



RECEIVED

201 South Main, Suite 2300
Salt Lake City, Utah 84111

April 15, 2011

2011 APR 15 AM 9: 58

VIA OVERNIGHT DELIVERY

IDAHO PUBLIC
UTILITIES COMMISSION

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

**RE: Rocky Mountain Power's Reply Comments in Case No. PAC-E-10-09
IN THE MATTER OF THE APPLICATION OF PACIFICORP DBA ROCKY
MOUNTAIN POWER REQUESTING APPROVAL OF AMENDMENTS TO THE
REVISED PROTOCOL ALLOCATION METHODOLOGY**

Dear Ms. Jewell:

Pursuant to the Commission's Notice of Modified Procedure issued on January 12, 2011, and in response to the comments of the Idaho Public Utilities Commission Staff and Monsanto Company received on March 30, 2011, Rocky Mountain Power respectfully submits for filing an original and seven (7) copies of the Company's Reply Comments.

Please contact Daniel Solander at (801) 220-4014 if you have any questions or if I can be of further assistance.

Sincerely,



Jeffrey K. Larson
Vice President, Regulation

Enclosures

cc: Certificate of Service for Case No. PAC-E-10-09

RECEIVED

2011 APR 15 AM 9:58

IDAHO PUBLIC UTILITIES COMMISSION

Mark C. Moench, *Pro Hac Vice*
Daniel E. Solander, *Pro Hac Vice*
201 South Main Street, Suite 2300
Salt Lake City, Utah 84111
Telephone No. (801) 220-4014
Facsimile No. (801) 220-3299
mark.moench@pacificorp.com
daniel.solander@pacificorp.com

Paul J. Hickey, *Pro Hac Vice*
Hickey & Evans, LLP
1800 Carey Avenue, Suite 700
P.O. Box 467
Cheyenne, WY 82003-0467
Telephone No. (307) 634-1525
Facsimile No. (307) 638-7335
phickey@hickeyevans.com

*Attorneys for
Rocky Mountain Power*

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION)	
OF PACIFICORP DBA ROCKY MOUNTAIN)	CASE NO. PAC-E-10-09
POWER REQUESTING APPROVAL OF)	
AMENDMENTS TO THE REVISED)	
PROTOCOL ALLOCATION)	REPLY COMMENTS OF
METHODOLOGY)	ROCKY MOUNTAIN POWER
)	

COMES NOW, PacifiCorp dba Rocky Mountain Power (the “Company”) by and through its attorneys of record, in accordance with the Notice of Modified Procedure issued on January 12, 2011, and in response to the comments of the Idaho Public Utilities Commission staff (“Staff”) and Monsanto Company (“Monsanto”) received on March 30, 2011, now respectfully submits the following reply comments to the Idaho Public Utilities Commission (“Commission”).

INTRODUCTION

On September 15, 2010, the Company filed Case No. PAC-E-10-09, (the "Application") with the Idaho Public Utilities Commission, requesting approval of amendments to the Revised Protocol allocation methodology.

On January 12, 2011, the Commission issued its Notice of Modified Procedure and established a deadline for written comments or protests by Wednesday March 30, 2011, and reply comments by Friday April 15, 2011. On March 30, 2011, Staff and Monsanto filed comments on this Application.

COMPANY REPLY COMMENTS

I. Reply to Staff's Comments

The Company would like to express its appreciation for the efforts of the Commission and Staff who have worked with the Company and representatives from the other jurisdictions to develop allocation methods that allow the Company a reasonable opportunity to recover 100 percent of its prudently incurred costs in all states. The Company acknowledges Staff's recommendation to adopt 2010 Protocol and expresses appreciation for Staff's active participation and support in the Multi-State Process ("MSP") Standing Committee and diligent efforts to help develop the 2010 Protocol allocation methodology.

Customers in all six jurisdictions served by the Company have received significant benefits from the operation of its system on an integrated basis that has achieved a least cost, least risk resource portfolio. This benefit is demonstrated by the Company's ranking among one of the lowest cost energy providers in the nation.

The Company believes Staff has appropriately outlined the basic regulatory objectives that should be considered when reviewing and adopting a jurisdictional cost allocation methodology:

- The protocol should lead to allocations that are fair to PacifiCorp's Idaho ratepayers and to the Company's customers in each of the other states served by PacifiCorp.
- The protocol, when followed, should provide PacifiCorp with the opportunity to recover all of its prudently incurred costs.
- Explicit jurisdictional allocation methodologies predominately based on a consensus methodology, is preferred to foster investor confidence and thus the ability to attract capital at a reasonable cost.
- Administration of the allocations protocol should be reasonably transparent, simple to understand, and not be overly burdensome to administer.
- The allocations should lead neither to undue revenue requirement volatility nor gross unpredictability.
- The method should allow for states to independently pursue their energy policies.¹

The Company believes the 2010 Protocol addresses each of these objectives.

