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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

Direct Testimony of

Kathryn E. Iverson

On Behalf of

Monsanto Company

November 1, 2010

Project 9210

BAI
BRUBAKER & ASSOCIATES, INC.

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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Appendix A

Exhibits:

- Exhibit 229 (KEI-1) – History of Monsanto Increases and Average Costs Since 2003 Contract**
- Exhibit 230 (KEI-2) -- Idaho Results With Monsanto Adjustments to Revenue Requirements**
- Exhibit 231 (KEI-3) – Summary of Idaho Class Cost of Service Study with Monsanto Adjustments to Revenue Requirements**

PACIFICORP dba ROCKY MOUNTAIN POWER
BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

CASE NO. PAC-E-10-07

Direct Testimony of Kathryn E. Iverson

1 **I. INTRODUCTION AND QUALIFICATIONS**

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

5 A I am a consultant in the field of public utility regulation and employed by the firm of
6 Brubaker & Associates, Inc. (BAI), regulatory and economic consultants with
7 corporate headquarters in St. Louis, Missouri.

8 **Q WOULD YOU PLEASE STATE YOUR EDUCATIONAL BACKGROUND AND**
9 **EXPERIENCE?**

10 A I have a Bachelor of Science Degree in Agricultural Sciences and a Master of
11 Science Degree in Economics from Colorado State University. I have been a
12 consultant in this field since 1984, with experience in utility resource matters, cost
13 allocation and rate design. More details are provided in Appendix A to this testimony.

1 **Q ON WHOSE BEHALF ARE YOU TESTIFYING IN THIS PROCEEDING?**

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

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

6 **Q WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

7 A The purpose of my testimony is to: (1) show the impacts on Monsanto resulting from
8 the Company's requests in this case, along with the historical impacts of previous rate
9 changes, (2) discuss the proper regulatory treatment of a non-firm customer such as
10 Monsanto in the allocation of jurisdictional costs, (3) provide the impacts of the
11 adjustments made by various Monsanto witnesses on the Idaho proposed rate
12 change both individually and in total, and (4) offer recommendations on rate design
13 for the Schedule 400 tariff.

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

16 A Yes. I am sponsoring **Exhibit 229 (KEI-1)** through **Exhibit 231 (KEI-3)**. These
17 exhibits were prepared either by me or under my supervision and direction.

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

19 A My findings and conclusions are as follows:

20 **Rate Impact of Company's Proposal**

- 21 • The impact to Monsanto of this case could range anywhere from \$8.3 million to
22 \$22.3 million.

- 1 • Since 2003, Monsanto's average cost has increased by over 65%. In the last four
2 years alone, Monsanto's costs have increased by **\$10.5 million, or 33%**. In
3 addition to cost increases, Monsanto has also seen its curtailable hours increase
4 from 800 to 1,050 hours over the same time.
- 5 • If RMP's request to increase Monsanto's rates by over \$22 million in this case is
6 granted, it would result in increases totaling \$32.8 million since the expiration of
7 the 2003 Contract. This case could result in **the doubling of Monsanto's rate**
8 since the last time the Commission has had to decide a contested case.

9 **Regulatory Treatment of Monsanto as a Non-Firm Customer**

- 10 • Monsanto desires first and foremost to be a non-firm customer of a regulated
11 utility. The concept of forcing a non-firm customer to first "buy all-firm" and then
12 "sell a product" back to the utility is neither reasonable nor fair and in fact is a
13 fiction that does not reflect reality.
- 14 • Since the Company has not planned for, or acquired resources, on the basis of
15 Monsanto's non-firm loads, a proper jurisdictional allocation study would reflect
16 only Monsanto's firm demands for purposes of allocating system costs.
- 17 • A "non firm" approach to jurisdictional allocation reduces the increase to Idaho by
18 \$12 million. Applying a share of these benefits to mitigate RMP's proposed rate
19 increase reduces Monsanto's increase down to roughly 2%.
- 20 • RMP's "All Firm" allocation method fundamentally ignores both the planning
21 reality that Monsanto's loads are non-firm, and the long-standing history of non-
22 firm service to Monsanto. Furthermore, in order to form a complete picture of the
23 evaluation of Monsanto's rates, the "All Firm" method must include a separate
24 valuation of interruptibility.
- 25 • A proper valuation of Monsanto's curtailment should reflect the avoidance of
26 capacity and energy. Without a valuation of Monsanto's interruptibility, the cost of
27 service results provided by the Company in its May 28, 2010 Application are
28 incomplete. Monsanto will provide an updated valuation on this issue on
29 December 22, 2010.
- 30 • The Revised Protocol treatment that Monsanto is a "firm" customer that sells back
31 curtailment is a fiction and has resulted in increases year after year. The
32 opportunity to address issues regarding the allocation of system costs to non-firm
33 loads should be explored both in this rate case, as well as in the case filed last
34 month by RMP, Docket No. PAC-E-10-09.

35 **Modifications to Revenue Requirements**

- 36 • The adjustments for return on equity, capital structure, adjustment to Gateway
37 transmission, and net power cost study result in an overall increase to Idaho of
38 \$11.8 million, a reduction of \$15.9 million based on the Company's "All Firm"
39 approach. Monsanto's increase under the "All Firm" approach is an increase of
40 \$6.4 million.
- 41 • When the adjustments are included in a jurisdictional allocation study that does
42 not include Monsanto peak demands of its non-firm load, the increase to Idaho is
43 \$4.0 million. The benefits of this reduction shared between Monsanto and other
44 ratepayers results in entirely mitigating Monsanto's \$6.4 million increase.

1 that may be curtailed or interrupted at times. Monsanto's total energy use for the test
2 period is 1,385,173 MWH.

3 **Q WHAT AMOUNT OF INCREASE IS THE COMPANY SEEKING IN THIS CASE?**

4 A The Company proposes to increase rates in Idaho by \$27.7 million, or 13.7%.

5 **Q WHAT IS THE PROPOSED INCREASE TO MONSANTO?**

6 A The impact to Monsanto could range anywhere from \$8.3 million to \$22.3 million as
7 the full impact is unclear from the Company's Application. If the "Interruptible
8 Credit,"¹ currently in effect for Monsanto is retained as the Company indicated in its
9 initial filing, Monsanto's increase is \$11.7 million, or an increase of 27.6% to its
10 current cost. If the "Interruptible Credit" is reduced as proposed in the Company's
11 supplemental testimony filed on September 30, 2010, Monsanto's increase would be
12 \$22.7 million, or 53.5%. Alternatively, if all billing elements on Schedule 400 are
13 increased by a uniform percentage of 19.6% as explained by Mr. Griffith in his direct
14 testimony, the impact to Monsanto would be 19.6%, or \$8.3 million.² Any of these
15 scenarios represent a huge impact to Monsanto.

16 **Q HOW HAVE MONSANTO'S RATES CHANGED OVER THE LAST SEVERAL**
17 **YEARS?**

18 A **Exhibit 229 (KEI-1)** provides a chart of the increases Monsanto has experienced
19 since the 2003 contract went into effect January 1, 2004. Monsanto's electrical costs

¹ "Interruptible Credit" is a term used in Schedule 400 in order to maintain the confidentiality of the Interruptible Demand Charge. As stated in Schedule 400: "Interruptible Demand Charge: Firm Demand charge minus Interruptible Credit."

² Direct Testimony of William Griffith, page 8, lines 15 - 18. When asked to describe the proposed rate design changes for Schedule 400, the witness answered: "For customers served on these schedules, the Company proposes a uniform percentage increase to all billing elements."

