pricing. This is because the
20 Company doesn't "pay" anything for the use of its existing resources -- rather, it is all
21 of PacifiCorp's customers that must pay those capital costs through firm rates. For
22 example, Mr. Clements values Monsanto's operating reserves using only short-term

⁴Supplemental Testimony of Paul Clements, page 4.

⁵Final Order No. 29157, Case No. PAC-E-01-16, page 12. Furthermore, Mr. Clements himself states that "Each curtailment product terms and conditions is unique to that particular contract." Response to Monsanto Data Request 17.11.

1 market prices and "lost profits" from the least profitable unit. His notion that this is
2 somehow fair to all customers is misplaced.

3 **Q WHY DO YOU SAY HIS APPROACH IS UNFAIR?**

4 A This approach is unfair as it could lead to all other customers actually paying more in
5 the long-run. If the Company has its way and succeeds in converting Monsanto to
6 100% firm, and then succeeds in driving the economic valuation down to
7 unacceptable levels, then Monsanto's interruptible resource would in effect be wiped
8 from PacifiCorp's resource portfolio and the Company would need to plan to replace
9 this lost resource. Its planning reserves would also increase. The costs of adding
10 more resources to make up for this lost resource would put additional upward
11 pressure on already increasing rates.⁶

12 Furthermore, the Company's short-term valuation is unfair in that it places
13 undue volatility on Monsanto's interruptible rate. As aptly described in Mr. Clements'
14 testimony at page 6, his contracting approach of using market values can lead to
15 volatile swings in values that would translate into unnecessary volatility in Monsanto's
16 interruptible rate:

17 This contracting approach results in the value of the interruptible
18 products being driven largely by both the current market value of those
19 products and the Company's requirement for the interruptible products
20 at a given time in which the value is determined. The market value of
21 the interruptible products can be volatile as the energy markets go
22 through cycles of over and under capacity utilization. In addition, the
23 Company's requirements for the interruptible products offered by
24 Monsanto are constantly changing as load forecasts change and the
25 Company acquires new resources to meet its obligation to serve.
26 (Clements Supplemental, page 6, emphasis added.)

27 To exacerbate the situation, the Company's approach results not only in
28 volatile swings in *price* paid to Monsanto for its interruptibility, but even to *quantity* the

⁶In addition, the power prices charged to Monsanto under this scheme could also lead to a loss of jobs and a consequent adverse impact to the service territory.

1 Company would be willing to procure as Mr. Clements alludes to above. This is
2 further compounded by the perverse incentive that PacifiCorp makes no return on
3 "buying" a product from an interruptible customer, but makes a return on supply-side
4 resources it puts into service. Consequently, under the Company's approach
5 Monsanto as a "seller" would be faced with a volatile clearing price, a single "buyer"
6 with little or no motivation to procure the product, and a "constantly changing" need
7 for its product based on data known only to the sole "buyer." It's difficult to see how
8 Mr. Clements could possibly characterize this as a "fair" approach.

9 **Q HOW DO YOU RECOMMEND THE COMMISSION VALUE MONSANTO'S**
10 **INTERRUPTIBILITY?**

11 **A** First, I recommend the Commission reject the Company's proposal to convert
12 Monsanto to 100% firm service. The Company should continue to provide Monsanto
13 with a single contract that provides for the provision of interruptible power and energy.

14 Second, I recommend the Commission establish a lower rate for interruptible
15 service because interruptible loads impose a lower cost on the utility than firm loads.
16 This lower rate should not hinge on a short-term, separate arrangement. Rather, this
17 lower cost should reflect exclusion of fixed costs since interruptible load helps the
18 utility avoid installing excess capacity. The reason for excluding fixed plant costs is
19 that the utility may interrupt service at any time when capacity is needed to meet the
20 requirements of firm customers. In other words, interruptible customers do not cause
21 the utility to install capacity, and therefore, those related plant costs should not be
22 allocable to interruptible customers.

23 I will address the overall rate proposal for Monsanto in section VI of my
24 testimony.

1 **IV. INTERRUPTIBLE DEMAND CHARGES**

2 **Q YOUR TABLE 1 SHOWS A "CREDIT FOR INTERRUPTIBILITY." DOES**
3 **MONSANTO SELL BACK POWER TO RMP AT THAT PRICE?**

4 **A** No, they do not. The "Interruptible Credit" is a reduction to the firm rate to reflect the
5 fact that Monsanto takes a lower quality of service. It is not a payment but a
6 component of the rate used to develop the interruptible demand charge. The concept
7 of a "credit" was first introduced in Case No. PAC-E-01-16, where the Commission
8 established a "discounted demand charge of \$4.09/kW-month" for interruptible
9 power.⁷

10 **Q HOW HAS THE INTERRUPTIBLE DEMAND CHARGE CHANGED SINCE IT WAS**
11 **FIRST ESTABLISHED IN CASE NO. PAC-E-01-16?**

12 **A** Table 2 below shows the history of both firm and interruptible demand charges paid
13 by Monsanto since rates were established in Case No. PAC-E-01-16:

⁷Case No. PAC-E-01-16, Final Order No. 29157, p. 13.

