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BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION 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

Rebuttal Testimony of

Kathryn E. Iverson

(Economic Valuation of Monsanto Interruptible Products)

On Behalf of

Monsanto Company

January 14, 2011

Project 9210

BAI
BRUBAKER & ASSOCIATES, INC.

PACIFICORP dba ROCKY MOUNTAIN POWER

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

CASE NO. PAC-E-10-07

**Rebuttal Testimony of Kathryn E. Iverson
"Economic Valuation of Monsanto Interruptible Products"**

1 Q PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

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

3 Q ARE YOU THE SAME KATHRYN IVERSON WHO PREVIOUSLY FILED DIRECT
4 TESTIMONY ON DECEMBER 22, 2010 ON BEHALF OF MONSANTO COMPANY?

5 A Yes.

6 Q WHAT ISSUE ARE YOU ADDRESSING IN YOUR REBUTTAL TESTIMONY?

7 A I am rebutting Mr. Keith Hessing testifying on behalf of the Idaho Public Utilities
8 Commission Staff ("Staff") I am addressing the following issues: (1) the use of the
9 interruptible credit in Monsanto's current Electric Service Agreement ("2008
10 Agreement", or "ESA"), and (2) the Staff's value of the 850 hours of economic
11 curtailment.

12 Q MR. HESSING STATES THAT HIS UNDERSTANDING IS "THE ESA REQUIRES
13 THAT MONSANTO'S REVENUE REQUIREMENT BE ESTABLISHED AS IF IT
14 WERE A TOTALLY FIRM CUSTOMER AND THEN BE REDUCED BY THE VALUE
15 OF THREE INTERRUPTIBLE PRODUCTS THAT MONSANTO SELLS BACK TO

1 **PACIFICORP." DO YOU AGREE WITH HIS CHARACTERIZATION OF THE 2008**
2 **AGREEMENT?**

3 A No, I do not. There is nothing in the ESA which requires that a totally firm revenue
4 requirement first be established, or that Monsanto "sell back" a product to PacifiCorp.
5 As I explained in my direct testimony, only 9 MW of Monsanto's load is served at Firm
6 Demand Charges. The remaining load is served under Interruptible Demand
7 Charges, which, for confidential reasons, are not specified in the public version of
8 Schedule 400. The ESA identified the amount of the "Interruptible Credits" for 2008,
9 2009 and 2010 such that the Interruptible Demand Charge could be determined. The
10 current treatment by PacifiCorp in the invoices it sends to Monsanto each month
11 clearly show that Monsanto's interruptible loads are charged the Interruptible Demand
12 Charge; in other words, Monsanto is not first charged a firm demand charge and then
13 credited back for a "product it sells back to PacifiCorp."

14 Furthermore, even if Mr. Hessing's characterizations were accepted for the
15 current ESA, Monsanto's agreement for service in 2011 and beyond can just as easily
16 incorporate stand-alone interruptible rates without the need for "Interruptible Credits".
17 In fact, as I pointed out in my November 1, 2010 direct testimony, this type of
18 interruptible rate was developed for the latest interruptible contract signed by the
19 PacifiCorp on August 17, 2009.

20 **Q DOES MR. HESSING ACCEPT THE VALUE PACIFICORP PROPOSES FOR THE**
21 **850 HOURS OF ECONOMIC CURTAILMENT?**

22 A Yes. In Mr. Hessing's testimony he states:

23 The GRID model is a production costing model and the Front Office
24 model uses energy price forecasts to estimate costs. Both models
25 estimate energy costs using energy price forecasts. I believe that the
26 value of this product is appropriately established in the expected
27 energy market. (page 5, emphasis added)

1 Q IS HIS ACCEPTANCE OF THE COMPANY'S PROPOSED VALUATION A
2 SUITABLE RECOGNITION OF MONSANTO'S INTERRUPTIBLE RESOURCE?

3 A No. As emphasized in the citation above, both models employed by the Company
4 focus on a strictly energy-related value. Mr. Hessing appears to believe the "energy
5 market" appropriately establishes the value of Monsanto's resource. The "energy
6 market", however, does not fully recognize the avoidance of capacity which
7 Monsanto's interruptibility provides, and which PacifiCorp itself acknowledges in its
8 Integrated Resource Plan ("IRP").

