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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**

MONSANTO'S POST-HEARING POSITION STATEMENT

Monsanto submits this Position Statement to address the issues presented at the February 1, 2011 hearing to establish the rate for Monsanto interruptible power, to-wit:

I. Contract Terms

Proposal: Commission need only determine Schedule 400 Interruptible Demand Charge.

Reasoning: Monsanto proposed no change to the hours or other curtailment option terms, and neither did PacifiCorp.[1] The Schedule 400 Firm Demand Charge has been ordered in Interlocutory Order No. 32151.[2] Upon the termination of the existing Contract on February 28, 2011, PacifiCorp must continue to provide electric service to Monsanto under Schedule 400 in accordance with paragraph 2.1 of the Contract.[3] Thus, the Commission need only determine

[1] Direct Testimony of James R. Smith dated December 22, 2010, p. 3 and Supplemental Testimony of Paul H. Clements, p. 25.
[2] Interlocutory Order No. 32151 dated December 27, 2010, Attachment B, p 3.
[3] The Electric Service Agreement, Exhibit 25, provides in paragraph 2.1: "After the Termination Date PacifiCorp

Schedule 400 Interruptible Demand Charge in this phase based on existing contract terms and conditions. Monsanto remains committed to a longer term contract even though rates are subject to tariff rate changes. However, PacifiCorp failed to address this issue at the hearing.

II. Overall Rate Impact

Proposal: The total rate impact to Monsanto should be considered by Commission.

Reasoning: PacifiCorp has failed to adequately address the rate shock of its proposal:

- PacifiCorp's as filed case would have increased Monsanto's rate by over 50%, or more than $21 million.[4]
- PacifiCorp's proposed valuation, together with Interlocutory Order No. 32151, will increase Monsanto's rate by 39.4%, or $16.7 million.[5]
- Mr. Clements, PacifiCorp's manager of all Monsanto contract-related issues since 2004, admitted to not knowing either of these rate impacts and furthermore, not even troubled or alarmed with their importance.
- The Company has made no effort to address the rate shock of such an extreme rate change, despite their agreement to do so with other customers in the past.
- The Commission has a duty to consider the full impact of PacifiCorp's proposal in order to arrive at a fair, just and reasonable rate for service to Monsanto.

III. Long-Term Perspective

Proposal: Monsanto should be valued as a long-term resource.

Reasoning: Monsanto has been an interruptible customer of PacifiCorp or its predecessor since 1951. PacifiCorp reflects Monsanto as a long-term resource in its 2008 IRP Update through 2019[6] and in its 2010 Business Plan through 2028[7]. Monsanto intends to remain a long-term interruptible customer. A long-term resource valuation:

- Results in better price certainty and stability.
- Avoids volatility of short-term market valuation approach.
- Promotes proper policy to retaining valuable demand-side resources.

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shall continue to provide any electric service to Monsanto as specified in Idaho Electric Service Schedule No. 400 or its successor then in effect until such time as the Commission establishes or approves other terms and conditions and prices."

[4] Direct Testimony of Kathryn E. Iverson dated December 22, 2010, page 3.

[5] Based on an increase of $5,725,000 from Interlocutory Order No. 32151, and decrease of valuation of $11 million.

[6] Exhibit 248

[7] Exhibit 262

IV. Change in Valuation

Proposal: The Interruptible Credit should increase in an amount equal to or greater than the 9.6% increase in Monsanto's firm rate.

Reasoning: PacifiCorp sought to increase rates by $27.7 million and to simultaneously reduce the valuation of Monsanto's interruptible products by $11 million:

- This reduction in the face of increasing rates is counter-intuitive and at odds with reality.
- The current Interruptible Credit is $8.33 per kW-year, or $17.1 million based on Monsanto's test year loads. Credit amounts have been based on past stipulations. Monsanto's rates increased in 2007, 2008, 2009 and 2010 and each time the Interruptible Credits increased by a percentage at least as great as the percentage increase in firm rates.
- Customer #1's contract provides for the Interruptible Credit to be adjusted at the same percentage change as change in firm rate.[8]
- An increase in the valuation acts as a hedge against rising costs and promotes retention of demand-side resources.
- The Commission should not allow discriminatory treatment for supply-side resources and to the detriment of demand-side resources.

V. PacifiCorp's Short-Term Market Valuation Approach

Proposal: The $6.1 million valuation is unreasonable and should be given no weight.

Reasoning: The method has never been accepted by the PUC and:

- Is based on a single year of short-term energy markets and short-term energy prices and does not reflect a long-term valuation.
- Results in implied capacity values which do not reasonably reflect avoided capacity cost.[9]
- Has no recognition of resource deferral.
- Would result in a volatile and uncertain price to Monsanto over time.
- Would result in a significant increase to Monsanto of $16.7 million, or 39.4%.
- Would result in a overall price to Monsanto of $42.71/MWh[10] which is significantly higher than prices paid by the other two interruptible industrial customers:
  - ✓ Customer #1's price is $33.49/MWH with only 130 hours of interruption;
  - ✓ Customer #2's price is $32.84/MWH with at most 480 hours economic curtailment and 100 hours of operating reserve interruption.

