

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

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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)
_____)

IDAHO PUBLIC UTILITIES COMMISSION
Case No. PAC-E-10-07

Direct Testimony of

JAMES R. SMITH

On Behalf of

Monsanto Company

November 1, 2010

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Direct Testimony of James R. Smith**

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EXHIBITS

201 Phosphorus Manufacturing Process

1 **I. INTRODUCTION**

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

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

6 **Q PLEASE PROVIDE YOUR EDUCATIONAL BACKGROUND, WORK
7 EXPERIENCE AND CURRENT POSITION AT MONSANTO.**

8 A I graduated from Utah State University in 1986 with a B.S. in Accounting. I
9 began working for Monsanto in 1988 as an accountant at the Soda Springs plant
10 and have continued to work for Monsanto to date in various capacities. I am
11 currently the Purchasing Lead for the Soda Springs phosphorus plant and Rock
12 Springs, Wyoming coke plant.

13 **Q WHAT RESPONSIBILITIES DO YOU HAVE FOR PURCHASING?**

14 A I have many responsibilities which include all outside purchases at the Soda
15 Springs and the Rock Springs plants, including electricity. Since 1988 I have
16 been directly involved in all electricity contract negotiations and all electrical
17 contracts entered into between Monsanto and PacifiCorp. I have also reviewed
18 and am familiar with all prior electricity contracts since the Soda Springs Plant
19 began operating, and with related submissions to the Idaho Public Utilities
20 Commission and approval Orders.

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

2 A The purpose of my testimony is to (1) provide history and information concerning
3 the operation of Monsanto's Soda Springs Plant; (2) review the history of the
4 current 2008 Electric Service Agreement and the impacts of the regulatory
5 treatment going forward; (3) discuss loss of market share due to competition from
6 the Chinese; and (4) discuss economic and other impacts of the Monsanto Soda
7 Springs Plant.

8 **Q PLEASE SUMMARIZE YOUR TESTIMONY.**

9 A (1) Since 1952, Monsanto's Soda Springs facilities have continuously operated to
10 mine phosphate ore and manufacture phosphorus, used internally to produce
11 glyphosate, the active ingredient in Roundup® herbicide. The glyphosate
12 business has become extremely competitive with Chinese production undercutting
13 Monsanto sales and threatening the viability of the Soda Springs plant.

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

19 (3) The Soda Springs plant must have affordable electricity at a price that is
20 relatively stable and certain. While Monsanto's demand on the electrical market
21 has been unchanged since 1966, we have faced substantial rate increases in recent
22 years. Monsanto's rates have dramatically and disproportionately increased since
23 2003 compared to other customers. Monsanto's rates have already increased by
24 65% since 2003. If PacifiCorp's proposed \$22.3 million increase is approved,
25 then Monsanto's net rates will have increased an incredible 153% since 2003.

26 (4) With a load of 182 MW supplied to three furnaces plus auxiliary needs, the
27 Soda Springs plant is the largest single point customer of PacifiCorp, with an
28 annual electric bill exceeding \$42 million. Except for 9 MW of firm load,
29 Monsanto has always been supplied with non-firm power that is subject to
30 curtailment, with the current contract providing 1,050 hours of curtailment per
31 year of up to 162 MW.

1 (5) In 2006, for the first time ever, Monsanto's non-firm rate was established as if
2 Monsanto was a "firm" customer with an "interruptible credit" and placed on a
3 tariff rate. These new methodologies were agreed to with the expectation
4 Monsanto would achieve rate stability and certainty which has not happened.
5 Since Monsanto has always been a non-firm customer subject to curtailment and
6 does not sell any power back, it is a complete "fiction" that simply does not
7 reflect reality to price Monsanto as a firm customer with an interruptible credit.
8 For these reasons and because of the benefits provided to the entire system,
9 Monsanto proposes to amend the jurisdictional cost-of-service studies to better
10 reflect the non-firm service characteristics.

11
12 (6) The Soda Springs plant can stay in business only if it can produce phosphorus
13 at competitive prices, which requires relatively stable electricity prices.
14 Monsanto's Soda Springs operations provide tremendous economic benefits to the
15 region which will be lost if recent and planned electricity price increases by
16 PacifiCorp continue.

