

BEFORE THE  
IDAHO PUBLIC UTILITIES COMMISSION

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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

**Brian C. Collins**

On behalf of

**Monsanto Company**

Project 9210  
November 1, 2010



BRUBAKER & ASSOCIATES, INC.  
CHESTERFIELD, MO 63017

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

**CASE NO. PAC-E-10-07**  
**Direct Testimony of Brian C. Collins**

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

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

4   **Q     WHAT IS YOUR OCCUPATION?**

5   A     I am a consultant in the field of public utility regulation with the firm of Brubaker &  
6     Associates, Inc. ("BAI"), energy, economic and regulatory consultants.

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

8   A     This information is included in Appendix A to my testimony.

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

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

13  **Q     WHAT IS THE SUBJECT OF YOUR TESTIMONY?**

14  A     I provide testimony as to the interruptible nature of Monsanto's loads, the treatment of  
15     Monsanto by RMP in its Integrated Resource Plan, and the economic benefits to  
16     RMP, its customers and the power system as a whole from a long-term interruptible  
17     program such as Monsanto.

1 **Q DID RMP PROVIDE ANY DIRECT TESTIMONY IN ITS MAY 28, 2010 FILING WITH**  
2 **REGARD TO THE VALUATION OF MONSANTO'S CURTAILMENT?**

3 A No. In its May 28, 2010 filing, the Company provided no direct testimony whatsoever  
4 with regard to the valuation of Monsanto's curtailment. On September 30, 2010, the  
5 Company filed supplemental testimony with the Commission regarding the economic  
6 valuation of Monsanto's curtailment. In consideration of Order No. 32098 in this  
7 proceeding, the issue regarding quantification of this valuation will be addressed in  
8 my direct testimony to be filed December 22, 2010.

9 **Q DOES MONSANTO RECEIVE FIRM SERVICE FROM RMP?**

10 A Only a very small portion (9 MW) of Monsanto's total 182 MW load is served under  
11 firm rates. The vast majority of Monsanto's load is interruptible and is charged a  
12 lesser demand charge. For cost allocation purposes, Monsanto is treated by RMP as  
13 though it were 100% firm, although in reality Monsanto is primarily a non-firm  
14 interruptible customer. RMP first determines the cost to serve Monsanto as a firm  
15 customer, then deducts from Monsanto's cost of service a credit equal to the value of  
16 Monsanto's curtailment.

17 **Q IS IT TRUE THAT WHEN DETERMINING MONSANTO'S COST AS A FIRM**  
18 **CUSTOMER, RMP ALLOCATES TO MONSANTO A PORTION OF NOT ONLY THE**  
19 **COSTS OF SHORT-TERM AND LONG-TERM MARKET PURCHASES USED TO**  
20 **MEET FIRM DEMAND BUT ALSO THE COSTS OF GENERATING UNITS THAT**  
21 **THE COMPANY HAS PLANNED AND CONSTRUCTED TO MEET FIRM DEMAND**  
22 **ON ITS SYSTEM?**

23 A Yes, that is true. Since Monsanto is not a firm customer, the valuation of Monsanto's  
24 curtailment is extremely important. Monsanto's value of curtailment must be

1 deducted from its allocated all-firm costs in order to determine its cost of service as  
2 an interruptible customer. The valuation of Monsanto's curtailment should be fair  
3 and reasonable such that the overall net costs allocated to Monsanto reflect the non-  
4 firm nature of Monsanto's demand on the RMP system.

5 **Q HOW HAS THE COMPANY TREATED THE MONSANTO INTERRUPTIBLE LOAD**  
6 **IN ITS 2008 INTEGRATED RESOURCE PLAN ("IRP")?**

7 A RMP has removed Monsanto's interruptible load from its firm demand for planning  
8 purposes. Monsanto's load is treated as non-firm. Therefore, RMP does not  
9 consider Monsanto's interruptible demand when planning to construct or purchase  
10 resources to meet its firm system demand. Since Monsanto is an interruptible  
11 customer, RMP avoids the cost of long-term resources (including a reserve margin) to  
12 serve the Monsanto interruptible load. RMP's 2008 IRP plainly states:

13 **Interruptible.** There are three east-side load curtailment contracts in  
14 this category. These agreements with Monsanto, MagCorp and Nucor  
15 provide 237 MW of load interruption capability at time of system peak.  
16 Both the capacity balance and energy balance count these resources  
17 at the level of full load interruption on the executed hours.  
18 ***Interruptible resources directly curtail load and thus planning***  
19 ***reserves are not held for them.***<sup>1</sup> (emphasis added)

20 **Q WITH RESPECT TO THE 237 MW REFERENCED ABOVE AND INCLUDED IN THE**  
21 **2008 IRP AS INTERRUPTIBLE RESOURCES, HOW MUCH IS ATTRIBUTED TO**  
22 **MONSANTO?**

23 A Monsanto's 67 MW of economic curtailment is included in the 237 MW identified as  
24 interruptible load in the 2008 IRP.

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<sup>1</sup>PacifiCorp 2008 IRP, page 87.

1 **Q HAS RMP SUBSEQUENTLY INCLUDED MONSANTO'S PROVISION OF**  
2 **OPERATING RESERVE AS AN INTERRUPTIBLE RESOURCE IN ITS IRP?**

3 A Yes. In the 2008 IRP Update issued on March 31, 2010, RMP now includes 90 MW  
4 of Monsanto operating reserve as an interruptible resource. At page 35 of the 2008  
5 IRP Update, the Company states:

6 Interruptible contracts – The positive change reflects the inclusion of  
7 the operating reserve component of the Monsanto interruptible load  
8 contract (90 MW) in addition to the economic curtailment portion  
9 previously modeled.

10 All of Monsanto's interruptible load is now deducted by RMP for the purposes of  
11 determining its planning reserve obligation.

12 **Q WHAT COSTS WOULD RMP INCUR IF MONSANTO WERE A FIRM CUSTOMER?**

13 A RMP would have to acquire long-term firm resources equal to Monsanto's load plus a  
14 planning reserve margin if Monsanto were a firm customer and RMP would incur the  
15 costs of such resources.

16 **Q HOW LONG DOES THE COMPANY ANTICIPATE MONSANTO TO BE AN**  
17 **INTERRUPTIBLE CUSTOMER?**

18 A The 2008 IRP states at page 83, "For planning purposes, PacifiCorp assumes that  
19 current qualifying facility and interruptible load contracts are extended to the end of  
20 the IRP study period." The end of the IRP study period is 2018.

21 **Q ARE THERE ECONOMIC BENEFITS DUE TO A LONG-TERM INTERRUPTIBLE**  
22 **PROGRAM?**

23 A Yes. Economic benefits accrue to RMP, its customers, and the power system as a  
24 whole from a long-term interruptible program. There are also economic benefits that

1 can accrue directly to Monsanto. For example, as explained in the 2007 IRP, these  
2 customer benefits are:

3 Economic benefits may also accrue directly to participants in the form  
4 of incentives, rate discounts, and greater ability to adjust their loads to  
5 prices, thereby gaining greater control over their energy use and  
6 **managing their energy costs**. (Demand response) has also been  
7 credited with several harder to quantify economic benefits, such as  
8 **creating a hedge against market exposure** (price objectives),  
9 helping create a more elastic demand curve by sending appropriate  
10 price signals (elasticity objectives), and reducing the overall market  
11 price by alleviating pressure on reserves (market efficiency objectives).  
12 (2007 IRP, Appendix B, page 7, emphasis added)

13 As the Company's 2007 IRP notes, a customer such as Monsanto should rightfully  
14 expect certain benefits as a result of its commitment to curtail loads. Monsanto  
15 actively manages its energy costs through careful planning, and direct communication  
16 with the Company on curtailment requests, buy-through of energy, and even  
17 scheduling of furnace maintenance. More importantly though, as the 2007 IRP notes,  
18 Monsanto's interruptible contract should offer a "hedge against market exposure."  
19 While firm costs for RMP capacity go up, the valuation for Monsanto's curtailment  
20 should also increase.