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[8] See Direct Testimony of Kathryn E. Iverson dated December 22, 2010, page 24, lines 11 - 19.
[9] Exhibit 256 (BCC-3)
[10] Based on $5.75 million increase from Interlocutory Order No. 32151, and $11 million proposed decrease in value.

- Is inconsistent with valuation of irrigation load control program which heavily weights resource deferral scenario and explicitly "acknowledges the longer-term outlook towards demand-side resources and the national trend in valuation of load control programs."[11]

VI. Staff's Valuation

Proposal: Staff's Economic Curtailment valuation should be increased by $3.8 million.

Reasoning: The Staff's acceptance of PacifiCorp's $3.9 million economic curtailment value[12] should be adjusted in order to reflect avoidance of resources:

- PacifiCorp admits that removing 67 MW from six months of coincident peaks in the cost of service studies values the economic curtailment product at $7.7 million.[13]
- Both the IRP and the 2010 Business Plan include the 67 MW as a long-term resource and therefore should not be modeled through short-term energy only prices.
- Mr. McDougal's $7.7 million valuation is consistent with valuation of Customer #2's economic curtailment product which is at most only 480 hours, in contrast to Monsanto's 850 hours.
- This adjustment brings the Staff's proposed valuation of $14.2 million to $18.0 million.

VII. Peaker Valuation

Proposal: Peaker valuation should be incorporated into the Commission's determination.

Reasoning: The peaker valuation appropriately reflects the value of a long-term resource:

- Provides a long-term and stable price signal.
- Consistent with a policy supporting demand-side resources.
- Used in irrigation load control program valuation where the peaker deferral scenario was weighted by 67%.[14]
- Consistent with PacifiCorp's long-term QF pricing of $115.80 per kW-year and $53.40/MWh[15]
- Appropriate for those resources proven to be both "*reliable* and *sustainable*"[16]

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[11] Exhibit 259, p. 7.
[12] See Confidential Exhibit No. 135, average of 2011-2013 Economic Curtailment values of $3.6, $4.0 and $4.2 million is $3.9 million.
[13] See Stephen McDougal Rebuttal Testimony dated November 2010, page 47.
[14] See Surrebuttal Testimony of Brian C. Collins dated January 25, 2011, p. 14 - 15.
[15] See Direct Testimony of Brian C. Collins dated December 22, 2010 and Exhibit 255 (BCC-2).
[16] Exhibit 259, p. 7.

VIII. Schedule 400 Interruptible Demand Charge

Proposal: The current Interruptible Demand Charge should not be increased.

Reasoning: If the Commission does not exclusively accept the peaker valuation, there is still ample evidence that the Interruptible Demand Charge not be increased:

- An Interruptible Demand Charge of $3.94 per kW-month equates to an Interruptible Credit of $9.51 per kW-month[17], for an annual valuation of $19.5 million.[18]
- Provides a reasonable compromise between the Staff's value of $18 million and the peaker valuation of $25.5 million.
- Consistent with the irrigation load control program valuation methodology that weights a peaker valuation by 67% and a strict short-term approach by 33%.[19]
- Sends a proper signal that demand-side resources are valued on a long-term basis.
- Is consistent with past precedent that valuation increases as firm rates increase.
- Results in Monsanto average price of $33.03/MWh[20] which is in line with prices paid by Customer #1 ($33.40/MWh) and Customer #2 ($32.84/MWh).
- Resulting rate does not constitute "rate shock" and is fair, just and reasonable, cost-justified and supported by the evidence.
- Sends a proper signal to Monsanto management that for long-term planning, the Soda Springs plant will remain viable and competitive.

IX. Summary

In summary, Monsanto's proposals outlined above rightfully acknowledge a long-term outlook towards demand-side resources including interruptibility that is consistent with the valuation of load control programs in Idaho as well as nationally. This trend is based upon the proper assumption that over time, where the acquired demand-side resource is *reliable* and *sustainable*, peaking resource deferral exists. Monsanto has proven to be a long-term reliable and sustainable resource, and thus the valuation should reflect those important characteristics. An Interruptible Demand Charge of no greater than $3.94 per kW-month is fair, just and reasonable, cost-justified and supported by the evidence.

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[17] See Interlocutory Order No. 32151, Attachment B, p. 3 of 3, where the Firm Demand Charge is shown as $13.45 per kW-month. Retaining the current Interruptible Demand Charge of $3.94 results in an Interruptible Credit of $9.51 per kW-month ($13.45 - $3.94 = $9.51).

[18] $9.51 x 2,051,216 billing units = $19.5 million.

[19] [67% x peaker valuation of $25.5 million] + [33% x short-term market price of $6.1 million] = $19.1 million.

RESPECTFULLY SUBMITTED this 7th day of February, 2011.

RACINE, OLSON, NYE, BUDGE &
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By Randall C. Budge
RANDALL C. BUDGE

CERTIFICATE OF MAILING

I HEREBY CERTIFY that on this 7th day of February, 2011, I served a true, correct and complete copy of the foregoing document, to each of the following, via the method so indicated:

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