1 under Schedule 400 have increased by over 65% since 2003. As shown on the
2 chart, Monsanto's costs have increased the past four consecutive years:

3	January 1, 2007	\$3.5 million	10.9%
4	January 1, 2008	\$3.8 million	10.7%
5	January 1, 2009	\$1.2 million	3.0%
6	January 1, 2010	\$2.0 million	5.0%

7 These increases total **\$10.5 million, or a 33% increase over four years.** In addition
8 to the rate increases, Monsanto has also seen its curtailable hours increase from 800
9 to 1,050 hours over the same time. In short, over the last four years Monsanto has
10 seen its cost go up, and quality of service go down.

11 **Q HAVE OTHER RATE SCHEDULES EXPERIENCED THESE SAME INCREASES?**

12 A No. Base rates collected from rate schedule classes (excluding special contracts)
13 have increased only four times since 1986, with an overall increase of less than four
14 percent.³ The Company claims that it has demonstrated a "pattern of limiting rate
15 increases due to rising costs" in the last 25 years. Based on Monsanto's ever-
16 increasing costs these last seven years, the Company's limitation of rate increases
17 has certainly not been applicable to its largest customer.

18 **Q WOULD YOU CARE TO COMMENT ON ANY OTHER ASPECT OF YOUR CHART?**

19 A Yes. This exhibit also provides a perspective of the proposed changes Monsanto will
20 see if the Company's request is granted. If the Company's request to increase
21 Monsanto's rates by over \$22 million in this case is granted, it would result in
22 increases totaling \$32.8 million since the expiration of the 2003 Contract. In effect,

³ Direct Testimony of William Griffith, page 3, lines 17 - 20.

1 this case could result in the doubling of Monsanto's rate since the last time the
2 Commission has had to decide a contested case. Consequently, the importance of
3 this one case cannot be overstated.

4 **IV. REGULATORY TREATMENT OF MONSANTO AS A NON-FIRM CUSTOMER**

5 **Q HAS MONSANTO ALWAYS TAKEN SERVICE AS A NON-FIRM CUSTOMER?**

6 A Yes. As explained in the testimony of Mr. Smith, Monsanto has been served under
7 non-firm rates for over fifty years, and has fully complied with all requests for
8 curtailments made by the Company during that time.

9 **Existing Electric Service Agreement**

10 **Q DOES MONSANTO CURRENTLY HAVE AN AGREEMENT WITH THE COMPANY**
11 **WITH RESPECT TO THE TIMING, DURATION AND NOTICE PROVISIONS OF ITS**
12 **INTERRUPTIBILITY?**

13 A Yes. Mr. Smith discusses these provisions in more detail in his testimony, but in
14 general, Monsanto provides up to 1,050 hours of curtailment or interruption⁴ annually.

15 **Q IF MONSANTO'S CURTAILMENTS ARE LIMITED TO 1,050 HOURS A YEAR,**
16 **DOES THIS MEAN THAT DURING THE OTHER HOURS OF THE YEAR**
17 **MONSANTO IS BEING SERVED AS A FIRM CUSTOMER?**

18 A No, not at all. The fundamental principle is that non-firm customers receive a lower
19 quality service than the firm customers do. All but 9 MW of Monsanto's load may be
20 interrupted at any time during the year according to the provisions of the agreement.

⁴ For purposes of this testimony, I will use the terms "curtailment" and "interruptibility" interchangeably.

1 Just because the Company serves Monsanto during an hour does not suddenly
2 change service in that hour to "firm."

3 **Q DOES MONSANTO HAVE TWO SEPARATE AGREEMENTS WITH THE**
4 **COMPANY?**

5 A No, it does not. It has a single agreement where 9 MW are billed at firm demand and
6 energy charges, and the remainder of the load is billed at interruptible demand and
7 energy charges.

8 **Q WHY IS IT IMPORTANT TO MONSANTO TO HAVE A SINGLE AGREEMENT FOR**
9 **NON-FIRM ELECTRIC SERVICE FROM THE COMPANY?**

10 A Being able to purchase non-firm power is a critical component to the economics of
11 Monsanto's operations. Monsanto has been a non-firm customer of RMP, or its
12 predecessors, for over fifty years now. It has never desired to take firm service
13 except for the 9 MW necessary for safety reasons.

14 **Q HAS ROCKY MOUNTAIN POWER EVER ATTEMPTED TO FORCE MONSANTO'S**
15 **NON-FIRM LOADS ONTO FIRM SERVICE?**

16 A Yes, it has. In Docket No. PAC-E-01-16, the Company sought approval to increase
17 Monsanto's contractual non-firm rate by 70% in an effort to make Monsanto buy all its
18 loads at firm rates. The Commission disallowed the Company's two-contract
19 proposal then and should reject any similar proposal now.

20 **Q WHY DOES IT MATTER IF MONSANTO HAS ONE CONTRACT OR TWO?**

21 A It matters because Monsanto desires first and foremost to be a non-firm customer of
22 a regulated utility. The concept of forcing a non-firm customer to first "buy all-firm"

1 and then "sell a product" back to the utility is neither reasonable nor fair and in fact is
2 a fiction that does not reflect reality.

3 As I said before, Monsanto has been an exemplary curtailable customer for
4 over 50 years. As a long-standing customer, it should be able to continue its
5 relationship with RMP as a non-firm customer.

6 **Correct Allocation Method For Treating Non-Firm Loads**

7 **Q HOW SHOULD THE FACT THAT MONSANTO IS SERVED AT A LOWER**
8 **QUALITY OF SERVICE BE REFLECTED IN THE ALLOCATION OF**
9 **PACIFICORP'S SYSTEM COSTS?**

10 A A proper allocation method would allocate costs only to those loads designated as
11 firm. As explained by Mr. Collins, the Company has not planned for, or acquired
12 resources, on the basis of Monsanto's loads. Consequently, the inclusion of peak
13 demands placed on the system as the result of serving Monsanto's non-firm load
14 should be removed from any inter-jurisdictional allocation.

15 **Q HAVE YOU PERFORMED THIS CORRECT ALLOCATION?**

16 A Yes. To accomplish this allocation, I revised the Company's Jurisdictional Allocation
17 Model ("JAM") study in three areas. First, Idaho's industrial revenue (Account 442)
18 was reduced by the amount of firm revenue that the Company had imputed for
19 Monsanto's non-firm load. Second, the cost associated with the existing "Interruptible
20 Credit" which the Company put into the net power costs was removed from Account
21 555. And third, the monthly coincident peaks of Idaho were reduced by Monsanto's
22 curtailable load. As a result of these changes to the JAM study, the Idaho increase of
23 \$27.7 million in the Company's filing is reduced to \$15.7 million, or a reduction of
24 \$12.0 million.

1 **Q WHAT DOES THIS \$12.0 MILLION REDUCTION REPRESENT?**

2 A The \$12.0 million represents the benefit to Idaho associated with a lower allocation of
3 costs by virtue of the fact that the bulk of Monsanto's loads are served at a lower
4 quality of service, and should not be allocated a share of the system costs on the
5 basis of their peak demand. The Company's allocation model, in contrast, makes no
6 reference or recognition of either Monsanto's non-firm attributes or any associated
7 benefits.

8 **Q HAS THE COMPANY TREATED ANY OTHER CURTAILABLE LOAD THROUGH A**
9 **REDUCTION TO COINCIDENT PEAK?**

10 A Yes, I find two instances of this precedent. In this case, the Idaho peaks for June,
11 July and August were reduced by approximately 185 MW in recognition of the
12 irrigator's load curtailment program. And in Utah, expected reductions in Magcorp's
13 interruptible load for economic curtailments were made to the peaks in that
14 jurisdiction.⁵

15 **Q DOES THE JAM STUDY PROVIDE FOR A PORTION OF FIXED COSTS TO BE**
16 **ALLOCATED ON THE BASIS OF MONSANTO'S NON-FIRM ENERGY?**

17 A Yes. Fixed costs in the JAM study are allocated on the basis of the "SG" allocator
18 which is based on a 75/25 split: 75% on 12 CP, and 25% on energy. Since the
19 revised JAM study still includes the 1,306,333 MWH of non-firm energy of Monsanto,
20 a portion of fixed costs are allocated on the basis of Monsanto's non-firm load by the
21 nature of the SG allocator's 75/25 split.