Although Staff comments highlighted several potential impacts of inconsistent allocation methodologies,² the Company remains concerned with respect to the recent acceptance by the Commission of Staff's recommendation to unilaterally adopt a

¹ Staff Comments, page 4.

² Order No. 29708, page 7 and Staff Comments, page 2.

system-wide allocation of the costs and benefits of the Idaho Irrigation Load Control Program. Notwithstanding these concerns, the Company is committed to work with Staff and other members of the MSP Standing Committee to address the allocation of this program and other Class 1 demand-side management (“DSM”) programs, as agreed to in item number thirteen of the Stipulation between the Parties in Case No. PAC-E-11-06:

“The Parties agree to support efforts by the Company and the Idaho Staff to encourage the Multi-State Process (“MSP”) Standing Committee to propose a resolution at the next MSP Commissioners’ Forum on the issue of system allocation of the costs for the Idaho Dispatchable Irrigation Load Control Credit Rider Program. If the system allocation of Program costs is not accepted by the states of Utah, Oregon and Wyoming by June 1, 2012, then the Company may seek Program modifications and/or cost recovery before the Idaho Commission, including but not limited to inclusion in a general rate case filing or a request for deferred accounting treatment.”³

Impact Studies

The Company supports Staff’s belief that more thorough analysis of the alternative studies such as structural separation, go-it-alone, market price sensitivity and growth impact studies are warranted and would provide parties with better information to evaluate the full impact of future changes. In anticipation of the expiration of the 2010 Protocol after December 31, 2016, the Company agrees to engage in discussions starting in 2013 with other interested persons and, as appropriate, in conjunction with the MSP Standing Committee and applicable workgroups regarding appropriate allocation options for 2017 and beyond. As part of these discussions, the Company, in consultation with the other stakeholders, will perform cost causation studies related to classification and allocation of costs, and a comprehensive evaluation of the costs and

³ PAC-E-11-06 Stipulation page 5.

benefits of structural separation and other allocation options such as the Rolled-In allocation methodology.

Reporting Requirements

Staff recommended that the Commission require future Idaho filings to include calculations of the Company's Idaho revenue requirement under the 2010 Protocol, Revised Protocol, and the Rolled-In methods. The Company does not object to including in general rate cases and annual results of operations filings with the Idaho Commission made through December 31, 2016, a calculation of the Company's Idaho revenue requirement under each of the three methods identified.

II. Reply to Monsanto's Comments

The Company's reply comments will address the following issues raised by Monsanto:

- The "Utah Issue";
- Load Growth;
- Future Transmission and Generation Investments; and
- Treatment of Interruptible loads.

The "Utah Issue"

What Monsanto refers to as the Utah issue relates to the fact that the Utah results under the Revised Protocol were not materializing as expected when the Utah Commission adopted the Revised Protocol in 2005. However, Idaho Staff and the Commission have expressed similar views and a shared concern. For example this Commission's February 28, 2005, Order approving Revised Protocol stated:

"The Commission notes that sooner or later a merged company should be treated as one integrated company and not six separate jurisdictional entities. We note of

significance that the Company dispatches resources on a company or system-wide basis. This method of resource utilization, we believe seemingly argues for a Rolled- In approach as to allocation of costs.”⁴

Load Growth

Monsanto’s assertion that “approximately 60 percent of the load is attributable to two customers, Monsanto and the Irrigators, neither of which have experienced any load growth for thirty (30) plus years nor are expected to grow in the future” is simply not accurate. The Company has approximately 5,000 irrigation customers in its Idaho service territory whose load has grown from approximately 300,000 megawatt-hours in 1984 to a high of almost 700,000 megawatt-hours in 2007. Over this same time period Idaho load has grown from two million megawatt-hours to over three million megawatt-hours, a 64 percent increase over 23 years. The Company has been contacted by and is currently working with a large industrial customer with plans to locate in Idaho that will add 40 megawatts of additional load. Monsanto recently announced plans to add a thermal optimizer to scrub emission output at its Soda Springs plant which will most likely increase energy consumption. Contrary to Monsanto’s assertion, Idaho is currently the second fastest growing jurisdiction in the Company’s service territory.

Although Monsanto discounts the load growth studies performed for the MSP Standing Committee, the facts continue to demonstrate that the load-based dynamic allocation methodology that is being carried forward into the 2010 Protocol appropriately assigns costs based on the jurisdictional demand and usage placed on the system.