17 **II. HISTORY AND OPERATIONS OF SODA SPRINGS PLANT**

18 **Q PLEASE PROVIDE A BRIEF HISTORY AND OVERVIEW OF THE**
19 **OPERATION OF MONSANTO'S SODA SPRINGS PLANT.**

20 **A** The Soda Springs plant began operations in 1952 and has continuously operated
21 for nearly 58 years. The plant produces one product, elemental phosphorus
22 ("P4"), an essential building block for many products. Monsanto's primary use is
23 to produce glyphosate, the active ingredient in Roundup® herbicide.

24 **Q DESCRIBE HOW PHOSPHORUS IS MANUFACTURED.**

25 **A** Phosphate ore is mined in the mountains east of Soda Springs and transported by
26 truck to the plant. The phosphate ore is calcined in a kiln and then combined with
27 coke, much of which is manufactured at our sister plant in Rock Springs,
28 Wyoming, and with quartzite, which we mine from a quarry west of the plant.
29 The mixture is placed in one of three electric furnaces and energized with

1 electricity, resulting in a chemical reaction liberating the phosphorus as a gas.
2 The phosphorus is filtered, condensed and then shipped to other locations.
3 Exhibit 201 (JRS-1) depicts this capital intensive phosphorus manufacturing
4 process.

5 **Q WHERE IS THE PHOSPHORUS SHIPPED AND HOW IS IT USED?**

6 A All of the phosphorus is transported from the Soda Springs Plant by railcar to
7 Monsanto's Louisiana facility or to our Brazil facility by railcar and ocean
8 freightliner. There, phosphorous is converted into glyphosate, the active
9 ingredient in Roundup® herbicide. Small amounts of phosphorus are sold to
10 other entities for use in a variety of products.

11 **Q DESCRIBE THE ELECTRICAL SERVICES AT THE SODA SPRINGS**
12 **PLANT.**

13 A At Soda Springs, Monsanto has a total load of approximately 182 MW. This load
14 consists of 162 MW of non-firm power which is provided to Furnace No. 7 (46
15 MW), Furnace No. 8 (49 MW) and Furnace No. 9 (67 MW), approximately 20
16 MW of auxiliary load and 9 MW of firm load. The Soda Springs Plant consumes
17 approximately 1.35 billion kWh of energy annually and is PacifiCorp's largest
18 single point customer. Monsanto's load has been relatively unchanged since
19 Furnace No. 9 came on line in 1966.

1 **Q ARE THERE OTHER ELECTRIC FURNACES USED TO**
2 **MANUFACTURE PHOSPHORUS?**

3 A Not in the United States. Monsanto's first six electric furnaces used to
4 manufacture phosphorus were built and operated in Columbia, Tennessee. The
5 Tennessee plant closed in 1986 when its costs were no longer competitive, due
6 primarily to rising electricity prices. At Soda Springs, Monsanto constructed
7 Furnace Nos. 7 and 8 which began operating in 1952, and Furnace No. 9 became
8 operational in 1966, the last and largest electric furnace constructed in North
9 America. At that time there were 31 electric phosphorus furnaces in operation in
10 North America, but now Monsanto's three electric furnaces are the only ones
11 remaining in operation. I have pictures of the FMC furnaces being dismantled in
12 my office to remind me of the importance of remaining competitive. Outside of
13 North America there are furnaces operating in the Netherlands, Kazakhstan, and
14 in China.

15 **III. HISTORY OF MONSANTO ELECTRIC SERVICE CONTRACTS**

16 **Q PLEASE PROVIDE A BRIEF HISTORY OF THE ELECTRIC SERVICE**
17 **CONTRACTS SUPPLYING THE SODA SPRINGS PLANT.**

18 A Monsanto has been a special contract customer of PacifiCorp and its predecessor
19 Utah Power & Light Company since 1951. Special contracts were entered into in
20 1951, 1965, 1991, 1995, 2000, 2003, 2007 and 2008. Each contract provided a
21 non-firm load for the furnaces with a small firm load. Each contract contained
22 varying curtailment hours and terms of curtailment. In most of the contracts

1 Monsanto had the option of buying through curtailments at replacement energy
2 costs.

3 The rates and terms of all special contracts were arrived at by agreement
4 negotiated between the parties and approved by the Commission, with the
5 exception of 2003. After PacifiCorp was acquired by Scottish Power in 1999, the
6 parties were unable to arrive in agreement by negotiations as in the past. As a
7 result, the rates and terms of the 2003 Contract were established by the
8 Commission in Order Nos. 28918, 29157 and 29206 as a result of contested
9 proceedings in Case No. PAC-E-01-16. The 2003 Contract contained unique
10 features which included 800 hours of curtailments for operating reserves, system
11 integrity interruptions and economic purposes.