⁵ Response to Monsanto Data Request 1.31

1 **Q HOW SHOULD THIS IDAHO BENEFIT OF \$12 MILLION BE USED TO MITIGATE**
2 **THE COMPANY'S PROPOSED RATE INCREASE OF \$27.7 MILLION?**

3 A Monsanto assumes all the risks associated with taking interruptible service, as well as
4 the additional costs associated with either lost production or higher prices in order to
5 buy-through energy. Consequently, the vast majority of the benefit should rightfully
6 accrue to Monsanto, and the other ratepayers of Idaho receive a smaller share of the
7 benefit. I recommend that this benefit be shared 90/10 between Monsanto and the
8 rest of the ratepayers. Thus, all parties are benefitted.

9 **Q WHAT DOES THIS MEAN FOR MONSANTO'S RATE IMPACT?**

10 A The Company's proposed increase of \$11.7 million to Monsanto should be reduced
11 by 90% of the \$12 million benefit, or \$10.8 million. This results in an increase to
12 Monsanto of \$0.9 million, or roughly 2%.

13 The remaining \$1.2 million of benefit could be applied to the other customers
14 of Idaho to mitigate their rate increases as proposed by the Company.

15 **Q DO YOU RECOMMEND THAT MONSANTO'S RATES BE INCREASED BY 2%?**

16 A No. This analysis assumes no change is made to the Company's requested revenue
17 requirement. As I explain in a later section, Monsanto recommends several
18 adjustments be made to the Company's revenue requirement. When these
19 adjustments are included in the analysis, the results show that Monsanto requires no
20 increase.

1 **"All Firm" Approach Used By Company**

2 **Q THE COMPANY CLAIMS THAT THE PRICE INCREASES REQUESTED IN THIS**
3 **CASE REPRESENT ITS ACTUAL COSTS OF SERVING MONSANTO. DO YOU**
4 **AGREE WITH THEIR ASSESSMENT?**

5 A No. The allocation process and costs presented by the Company all assume
6 Monsanto is served under firm rates. No where does the Company reflect the actual
7 costs of serving Monsanto as a non-firm customer.

8 **Q HOW DOES YOUR CORRECT ALLOCATION TREATMENT COMPARE TO THE**
9 **ALLOCATION PROCESS USED BY THE COMPANY?**

10 A The Company uses an "All Firm" approach whereby Monsanto is treated as a firm
11 customer and allocated system costs on its entire load. Revenues are adjusted
12 upwards to reflect the elimination of the "Interruptible Credit," and the net power cost
13 study includes the cost of the "Interruptible Credit" which is allocated to the system.

14 **Q HOW DOES THE COMPANY RECOGNIZE THE LOWER QUALITY OF SERVICE**
15 **THAT MONSANTO TAKES IN THE COST ALLOCATION PROCESS?**

16 A It doesn't. Both the JAM study and the Idaho class cost of service study make no
17 adjustment for Monsanto's non-firm service.

18 **Q IF THERE IS NO RECOGNITION IN THE COST ALLOCATION PROCESS, HOW**
19 **DOES THE COMPANY REFLECT MONSANTO'S NON-FIRM SERVICE?**

20 A After the Company determines the full cost to serve Monsanto as a firm customer, it
21 then deducts from this full cost a credit to recognize the value of Monsanto's
22 interruptibility.

1 **Q ARE THERE PROBLEMS WITH THE "ALL FIRM" APPROACH FOR SETTING**
2 **RATES FOR MONSANTO'S NON-FIRM SERVICE?**

3 A Yes, several. First, the "All Firm" approach fundamentally ignores both the planning
4 reality that Monsanto's loads are non-firm, and the long-standing history of non-firm
5 service to Monsanto.

6 Second, the "All Firm" method has continually brought additional system costs
7 to Idaho's jurisdiction that have raised costs to Idaho year after year, and in particular,
8 to Monsanto. With the Company's plan to make substantial capital investments, even
9 more system costs will be allocated to Idaho under the "All Firm" method with a blind
10 eye towards Monsanto's non-firm service.

11 Third, in order to form a complete picture of the evaluation of Monsanto's
12 rates, the cost of service in the "All Firm" method cannot stand alone -- it requires a
13 separate valuation of interruptibility. Without this critical valuation, the results of the
14 "All Firm" cost studies are incomplete. Despite its critical importance, the Company
15 provided no direct testimony whatsoever in its May 28, 2010 filing with regard to the
16 valuation of Monsanto's curtailment.⁶

17 Fourth, while the firm rates developed for Monsanto's non-firm loads in the "All
18 Firm" approach are based on regulatory principles of all-in costs for utility resources
19 (i.e., expenses plus return on rate base), the Company historically values Monsanto's
20 curtailment using short-term market prices and "lost profits." Hence, the "All Firm"
21 approach is no different conceptually than requiring Monsanto to pay firm rates for its
22 non-firm service with only a short-run credit.

⁶ On September 30, 2010, the Company filed supplemental testimony with the Commission regarding the economic valuation of interruptible products. Order No. 32098 established a separate schedule on this issue with Staff/Intervenor direct testimony to be filed December 22, 2010.

1 Fifth, the "All Firm" approach fails miserably as a fair treatment for non-firm
2 customers. As the Company brings on-line more and more resources, it raises the
3 firm rates in the "All Firm" cost study that non-firm loads must first pay before they
4 can receive any discount for their interruptibility. However, the Company then points
5 to its new resource stack and claims with a straight face that Monsanto's "curtailment
6 products" are now less valuable. There is no way to have a fair outcome when the
7 deck is stacked in this manner.

8 Sixth, the "All Firm" approach forces Monsanto into a position of "selling" its
9 "curtailment product" back to the Company. Thus, Monsanto is placed in the unique
10 position that it must first buy non-firm power at firm rates from a monopoly, and then it
11 can "sell" its "product" back to a monopsony⁷ that has substantial, and potentially
12 abusive, market power.

13 **Q YOU MENTIONED EARLIER THAT IN THE "ALL FIRM" APPROACH, THE**
14 **VALUATION IS CRITICAL. HAS MONSANTO UPDATED THE VALUATION?**

15 **A** Yes. A proper valuation of Monsanto's curtailment should reflect the avoidance of
16 capacity and energy. In response to Order No. 32098, the quantification regarding
17 the economic valuation of Monsanto's interruptible products will be provided
18 separately in direct testimony to be filed December 22, 2010.

⁷ In a monopoly, there is only one seller of goods or services. In a monopsony, there exists a single buyer of a service or good.

1 **Revised Protocol Docket PAC-E-02-3**

2 **Q WHAT IS THE COMPANY'S BASIS FOR DETERMINING THAT MONSANTO'S**
3 **ENTIRE LOAD INCLUDING THE NON-FIRM PORTION BE TREATED AS FIRM IN**
4 **THE ALLOCATION OF JURISDICTIONAL COSTS?**

5 A As explained in response to Monsanto Data Request No. 1.26, the Company utilized
6 the Revised Protocol methodology which was approved by the Idaho Public Utilities
7 Commission in Docket No. PAC-E-02-3, Order No. 29708 on February 28, 2005.

