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IDAHO PUBLIC
UTILITIES COMMISSION

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**

Rebuttal Testimony of

Brian C. Collins

(Economic Valuation of Monsanto Interruptible Products)

On behalf of

Monsanto Company

Project 9210
January 14, 2011

BRUBAKER & ASSOCIATES, INC.
CHESTERFIELD, MO 63017

PACIFICORP dba ROCKY MOUNTAIN POWER

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

CASE NO. PAC-E-10-07

Rebuttal Testimony of Brian C. Collins

Q PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A Brian C. Collins. My business address is 16690 Swingley Ridge Road, Suite 140, Chesterfield, MO 63017.

Q ON WHOSE BEHALF ARE YOU APPEARING IN THIS PROCEEDING?

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

Q ARE YOU THE SAME BRIAN C. COLLINS WHO PREVIOUSLY FILED TESTIMONY IN THIS PROCEEDING?

A Yes, I am. On November 1, 2010 I provided direct testimony as to the interruptible nature of Monsanto's loads, the treatment of Monsanto by RMP in its Integrated Resource Plan ("IRP"), and the economic benefits to RMP, its customers and the power system as a whole from a long-term interruptible program such as Monsanto's. On December 22, 2010 I provided direct testimony regarding the economic valuation of Monsanto interruptible products.

Q PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND EXPERIENCE.

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

1 **Q WHAT IS THE SUBJECT OF THIS REBUTTAL TESTIMONY?**

2 A I am rebutting Mr. Keith Hessing testifying on behalf of the Idaho Public Utilities
3 Commission Staff ("Staff"). I am addressing the Staff's valuations of Monsanto's
4 provision of system integrity, economic curtailment, and operating reserves.

5 **Response to Staff's Valuation of System Integrity**

6 **Q DOES MR. HESSING ACCEPT THE VALUE RMP PROPOSES FOR MONSANTO'S**
7 **PROVISION OF SYSTEM INTEGRITY INTERRUPTIBILITY?**

8 A Yes. In Mr. Hessing's supplemental direct testimony he states:

9 > I believe the value for the System Integrity product reasonably reflects
10 > the expected value of the interrupted energy. (page 4)

11 **Q IS HIS ACCEPTANCE OF THE COMPANY'S PROPOSED VALUATION A**
12 **SUITABLE RECOGNITION OF THE VALUE OF MONSANTO'S SYSTEM**
13 **INTEGRITY INTERRUPTIBILITY?**

14 A No. The Company places a value of $100,000 on Monsanto's provision of system
15 integrity using an average on-peak market price. This is a value of approximately
16 $50 per MWh. As stated in my direct testimony, when system integrity is in jeopardy,
17 market prices will likely be much higher than the annual average market price, if
18 power is available at all during a system integrity event. As a result, the Company's
19 approach to value system integrity is not appropriate.

20 If Monsanto were to receive only $100,000 in return for being the "first one in
21 the dark," then Monsanto would probably reconsider inclusion of the system integrity
22 interruptibility in its next Electric Service Agreement ("ESA"). The Company would
23 then need to locate another large load which could easily and reliably curtail in
24 seconds to avoid the possibility of curtailing hundreds – perhaps thousands, if not

1 tens of thousands – of other customers. This issue is discussed further in the rebuttal
2 testimony of Monsanto witness Mr. James Smith.

3 **Response to Staff's Valuation of Economic Curtailment**

4 **Q DOES MR. HESSING ALSO ACCEPT THE VALUE RMP PROPOSES FOR**
5 **MONSANTO'S PROVISION OF ECONOMIC CURTAILMENT?**

6 A Yes. With respect to the value of economic curtailment, Mr. Hessing states the
7 following:

8 > I believe that the value of this product is appropriately established in
9 > the expected energy market. (page 5)

10 **Q IS HIS ACCEPTANCE OF THE COMPANY'S PROPOSED VALUATION A**
11 **SUITABLE RECOGNITION OF THE VALUE OF MONSANTO'S PROVISION OF**
12 **ECONOMIC CURTAILMENT?**

13 A No. The Company's valuation of Monsanto's economic curtailment does not attempt
14 to value Monsanto's interruptibility as a long-term capacity resource and is
15 inappropriate. As a result of his acceptance of the Company's valuation for economic
16 curtailment, Mr. Hessing recognizes no capacity value for Monsanto's economic
17 curtailment.

18 **Q IS STAFF'S AND THE COMPANY'S LACK OF RECOGNITION OF CAPACITY**
19 **VALUE FOR MONSANTO'S ECONOMIC CURTAILMENT CONSISTENT WITH THE**
20 **COMPANY'S TREATMENT OF INTERRUPTIBLE LOAD IN ITS IRP?**

21 A No. Monsanto's interruptibility is recognized as a Class 1 DSM resource with
22 capacity value in the Company's 2008 IRP. At page 82 of the Company's 2008 IRP,
23 the Company states:

> Currently there are four Class 1 programs running across PacifiCorp's six state service area; Utah's "Cool Keeper" residential and small commercial air conditioner load control program; Idaho's and Utah's scheduled firm irrigation load management programs; Idaho's and Utah's dispatchable irrigation load management programs; ***and special contract curtailment agreements with large business customers.*** In 2008 the programs provided approximately 560 megawatts of Class 1 DSM program resources during the highest summer peak load hours. (emphasis added)

The Company recognizes Class 1 DSM resources as providing capacity savings. At page 80 of the Company's 2008 IRP, the Company states:

> Class 1 DSM: Resources from fully dispatchable or scheduled firm capacity product offerings/programs – ***Class 1 programs are those for which capacity savings occur as a result of active Company control or advanced scheduling.*** (emphasis added)

As a result, an appropriate value for capacity should be recognized in the Company's and Staff's valuations.

Q WHAT WOULD HAPPEN IF THE COMPANY NO LONGER TREATED MONSANTO'S ECONOMIC CURTAILMENT AS A FIRM CAPACITY RESOURCE IN ITS IRP?

A The Company would need to acquire firm capacity resources to replace Monsanto's interruptibility. This would likely cause the rates of all customers to increase. Therefore, it is important to encourage retention of interruptible loads, including Monsanto, by providing them fair and reasonable values for their interruptibility.

Response to Staff's Valuation of Operating Reserves

Q DOES MR. HESSING RECOGNIZE CAPACITY VALUE FOR MONSANTO'S PROVISION OF OPERATING RESERVES?

A Yes, he does. I agree conceptually with Mr. Hessing to include a capacity value for Monsanto's operating reserve interruptibility. Recognizing an appropriate capacity value for interruptible loads will encourage retention of these loads as firm resources.

Q DO YOU HAVE ANY CONCERNS WITH MR. HESSING'S PROPOSED CAPACITY VALUE FOR MONSANTO'S PROVISION OF OPERATING RESERVES?

A Yes. At page 11 of his supplemental direct testimony, Mr. Hessing explains that he used the cost of existing resources as the basis of his proposed capacity value for Monsanto's operating reserves. I believe it is more appropriate to base the value of capacity for Monsanto's interruptibility on the Company's own estimates for new long-term resources in its IRP as I have done in my direct testimony. If the Company were no longer able to include Monsanto's interruptibility as a firm resource, it would have to acquire firm capacity resources to replace Monsanto's interruptibility at current long-term resource prices. By not using the cost of new resources, Mr. Hessing has understated the capacity value of Monsanto's interruptibility.

Q DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY REGARDING THE ECONOMIC VALUATION OF MONSANTO INTERRUPTIBLE PRODUCTS?

A Yes, it does.

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