12 After Mid-American Energy Corporation's acquisition of PacifiCorp from
13 Scottish Power in March of 2006, the parties entered into the 2007 Agreement
14 approved by Commission Order No. 30199 entered December 18, 2006, in Case
15 No. PAC-E-06-09, again based on a stipulation.

16 **Q PLEASE SUMMARIZE THE CURRENT 2008 CONTRACT.**

17 **A** On June 8, 2007, Rocky Mountain Power filed an Application with the
18 Commission (Case No. PAC-E-07-05) for authority to increase the Company's
19 revenues from electric service by \$18.5 million annually, or 10.3%. The
20 Company's proposed significant and disproportionate increase to Monsanto of
21 24.1% would have resulted in a net increase of 32.9% as contrasted with a 10.3%
22 price increase for Idaho as a whole. This case was settled by way of a stipulation

1 between the parties and approved by Commission Order No. 30482 entered
2 December 28, 2007. The increase was spread 13.50% to Monsanto, 6.25% to
3 Agrium, and 4.89% to residential and irrigation customers. Order, p. 5.
4 Additionally, Monsanto's rates increased 3% effective January 1, 2009, and 5%
5 effective January 1, 2010. The number of curtailment hours increased from 1,000
6 in 2008, to 1,030 for 2009, and to 1,050 for 2010. Order, p. 8. In approving the
7 submitted 2008 Agreement Governing Electric Service to Monsanto for the period
8 January 1, 2008 through December 31, 2010, the Commission stated:

9 "Affordable electricity at a price that is relatively stable and
10 reliable is important to Monsanto. The Commission finds
11 that the interruptible products offered by Monsanto
12 provides a means of controlling its net energy price."

13 "Monsanto operates its electric furnaces seven days a week,
14 24 hours a day, 365 days a year, excepting maintenance and
15 repair. Monsanto is an interruptible customer that can
16 provide PacifiCorp with up to 162 MW of curtailments. Its
17 three furnaces can be interrupted separately as well as
18 collectively in any combination. Interruptions can occur
19 within seconds to meet system emergencies and provide
20 operating reserves. Two hours' notice is required to
21 interrupt for economic reasons. The interruptible products,
22 we find, provide operational benefits to PacifiCorp. We
23 find the products to be priced at a level commensurate with
24 the value they represent today." Order, p. 12.

25 **Q PLEASE EXPLAIN WHY MONSANTO'S LOAD CURTAILMENT**
26 **HOURS ARE UNIQUE?**

27 **A** Monsanto is unlike any other non-firm customer on the PacifiCorp system
28 because of the magnitude of the curtailment, the hours provided and the short
29 response time. Monsanto provides 1,050 hours and up to 162 MW of curtailment
30 which can be taken in a matter of seconds, quicker than any of PacifiCorp's

1 peaker resources, the Irrigators, Nucor and U.S. Magnesium. Monsanto's three
2 furnaces can be curtailed separately as well as collectively in combination. The
3 benefit of curtailments to the PacifiCorp system is undisputed, even though the
4 value has been, and continues to be, a matter of substantial disagreement.

5 These curtailments are taken every month of the year, although most are
6 taken in the summer and winter peak months. While the types and amounts of
7 curtailments have varied over the years based on the different contracts and
8 PacifiCorp's needs, all of our special contracts since 1952 have contained
9 provisions allowing PacifiCorp (and its predecessor Utah Power) to curtail
10 Monsanto's load.