8 **Q WAS MONSANTO A PARTY TO THAT STIPULATION AND AGREEMENT FILED**
9 **ON NOVEMBER 4, 2004?**

10 A Yes, it was.

11 **Q WHAT HAS CHANGED SINCE THAT TIME?**

12 A In signing the Stipulation in Docket No. PAC-E-02-3, all parties recognized that
13 circumstances might change such that it might not be sensible for them to continue to
14 support the Revised Protocol. Monsanto finds itself at that point today, given the
15 persistent rate increases it has endured these last several years, and the enormous
16 rate increases ahead.

17 At the time Monsanto agreed to use of the Revised Protocol method,
18 Monsanto was in its first year of the three-year agreement (2004 - 2006) resulting
19 from Docket No. PAC-01-16. Monsanto had just received a hefty rate increase of
20 25% based on the Commission's Order to bring Monsanto to cost of service together
21 with an offset to reflect curtailment. It was Monsanto's understanding that the
22 Company would continue its pattern of limiting rate increases due to rising costs, and
23 that Monsanto would see increases consistent with the system. This has clearly not
24 been the actual case however. The Company began an unprecedented capital

1 investment cycle and Monsanto has witnessed increases year after year to the firm
2 component of its Schedule 400 rates. Only through negotiation and offering
3 additional hours of curtailment has Monsanto been able to lessen the impact of these
4 increases.

5 Monsanto was also willing to go along with the Stipulation with the expectation
6 that any valuation of its "product" would be fair and reasonably reflect Monsanto's
7 lower quality of service, as the results from Docket No. PAC-01-16 had shown. The
8 Company, though, has consistently denied in the past that Monsanto's curtailment
9 avoids capacity and has instead based its valuation on their "lost profits" and short-
10 term reduction in expenses only. Thus, the expectation that the valuation component
11 of the Revised Protocol's "All Firm" approach would help to keep rates affordable for
12 Monsanto, and reduce the need to argue cost of service has simply not transpired.

13 **Q SHOULD THE REVISED PROTOCOL "ALL FIRM" APPROACH TO TREATING**
14 **MONSANTO'S NON-FIRM LOADS BE AMENDED?**

15 **A** Yes. Circumstances have changed since 2004 and Monsanto believes the Revised
16 Protocol "All Firm" approach produces results that are not just, reasonable and in the
17 public interest. Monsanto has serious concerns about how much, if any, benefit the
18 Idaho jurisdiction receives from the current Revised Protocol for the fact that 40% of
19 its load is served at a lower quality of service. In addition, as explained in Mr.
20 Peseau's testimony, Monsanto also is concerned with how this new era of massive
21 renewable resource development and speculative transmission investment in the
22 western United States will affect Idaho. The continued use of the Revised Protocol
23 will have long-term consequences for Idaho, and the time to begin its re-evaluation is
24 today.

1 **Q IS THERE A CURRENT DOCKET REQUESTING APPROVAL OF AMENDMENTS**
2 **TO THE REVISED PROTOCOL?**

3 A Yes. The Company recently filed a docket requesting amendments to the current
4 Revised Protocol allocation method (Docket No. PAC-E-10-09, filed September 15,
5 2010). As the largest single customer on the PacifiCorp system, the dynamics of
6 regulatory treatment of Monsanto will impact costs to both the state, as well as
7 Monsanto. Consequently, the opportunity to address issues regarding the allocation
8 of system costs to non-firm loads should be explored in this new docket. However,
9 those issues deserve review here in this general rate case as well, since this is truly
10 "where the rubber meets the road."

11 **Q PLEASE SUMMARIZE YOUR FINDINGS ON THE PROPER TREATMENT OF**
12 **MONSANTO'S NON-FIRM SERVICE?**

13 A Under a correct allocation process, the loads to Idaho would reflect only firm loads.
14 The JAM study as revised to reflect this correct approach reduces the increase to
15 Idaho by \$12 million. Applying 90% of the \$12 million benefit to Monsanto lowers
16 their proposed increase from \$11.7 million to \$0.9 million. This is in stark contrast to
17 the Company's request for an increase of up to \$22.3 million.

18 The "All Firm" approach has many problems and, in particular, without a
19 proper valuation of Monsanto's interruptibility, the "All Firm" cost of service results
20 provided by the Company in its May 28, 2010 Application are incomplete. In
21 response to Order No. 32098, the quantification regarding the economic valuation of
22 Monsanto's interruptible products will be provided separately in direct testimony to be
23 filed December 22, 2010.

1 In the next section, I will address the modifications to the Company's revenue
2 requirements which will further reduce the impact to all customers, including
3 Monsanto.

4 **V. MODIFICATIONS TO REVENUE REQUIREMENTS**

5 **Q WHAT ARE THE RESULTS OF THE IDAHO CLASS COST STUDY AS FILED BY**
6 **ROCKY MOUNTAIN POWER?**

7 **A** Table 1 presents the results of RMP's cost study:

	<u>Present Revenue</u>	<u>Increase (Decrease) to Equal ROR</u>	<u>Percentage Change</u>
Residential	\$ 59,629,447	\$ 6,403,185	10.7
General Service	37,447,761	5,086,319	13.6
Irrigation	39,845,737	3,852,416	9.7
Other	1,134,740	(100,532)	(8.9)
Agrium	4,466,432	715,346	16.0
Monsanto	<u>59,524,497</u>	<u>11,741,139</u>	<u>19.7</u>
Total	\$202,048,614	\$27,697,872	13.7

Source: Exhibit No. 47, page 2 of 2

1 **Q DOES MONSANTO AGREE THAT IDAHO RATES SHOULD BE INCREASED BY**
2 **\$27.7 MILLION?**

3 A No. The testimonies of Messrs. Gorman, Peseau and Widmer provide adjustments to
4 the Company's revenue requirements analysis. As a result of their adjustments, the
5 total increase to Idaho is approximately \$11.8 million.

6 **Q PLEASE DESCRIBE AND QUANTIFY THE IMPACTS ASSOCIATED WITH EACH**
7 **OF THESE WITNESSES.**

8 A Mr. Gorman's testimony addresses the return on equity and proposes that it not
9 exceed 9.5%, and also makes adjustments to the capital structure. As a result of his
10 recommendation alone, the Idaho revenue price change is reduced from \$27.7 million
11 down to \$20.0 million, a reduction of \$7.7 million. The results are summarized on
12 **Exhibit 230 (KEI-2),** page 1.

13 Mr. Peseau's testimony addresses the regulatory treatment of the Gateway
14 transmission asset the Company has included in its filing. As a result of Mr. Peseau's
15 recommendation alone, the Idaho revenue price change is reduced from \$27.7 million
16 down to \$21.8 million, a reduction of \$5.9 million. The results are summarized on
17 **Exhibit 230 (KEI-2),** page 2.

18 Mr. Widmer's testimony addresses the Net Power Costs assumed by the
19 Company in their GRID modeling. Under the "All Firm" approach and Mr. Widmer's
20 power cost adjustments, the Idaho revenue price change is reduced from \$27.7
21 million down to \$25.0 million, a reduction of \$2.7 million. The results of these
22 adjustments are summarized on **Exhibit 230 (KEI-2),** page 3.

1 Q WHAT IS THE FULL IMPACT OF THESE REVENUE REQUIREMENT
2 ADJUSTMENTS ON THE REQUESTED INCREASE TO IDAHO?

3 A When all of these adjustments are reflected in the JAM study simultaneously, the "All
4 Firm" Idaho revenue price change is reduced from \$27.7 million down to \$11.8
5 million, a reduction of \$15.9 million. This results in an increase of 5.9% to the state
6 compared to the Company's requested 13.7% increase. **Exhibit 230 (KEI-2)**, page 4
7 provides a summary of the impact on Idaho.

