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LOUIS F. RACINE (1917-2005)
WILLIAM D. OLSON, OF
COUNSEL

October 28, 2010

Jean D. Jewell
Commission Secretary
Idaho Public Utilities Commission
472 W. Washington
Boise, ID 83702

Re: Case No. PAC-E-10-7

Dear Ms. Jewell:

In compliance with the Commission's October 22, 2010 Order No. 32098, please find enclosed for filing an original and nine copies of the following filed on behalf of Monsanto Company:

1. Witness List and Exhibit List of Intervenor Monsanto Company.
2. Summary of Testimony.
3. Direct Testimony of James R. Smith, Mark Widmer, Kathryn E. Iverson and Brian Collins.
4. Confidential Direct Testimony of Mark Widmer.
5. Exhibit Nos. 229, 230 and 231 (KEI).

Also enclosed is a CD containing an electronic copy of these new filings.

These new filings replace the same prior filings made October 14, 2010 which should be removed from the file and website. The Confidential Direct Testimony of Mark Widmer provided on yellow paper contains pages 27 and 31 from his Direct Testimony containing information based upon company data responses marked "Confidential". As such, this Confidential Testimony should be filed under seal and not posted on the website.

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The testimony of Monsanto witnesses Kevin Lawrence, Dennis Peseau and Michael Gorman is unchanged and will remain as previously filed. All Monsanto exhibits will remain as previously filed, except for Exhibit Nos. 232 (BCC-1) and 233 (BCC-2) which may be removed from the record.

Thank you for your assistance.

Sincerely,



RANDALL C. BUDGE

RCB:rr
Enclosures
c: Service List

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Attorneys for Intervenor 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

**DIRECT TESTIMONY AND EXHIBITS OF
INTERVENOR MONSANTO COMPANY**

Submitted November 1, 2010

MONSANTO WITNESS LIST:

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1. Kevin P. Lawrence
2. James R. Smith
3. Michael Gorman
4. Dennis Peseau
5. Mark Widmer
6. Kathryn E. Iverson
7. Brian Collins

MONSANTO EXHIBIT LIST:

- | | |
|--------------------------|---|
| Exhibit No. 201 (JRS-1) | Schematic-Phosphorus Manufacturing Process |
| Exhibit No. 202 (MPG-1) | Rate of Return |
| Exhibit No. 203 (MPG-2) | Proxy Group |
| Exhibit No. 204 (MPG-3) | Growth Rates |
| Exhibit No. 205 (MPG-4) | Constant Growth DCF Model |
| Exhibit No. 206 (MPG-5) | Electricity Sales Are Linked to U.S. Economic Growth |
| Exhibit No. 207 (MPG-6) | Proxy Group Payout Ratios |
| Exhibit No. 208 (MPG-7) | Sustainable Growth Rates |
| Exhibit No. 209 (MPG-8) | Sustainable Constant Growth DCF Model |
| Exhibit No. 210 (MPG-9) | Multi-Stage Growth DCF Model |
| Exhibit No. 211 (MPG-10) | Electric Utility Market/Book Ratio |
| Exhibit No. 212 (MPG-11) | Electric Equity Risk Premium – Treasury Bond |
| Exhibit No. 213 (MPG-12) | Electric Equity Risk Premium – Utility Bond |
| Exhibit No. 214 (MPG-13) | Utility Bond Yield Spreads |
| Exhibit No. 215 (MPG-14) | Utility and Treasury Bond Yields |
| Exhibit No. 216 (MPG-15) | Value Line Beta |
| Exhibit No. 217 (MPG-16) | CAPM Return |
| Exhibit No. 218 (MPG-17) | Standard & Poor's Credit Metrics |
| Exhibit No. 219 (MPG-18) | Adjusted Hadaway DCF |
| Exhibit No. 220 (MPG-19) | Accuracy of Interest Rate Forecasts |
| Exhibit No. 221 (DEP-1) | PacifiCorp's Website Description of Proposed Energy Gateway |
| Exhibit No. 222 (DEP-2) | PacifiCorp's Website Description of Proposed Gateway West |
| Exhibit No. 223 (DEP-3) | PacifiCorp's Website Description of Proposed Gateway South |
| Exhibit No. 224 (DEP-4) | Page 6 and 7 of Idaho MEHC Acquisition Order No. 29973 |
| Exhibit No. 225 (DEP-5) | Comparative Investment per Mile Costs of Gateway Central and Energy Gateway |
| Exhibit No. 226 (DEP-6) | Map of Western U.S. Competing Transmission Lines |
| Exhibit No. 227 (DEP-7) | Copy of PacifiCorp's Response to Monsanto Data Request 4.5 |
| Exhibit No. 228 (MW-1) | Qualifications of Mark T. Widmer |