11 It is also noteworthy that Monsanto operates its furnaces seven days a week,
12 24 hours a day, 365 days a year, except for periods of maintenance and repair. This
13 high load factor provides significant advantage to the utility during their off-peak
14 hours, providing a base load to service with its coal generation assets. Monsanto
15 takes service at transmission levels avoiding the usual distribution and customer
16 service costs.

17 **Q HAS MONSANTO AND PACIFICORP EVER AGREED UPON ANY**
18 **SINGLE METHOD TO ESTABLISH THE VALUE OF THE**
19 **INTERRUPTIBLE SERVICE?**

20 **A** No. In fact, the curtailment value for the current contract is much higher than
21 originally proposed by the Company, based on its internal models. This clearly

1 demonstrates that the Company's models do not reflect a realistic value for the
2 curtailment.

3 **Q HOW WAS A SATISFACTORY CONTRACT REACHED IN PRIOR**
4 **YEARS?**

5 A In recent cases PacifiCorp presented various cost-of-service studies and other
6 methodologies, but none were agreed to or accepted. In many prior cases
7 Monsanto simply negotiated a net price for electricity which both parties
8 concurred was fair, just, and reasonable under the circumstances. At the time of
9 the 2008 Contract, Monsanto (and we thought PacifiCorp) believed that the
10 annual rate increases coupled with the additional hours of interruptions,
11 effectively brought Monsanto to a rate that was fair, just, and reasonable, at or
12 near cost of service and fairly valued Monsanto's non-firm service based on the
13 curtailment features.

14 **Q WHY DID MONSANTO AGREE TO CHANGE TO TARIFF BASED**
15 **RATES IN 2006 AFTER SOME FIFTY PLUS YEARS AS A SPECIAL**
16 **CONTRACT CUSTOMER?**

17 A Subjecting Monsanto, in 2006, to tariff rate adjustments for the first time (PAC-E-
18 06-09, Order No. 30197), after more than fifty years as a special contract
19 customer, represented a substantial departure from all past contracts, and a change
20 to which Monsanto resisted. The change to tariff based rates was a considerable
21 concession made by Monsanto, mindful of the desires of the Commission Staff

1 and PacifiCorp to better align the timing of the Monsanto rate changes with that
2 of other customers, and to overcome perceived problems with cost of service
3 studies and the allocation of costs and revenues on an inter-jurisdictional basis.

4 **Q WHAT DID MONSANTO GIVE UP BY MOVING TO TARIFF BASED**
5 **RATES?**

6 A By moving to tariff based rates, Monsanto has given up control over the
7 frequency and amount of pricing changes and the stability associated with
8 contract pricing. PacifiCorp now solely controls when rate changes are filed and
9 the Commission now ultimately controls the amount of price changes. Each time
10 a new rate adjustment case is filed, Monsanto must now fully participate at
11 considerable time and expense to assess, evaluate and try to protect electricity
12 price changes. At the time, Monsanto was led to believe it was not giving up
13 much in the way of price stability. Unfortunately, increases since 2006, and
14 expectations of the Company's frequent rate cases through the end of the decade,
15 prove this belief to be wrong.

16 **Q SHOULD MONSANTO'S PREVIOUS AGREEMENT TO MOVE TO**
17 **TARIFF PRICING BE VIEWED AS A LESSENING OF THE**
18 **IMPORTANCE OF PRICE STABILITY?**

19 A No. Price certainty and stability remain very important to Monsanto's business
20 which is very capital intensive and competitive. In recent years Monsanto has
21 spent, and is committed to spend, millions of dollars on necessary capital projects

1 at the Soda Springs mine and plant. We are working on permitting a new mine
2 and developing the infrastructure needed to safely operate it. Without some
3 stability in knowing what the cost of production will be, or if the operation will be
4 profitable, it makes committing new capital dollars to the Soda Springs plant very
5 difficult. Mr. Lawrence, one of Monsanto's senior level managers, addresses this
6 problem in his testimony.

7 **Q WHY DID MONSANTO RAISE THE HOURS OF INTERRUPTION**
8 **FROM 800 TO 1,050 HOURS?**

9 A In the 2008 Contract Monsanto reluctantly agreed to raise the hours of
10 interruption from 800 to 1,050 hours, a 31 percent increase from the previous
11 2003 Contract as a compromise to keep prices within a reasonable range and
12 achieve the agreement both parties sought. The value achieved through this
13 compromise was a "black-box" settlement not based upon any methodology.
14 Both parties then placed considerable value on the size, timing and dependability
15 of Monsanto interruptions.