8 Q HAVE YOU UPDATED THE IDAHO CLASS COST OF SERVICE TO REFLECT A
9 TARGET INCREASE OF \$11.8 MILLION?

10 A **Exhibit 231 (KEI-3)** provides the summary sheet of the class cost of service study
11 based on this target increase. Table 2 below summarizes the impact on the class
12 cost of service results with these adjustments.

TABLE 2

**RMP Results of Class Cost of Service
With Monsanto Adjustments**

	<u>Present Revenue</u>	<u>Increase (Decrease) to Equal ROR</u>	<u>Percentage Change</u>
Residential	\$ 59,629,447	\$ 2,267,238	3.8
General Service	37,447,761	1,953,181	5.2
Irrigation	39,845,737	1,052,826	2.6
Other	1,134,740	(153,512)	-13.5
Agrium	4,466,432	338,630	7.6
Monsanto	<u>59,524,497</u>	<u>6,378,098</u>	<u>10.7</u>
Total	\$202,048,614	\$11,836,461	5.9

Source: Exhibit No.231 (KEI-3)

1 Q YOU DESCRIBED A PREFERRED JURISDICTIONAL ALLOCATION THAT
2 INCLUDES PEAK DEMANDS ONLY OF FIRM LOADS. WHAT IS THE IMPACT TO
3 THE STATE OF IDAHO WHEN ONLY FIRM PEAK LOADS ARE INCLUDED IN
4 THE JAM STUDY, ALONG WITH THE ADJUSTMENTS DESCRIBED ABOVE?

5 A When the JAM study is updated to remove Monsanto's non-firm peak loads, the
6 increase to Idaho is \$4 million, or a reduction of \$7.9 million compared to the "All
7 Firm" method. When 90% of this benefit is applied to Monsanto's increase of \$6.4
8 million as shown above in Table 2, its increase is completely mitigated and no
9 increase is warranted to the current level of Monsanto's rates.

10 Q WHAT IS THE IMPACT TO MONSANTO WITH MONSANTO'S UPDATED
11 VALUATION?

12 A The quantification regarding the economic valuation of Monsanto's interruptible
13 products will be provided separately in direct testimony to be filed December 22,
14 2010.

15 VI. SCHEDULE 400 REVISIONS

16 Q PLEASE DESCRIBE SCHEDULE 400 USED FOR SERVICE TO MONSANTO.

17 A Schedule 400 is the rate tariff schedule available for providing Monsanto firm and
18 interruptible retail service of electric power and energy. The tariff provides both firm
19 and non-firm rates for service to Monsanto. This is because 9 MW of Monsanto's
20 load are firm and must be priced at the firm demand and firm energy charges.⁸ The
21 remaining load is served under the interruptible energy charge, as well as the

⁸ A monthly customer charge is also included under the Firm Power and Energy heading as well.

1 interruptible demand charge which, for confidential reasons, is not specified in the
2 public version of the schedule.

3 **Q WHAT RECOMMENDATIONS DO YOU MAKE FOR SCHEDULE 400?**

4 A Since Monsanto has gone to tariff standard, its 9 MW firm load can actually be served
5 under Electric Service Schedule No. 9 -- General Service -- High Voltage. It is my
6 understanding that this firm load was served under Schedule 9 in the past, but was
7 moved into the special contract at some point. As Schedule 9 offers service to
8 industrial customers in Idaho limited to a maximum power requirement of 15,000 kW,
9 Monsanto's 9 MW of firm power would qualify. I calculate that at current rates, the
10 revenues to serve 9 MW under Schedule 9 would be approximately \$3.3 million.

11 **Q WHAT RATE STRUCTURE DO YOU PROPOSE THEN FOR SCHEDULE 400?**

12 A The remaining non-firm load would remain as a special contract load and be served
13 under Schedule 400 at non-firm rates, with no need for separate firm and interruptible
14 rates. Consequently, I recommend a flat energy rate for the non-firm load served
15 under Schedule 400.

16 **Q WHY IS A FLAT ENERGY RATE PREFERABLE TO THE CURRENT SCHEDULE
17 400 RATE COMPONENTS?**

18 A There is both historical and current precedence for a flat energy rate for non-firm
19 service. Monsanto took non-firm service for many years under a flat energy rate, and
20 the latest interruptible contract signed by the Company (August 17, 2009) is based on

1 a simple flat energy rate.⁹ Furthermore, the need for a firm demand charge is
2 eliminated once the 9 MW are billed under Schedule 9.

3 The interruptible demand charge found in Schedule 400 is based on both a
4 firm rate and an interruptible credit. The interruptible credit has proven to be a highly
5 contentious component of the rate design. Determining a cost to provide non-firm
6 service to Monsanto would eliminate the need for an interruptible credit to be applied
7 to the firm demand charge.

8 **Q DOES THIS CONCLUDE YOUR TESTIMONY IN THIS CASE?**

9 **A** Yes.

⁹ Response to Monsanto Data Request No. 1-30, Confidential Attachment.

Qualifications of Kathryn E. Iverson

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

2 A Kathryn E. Iverson; 17244 W. Cordova Court, Surprise, Arizona 85387.

3 **Q PLEASE STATE YOUR OCCUPATION.**

4 A I am a consultant in the field of public utility regulation with Brubaker & Associates,
5 Inc., energy, economic and regulatory consultants.

6 **Q PLEASE SUMMARIZE YOUR EDUCATIONAL BACKGROUND AND WORK
7 EXPERIENCE.**

8 A In 1980 I received a Bachelors of Science Degree in Agricultural Sciences from
9 Colorado State University, and in 1983, I received a Masters of Science Degree in
10 Economics from Colorado State University.

11 In March of 1984, I accepted a position as Rate Analyst with the consulting
12 firm Browne, Bortz and Coddington in Denver, Colorado. My duties included
13 evaluation of proposed utility projects, benefit-cost analysis of resource decisions,
14 cost of service studies and rate design, and analyses of transmission and substation
15 equipment purchases.

16 In February 1986, I accepted a position with Applied Economics Group, where
17 I was responsible for utility economic analysis including cogeneration projects,
18 computer modeling of power requirements for an industrial pumping facility, and
19 revenue impacts associated with various proposed utility tariffs. In January of 1989, I
20 was promoted to the position of Vice President. In this position, I assumed the
21 additional responsibilities of project leader on projects, including the analysis of
22 alternative cost recovery methods, pricing, rate design and DSM adjustment clauses,

1 and representation of a group of industrial customers on the Conservation and Least
2 Cost Planning Advisory Committee to Montana Power Company.

3 In March 1992, I accepted a position with ERG International Consultants, Inc.,
4 of Golden, Colorado as Senior Utility Economist. While at ERG, I was responsible for
5 the cost-effectiveness analysis of demand-side programs for Western Area Power
6 Administration customers. I also assisted in the development of a reference manual
7 on the process of Integrated Resource Planning including integration of supply and
8 demand resource, public participation, implementation of the resource plan and
9 elements of writing a plan. I lectured and provided instructional materials on the key
10 concept of life-cycle costing seminars held to provide resource planners and utility
11 decision-makers with a background and basic understanding of the fundamental
12 techniques of economic analysis. My work also included the evaluation of a marginal
13 cost of service study, assessment of avoided cost rates, and computer modeling
14 relating engineering simulation models to weather-normalized loads of schools in
15 California.

16 In November of 1994, I accepted a position with Drazen-Brubaker &
17 Associates, Inc. In April, 1995 the firm of Brubaker & Associates, Inc. was formed. It
18 includes most of the former DBA principals and Staff. Since joining this firm, I have
19 performed various analyses of integrated resource plans, examination of cost of
20 service studies and rate design, fuel cost recovery proceedings, as well as estimates
21 of transition costs and restructuring plans.