TABLE 2		
History of Schedule 400 Firm and Interruptible Demand Charges (\$ per kW-month)		
	<u>Firm</u>	<u>Interruptible</u>
2004 - 2006	\$8.81	\$4.09
2007	\$10.00	\$3.64
2008	\$11.35	\$3.65
2009	\$11.69	\$3.76
2010	\$12.27	\$3.94
2011 - RMP Proposal	\$14.50	\$11.53*

1 Firm demand rates increased by 13.5% in 2007 and then by another 13.5% in
2 2008. The interruptible demand charge during this time actually decreased, however,
3 primarily as a result of Monsanto agreeing to raise the hours of interruption from
4 800 hours to 1,000 hours, an increase of 25%. As detailed in the Order approving the
5 2007 rates:

6 After PacifiCorp's cost of service studies indicated a substantial
7 increase in firm rates, Monsanto states it felt compelled to increase the
8 interruption hours to increase the interruptible credit in an amount
9 sufficient to establish a lower net rate in an effort to keep production
10 costs at a competitive level. Both parties, it states, continue to place
11 considerable value on Monsanto's interruptibility as to its quantity,
12 timing and dependability. (Case No. PAC-E-06-09, Order No. 30197,
13 p. 3)

14 **Q HOW MUCH DOES RMP PROPOSE TO INCREASE THE INTERRUPTIBLE**
15 **DEMAND CHARGE IN THIS PROCEEDING?**

16 **A** RMP proposes to increase the Schedule 400 interruptible demand charge by a
17 **staggering 192%** - or close to **tripling** the rate. To put this in context, the proposed

1 interruptible demand charge of \$11.53 is nearly what Monsanto paid for firm service
2 just two years ago in 2009.

3 Looked at another way, the proposed power charges in the Schedule 9 High
4 Voltage General Service Tariff in Idaho average \$8.28 per kW-month for firm service.⁸
5 A Schedule 9 customer with an 85% load factor would pay 49 mills/kWh for firm
6 service.⁹ Under the Company's proposed interruptible demand charge, Monsanto
7 would pay 46.72 mills/kWh for interruptible service.¹⁰ The reduction in rates,
8 therefore, is a mere 2.29 mills/kWh for taking interruptible service. The Commission
9 found a credit value of 7.48 mills/kWh for Monsanto in Case No. PAC-E-01-16.¹¹
10 Consequently, RMP is seeking approval for an interruptible credit that is less than a
11 third of what is was back in 2002 despite the significant increases made to firm rates
12 since that time, as well as the additional hours of curtailment Monsanto provides
13 since then. The Commission should find RMP's proposed interruptible demand
14 charge is neither fair nor reasonable, and it should be rejected.

15 **V. ANALYSIS OF MONSANTO'S COST TO SERVE BY COMPONENT**

16 **Q HAS THE COMPANY ALLOCATED COSTS TO THE STATE OF IDAHO AS**
17 **THOUGH MONSANTO WERE A FIRM CUSTOMER?**

18 **A** Yes, it has. The Company has treated Monsanto's load within its Jurisdictional
19 Allocation Model ("JAM") study as though it were served 100% firm. System-wide
20 resource costs are allocated to Idaho, and then ultimately allocated to Monsanto as
21 "Contract 1" in the Idaho cost of service ("COS") study. According to RMP's latest

⁸ Exhibit No. 84, page 7.

⁹ $(\$8.28 + (730 \times 85\%)) + 0.035667 = \0.04901 per kWh, or 49 mills/kWh.

¹⁰ $(\$11.53 + (730 \times 85\%)) + 0.02814 = \0.04672 per kWh, or 46.72 mills/kWh.

¹¹ Order No. 29157, page 12.

1 Idaho COS study, the total cost to serve Monsanto as an "all firm" customer is
2 \$70.4 million.¹²

3 **Q DO YOU AGREE THAT THE ACTUAL COST TO SERVE MONSANTO IS**
4 **\$70.4 MILLION?**

5 A No, I do not. The Commission Staff, as well as Monsanto and the PacifiCorp Idaho
6 Industrial Customers, have proposed several revenue adjustments that lower the
7 overall requested increase to the state of Idaho. More importantly, the \$70.4 million
8 is overstated as it fails to reflect whatsoever Monsanto's interruptibility.

9 **Q DID YOU PREVIOUSLY PROVIDE A JAM STUDY THAT BETTER REFLECTED**
10 **MONSANTO'S INTERRUPTIBILITY?**

11 A Yes. In my November 1, 2010 Direct Testimony, I provided a JAM study where the
12 coincident peaks for Idaho were reduced by Monsanto's interruptible load.¹³ The
13 Company took issue with this study criticizing: (1) the size of the peak reduction
14 (162 MW); (2) the number of months the reduction was made (12 months); and
15 (3) the adjustment to the revenues.

16 **Q DO YOU BELIEVE THE COMPANY'S CRITICISMS HAVE MERIT?**

17 A No. To prove they are without merit, I am providing an Idaho class COS study that
18 separates out Monsanto's "Contract 1" line into four distinct components. This refined
19 model shows how much costs have been allocated to Monsanto's interruptible load
20 because of the Company's characterization that Monsanto is 100% firm.