16 **Q DOES MONSANTO PLAN TO CONTINUE TO TAKE NON-FIRM**
17 **POWER?**

18 A Yes. Monsanto has always taken non-firm power and been subject to curtailment.
19 We plan to continue to take non-firm power and provide up to 1,050 hours of
20 curtailment, but we cannot go beyond that to remain competitive and would prefer
21 to provide less hours due to the very thin margins in our glyphosate business

1 operations as discussed by Mr. Lawrence. However, we are willing to be flexible
2 in how curtailment hours are provided. The Commission has recognized that
3 Monsanto's curtailment produces system benefits in approving the current
4 agreement in Order No. 30197 in Case No. PAC-E-06-09. The order stated at
5 page 9:

6 "The Commission also recognizes that the value of interruptible
7 products furnished by Monsanto as well as Monsanto's cost of
8 service will be important considerations in establishing the net rate
9 to Monsanto in the future. Consequently, we expect the parties to
10 address interruptible product valuation in the context of a general
11 rate case when Monsanto's cost of service is determined."

12 PacifiCorp did not propose any change in the valuation of Monsanto curtailment in
13 their May 28, 2010 Application and initial filing in this case. On September 30,
14 2010, the Company filed supplemental testimony with the Commission regarding
15 the economic valuation of Monsanto's curtailment. In consideration of Order No.
16 32098 in this proceeding, the issue regarding quantification of this valuation will be
17 addressed in direct testimony to be filed by Monsanto December 22, 2010.

18 **Q WHAT WAS THE EXPECTATION OF MONSANTO WHEN MONSANTO**
19 **WAS PRICED AS A FIRM CUSTOMER WITH AN INTERRUPTIBLE**
20 **CREDIT FOR CURTAILMENT HOURS?**

21 **A** When the new concept of pricing Monsanto as a firm customer with an
22 interruptible credit began, it was intended to provide Monsanto with a natural
23 hedge which, if appropriately priced, should provide a level of price stability and
24 reasonable net power costs. Simply put, as the cost of electricity goes up, so
25 should the value of the credit derived from curtailment of Monsanto's load.

1 Unfortunately, that expectation has not been met, and Monsanto's rates have risen
2 substantially, at a much greater rate of increase than other customers, as described
3 in the testimony of Ms. Iverson.

4 **Q DOES MONSANTO BELIEVE IT IS PROPER TO PRICE MONSANTO'S**
5 **NON-FIRM LOAD AS IF IT WERE A FIRM CUSTOMER WITH A**
6 **CURTAILMENT CREDIT?**

7 A No. To price Monsanto as a firm customer is a complete fiction that does not
8 reflect reality. Monsanto has always received non-firm power and been subject to
9 curtailment, excepting for the small 9 MW of firm service. The so-called
10 "interruptible credit" is also a fiction since it in effect presumes that PacifiCorp is
11 buying back from Monsanto power that was never received in the first place. For
12 these reasons and because of the benefits provided to the entire system, Monsanto
13 proposes to amend the jurisdictional cost-of-service studies to better reflect the
14 non-firm service characteristics.

15 **Q PLEASE COMMENT ON THE RATE INCREASE PROPOSED FOR**
16 **MONSANTO IN THIS CASE.**

17 A As can be seen from Exhibit 229 (KEI-1), Monsanto's rates have dramatically and
18 disproportionately increased since 2003 compared to other customers.
19 Monsanto's rates have already increased by 65% since 2003. If PacifiCorp's
20 proposed \$22.3 million increase is approved, then Monsanto's net rates will have
21 increased an incredible 153% since 2003.

1 A Yes. During 2009 the Soda Springs plant was required to idle several furnaces
2 over a course of several months as a result of lost market share due to competition
3 from the Chinese in the glyphosate business.

4 **Q HAS MONSANTO REDUCED JOBS AT THE SODA SPRINGS PLANT?**

5 A Yes, in the last twelve months the Soda Springs Plant has cut 15% of its salaried
6 employees and continues to make changes and reorganize to reduce the cost of
7 production. Such adjustments are necessary to remain competitive.