22 **Q HAVE YOU EVER TESTIFIED BEFORE A REGULATORY BODY?**

23 **A** Yes. I have testified before the regulatory commissions in Colorado, Georgia,
24 Michigan, Montana, Oregon, Texas, Washington and Wyoming.

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IDAHO PUBLIC
UTILITIES COMMISSION

Exhibit No. 229
Case No. PAC-E-10-07
Witness: Kathryn E. Iverson
Monsanto Company

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

Exhibit Accompanying Direct Testimony of Kathryn E. Iverson

Exhibit No. 229 (KEI-1)

History of Monsanto Increases and Average Costs Since 2003 Contract

On Behalf of

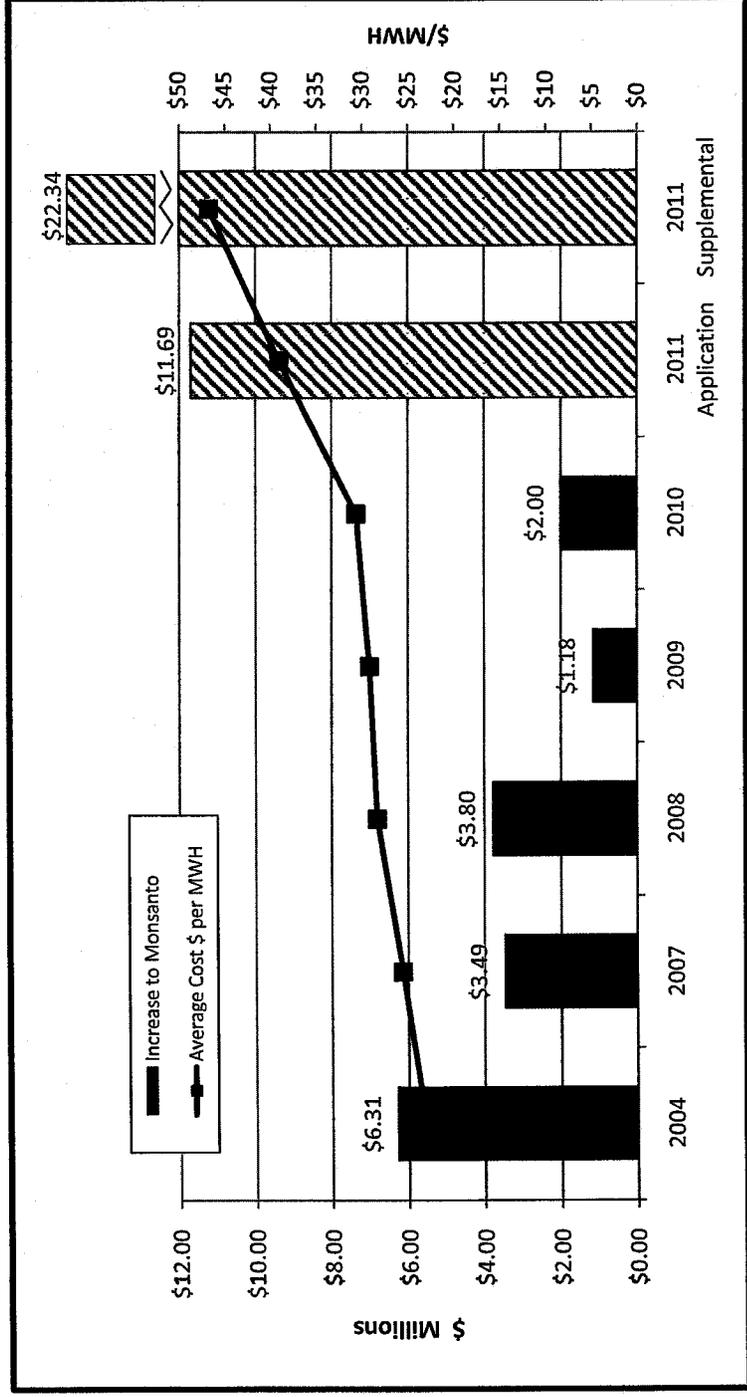
Monsanto Company

November 1, 2010

Project 9210



ROCKY MOUNTAIN POWER
History of Monsanto Increases and Average Costs Since 2003 Contract



% Rate Change - Monsanto	Curtailment Hours	% Rate Change - Others
24.6%	800	52.7%
10.9%	1,000	27.6%
10.7%	1,000	5.0%
3.0%	1,030	1,050

"Since 1986, the Company's overall Idaho base rates collected from the rate schedule classes (i.e., standard tariff customers excluding special contracts) have increased only four times, and the overall base rates from these rate schedule classes have increased less than four percent." Griffith Direct, p. 3

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IDAHO PUBLIC
UTILITIES COMMISSION

Exhibit No. 230
Case No. PAC-E-10-07
Witness: Kathryn E. Iverson
Monsanto Company

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

Exhibit Accompanying Direct Testimony of Kathryn E. Iverson

Exhibit No. 230 (KEI-2)

Idaho Results With Monsanto Adjustments to Revenue Requirements

On Behalf of

Monsanto Company

November 1, 2010

Project 9210



Rocky Mountain Power
 IDAHO
 Results of Operations - REVISED PROTOCOL
 12 Months Ended DECEMBER 2009
Results with Adjustment for Return on Equity and Capital Structure

	(1) Total Results	(2) Price Change	(3) Results with Price Change
1 Operating Revenues:			
2 General Business Revenues	202,733,162	19,966,571	222,699,733
3 Interdepartmental	-		
4 Special Sales	45,289,382		
5 Other Operating Revenues	13,773,492		
6 Total Operating Revenues	<u>261,796,035</u>		
7			
8 Operating Expenses:			
9 Steam Production	60,406,070		
10 Nuclear Production	-		
11 Hydro Production	2,133,930		
12 Other Power Supply	79,705,143		
13 Transmission	10,588,482		
14 Distribution	11,434,564		
15 Customer Accounting	4,643,836	46,409	4,690,245
16 Customer Service & Info	1,847,458		
17 Sales	-		
18 Administrative & General	11,494,297		
19			
20 Total O&M Expenses	182,253,781		
21			
22 Depreciation	27,477,478		
23 Amortization	2,100,480		
24 Taxes Other Than Income	5,735,330	-	5,735,330
25 Income Taxes - Federal	(17,779,881)	6,655,525	(11,124,356)
26 Income Taxes - State	(2,036,717)	904,375	(1,132,342)
27 Income Taxes - Def Net	25,508,213		
28 Investment Tax Credit Adj.	(201,494)		
29 Misc Revenue & Expense	(279,445)		
30			
31 Total Operating Expenses:	222,777,745	7,606,310	230,384,055
32			
33 Operating Rev For Return:	<u>39,018,291</u>	<u>12,360,261</u>	<u>51,378,552</u>
34			
35 Rate Base:			
36 Electric Plant In Service	1,168,782,728		
37 Plant Held for Future Use	(0)		
38 Misc Deferred Debits	4,174,115		
39 Elec Plant Acq Adj	3,352,852		
40 Nuclear Fuel	-		
41 Prepayments	2,570,335		
42 Fuel Stock	12,146,136		
43 Material & Supplies	9,955,906		
44 Working Capital	3,090,975		
45 Weatherization Loans	3,503,640		
46 Misc Rate Base	123,279		
47			
48 Total Electric Plant:	1,207,699,965	-	1,207,699,965
49			
50 Rate Base Deductions:			
51 Accum Prov For Deprec	(371,681,993)		
52 Accum Prov For Amort	(21,605,949)		
53 Accum Def Income Tax	(140,588,834)		
54 Unamortized ITC	(232,042)		
55 Customer Adv For Const	(947,697)		
56 Customer Service Deposits	-		
57 Misc Rate Base Deductions	(5,192,760)		
58			
59 Total Rate Base Deductions	(540,249,275)	-	(540,249,275)
60			
61 Total Rate Base:	<u>667,450,690</u>	-	<u>667,450,690</u>
62			
63 Return on Rate Base	5.846%		7.698%
64			
65 Return on Equity	5.774%		9.500%
66			
67 TAX CALCULATION:			
68 Operating Revenue	44,508,411	19,920,162	64,428,573
69 Other Deductions			
70 Interest (AFUDC)	(3,235,657)		(3,235,657)
71 Interest	19,756,540	-	19,756,540
72 Schedule "M" Additions	43,239,731	-	43,239,731
73 Schedule "M" Deductions	113,145,215	-	113,145,215
74 Income Before Tax	(41,917,956)	19,920,162	(21,997,794)
75			
76 State Income Taxes	(2,036,717)	904,375	(1,132,342)
77 Taxable Income	<u>(39,881,239)</u>	<u>19,015,787</u>	<u>(20,865,452)</u>
78			
79 Federal Income Taxes + Other	(17,779,881)	6,655,525	(11,124,356)