- Exhibit No. 229 (KEI-1) History of Monsanto Increases and Average Costs Since 2003 Contract
- Exhibit No. 230 (KEI-2) Idaho Results with Monsanto Adjustments to Revenue Requirements
- Exhibit No. 231 (KEI-3) Summary of Idaho Class Cost of Service Study with Monsanto Adjustments to Revenue Requirements

**MONSANTO COMPANY
SUMMARY OF TESTIMONY
PAC-E-10-07**

October 14, 2010

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Monsanto Company provides this summary of its testimony and exhibits filed in opposition to the general rate increases requested in the Application of Rocky Mountain Power, Division of PacifiCorp. Copies of Monsanto's filing are available on line on the Idaho Public Utilities Commission website at www.puc.idaho.gov; click on "Electric" and then select "Open Electric Cases" and then select "PAC-E-10-07".

KEVIN P. LAWRENCE

Vice President, Procurement, Engineering and Supply Chain, Monsanto Company, St. Louis

Kevin P. Lawrence, executive for the Monsanto Company headquartered in St. Louis, Missouri submitted direct testimony in the current Rocky Mountain Power rate case in Boise on Thursday, October 14th.

Monsanto has a key elemental phosphorus production facility located in Soda Springs, Idaho which is served by Rocky Mountain Power. The Soda Springs plant is the largest single connection point in the six state franchised territory served by the parent company, PacifiCorp.

Mr. Lawrence testified that electricity is the single largest cost component in the production of elemental phosphorus which is out of Monsanto's direct control. Elemental phosphorus is a key component in the production of Round Up herbicide, a flagship product for Monsanto, which is sold to farmers around the world.

He stated that the new multi-billion dollar transmission and renewable investments proposed by Rocky Mountain Power in this case are currently unnecessary to serve the customers in the State of Idaho.

Mr. Lawrence highlighted the business pressures that Monsanto has experienced in the past two years as a result of the competitive pressures by the Chinese as they restructured their elemental phosphorus industry and ultimately flooded the market with very low cost generic glyphosate. Monsanto's sales and earnings reports have documented dramatic declines as they attempt to reposition Round Up and recover the lost farmer demand. The bottom line for Monsanto is that they cannot absorb any additional costs which their competition is not also experiencing. They must offer a competitive product to their customers.

In closing, Mr. Lawrence indicated that Monsanto is committed to work with Rocky Mountain Power and the Idaho Utilities Commission to develop a solution which yields affordable power for the Soda Springs plant and, when combined with Monsanto's best in class manufacturing efficiencies, will give Monsanto long term competitive footing in their global marketplace.

JAMES R. SMITH:

Purchasing Lead - Monsanto Company, Soda Springs, Idaho

Witness James R. Smith describes how Monsanto has continuously operated since 1952 to mine phosphate ore and manufacture phosphorus used to produce glyphosate, the active ingredient in Roundup Herbicide. Mr. Smith describes how the glyphosate business has become extremely competitive with Chinese production undercutting sales and threatening the viability of the Soda Springs plant.