¹²Exhibit No. 81, page 2 of 2, line 10, column F, "Total Cost of Service"

¹³Direct Testimony of Kathryn Iverson, page 9 for a description of this revised JAM study.

1 Q UPON WHAT BASIS DID YOU SEPARATE OUT THESE FOUR COMPONENTS?

2 A The components are based on Monsanto's loads and interruptibility provisions.

3 Q PLEASE EXPLAIN.

4 A Monsanto is unique in that it has three furnaces and so is able to offer various levels
5 of capacity reduction: 46 MW for furnace #7, 49 MW for furnace #8 and 67 MW for
6 furnace #9 for a total of 162 MW. The 2008 Agreement defines the terms and
7 conditions associated with three different curtailment purposes: (1) Operating
8 Reserves of 95 MW which can be called upon 188 hours per calendar year;
9 (2) Economic Curtailment of 67 MW available for 850 hours per calendar year; and
10 (3) System Integrity of 162 MW available 12 hours per calendar year.

11 Q PLEASE DESCRIBE OPERATING RESERVE INTERRUPTIONS.

12 A The 2008 Agreement allows PacifiCorp to interrupt Monsanto for the purpose of
13 operating reserves in any month, and on any day. Operating reserve interruptions
14 have priority over economic curtailment and typically provide at least 95 MW of
15 curtailment (furnaces #7 and #8). For the 47 months during the period January 2006
16 through November 2010, the Company called upon Monsanto for operating reserves
17 in every single month except one.¹⁴ In fact, the Company often times receives more
18 than 95 MW of operating reserves during a called interruption. This is because
19 Monsanto must curtail a minimum of 95 MW if two furnaces are operating and the
20 third is unavailable due to maintenance or overhaul.¹⁵

¹⁴ There was no interruption called for operating reserves in February 2010.

¹⁵For example, usually Furnaces #7 (46 MW) and #8 (49 MW) are curtailed for a total of 95 MW. However, if Furnace #7 is down, then Furnaces #8 and #9 (67 MW) are curtailed for a total of 116 MW. If Furnace #8 is down, then a total of 113 MW is curtailed.

1 As explained in Mr. Collins' testimony, RMP currently includes 90 MW of
2 Monsanto operating reserve as an interruptible resource, rather than the 95 MW
3 found in the 2008 Agreement. This difference is the result of the Company de-rating
4 the 95 MW downward to 90 MW because of economic curtailment hours. However,
5 this de-rating is completely unwarranted. Operating reserve interruptions have
6 priority over economic curtailment. Furthermore, as a result of the Agreement's
7 provision to curtail a minimum of 95 MW if a furnace is down for maintenance or
8 overhaul, interruptions greater than 95 MW happen more times than interruptions less
9 than 95 MW.

10 **Q PLEASE EXPLAIN THE RESULTS OF THE IDAHO CLASS COS STUDY WITH**
11 **MONSANTO'S LOAD SEPARATED OUT INTO FOUR COMPONENTS.**

12 **A Exhibit 257 (KEI-4)** provides the summary page of the Idaho class COS study with
13 the "Contract 1" line separated out into four distinct components. This class COS
14 study makes no change whatsoever to the allocations or cost results found in the
15 Company's class COS filed in its November 16, 2010 rebuttal testimony. However, it
16 separates the Monsanto load into four distinct components:

TABLE 3
Separating Monsanto's Load Into Four Components

	<u>Component 1</u>	<u>Component 2</u>	<u>Component 3</u>	<u>Component 4</u>	<u>Total</u>
Description	9 MW of Firm	95 MW of Operating Reserves	67 MW of Economic Curtailment	Interruptible Load	Total
Hours of load	8,760	188	850		
Energy (MWH)	78,840	17,860	56,950	1,231,523	1,385,173
Annual CP (kW)	108,000	1,004,370	708,345	21,913	1,842,628
Present Revenues (\$ millions)	\$3.3	\$9.9	\$8.1	\$38.3	\$59.5
Total Cost of Service (\$ millions)	\$4.3	\$15.1	\$12.1	\$38.9	\$70.4

1 The totals shown above (energy, coincident peak, revenues, and cost of service) all
2 match those found in Exhibit 81. The coincident peaks have been broken down so
3 that the firm component has 9 MW each month, and Components 2 and 3 are at most
4 95 and 67 MW each month.¹⁶

5 **Q PLEASE EXPLAIN THE FIRST COMPONENT LABELED AS "FIRM."**

6 **A** The first component is the 9 MW firm load at 100% load factor. It includes the
7 allocation of customer-related expenses, as well as the transmission costs that are
8 directly assigned to Monsanto in the cost study. The results of the cost study indicate
9 an increase of just over \$1 million as shown on **Exhibit 257 (KEI-4)**. Thus, of the
10 \$10.8 million increase proposed by the Company for firm rates, only around 10% of
11 this increase can be directly attributable to Monsanto's actual firm service.