Rocky Mountain Power
 IDAHO
 Results of Operations - REVISED PROTOCOL
 12 Months Ended DECEMBER 2009
Results with Adjustment for Gateway

	(1) Total Results	(2) Price Change	(3) Results with Price Change
1 Operating Revenues:			
2 General Business Revenues	202,733,162	21,776,355	224,509,517
3 Interdepartmental	-		
4 Special Sales	45,289,382		
5 Other Operating Revenues	13,773,492		
6 Total Operating Revenues	<u>261,796,035</u>		
7			
8 Operating Expenses:			
9 Steam Production	60,406,070		
10 Nuclear Production	-		
11 Hydro Production	2,133,930		
12 Other Power Supply	79,705,561		
13 Transmission	10,588,482		
14 Distribution	11,434,564		
15 Customer Accounting	4,643,836	50,616	4,694,452
16 Customer Service & Info	1,847,458		
17 Sales	-		
18 Administrative & General	11,494,297		
19			
20 Total O&M Expenses	<u>182,254,199</u>		
21			
22 Depreciation	26,590,152		
23 Amortization	2,100,480		
24 Taxes Other Than Income	5,735,330	-	5,735,330
25 Income Taxes - Federal	(16,337,547)	7,258,787	(9,078,760)
26 Income Taxes - State	(1,797,825)	986,349	(811,476)
27 Income Taxes - Def Net	25,007,150		
28 Investment Tax Credit Adj.	(201,494)		
29 Misc Revenue & Expense	(279,445)		
30			
31 Total Operating Expenses:	<u>223,071,000</u>	<u>8,295,751</u>	<u>231,366,751</u>
32			
33 Operating Rev For Return:	<u>38,725,035</u>	<u>13,480,604</u>	<u>52,205,639</u>
34			
35 Rate Base:			
36 Electric Plant In Service	1,124,630,412		
37 Plant Held for Future Use	(0)		
38 Misc Deferred Debits	4,174,115		
39 Elec Plant Acq Adj	3,352,852		
40 Nuclear Fuel	-		
41 Prepayments	2,570,335		
42 Fuel Stock	12,146,136		
43 Material & Supplies	9,955,906		
44 Working Capital	3,112,711		
45 Weatherization Loans	3,503,640		
46 Misc Rate Base	123,279		
47			
48 Total Electric Plant:	<u>1,163,569,385</u>	<u>-</u>	<u>1,163,569,385</u>
49			
50 Rate Base Deductions:			
51 Accum Prov For Deprec	(370,794,668)		
52 Accum Prov For Amort	(21,605,949)		
53 Accum Def Income Tax	(140,087,771)		
54 Unamortized ITC	(228,311)		
55 Customer Adv For Const	(947,697)		
56 Customer Service Deposits	-		
57 Misc Rate Base Deductions	(5,192,760)		
58			
59 Total Rate Base Deductions	<u>(538,857,154)</u>	<u>-</u>	<u>(538,857,154)</u>
60			
61 Total Rate Base:	<u>624,712,230</u>	<u>-</u>	<u>624,712,230</u>
62			
63 Return on Rate Base	6.199%		8.357%
64			
65 Return on Equity	6.458%		10.600%
66			
67 TAX CALCULATION:			
68 Operating Revenue	45,395,319	21,725,739	67,121,058
69 Other Deductions			
70 Interest (AFUDC)	(3,235,657)		(3,235,657)
71 Interest	17,603,891	-	17,603,891
72 Schedule "M" Additions	42,352,405	-	42,352,405
73 Schedule "M" Deductions	110,937,599	-	110,937,599
74 Income Before Tax	<u>(37,558,109)</u>	<u>21,725,739</u>	<u>(15,832,369)</u>
75			
76 State Income Taxes	(1,797,825)	986,349	(811,476)
77 Taxable Income	<u>(35,760,284)</u>	<u>20,739,391</u>	<u>(15,020,893)</u>
78			
79 Federal Income Taxes + Other	<u>(16,337,547)</u>	<u>7,258,787</u>	<u>(9,078,760)</u>

Rocky Mountain Power
 IDAHO
 Results of Operations - REVISED PROTOCOL
 12 Months Ended DECEMBER 2009
Results with Adjustment for Net Power Cost Study ("All Firm")

	(1) Total Results	(2) Price Change	(3) Results with Price Change
1 Operating Revenues:			
2 General Business Revenues	202,733,162	24,996,829	227,729,990
3 Interdepartmental	-		
4 Special Sales	46,121,176		
5 Other Operating Revenues	13,773,492		
6 Total Operating Revenues	<u>262,627,829</u>		
7			
8 Operating Expenses:			
9 Steam Production	60,683,687		
10 Nuclear Production	-		
11 Hydro Production	2,133,930		
12 Other Power Supply	77,716,505		
13 Transmission	10,437,206		
14 Distribution	11,434,564		
15 Customer Accounting	4,643,836	58,101	4,701,937
16 Customer Service & Info	1,847,458		
17 Sales	-		
18 Administrative & General	11,494,297		
19			
20 Total O&M Expenses	<u>180,391,483</u>		
21			
22 Depreciation	27,477,478		
23 Amortization	2,100,480		
24 Taxes Other Than Income	5,735,330	-	5,735,330
25 Income Taxes - Federal	(16,577,504)	8,332,278	(8,245,226)
26 Income Taxes - State	(1,829,678)	1,132,218	(697,460)
27 Income Taxes - Def Net	25,508,213		
28 Investment Tax Credit Adj.	(201,494)		
29 Misc Revenue & Expense	(279,445)		
30			
31 Total Operating Expenses:	<u>222,324,863</u>	<u>9,522,598</u>	<u>231,847,461</u>
32			
33 Operating Rev For Return:	<u>40,302,966</u>	<u>15,474,231</u>	<u>55,777,197</u>
34			
35 Rate Base:			
36 Electric Plant In Service	1,168,782,728		
37 Plant Held for Future Use	(0)		
38 Misc Deferred Debits	4,174,115		
39 Elec Plant Acq Adj	3,352,852		
40 Nuclear Fuel	-		
41 Prepayments	2,570,335		
42 Fuel Stock	12,146,136		
43 Material & Supplies	9,955,906		
44 Working Capital	3,086,777		
45 Weatherization Loans	3,503,640		
46 Misc Rate Base	123,279		
47			
48 Total Electric Plant:	<u>1,207,695,767</u>	<u>-</u>	<u>1,207,695,767</u>
49			
50 Rate Base Deductions:			
51 Accum Prov For Deprec	(371,681,993)		
52 Accum Prov For Amort	(21,605,949)		
53 Accum Def Income Tax	(140,588,834)		
54 Unamortized ITC	(227,704)		
55 Customer Adv For Const	(947,697)		
56 Customer Service Deposits	-		
57 Misc Rate Base Deductions	(5,192,760)		
58			
59 Total Rate Base Deductions	<u>(540,244,937)</u>	<u>-</u>	<u>(540,244,937)</u>
60			
61 Total Rate Base:	<u>667,450,830</u>	<u>-</u>	<u>667,450,830</u>
62			
63 Return on Rate Base	6.038%		8.357%
64			
65 Return on Equity	6.150%		10.600%
66			
67 TAX CALCULATION:			
68 Operating Revenue	47,202,503	24,938,727	72,141,230
69 Other Deductions			
70 Interest (AFUDC)	(3,235,657)		(3,235,657)
71 Interest	18,808,230	-	18,808,230
72 Schedule "M" Additions	43,239,731	-	43,239,731
73 Schedule "M" Deductions	113,145,215	-	113,145,215
74 Income Before Tax	<u>(38,275,554)</u>	<u>24,938,727</u>	<u>(13,336,827)</u>
75			
76 State Income Taxes	(1,829,678)	1,132,218	(697,460)
77 Taxable Income	<u>(36,445,876)</u>	<u>23,806,509</u>	<u>(12,639,367)</u>
78			
79 Federal Income Taxes + Other	<u>(16,577,504)</u>	<u>8,332,278</u>	<u>(8,245,226)</u>