Mr. Smith describes how non-firm power is supplied to three furnaces which can be curtailed up to 1,050 hours per year up to 162 MW. With a load of 182 MW, the Soda Springs Plant is the largest single point customer of PacifiCorp with an annual electric bill exceeding \$42 million. Mr. Smith describes how in 2006, for the first time ever, Monsanto's became a tariff rate customer with new methodologies employed to establish to value Monsanto's non-firm service as if Monsanto was a "firm" customer with an "interruptible credit." These new methodologies were agreed to with the expectation that Monsanto would achieve rate stability and certainty which has not happened. Mr. Smith concludes that since Monsanto has always been a non-firm customer subject to curtailment and does not sell any power back to PacifiCorp, it is a complete fiction that does not reflect reality to price Monsanto as a firm customer with an interruptible credit. For these reasons and because of the benefits provided to the entire system, Monsanto proposes to amend the jurisdictional cost of service studies to better reflect Monsanto's non-firm service characteristics.

Mr. Smith describes how Monsanto's rates have dramatically and disproportionately increased since 2003 compared to other customers, a whopping 65% since 2003. If PacifiCorp's proposed \$22.3 million increase is approved, Monsanto's net rates will increase an incredible 153% since 2003.

During 2009 the Soda Springs plant was required to idle several furnaces over a course of several months as a result of lost market share due to competition from the Chinese in the glyphosate business. In the last twelve months the Soda Springs Plant has cut 15% of its salaried employees and continues to make changes and reorganize to reduce the cost of production.

Mr. Smith concludes that the Soda Springs Plant can only stay in business if it can produce phosphorus at competitive prices which require relatively stable electricity prices. Mr. Smith also discusses the tremendous economic benefits to the region provided by the Soda

Springs operations which will be lost if recent unplanned electricity price increases by PacifiCorp continue.

MICHAEL P. GORMAN:

Consultant – Brubaker and Associates, Inc.

Witness Michael P. Gorman recommend the Idaho Public Utilities Commission (“Commission”) award Rocky Mountain Power a return on common equity of 9.5%, which is the midpoint of his estimated range of 9.1% to 9.9%. He proposes adjustments to PacifiCorp’s proposed capital structure to exclude common equity supporting assets not devoted to utility operations. Based on his recommended return on equity and capital structure, Mr. Gorman recommends an overall rate of return of 7.70% for RMP. His recommended return on equity and capital structure will support RMP’s financial integrity, and provide fair compensation for the risk of utility operations.

Mr. Gorman also contends PacifiCorp proposed return on equity of 10.6% proposed by witness Hardaway’s is excessive and should be rejected.

DENNIS E. PESEAU:

Consultant – Utility Resources, Inc.

Dennis E. Peseau challenges PacifiCorp’s request in this case to include as a rate base addition some \$801.5 million for the proposed Gateway Central transmission line. Idaho would be allocated nearly \$45 million of these costs.

Mr. Peseau testifies that the Commission should instead defer the decision on the entire \$801.5 million rate base addition until the next general rate case in order to fully evaluate whether huge and costly transmission line is really used and useful, is vastly over built, and will cause Idaho ratepayers to pay the carrying costs of this project that will ultimately benefit California ratepayers and PacifiCorp shareholders. If adopted by the Commission, Mr. Peseau’s recommendation would reduce PacifiCorp’s requested rate increase by approximately \$5.9 million.

MARK T. WIDMER:

Consultant – Northwest Energy Consulting, LLC

Witness Mark T. Widmer’s testimony presents a primary recommendation which includes fifteen Net Power Cost reductions totaling \$47.37 million total Company and \$2.57 million Idaho. The proposed adjustments are made to reflect realistic operation of the