¹⁶In ten of the months, Monsanto's coincident peak was less than 171 MW (9 + 95 + 67 MW). In those instances, the monthly coincident peak (less the 9 MW) was split between Components 2 and 3 proportionally (95/162 to Component 2 and 67/162 to Component 3).

1 Q PLEASE EXPLAIN THE SECOND AND THIRD COMPONENTS LABELED AS
2 OPERATING RESERVES AND ECONOMIC CURTAILMENT.

3 A The second component separates out the costs allocated to Monsanto for the 95 MW
4 of operating reserves. Because the Company has characterized Monsanto as "firm"
5 in its JAM and COS studies, Monsanto is allocated \$15.1 million of costs for this
6 component of its load. Thus, the Company is requesting that Monsanto first pay over
7 \$15 million in firm rates for these 95 MW, and then the Company proposes to credit
8 Monsanto a mere \$2.4 million for operating reserves, or less than 16% of what the
9 Company is charging Monsanto.¹⁷

10 Likewise, the third component separates out the costs allocated to Monsanto
11 for the 67 MW of economic curtailment. The cost study reveals that \$12.1 million is
12 allocated to Monsanto for the 67 MW. The Company effectively charges Monsanto
13 \$12.1 million for this component, and then proposes to credit them only \$3.6 million.

14 Q DOES IT SEEM FAIR AND REASONABLE FOR THE COMPANY TO CHARGE
15 MONSANTO ROUGHLY \$27 MILLION FOR FIRM SERVICE RELATED TO THESE
16 "PRODUCTS" AND THEN CREDIT IT BACK ONLY \$6 MILLION?

17 A No. Other customers would receive a benefit at Monsanto's expense, since the
18 Company is in effect using an interruptible resource to offset its firm obligations, yet
19 only crediting Monsanto for a small fraction of the value it brings to the system.

20 Q PLEASE EXPLAIN THE FOURTH COMPONENT LABELED AS INTERRUPTIBLE
21 LOAD.

22 A This component includes the bulk of Monsanto's energy loads since it excludes the
23 firm energy of the first component, and the curtailed energy of the second and third

¹⁷Clements, Supplemental Testimony, page 25.

1 components. It also includes the coincident peaks not accounted for in the first three
2 components. The results of separating out this final component reveal a total cost to
3 serve of \$38.9 million.

4 The cost to serve both the first and fourth components total \$42.3 million, or
5 an increase \$0.8 million above present revenues. The resulting increase of
6 \$0.8 million is very similar to the amount I previously found (\$0.9 million) when I
7 revised the JAM study to better reflect Monsanto's interruptibility. Thus, this analysis
8 shows that by including interruptible demand in their allocation studies, the Company
9 has allocated over \$27 million to Monsanto because the load is characterized as
10 "firm," yet only supports a credit of \$6 million.

11 **Q THE COMPANY CLAIMS THAT CURTAILMENTS MUST ACTUALLY OCCUR**
12 **DURING THE SYSTEM COINCIDENT PEAK IN ORDER FOR THEIR REMOVAL**
13 **FROM MONSANTO'S ALLOCATION. DO YOU AGREE?**

14 **A** No. First of all, assuming interruptible customers must actually be off the system
15 peak for allocation purposes places all risk on the interruptible customer when, in fact,
16 it is the utility that controls the timing of interruptions. Whether or not an interruptible
17 customer is actually curtailed during the system peak in no way negates the benefits
18 of interruptible load. It is the ability to be interrupted during peak times that underlies
19 its value, not necessarily if the customer is actually called. If there is adequate
20 capacity to serve the load at time of peak, it would be poor management to waste an
21 interruption that might be needed at a later time.

22 Interruptions can occur at any time throughout the year with as little as six
23 minutes notice. Thus, Monsanto must establish the necessary protocols and make
24 the necessary investments in order to comply with all requested curtailments or pay a
25 substantial penalty for non-compliance.

1 Q LOOKING FIRST AT CUSTOMER #1 IDENTIFIED BY MR. CLEMENTS AT PAGE
2 18 OF HIS TESTIMONY, HAVE YOU REVIEWED THEIR CONTRACT?

3 A Yes. This contract includes a fairly typical industrial rate structure with customer and
4 facilities charges, and seasonal power and energy charges for heavy and light load
5 hours. The rate is applicable to a contract demand of 100 MW. A separate
6 curtailment credit is applicable to the first 85 MW of load. The rate is subject to an
7 index that reflects changes in RMP's Utah jurisdictional rates in the previous year;
8 e.g., the 2011 rates reflect changes made to Utah rates during 2010.