21 **Q HAS THE IDAHO PUBLIC UTILITIES COMMISSION ("COMMISSION") STAFF**  
22 **PREVIOUSLY RECOGNIZED THE BENEFITS OF USING INTERRUPTIBLE**  
23 **RESOURCES AS A HEDGE?**

24 **A** Yes. In Case No. PAC-E-06-9, the Staff anticipated, specifically, this benefit in its  
25 comments:

26 Revenue paid under the contract to Monsanto for these interruptible  
27 services help to offset the increased costs incurred by Monsanto to  
28 receive electrical service. ... As explained in Section 2.2 of the  
29 Agreement, adjustments may be made to, but not limited to, the  
30 customer charges, demand charges, energy charges, as well as the  
31 credit value.

1 Not only will the Company be able to collect revenues from Monsanto  
2 based on its cost of service, but the price paid to Monsanto will reflect  
3 the value of the products it provides the Company. Both the Company  
4 and Monsanto have assured Staff that there are opportunities for either  
5 side to reevaluate the credits in the context of a general rate case.  
6 Staff believes it is important for Monsanto to have an opportunity to  
7 reevaluate the value of the credits at the same time rates are changed  
8 to reflect changes in cost of service. **This ability will help keep rates**  
9 **affordable for Monsanto** and reduce the need to argue cost of  
10 service in a general rate case. (Case No. PAC-E-06-9, Comments of  
11 the Commission Staff, November 3, 2006, page 3, emphasis added)

12 **Q WHAT AMOUNT OF CURTAILMENT DOES MONSANTO PROVIDE RMP?**

13 A The 2008 Electric Service Agreement ("ESA") provides for three types of curtailment:  
14 (1) Operating Reserves of 95 MW which can be called upon a maximum of 188 hours  
15 per calendar year; (2) Economic Curtailment of 67 MW available for a maximum of  
16 850 hours per calendar year; and (3) System Integrity of 162 MW available a  
17 maximum of 12 hours per calendar year. The amounts and hours of curtailment  
18 reflect the terms of the 2008 ESA currently in effect for calendar year 2010.

19 **Q WHAT ARE SOME OF THE IMPORTANT FACTORS IN VALUING MONSANTO'S**  
20 **CURTAILMENT?**

21 A The valuation should recognize the nature of Monsanto's curtailment and how it is  
22 used by RMP, and that Monsanto's curtailment is a long-term resource. This will  
23 provide a fair and reasonable result for all customers and encourage retention of  
24 Monsanto's interruptible contract.

25 **Q HOW LONG HAS MONSANTO BEEN AN INTERRUPTIBLE CUSTOMER?**

26 A Monsanto has been a reliable interruptible customer since 1951 and has adequate  
27 ore to be mined for another 40 years. The fact that Monsanto has been an unflinching  
28 customer these 50-plus years along with its commitment to remain operating in Idaho

1 in the foreseeable future both point to treating Monsanto's curtailment as a long-term  
2 resource.

3 **Q WHAT ARE SOME OF THE ECONOMIC BENEFITS TO THE UTILITY, THE**  
4 **CONSUMERS AND THE POWER SYSTEM AS A WHOLE FROM A LONG-TERM**  
5 **INTERRUPTIBLE PROGRAM SUCH AS MONSANTO'S CONTRACT?**

6 A There are a host of economic benefits, but cost avoidance and cost reduction are the  
7 main economic drivers. Perhaps the Company's 2007 IRP stated it best:

8 Demand response allows utilities to avoid or defer incurring costs for  
9 generation, transmission, and distribution, including capacity costs,  
10 line losses, and congestion charges. (PacifiCorp 2007 IRP,  
11 Appendix B, page 7, emphasis added)

12 **Q ARE THERE OTHER SYSTEM BENEFITS AS WELL?**

13 A The support of reliability in power supply and delivery during system emergencies is  
14 also a benefit when customers such as Monsanto can shed load during emergency  
15 conditions. This is further explained in the 2007 IRP:

16 Customer demand management can enhance reliability of the electric  
17 supply and delivery systems by providing the utility with the means to  
18 better balance loads with supply during system emergencies and/or  
19 high-use periods. In this context, (demand response) can help  
20 improve the adequacy and security of the power supply and delivery  
21 (T&D) systems by augmenting the utility's ancillary services, such as  
22 supplemental reserve. (PacifiCorp 2007 IRP, Appendix B, pages 7-8)

23 **Q DOES MONSANTO PROVIDE THESE BENEFITS TO RMP AND ITS**  
24 **CUSTOMERS?**

25 A Yes, it does. Monsanto's contract allows RMP to avoid or defer incurring capacity  
26 costs for generation. It also allows the Company to reduce its fuel or purchased  
27 power expense by calling upon Monsanto for economic curtailment. Furthermore,  
28 since Monsanto is able to interrupt within a 10-minute time period, it qualifies as a

1 resource that can provide operating reserves. Interruptions for operating reserves  
2 can occur at any time and in any month, and Monsanto stands available 24 hours per  
3 day to provide operating reserves.