8 **Q IS IT INEVITABLE THAT THE SODA SPRINGS PLANT WILL ALSO**
9 **BECOME NON-COMPETITIVE AND BE SHUT DOWN?**

10 A No, but it is a real possibility. However, I believe that the Soda Springs plant can
11 stay in business if we can produce phosphorus at competitive prices which
12 requires that we control electricity and other costs. Soda Springs has 40 plus years
13 of phosphate ore reserves that can be feasibly mined. We have a highly educated
14 and trained work force, committed to the successful long-term operation of the
15 plant. We have practices and experience which enable us to produce P4 in the
16 safest and most environmentally responsible manner in the world. Monsanto has
17 the ability to continue to make the necessary capital expenditures to continue
18 operations at Soda Springs but only provided we can produce phosphorus
19 competitive in the global market. This challenge is further discussed in the
20 testimony of Kevin P. Lawrence.

1 **Q HOW WILL THE SODA SPRING PLANT OFFSET THE COSTS**
2 **ASSOCIATED WITH THE RATES ROCKY MOUNTAIN POWER IS**
3 **PROPOSING.**

4 A It cannot. Electricity represents approximately 20-30% of our cost of production.
5 Monsanto cannot survive double digit increases as proposed in case filing in
6 2003, 2007, 2008 and now again in 2010. All of the Soda Springs Plants efforts
7 to control its cost will be insignificant and not come close to offsetting the
8 increased costs for its electricity. In my opinion, Monsanto Management will have
9 little choice but to replace Soda Springs with purchases from China if electrical
10 costs continue to increase at the magnitude Rocky Mountain Power is proposing.
11 The latest methodology for allocating costs and the practice of pricing Monsanto
12 as if it were firm and then giving them a credit for curtailment, is harmful to Idaho
13 and Monsanto, and if continued may well result in the closure of Monsanto's
14 Soda Spring Plant. Pricing Monsanto as a firm customer for its non-firm service
15 will put Monsanto in a death spiral. I am confident however that when the
16 Commission reviews this impact, and other more appropriate methodologies for
17 allocating costs and pricing Monsanto as presented by Ms. Iverson, it will
18 address these gross inequities and bring back a more fair, just and reasonable
19 approach.

20 **Q WITH RISING ELECTRICITY COSTS, WHAT IS NEEDED FOR THE**
21 **MONSANTO SODA SPRINGS PLANT TO REMAIN COMPETITIVE?**

1 A In my opinion the plant must have affordable electricity at a price that is relatively
2 stable and certain. While Monsanto's demand on the electrical market has been
3 unchanged since 1966, we have faced substantial rate increases in recent years.
4 Looking beyond the present case we are highly concerned about regular and
5 substantial PacifiCorp general rate increase cases anticipated in future years. This
6 is being driven by huge capital expenditures planned over the next decade to pay
7 for new transmission, wind and other resources to meet projected load growth and
8 demands for "green" power in other states. I know that Monsanto cannot afford
9 to pay for the needs of other states, and I seriously doubt other Idaho customers
10 could bear such costs. Therefore, I urge the Commission to undertake a
11 significant review of the revised allocation methodology in the recently filed Case
12 No. PAC-E-10-09 to make sure Idaho customers do not pay for costs that are not
13 driven by Idaho policies or load growth.

14 **V. ECONOMIC IMPACTS OF MONSANTO'S**
15 **SODA SPRINGS PLANT**

16 **Q DO YOU BELIEVE THE COMMISSION SHOULD GIVE**
17 **CONSIDERATION TO OTHER FACTORS IN ADDITION TO COST OF**
18 **SERVICE STUDIES?**

19 A Yes. Cost of service studies are certainly important to be considered in setting
20 rates. However, it is well recognized that cost of service studies are based upon
21 complex models and assumptions which give rise to results which may not be
22 precise, certain or entirely reliable. For that reason it is my understanding that
23 this Commission, prior Commissions and even the Idaho Supreme Court have

1 recognized that cost of service studies are but one of many factors that the
2 Commission may consider in setting rates. For that reason, I believe it is
3 appropriate to discuss and make a record of other factors which I believe are
4 important to consider.

