

**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**

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UTILITIES COMMISSION

Rebuttal Testimony of

**JAMES R. SMITH**

(Economic Value of Monsanto Interruptible Products)

On Behalf of

**Monsanto Company**

**January 14, 2011**

1                    **ECONOMIC VALUATION OF MONSANTO PRODUCTS:**

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

3    **A     My name is James R. Smith. I am employed by Monsanto Company at the Soda**  
4           **Springs Plant and my business address is P.O. Box 816, Soda Springs, Idaho**  
5           **83276.**

6    **Q     ARE YOU THE SAME JAMES SMITH WHO PREVIOUSLY FILED**  
7           **DIRECT TESTIMONY ON DECEMBER 22, 2010 ON BEHALF OF**  
8           **MONSANTO COMPANY?**

9    **A     Yes.**

10   **Q     WHAT ISSUE ARE YOU ADDRESSING IN YOUR REBUTTAL**  
11           **TESTIMONY?**

12   **A     I am rebutting Mr. Keith Hessing's testimony, testifying on behalf of the Idaho**  
13           **Public Utilities Commission Staff ("Staff"). I am addressing Mr. Hessing's**  
14           **testimony concerning the value for System Integrity Interruptions.**

15   **Q     MR. HESSING ADDRESSES THE VALUE OF THE SYSTEM**  
16           **INTEGRITY INTERRUPTION ON PAGE 3, LINE 12 THROUGH PAGE 4,**  
17           **LINE 12 OF HIS TESTIMONY AND ACCEPTS THE COMPANY'S**  
18           **\$100,000 ESTIMATE OF THE VALUE OF THIS PRODUCT BASED ON**  
19           **THE RESULTS OF A FRONT OFFICE MODEL RUN. DO YOU AGREE**

1           **THAT THE PROPOSED VALUE OF \$100,000 PER YEAR IS FAIR AND**  
2           **REASONABLE FOR THE TWELVE HOURS OF SYSTEM INTEGRITY**  
3           **INTERRUPTION?**

4    A    No. The 2008 Electric Service Agreement, Exhibit No. 251 in the attached Exhibit  
5           A at paragraph 3 provides:

6                   PacifiCorp may request System Integrity Interruptions of up to 162  
7                   MW if the system integrity interruption is voltage related and up to  
8                   95 MW if the system integrity interruption is caused by a double  
9                   contingency event. A double contingency event shall mean the  
10                  forced outage of two or more PacifiCorp generating units totaling  
11                  500 MW or more of capacity. . . . Under emergency conditions,  
12                  such interruption may occur without advance notice to Monsanto.  
13                  Otherwise, PacifiCorp shall give Monsanto not less than two hours  
14                  notice of the potential for interruption for system integrity  
15                  purposes and advance notice when such interruption will end.  
16

17           Paragraph 3.1 provides:

18                   System Integrity Interruptions shall be available to PacifiCorp all  
19                   hours of every day, and have priority over any other interruption or  
20                   curtailment option implemented at that time.  
21

22           While Monsanto has been and will remain flexible in providing curtailment options  
23           to PacifiCorp that provide the greatest benefit to PacifiCorp and the system,  
24           Monsanto is only willing to do so if it receives fair and reasonable value in return  
25           that adequately compensates Monsanto for the adverse impacts of the interruption  
26           which includes lost production, disruption of production, maintenance and related  
27           activities, which increase operating expenses and poses risk of damage and  
28           increased maintenance expenses for equipment.

29                   The value proposed by Monsanto in the testimony of Mr. Collins provides  
30                   fair and reasonable value for Monsanto's curtailment products, but the Company's  
31                   proposed value for system integrity interruptions, in particular, does not. Monsanto

1 would forego providing any system integrity interruptions at the Company's  
2 proposed value.

3 **Q IF MONSANTO NO LONGER PROVIDES SYSTEM INTEGRITY**  
4 **UNDER A FUTURE AGREEMENT, THEN WOULD MONSANTO**  
5 **CONTINUE TO "BE CONSIDERED FIRST" FOR INTERRUPTION IN**  
6 **AN UNPLANNED EVENT?**

7 A No. As Mr. Hessing noted in his testimony "any and all customers are subject to  
8 interruption to preserve system integrity" (emphasis added). Thus, if Monsanto is  
9 to be treated no differently than other customers, it should no longer "be  
10 considered first." PacifiCorp must look to interrupting other customers before  
11 interrupting Monsanto since consistently placing Monsanto at the "front of the  
12 line" would be discriminatory and unfair.

13 **Q DO YOU HAVE ANY OTHER COMMENT ON THE STAFF'S**  
14 **TESTIMONY REGARDING MONSANTO'S INTERRUPTIBLE RATE?**

15 A Yes. The increase found in the Commission's recent Interlocutory Order together  
16 with Mr. Hessing's valuation of \$14.2 million would result in an increase of \$8.6  
17 million or over 20% to Monsanto:

**Table 1.**  
**Staff's Impact to Monsanto (\$ Millions)**

	<i>Present</i>	<i>Proposed</i>	<i>Increase</i>
Firm Revenues	\$59.5	\$65.2	\$5.7
Interruptible Valuation	<u>17.1</u>	<u>14.2</u>	<u>( 2.9)</u>
Net Revenues	\$42.4	\$47.3	\$8.6

1 The proposed net revenues of \$47.3 million is \$36.85 per MWh, an amount which  
2 is higher than PacifiCorp charges either of its other two interruptible customers.  
3 For example, as Ms. Iverson explained in her direct testimony, the other two  
4 interruptible customers will pay rates in 2011 ranging from \$32.84 to \$33.49 per  
5 MWh. Monsanto offers more value to PacifiCorp than either of those other two  
6 interruptible customers in terms of larger size, more hours, faster response,  
7 unconstrained timing and flexibility, and so should be priced lower not higher  
8 than its other interruptible customers.

9 **Q DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY**

10 **A** Yes.

11 .