9 If Monsanto's loads were priced out under Customer #1's rates in effect
10 January 1, 2011 without the interruptible credit (i.e., 100% firm), Monsanto's total firm
11 cost would be \$56.4 million, or \$40.75 per MWH. Consequently, even before
12 consideration of any discount for interruptibility, Customer #1's firm rates in 2011 are
13 substantially lower than the Company's proposal in this case and even lower than
14 what Monsanto currently pays:

	<u>Firm Cost Before Credit (\$ millions)</u>	<u>Firm Cost \$ per MWH</u>
Present Schedule 400	\$59.5	\$42.95
Company Proposal	\$70.6	\$51.00
Staff Proposal	\$67.2	\$48.54
Customer #1 in 2011*	\$56.4	\$40.75

* Application of Customer #1 rates in 2011 to Monsanto billing determinants

1 Q DOES THE CONTRACT FOR CUSTOMER #1 ALSO INCLUDE A "CURTAILMENT
2 CREDIT?"

3 A Yes. The curtailment credit for Customer #1 effective January 1, 2011 will be
4 \$4.90 per kW-month.¹⁹

5 Q MR. CLEMENTS SHOWS A CREDIT OF \$4.25 ON HIS PAGE 18 TABLE FOR
6 CUSTOMER #1. WHAT EXPLAINS THIS DIFFERENCE?

7 A Two things account for this difference. First of all, Mr. Clements is using only a
8 portion of Customer #1's credit, as his workpapers indicate, he bases his table figures
9 on 92% of the total credit.²⁰ This explains why we were not able to reconcile his table
10 figures to the credit shown in the contract. Second, Mr. Clements is using the
11 average monetary amounts for 2007 through 2010. The credit, however, is adjusted
12 annually at the same percentage rate as all other rate components. This is clearly
13 spelled out in the contract, which means that as the firm charges go up, the credit
14 does likewise:

15 ***

16

17

18

19

*** (Response to Monsanto Data Request
1.27, Confidential Attachment Monsanto 1.27, emphasis added)

20 By using an average of past partial credits, Mr. Clements is not being entirely truthful
21 about the full credit level for 2011.

¹⁹Response to Monsanto Data Request 18.4, Attachment 18.4a.

²⁰According to the Company, "the interruptible product terms and conditions included in the customer's contract are such that the Company can call for an interruption with a seven minute notice for any reason. Therefore this interruptible product can be used for non-spinning operating reserves, economic curtailment, or for any other purpose desired by the Company within the contract terms and conditions." See Response to Monsanto Data Request No. 18.4 a.

1 Q WHAT IS THE COST TO MONSANTO USING CUSTOMER #1'S 2011 RATES
2 INCLUDING THE CREDIT OF \$4.90 PER KW-MONTH?

3 A Based on Monsanto's billing determinants of this case, their overall cost would be
4 \$46.4 million, or \$33.49 per MWH. In summary, based on Customer #1's firm rates
5 and curtailment credit in place for 2011, Monsanto would require an increase less
6 than \$4 million above its present rate. This is in stark contrast to the Company's
7 request for an increase of \$21.8 million.

8 Q HOW DOES THE "CURTAILMENT PRODUCT" OF CUSTOMER #1 COMPARE TO
9 MONSANTO?

10 A The following comparison shows that Monsanto's terms and conditions offer more
11 value to the Company due to hours, notice time, length of curtailment, interruptions
12 per day and size of load:

- 13 ▪ **Number of Hours of Curtailment:** Customer #1 offers only 130 hours total
14 for the entire year, with Mr. Clements claiming that 70 hours are set aside for
15 operating reserves. Monsanto offers a total of 1,050 hours total for the entire
16 year. Of that amount, operating reserves account for 188 hours, or more than
17 2½ times that of Customer #1.
- 18 ▪ **Notice Time Required Prior to Curtailment:** Customer #1 must interrupt
19 within no greater than seven minutes. Monsanto must interrupt within six
20 minutes for operating reserve interruptions. Consequently, Monsanto offers
21 more hours (188 hours versus 70) and faster response (6 minutes versus 7).
- 22 ▪ **Length of curtailment:** For Customer #1, the maximum duration of any
23 single interruption is 60 minutes. Interruptions to Monsanto related to
24 operating reserves shall not exceed 120 minutes, and those related to
25 economic curtailment are not limited to length. Again, Monsanto's terms offer
26 more value with a longer curtailment opportunity.
- 27 ▪ **Interruptions per day:** For Customer #1, the Company is allowed unlimited
28 interruptions each day so long as the customer has not been interrupted more
29 than 6 times in a single day 3 times in a calendar year. Once Customer #1
30 has been interrupted more than 6 times in a single day 3 times during the
31 calendar year, future interruptions for that calendar year are limited to five
32 interruptions per day. Monsanto has no such limitation, again making it the
33 more flexible, and thus valuable resource.

1 ▪ **Size of the load that can be curtailed:** The estimated load for interruption
2 for Customer #1 is 85 MW. Due to Monsanto's three furnace configuration,
3 Monsanto can interrupt 1, 2 or all 3 furnaces. As explained earlier, Monsanto
4 typically provides 95 MW for operating reserves, but this amount can be
5 higher at 113MW or 116 MW depending on the furnaces taken down at the
6 time of the operator's call. Monsanto can also curtail another 67 MW, making
7 a total load available of 162 MW.

8 **Q TURNING NOW TO CUSTOMER #2, HAVE YOU REVIEWED THEIR CONTRACT?**

9 A Yes. We received a copy of their agreement on August 19, 2010.²¹ Unlike Customer
10 #1, however, there was no curtailment credit in the agreement we received.