9 Q PLEASE EXPLAIN.

10 A The firm capacity of Monsanto's 67 MW of economic curtailment is included as an
11 existing resource in the current IRP¹, and Monsanto provides load interruption
12 capability of 67 MW at time of system peak. Neither the GRID model nor the Front
13 Office model provide a proper reflection of the avoided capacity inherent in the
14 existing 67 MW resource. As I explained in my December 22 direct testimony, the
15 avoidance of 67 MW of capacity to Idaho, and in particular to Monsanto, reduces the
16 cost to serve Monsanto by \$12.1 million.²

17 Q HAS ROCKY MOUNTAIN POWER PREVIOUSLY REFLECTED LOWER SYSTEM
18 PEAKS WHEN DEVELOPING THE COST TO SERVE INTERRUPTIBLE LOAD?

19 A Yes. In Utah, expected reductions in Magcorp's interruptible load for economic
20 curtailment were made to the peaks in that jurisdiction.³ In other words, Utah's

¹ See PacifiCorp "2008 Integrated Resource Plan Volume 1", pages 74 and 82.

² See December 22, 2010 Direct Testimony of Kathryn Iverson, page 20.

³ RMP Response to Monsanto Data Request 1.31.

1 jurisdictionally allocated costs are lower because Magcorp's economic curtailments
2 are reflected in six months of coincident peaks: January, June through September,
3 and December. Thus, fewer resource costs are allocated to Utah and consequently
4 to Magcorp, as a direct result of their economic curtailment contractual provisions.

5 **Q HOW DOES THIS DIFFER WITH THE TREATMENT AFFORDED TO MONSANTO**
6 **BY RMP?**

7 A RMP treats the Idaho jurisdiction as though no economic curtailment is made to
8 Monsanto and thus, Monsanto's rates reflect no avoidance of capacity. The
9 economic valuation accepted by the Staff averages \$3.9 million for the three-year
10 period 2011-2013. This valuation is considerably understated when viewed in the
11 context of how Magcorp's economic curtailment is valued.

12 For example, Monsanto's load can be economically curtailed in any month.
13 Reducing Monsanto's coincident peaks by 67 MW in twelve months results in a value
14 of \$12.1 million associated with economic curtailment.⁴ This is \$8.2 million higher
15 than the Staff's recommended valuation. And even if Monsanto's economic
16 curtailment valuation is limited to only six months of the year similar to Magcorp's
17 treatment, the valuation would still be \$6.7 million, which is \$2.8 million higher than
18 the Staff's recommended valuation.⁵

19 The Staff's proposal to value Monsanto at \$14.2 million for the 2011 - 2014
20 timeframe understates the economic curtailment portion by \$8.2 million. Recognizing
21 that Monsanto is available for economic curtailment in all twelve months raises the

⁴ See December 22, 2010 Direct Testimony of Kathryn Iverson, page 20 and Exhibit 257 (KEI-4). An average monthly coincident peak of 59 MW is reflected in Component 3 (Economic Curtailment).

⁵ Based on Exhibit 257 (KEI-4) adjusted such that Component 3's coincident peaks are included only in January, June through September, and December.

1 Staff's value from \$14.2 million to \$22.4 million. In the alternative, if the Staff's
2 valuation is increased by only \$2.8 million to reflect curtailments only in six months,
3 the value would be raised from \$14.2 million to \$17 million. However, if this lower
4 value is used, then the ESA must be revised to reflect that economic curtailments can
5 only occur in those six months.

6 **Q DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?**

7 **A Yes.**