Company's system, match costs with benefits, make corrections and reflect reasonable results. The adjustments include: (1) elimination of the uneconomic APS Supplemental contract which provides the Company the option to take the energy but does not require it, (2) recovery of wind integration costs through the ECAM to ensure Idaho customers do not overpay for those costs, (3) inclusion of non-firm transmission because it pays a substantive part in the Company's ability to optimize its system, (4) inclusion of operating reserves for the Dunlap wind project, (5) exclusion of reserve shutdowns from the Company's forced outage rate calculation to ensure lost generation is not overstated, (6) inclusion of the latest expected in-service date for the Top of World wind project, (7) removal of Cal ISO expenses from May through December 2010 because there are no wholesale transactions to justify the costs and inclusion of actual Cal ISO expenses for the period January through April 2010 to match the inclusion of actual Cal ISO wholesale transactions for the same period, (8) revised timing for Colstrip 3 and Colstrip 4 planned outages to better optimize results of operation, (9) exclusion of the Energy Gateway transmission project to match Mr. Peseau's proposed adjustment, (10) correction of Cholla 4 capacity, (11) elimination of uneconomic Morgan Stanley call premiums, (12) proper normalization of Bear River hydro generation so it is consistent with normalization of other small hydro projects, (13) reshaping of the Black Hills wholesale sales dispatch to be consistent with historical dispatch by Black Hills, (14) correction of the Mona market size and, (15) elimination of a Naughton 3 forced outage to avoid double recovery by the Company, who already collected liquidated damages for this outage from its contractor.

If the Commission does not adopt Mr. Widmer's primary recommendation to recover wind integration costs solely through the ECAM, his secondary recommendation includes all of the adjustments proposed above except the wind integration adjustment, plus elimination of a double count of balancing wind integration costs included in the Company's filing and exclusion of wind integration costs for OATT customers because they are not the responsibility of retail customers and the Company's failure to request revision to its OATT so it can recover the costs from OATT customers should be the responsibility of stockholders not retail customers.

KATHRYN E. IVERSON:

Consultant – Brubaker and Associates, Inc.

Ms. Iverson's testimony first discusses Monsanto's predominately non-firm service and the rate impacts Monsanto has experienced recently. With four years of increases totaling \$10.5 million since 2007, this proceeding has the potential to increase Monsanto's rates by another \$8 million to \$22 million. Ms. Iverson discusses the proper regulatory treatment of a non-firm customer such as Monsanto in the allocation of jurisdictional costs and points out many of the problems with the current treatment which allocates costs as though Monsanto were a firm customer. Since RMP has not planned for, or acquired resources, on the basis of

Monsanto's non-firm loads, her preferred methodology would remove those non-firm loads from the inter-jurisdictional allocation.

Ms. Iverson also quantifies the increase to Idaho with the modifications to the revenue requirement provided in the testimonies of Messrs. Gorman, Peseau and Widmer. Under the existing "All Firm" jurisdictional approach and these modifications, the total increase to Idaho is \$11.8 million, with Monsanto's increase at \$6.4 million. Using the "non-firm" jurisdictional method, Ms. Iverson determines that Monsanto's share of the benefits from the reduced allocation to the Idaho jurisdiction completely mitigate Monsanto's \$6.4 million increase. Ms. Iverson also offers recommendations as to the rate design of Monsanto's electric tariff.

BRIAN C. COLLINS:

Consultant – Brubaker and Associates, Inc.

Mr. Collins provides testimony as to the interruptible nature of Monsanto's loads, the treatment of Monsanto by RMP in its Integrated Resource Plan, and the economic benefits to RMP, its customers and the power system as a whole from a long-term interruptible program such as Monsanto. Mr. Collins notes that Monsanto's load is treated as non-firm and not considered when the Company plans to construct or purchase resources to meet firm system demand.

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Attorneys for Intervenor Monsanto Company

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\$27.7 MILLION, OR APPROXIMATELY)
13.7 PERCENT)
_____)

Case No. PAC-E-10-07

PROOF OF SERVICE

I HEREBY CERTIFY that on this 29th day of October, 2010, I served a true, correct and complete copy of the foregoing *Direct Testimony of James R. Smith, Mark T. Widmer, Kathryn E. Iverson and Brian Collins, Confidential Testimony of Mark T. Widmer, and Exhibits 229, 230 and 231* to each of the following in the manner indicated:

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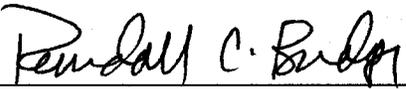
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