11 **Q DOES THIS MEAN CUSTOMER #2 DOES NOT RECEIVE A CURTAILMENT**
12 **CREDIT?**

13 A No, it does not. It means that RMP failed to provide us in August with both contracts
14 for Customer #2. A separate agreement for operating reserves was provided by RMP
15 four months after we received the first contract, and only once we made RMP aware
16 we knew of its existence.²²

17 **Q HOW DOES THE RATE STRUCTURE FOR CUSTOMER #2 COMPARE TO**
18 **CUSTOMER #1?**

19 A While Customer #1 has a single agreement with PacifiCorp and a single credit,
20 Customer #2 has two agreements: (1) an Electric Service Agreement ("ESA") that
21 provides the rate to be paid by Customer #2, and (2) an "Operating Reserve
22 Interruption Agreement," which provides the mechanism by which Customer
23 #2 receives compensation related to its interruptions for operating reserves.

²¹Confidential Attachment Monsanto 1-30.

²²Confidential Attachment Monsanto 17.1b 1st Supplemental, provided December 17, 2010.

1 The ESA is a simple flat year-round energy-only rate for delivered power. It is
2 adjusted annually based on average percentage changes as ordered by the Utah
3 Commission for a specific industrial rate schedule. The rate is also adjusted annually
4 by a series of \$/MWH rate adjustments in order to bring Customer #2 to cost of
5 service.

6 If Monsanto's loads were priced out under Customer #2's rates in effect
7 January 1, 2011, Monsanto's cost would be \$43.4 million, or *** *** per MWH.²³

8 **Q DOES THE *** *** PER MWH COST INCLUDE THE CREDIT ASSOCIATED**
9 **WITH INTERRUPTIONS FOR OPERATING RESERVES?**

10 **A**No, it does not. Interruptions for operating reserves are handled separately through a
11 curtailment credit of \$4.01 per kW-month.

12 **Q WHAT WOULD MONSANTO PAY IF IT WERE SERVED AT THE RATES**
13 **PACIFICORP CHARGES CUSTOMER #2 IN 2011?**

14 **A**The curtailment credit for operating reserves would be applied to 95 MW each month,
15 for a total credit of \$4.6 million. This would reduce the cost down to \$38.8 million, or
16 \$29.06 per MWH.

17 **Q ISN'T THAT LESS THAN WHAT MONSANTO CURRENTLY PAYS?**

18 **A**Yes, it is. However, as I mentioned earlier, Customer #2 is facing a series of fixed
19 \$/MWH adders over the next four years in order to target their cost of service as
20 projected by RMP in their last general rate case proceeding. The first of those adders
21 has already been included in the 2011 rate. Another *** *** per MWH is set to
22 be phased in over 2012-2014. If this *** *** per MWH adder is added to the

²³See Confidential Attachment Monsanto Rebuttal 2.1.

1 \$29.06 above, the total cost would be \$32.84 per MWH. In summary, based on
2 Customer #2's firm rates and curtailment credit in place for 2011, plus the additional
3 cost of service based increase, Monsanto would require an increase of only
4 \$1.4 million above its present rate. Again, this is in stark contrast to the Company's
5 request for an increase of \$21.8 million.

6 **Q HOW DO THE "CURTAILMENT PRODUCTS" OF CUSTOMER #2 COMPARE TO**
7 **MONSANTO?**

8 **A** The following comparison shows that Monsanto's terms and conditions again offer
9 more value to the Company:

- 10 ▪ **Number of Hours of Curtailment:** Customer #2 offers up to 480 hours of
11 curtailment, and 100 hours of interruptions for operating reserves during each
12 calendar year. The hours for curtailment are limited to certain months, certain
13 days, and certain times of the day as described below. In contrast, Monsanto
14 provides 850 hours for economic curtailment, 188 hours for operating
15 reserves, along with another 12 hours for system integrity with no such
16 limitation as to months, days or time of day.
- 17 ▪ **Notice Time Required Prior to Curtailment:** Customer #2 must interrupt
18 within 10 minutes for operating reserves. Monsanto must interrupt within six
19 minutes for operating reserve interruptions. For curtailments, Customer #2 is
20 provided notice by noon the day before a curtailment is scheduled. In
21 contrast, Monsanto receives only a two-hour notice for economic curtailment.
22 Consequently, Monsanto again offers superior response time (6 minutes
23 versus 10, and 2 hours versus day before).
- 24 ▪ **Length of curtailment:** For Customer #2, curtailments are limited to the
25 months of June through September (summer) and December and January
26 (winter), and are limited to Monday through Friday. Curtailments may not
27 occur on NERC holidays. Summer curtailments are limited to 4 consecutive
28 hours Monday through Friday during the period of 12:00 PM to 8:00 PM.
29 Winter curtailments are limited to two blocks of 2 hours each Monday through
30 Friday during the period of 6:00 AM to 11:00 AM and 4:00 PM to 8:00 PM. In
31 contrast, Monsanto economic curtailments are not limited to length and can be
32 taken any day, any month, and any hour.
33 For operating reserves, both Customer #2 and Monsanto are limited to
34 120 minutes per interruption.
- 35 ▪ **Interruptions per day:** For Customer #2, the Company is allowed a single
36 curtailment per day in the summer of up to 4 hours, and two curtailments per
37 day in the winter of up to 2 hours each. Monsanto's economic curtailments

1 may occur any number of times per day. For Customer #2, operating
2 reserves are limited to 3 hours of interruption during any one four hour period
3 in any one day, while Monsanto may be interrupted 4 hours in any four hour
4 period, again making Monsanto the more flexible resource. Monsanto,
5 however, is limited to 25 interruptions for operating reserves per month.