4 Monsanto also provides RMP the means to balance system loads during  
5 system emergencies. The loads of Monsanto's three furnaces – 162 MW total – are  
6 available for curtailments for system integrity purposes.

7 **Q HAS RMP PREVIOUSLY RECOGNIZED THE BENEFIT OF AVOIDED CAPACITY**  
8 **INVESTMENTS FOR LOAD MANAGEMENT PROGRAMS?**

9 A Yes. In RMP's 2009 Demand Side Management Annual Report – Idaho at page 35,  
10 the Company states:

11 The cost/benefit analysis of the load management programs are based  
12 on the avoided value of peak or capacity investments.

13 **Q HAVE YOU QUANTIFIED THIS CAPACITY VALUE?**

14 A Yes. However, in response to the Commission's Order No. 32098, I will file direct  
15 testimony supporting the quantification separately on December 22, 2010.

16 **Q DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

17 A Yes, it does.

## Qualifications of Brian C. Collins

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

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

4   **Q    WHAT IS YOUR OCCUPATION AND BY WHOM ARE YOU EMPLOYED?**

5   A    I am a consultant in the field of public utility regulation with the firm of Brubaker &  
6        Associates, Inc. ("BAI"), energy, economic and regulatory consultants.

7   **Q    PLEASE STATE YOUR EDUCATIONAL BACKGROUND AND EXPERIENCE.**

8   A    I graduated from Southern Illinois University Carbondale with a Bachelor of Science  
9        degree in Electrical Engineering. I also graduated from the University of Illinois at  
10       Springfield with a Master of Business Administration degree. Prior to joining BAI, I  
11       was employed by the Illinois Commerce Commission and City Water Light & Power  
12       ("CWLP") in Springfield, IL.

13           My responsibilities at the Illinois Commerce Commission included the review  
14       of the prudence of utilities' fuel costs in fuel adjustment reconciliation cases before  
15       the Commission. My responsibilities at CWLP included generation and transmission  
16       system planning. While at CWLP, I completed several thermal and voltage studies in  
17       support of CWLP's operating and planning decisions. I also performed duties for  
18       CWLP's Operations Department, including calculating CWLP's monthly cost of  
19       production. I also determined CWLP's allocation of wholesale purchased power  
20       costs to retail and wholesale customers for use in the monthly fuel adjustment.

21           In June 2001, I joined BAI as a Consultant. Since that time, I have  
22       participated in the analysis of various utility rate and other matters in several states

1 and before FERC. I have filed or presented testimony before the Florida Public  
2 Service Commission, the Illinois Commerce Commission, the Indiana Utility  
3 Regulatory Commission, the Minnesota Public Utilities Commission, the Missouri  
4 Public Service Commission, and the Public Service Commission of Wisconsin.

5 In 2009, I completed the University of Wisconsin – Madison High Voltage  
6 Direct Current (“HVDC”) Transmission Course for Planners that was sponsored by  
7 the Midwest Independent Transmission System Operator, Inc. (“MISO”).

8 BAI was formed in April 1995. BAI and its predecessor firm has participated in  
9 more than 700 regulatory proceeding in forty states and Canada.

10 BAI provides consulting services in the economic, technical, accounting, and  
11 financial aspects of public utility rates and in the acquisition of utility and energy  
12 services through RFPs and negotiations, in both regulated and unregulated markets.  
13 Our clients include large industrial and institutional customers, some utilities and, on  
14 occasion, state regulatory agencies. We also prepare special studies and reports,  
15 forecasts, surveys and siting studies, and present seminars on utility-related issues.

16 In general, we are engaged in energy and regulatory consulting, economic  
17 analysis and contract negotiation. In addition to our main office in St. Louis, the firm  
18 also has branch offices in Phoenix, Arizona and Corpus Christi, Texas.