Rocky Mountain Power
 IDAHO
 Results of Operations - REVISED PROTOCOL
 12 Months Ended DECEMBER 2009
Results with All Adjustments ("All Firm")

	(1) Total Results	(2) Price Change	(3) Results with Price Change
1 Operating Revenues:			
2 General Business Revenues	202,733,162	11,836,461	214,569,623
3 Interdepartmental	-		
4 Special Sales	46,121,176		
5 Other Operating Revenues	13,773,492		
6 Total Operating Revenues	<u>262,627,829</u>		
7			
8 Operating Expenses:			
9 Steam Production	60,683,687		
10 Nuclear Production	-		
11 Hydro Production	2,133,930		
12 Other Power Supply	77,716,087		
13 Transmission	10,437,206		
14 Distribution	11,434,564		
15 Customer Accounting	4,643,836	27,512	4,671,348
16 Customer Service & Info	1,847,458		
17 Sales	-		
18 Administrative & General	11,494,297		
19			
20 Total O&M Expenses	180,391,065		
21			
22 Depreciation	26,590,152		
23 Amortization	2,100,480		
24 Taxes Other Than Income	5,735,330	-	5,735,330
25 Income Taxes - Federal	(15,719,450)	3,945,488	(11,773,962)
26 Income Taxes - State	(1,755,975)	536,126	(1,219,849)
27 Income Taxes - Def Net	25,007,150		
28 Investment Tax Credit Adj.	(201,494)		
29 Misc Revenue & Expense	(279,445)		
30			
31 Total Operating Expenses:	221,867,813	4,509,126	226,376,939
32			
33 Operating Rev For Return:	<u>40,760,016</u>	<u>7,327,335</u>	<u>48,087,351</u>
34			
35 Rate Base:			
36 Electric Plant In Service	1,124,630,412		
37 Plant Held for Future Use	(0)		
38 Misc Deferred Debits	4,174,115		
39 Elec Plant Acq Adj	3,352,852		
40 Nuclear Fuel	-		
41 Prepayments	2,570,335		
42 Fuel Stock	12,146,136		
43 Material & Supplies	9,955,906		
44 Working Capital	3,098,823		
45 Weatherization Loans	3,503,640		
46 Misc Rate Base	123,279		
47			
48 Total Electric Plant:	1,163,555,497	-	1,163,555,497
49			
50 Rate Base Deductions:			
51 Accum Prov For Deprec	(370,794,668)		
52 Accum Prov For Amort	(21,605,949)		
53 Accum Def Income Tax	(140,087,771)		
54 Unamortized ITC	(231,436)		
55 Customer Adv For Const	(947,697)		
56 Customer Service Deposits	-		
57 Misc Rate Base Deductions	(5,192,760)		
58			
59 Total Rate Base Deductions	(538,860,279)	-	(538,860,279)
60			
61 Total Rate Base:	<u>624,695,218</u>	-	<u>624,695,218</u>
62			
63 Return on Rate Base	6.525%		7.698%
64			
65 Return on Equity	7.140%		9.500%
66			
67 TAX CALCULATION:			
68 Operating Revenue	48,090,246	11,808,949	59,899,195
69 Other Deductions			
70 Interest (AFUDC)	(3,235,657)		(3,235,657)
71 Interest	18,490,978	-	18,490,978
72 Schedule "M" Additions	42,352,405	-	42,352,405
73 Schedule "M" Deductions	110,937,599	-	110,937,599
74 Income Before Tax	(35,750,269)	11,808,949	(23,941,320)
75			
76 State Income Taxes	(1,755,975)	536,126	(1,219,849)
77 Taxable Income	<u>(33,994,294)</u>	<u>11,272,823</u>	<u>(22,721,471)</u>
78			
79 Federal Income Taxes + Other	(15,719,450)	3,945,488	(11,773,962)

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IDAHO PUBLIC UTILITIES COMMISSION

Exhibit No. 231
Case No. PAC-E-10-07
Witness: Kathryn E. Iverson
Monsanto Company

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

Exhibit Accompanying Direct Testimony of Kathryn E. Iverson

Exhibit No. 231 (KEI-3)

**Summary of Idaho Class Cost of Service Study
with Monsanto Adjustments to Revenue Requirements**

On Behalf of

Monsanto Company

November 1, 2010

Project 9210



BRUBAKER & ASSOCIATES, INC.

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

12 Months Ending December 2010
Results with Adjustments for Return on Equity, Capital Structure, Gateway, Net Power Costs ("All Firm")
7.70% = Target Return on Rate Base

Line No.	Schedule No.	Description	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	7.92%	1.21	39,592,905	21,580,457	1,968,730	11,682,286	4,193,879	167,553	587,747	1.51%
2	36	Residential - TOD	20,624,289	5.90%	0.90	22,303,780	13,974,334	1,256,500	5,459,327	1,536,007	77,612	1,679,491	8.14%
3	06, 35	General Service - Large	20,075,670	6.51%	1.00	21,336,013	16,237,993	1,481,811	3,415,942	143,863	56,404	1,260,343	6.28%
5	09	General Service - High Voltage	5,062,482	6.57%	1.01	5,345,040	4,896,836	406,879	17,250	10,474	13,601	282,558	5.56%
6	10	Irrigation	39,845,737	7.56%	1.16	40,898,563	25,775,323	2,219,103	12,614,822	174,354	114,961	1,052,826	2.84%
7	07, 11, 12	Street & Area Lighting	600,521	43.66%	6.69	426,704	100,475	5,247	274,198	44,128	2,656	(173,817)	-28.94%
8	19	Space Heating	534,219	7.26%	1.11	554,524	403,208	37,877	100,426	11,357	1,655	20,305	3.80%
9	23	General Service - Small	12,309,609	7.38%	1.13	12,719,889	8,002,078	751,168	3,119,454	801,542	45,646	410,280	3.33%
10	SPC	Contract 1	59,524,487	4.91%	0.75	65,902,595	60,462,830	5,180,889	102,271	(2,109)	158,715	6,378,098	10.72%
11	SPC	Contract 2	4,466,432	5.80%	0.89	4,805,062	4,337,069	352,044	103,568	465	11,917	338,630	7.56%
12	Total	State of Idaho	202,048,614	6.52%	1.00	213,885,075	155,770,603	13,660,248	36,889,544	6,913,959	650,721	11,836,461	5.86%

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.