6 ▪ **Size of the load that can be curtailed:** The load for interruption for
7 Customer #2 is 100 MW. Due to Monsanto's three furnace configuration,
8 Monsanto can interrupt 1, 2 or all 3 furnaces. As explained earlier, Monsanto
9 typically provides 95 MW for operating reserves, but this amount can be
10 higher at 113 or 116 MW depending on the furnaces taken down at the time of
11 the operator's call. Monsanto can also curtail another 67 MW, making a total
12 load available of 162 MW.

13 ▪ **Particular event required for curtailment:** The rights for the Company to
14 curtail Customer #2 in the summer are primarily triggered by forecasted
15 maximum temperatures. Monsanto has no such trigger mechanism, thereby
16 making it more flexible and less restrictive.

17 **Q CAN YOU SUMMARIZE YOUR REVIEW OF THE PRODUCTS OFFERED BY**
18 **CUSTOMER #1 AND CUSTOMER #2 AGAINST MONSANTO, ALONG WITH A**
19 **PRICE COMPARISON?**

20 **A** Monsanto's larger size, more hours, faster response times, unconstrained timing and
21 flexibility provide ample evidence that it should be priced commensurate, if not lower,
22 than other RMP interruptible customers:

23 ▪ **Larger Size:** Monsanto offers up to 162 MW of interruptible load, in contrast
24 to 85 MW or 100 MW of the other customers.

25 ▪ **More Hours:** Monsanto offers 920 more hours than Customer #1 and 470
26 more hours than Customer #2.

27 ▪ **Faster Response:** Monsanto responds in six minutes for operating reserves,
28 compared to seven or ten for the other customers. For curtailments,
29 Monsanto responds with only a two hour notice, compared to the day-ahead
30 notice provision for Customer #2.

31 ▪ **Unconstrained Timing:** Monsanto is available every month, every day,
32 every hour. Unlike Customer #2 that limits curtailments to only non-holiday
33 weekdays in six months, and only during certain times of the day, Monsanto is
34 available for curtailment 24/7.

35 ▪ **Flexibility:** Curtailments at the Soda Springs facility are not premised on
36 temperature triggers.

1 ▪ **Pricing:** With fewer hours, smaller loads, longer response time, and more
2 constraints as to months, days, and times, the other interruptible customers
3 have rates for 2011 that range from \$32.84 per MWH to \$33.50 per MWH.
4 Given Monsanto's unique characteristics as a long-standing interruptible
5 customer, it would not be unreasonable to see an overall price to Monsanto
6 coming from this case that is actually less than the rates paid by Customer #1
7 and Customer #2.

8 **Q WHAT IS THE CURRENT "INTERRUPTIBLE CREDIT" TO MONSANTO?**

9 **A**The credit is \$8.33 per kW-month, or roughly \$17.1 million.

10 **Q SHOULD THE CREDIT REMAIN AT ITS CURRENT LEVEL?**

11 **A**No. As discussed in the testimony of Mr. Collins, the valuation (credit) should be
12 higher than it is currently. Furthermore, if the credit remained at today's level,
13 Monsanto's rate would be substantially higher than either Customer #1 or Customer
14 #2 as shown in the following table:

	<u>RMP</u>	<u>Staff</u>
Present Revenue	\$42.4	\$42.4
Increase	<u>\$10.8</u>	<u>\$7.7</u>
Proposed Revenue	\$53.2	\$50.1
\$ per MWH	\$38.45	\$36.20
Percentage Change	25.5%	18.2%

1 Q WHAT IS THE OVERALL IMPACT TO MONSANTO WITH THE VALUATION
2 UPDATED TO \$25.5 MILLION AS RECOMMENDED IN MR. COLLINS'
3 TESTIMONY?

4 A Table 6 shows the results of using an updated valuation of \$25.5 million:

TABLE 6		
Comparison of Monsanto's Overall Rate Based On Company and Staff Revenues and Updating the Credit to \$25.5 Million (\$ Millions)		
	<u>RMP</u>	<u>Staff</u>
Present Revenue	\$42.4	\$42.4
Increase	<u>\$2.4</u>	<u>(\$0.7)</u>
Proposed Revenue	\$44.8	\$41.7
\$ per MWH	\$32.38	\$30.13
Percentage Change	5.7%	-1.7%

5 Q ARE THE RESULTS SHOWN IN YOUR TABLE 6 IN LINE WITH 2011 RATES FOR
6 CUSTOMER #1 AND CUSTOMER #2?

7 A Yes, however, the overall rate for Monsanto is somewhat lower. Since Monsanto's
8 terms and conditions provide more value to the Company, it would not be
9 unreasonable for Monsanto's rate to be lower than other interruptible customers. In
10 fact, the rate of \$32.38 per MWH shown in Table 6 is quite in line with the \$32.84 per
11 MWH based on rates paid by Customer #2.