5 **Q PLEASE DESCRIBE SOME OF THE OTHER FACTORS THAT SHOULD**
6 **BE CONSIDERED IN SETTING MONSANTO'S RATES.**

7 A I believe it is important to consider changes in Monsanto's rates in recent years as
8 compared with other customers. I also believe it is very important to fully
9 consider and fairly value the long-term past and future benefits Monsanto
10 provides to the PacifiCorp system as an interruptible customer. I further believe it
11 is important to consider the economic benefits Monsanto provides to the region
12 and the importance of maintaining a solid and consistent base of high-paying jobs.

13 **Q HOW MANY EMPLOYEES ARE EMPLOYED BY MONSANTO**
14 **RELATING TO THE OPERATION OF THE SODA SPRINGS PLANT.**

15 A On average, 685 fulltime employees are employed in the operation of the Soda
16 Springs plant. Of these, an average of 370 are direct full-time employees of
17 Monsanto. The remaining are full-time employees of our mining subcontractor
18 and other subcontractors.

1 **Q WHERE DO THE FULL-TIME EMPLOYEES RESIDE?**

2 A The breakdown by county is as follows: Caribou – 385, Bannock – 119, Bear
3 Lake – 89, Franklin – 18, and other – 74.

4 **Q WHAT WAS MONSANTO'S TOTAL PAYROLL FOR YEAR 2009?**

5 A The payroll and benefits for all Monsanto full-time, part-time and seasonal
6 employees in 2009 was \$29 million dollars. This does not include payroll
7 overhead or amounts paid to employees of subcontractors. The average wage rate
8 for our employees is \$26.46 per hour and our average salary \$80,000 per year.
9 This is significantly higher than the average of non-industrial wages paid locally
10 and in the region.

11 **Q WHY DO THESE JOBS PAY MORE THAN THE AVERAGE JOB IN THE**
12 **REGION?**

13 A Monsanto jobs require a high level of training and/or education and experience.
14 Our employees consist of highly-skilled and trained technicians, journeymen and
15 professionals. Monsanto's salary jobs are made up of engineers, geologists,
16 safety specialists, accountants and other professionals. Simply put, Monsanto
17 pays market wages in order to attract the type and quality of workers needed to
18 successfully operate the Soda Springs facility.

1 **Q DOES MONSANTO MAKE OTHER FINANCIAL CONTRIBUTIONS TO**
2 **BENEFIT THE LOCAL ECONOMY?**

3 A Yes. In 2009 Monsanto paid over \$98 million to approximately 300 Idaho
4 vendors who provide material and services to Monsanto. Economists typically
5 use a multiplier to indicate the indirect economic effects of a business. These
6 indirect effects arise because payments made to the company's workers and
7 vendors increase the community's overall income. For example, when workers
8 receive their wages they use this income to buy goods or services from other
9 businesses in the local and regional economy. This income is used to pay
10 employees and purchase goods and services from other businesses, and in turn
11 they spend this money on goods and services, and the moneys ripple through the
12 economy. I have seen estimates that this may occur from 3 to 6 times before the
13 moneys flow out of the local economy. Using these multipliers, the impact to the
14 local Idaho economy from Monsanto wages, salaries, and payments to vendors,
15 which totals approximately \$127 million per year, would produce a range of
16 Idaho economic impact of somewhere between \$ 381 million and \$762 million
17 annually. The Idaho Department of Labor recently estimated, as part of their
18 official comments on Monsanto's proposed Blackfoot Bridge Mine, that loss of
19 the Monsanto operations in southeast Idaho would cost the region an additional
20 1,478 jobs beyond those directly employed by Monsanto. This includes 193 retail
21 sector jobs, 51 finance and insurance jobs, 158 health care jobs, and 174
22 government sector jobs, including school teachers.

1 **Q WHAT OTHER WAYS DOES MONSANTO'S SODA SPRINGS**
2 **OPERATIONS IMPACT THE LOCAL ECONOMY?**

3 A Monsanto pays local property taxes, state mine license taxes, and federal mineral
4 royalties, in addition to other state and local taxes, fees and licenses, all of which
5 contribute to running and maintaining local, state and federal governments and
6 programs benefiting all citizens. In addition, Monsanto actively encourages its
7 employees to be civically and politically active in the community. You will find
8 Monsanto employees actively involved in local and state government, and in
9 almost all philanthropic activities in the region.