12 Furthermore, the results of the Idaho class COS with Monsanto's loads
13 separated out reveals an increase of \$0.8 million for an overall cost of \$31.19 per
14 MWH. This further points to a reasonable rate level that is within the range of using
15 either the Company's or the Staff's revenue requirement together with Monsanto's
16 valuation.

1 Q DOES THIS CONCLUDE YOUR TESTIMONY IN THIS CASE?

2 A Yes.

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

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

Exhibit Accompanying Direct Testimony of Kathryn E. Iverson

Exhibit 257 (KEI-4)

"Economic Valuation of Monsanto Interruptible Products"

On Behalf of

Monsanto Company

December 22, 2010

Project 9210



Rocky Mountain Power
Cost Of Service By Rate Schedule
State of Idaho

12 Months Ending December 2010

Summary of Idaho Class Cost of Service Study with Monsanto's Load Separated Into Four Components

8.34% = Target Return on Rate Base

Line No.	Schedule No.	Description	A	B	C	D	E	F	G	H	I	J	K	L	M
			Annual Revenue	Return on Rate Base	Rate of Return Index	Total Cost of Service	Generation Cost of Service	Transmission Cost of Service	Distribution Cost of Service	Retail Cost of Service	Misc Cost of Service	Increase (Decrease) to = ROR	Percentage Change from Current Revenues		
1	01	Residential	39,005,158	7.47%	1.25	41,826,449	21,215,063	4,055,324	12,164,111	4,201,930	190,022	2,821,291	7.23%		
2	36	Residential - TOD	20,624,289	5.40%	0.90	23,662,520	13,769,297	2,586,633	5,692,961	1,538,884	85,745	3,036,231	14.73%		
3	06, 35	General Service - Large	20,075,670	5.91%	0.98	22,758,891	15,932,559	3,073,300	3,551,363	144,121	57,548	2,683,221	13.37%		
5	09	General Service - High Voltage	5,062,482	5.76%	0.96	5,713,338	4,815,495	855,802	17,846	10,476	13,719	650,856	12.86%		
6	10	Irrigation	39,845,737	7.37%	1.24	42,899,236	24,952,870	4,567,883	13,084,893	175,312	118,278	3,053,499	7.66%		
7	07, 11, 12	Street & Area Lighting	600,521	42.59%	7.13	435,354	100,240	11,132	276,719	44,241	3,022	(165,167)	-27.50%		
8	19	Space Heating	534,219	6.60%	1.10	592,593	396,898	77,821	104,755	11,382	1,736	58,374	10.93%		
9	23	General Service - Small	12,309,609	6.89%	1.15	13,507,722	7,853,511	1,549,168	3,251,898	803,048	50,096	1,198,113	9.73%		
10	SPC	Contract 1 - Firm	3,252,284	0.91%	0.15	4,325,390	3,421,356	788,451	106,321	486	8,776	1,073,105	33.00%		
		Contract 1 - Component 2	9,921,447	2.57%	0.43	15,133,806	10,900,059	4,208,632	(677)	(1,184)	26,975	5,212,359	52.54%		
		Contract 1 - Component 3	8,053,300	2.20%	0.37	12,060,551	6,984,567	3,055,488	(488)	(861)	21,845	4,007,252	49.76%		
		Contract 1 - Component 4	38,297,470	8.73%	1.46	38,878,214	36,259,367	2,517,465	(296)	(735)	102,414	580,744	1.52%		
11	SPC	Contract 2	4,466,432	4.96%	0.83	5,124,533	4,279,396	726,368	106,304	454	12,010	658,101	14.73%		
12	Total	State of Idaho	202,048,618	5.97%	1.00	226,918,598	152,879,679	28,073,466	38,345,711	6,927,556	692,186	24,869,980	12.31%		

Footnotes:

- Column C : Annual revenues based on 12 months ending December 2010.
- Column D : Calculated Return on Ratebase per December 2010 Embedded Cost of Service Study
- Column E : Rate of Return Index. Rate of return by rate schedule, divided by Idaho Jurisdiction's normalized rate of return.
- Column F : Calculated Full Cost of Service at Jurisdictional Rate of Return per December 2010 Embedded COS Study
- Column G : Calculated Generation Cost of Service at Jurisdictional Rate of Return per December 2010 Embedded COS Study.
- Column H : Calculated Transmission Cost of Service at Jurisdictional Rate of Return per December 2010 Embedded COS Study.
- Column I : Calculated Distribution Cost of Service at Jurisdictional Rate of Return per December 2010 Embedded COS Study.
- Column J : Calculated Retail Cost of Service at Jurisdictional Rate of Return per December 2010 Embedded COS Study.
- Column K : Calculated Misc. Distribution Cost of Service at Jurisdictional Rate of Return per December 2010 Embedded COS Study.
- Column L : Increase or Decrease Required to Move From Annual Revenue to Full Cost of Service Dollars.
- Column M : Increase or Decrease Required to Move From Annual Revenue to Full Cost of Service Percent.