10 **Q DOES MONSANTO CONTRIBUTE TO THESE LOCAL**
11 **PHILANTHROPIC EFFORTS?**

12 A Monsanto's Soda Springs plant made donations to local civic organizations
13 totaling \$534,400 in 2009. These included scholarships for FFA Chapters
14 throughout southeast Idaho, sponsorship of community athletic teams and
15 leagues, underwriting Idaho Public Television, the donation of laptop computers
16 and the construction of greenhouses at local high schools. Monsanto's employee
17 matching program matches, dollar for dollar, employee donations to non-profit
18 philanthropic organizations, up to \$5,000 per year per employee.

1 **Q ARE MONSANTO'S IMPACTS OF PARTICULAR IMPORTANCE TO**
2 **THE LOCAL ECONOMY?**

3 A Monsanto's and Agrium's phosphate operations are the two largest contributors to
4 the local economy. The last census established that 70% of the non-farm wages
5 in the area were paid to 30% of the local work force working in phosphate mining
6 and manufacturing jobs. According to the Idaho Department of Labor's recent
7 analysis, Monsanto directly employs 13% of workers in Caribou County and 8%
8 of workers in Bear Lake County. The high wage rate turns this employment into
9 20% of the earned income in Caribou County and 22% of the earned income in
10 Bear Lake County.

11 **Q IS THE LOCAL ECONOMY SUFFERING?**

12 A Yes. For the past several years Caribou and Bear Lake Counties have lost jobs.
13 School student enrollments have significantly declined. This is largely
14 attributable to the loss of industrial jobs in the area. Plant closures in recent years
15 include Kerr-McGee, Chemical Lime, and Astaris. All of FMC's plant mining
16 jobs were lost when their operations closed in 2001. Several businesses have had
17 work force reductions, including J.R. Simplot, Union Pacific, Heritage Safe, URS,
18 and the local school districts. When you factor on top of this the national
19 recession the local economy is suffering significantly. Clearly Monsanto's and
20 Agrium's continued presence becomes critically important to the region and
21 Idaho.

1 **Q HOW DOES THE COMMUNITY FEEL ABOUT MONSANTO?**

2 A A study by Greg Smith and Associates in 2008 concluded that Monsanto's Soda
3 Springs plant had the highest level of respect and trust from the residents of local
4 cities and counties of any business in any other location, and in fact had received
5 the highest support that the polling firm had ever encountered for an industry.
6 The survey demonstrated that, of those familiar with Monsanto's operations, 90%
7 had a "favorable" view of the company's operations in southeast Idaho.
8 Monsanto is also an OSHA STAR facility, the highest award OSHA provides for
9 safety. In addition Monsanto has been awarded numerous awards for its mining
10 and reclamation efforts. These awards show Monsanto's commitment to earn the
11 right to operate each and everyday, by being a safe place to work, and a
12 responsible citizen and neighbor. This was illustrated by the response to the draft
13 Environmental Impact Study on Monsanto's proposed new mine. In the public
14 comment process on that mine over 4,500 responses came from Idaho and 98% of
15 those were favorable. Such responses are only achievable when the public sees
16 your commitment being honored every day.

17 **Q DOES MONSANTO'S SODA SPRINGS PLANT PROVIDE BENEFIT**
18 **OUTSIDE OF IDAHO**

19 A Yes, there are two obvious benefits. First, Monsanto's non-firm load provides a
20 total of 1050 hours of curtailment for operating reserves, system integrity that
21 benefits to the entire PacifiCorp system through the avoidance of the need to build
22 new plants. It is worth noting in these days of preference for renewable resources

1 that the curtailments are environmentally friendly because they do not result in the
2 consumption of thermal fuel. Second, the Soda Springs plant and mining
3 operations provide significant regional and national benefits due to the size of
4 Monsanto's economic footprint.

5 **Q DOES THIS CONCLUDE YOUR TESTIMONY?**

6 **A Yes.**

Phosphorus Manufacturing Process