Future Transmission and Generation Investments

⁴ Order No. 29708, page 10.

Monsanto's comments raise issues related to the advisability and drivers of future investment in transmission and generation resources. However, this Application is not the forum to determine the prudence of investment decisions. As noted by this Commission in its Order approving Revised Protocol, "[t]he Revised Protocol does not prejudge issues of prudence, rate spread, rate design or cost recovery. Each state Commission continues to establish fair, just and reasonable rates."⁵

Interruptible Loads

With respect to Monsanto's comments on this topic, the Company firmly believes that this is not the appropriate venue for Monsanto to re-litigate the last rate case. As mentioned previously, in the last case Staff recommended that the costs of the Class 1 DSM Idaho Irrigation Load Control Program should be treated as a system resource (Option 2 in Appendix D of the Revised Protocol and the 2010 Protocol) which is consistent with Monsanto's current treatment. In that same case Monsanto proposed situs treatment of its own curtailment resource (Option 1 in Appendix D of the Revised Protocol and the 2010 Protocol). The Commission's order adopted system treatment for both the Irrigation Load Control Program and Monsanto's curtailment.

RECOMMENDATIONS OR CONCLUSION

The Company, along with representatives from each of its jurisdictions and the MSP Standing Committee, has worked diligently to develop the 2010 Protocol allocation methodology. The Company appreciates the efforts of this Commission and Staff who have worked to develop an allocation method that reaches a reasonable compromise for all parties involved and appreciates and accepts Staff's recommendation to adopt the 2010 Protocol.

⁵ Order No. 29708, page 10.

The Company will work with Staff to encourage the MSP Standing Committee to propose a resolution at the next MSP Commissioners' Forum on the issue of system allocation of the costs for the Idaho Irrigation Load Control Program.

The Company commits to continue to work with the MSP Standing Committee to monitor and address any allocation issues and perform alternative studies such as structural separation, go-it-alone, market price sensitivity and growth impact studies to provide parties with better information to evaluate the full impact of future changes.

In anticipation of the expiration of the use of the 2010 Protocol after December 31, 2016, the Company agrees to engage in discussions starting in 2013 with other interested persons and, as appropriate, in conjunction with the MSP Standing Committee and applicable workgroups regarding appropriate allocation options for 2017 and beyond. As part of these discussions, the Company, in consultation with the other stakeholders, will perform cost causation studies related to classification and allocation of costs, and a comprehensive evaluation of the costs and benefits of structural separation and other allocation options such as the Rolled-In allocation methodology.

If the Commission approves this Application the Company commits that through 2016 all future annual results of operations or general rate cases will be filed with calculations of the Company's Idaho results of operations using the 2010 Protocol, Revised Protocol, and Rolled-In methods.

WHEREFORE, Rocky Mountain Power respectfully requests that the Commission approve 2010 Protocol as the authorized method of allocating system costs to each jurisdiction.

Respectfully submitted this 15th day of April, 2011.

ROCKY MOUNTAIN POWER,

Mark Moench (d/e)

Mark C. Moench, *Pro Hac Vice*
Daniel E. Solander, *Pro Hac Vice*
201 South Main Street, Suite 2300
Salt Lake City, Utah 84111
Telephone No. (801) 220-4014
Facsimile No. (801) 220-3299
mark.moench@pacificorp.com
daniel.solander@pacificorp.com

Paul J. Hickey, *Pro Hac Vice*
Hickey & Evans, LLP
1800 Carey Avenue, Suite 700
P.O. Box 467
Cheyenne, WY 82003-0467
Telephone No. (307) 634-1525
Facsimile No. (307) 638-7335
phickey@hickeyevans.com

*Attorneys for
Rocky Mountain Power*

CERTIFICATE OF SERVICE

I hereby certify that on this 15th day of April, 2011, I caused to be served, via E-mail, a true and correct copy of Rocky Mountain Power's Comments in PAC-E-10-09 to the following:

Eric L. Olsen
Racine, Olson, Nye, Budge & Bailey,
Chartered
201 E. Center
P.O. Box 1391
Pocatello, ID 83204-1391
E-Mail: elo@racinelaw.net

Randall C. Budge
Racine, Olson, Nye, Budge & Bailey,
Chartered
201 E. Center
P.O. Box 1391
Pocatello, ID 83204-1391
E-Mail: rcb@racinelaw.net

Anthony Yankel
29814 Lake Road
Bay Village, Ohio 44140
E-mail: tony@yankel.net

Maurice Brubaker (E-mail only)
Brubaker & Associates
PO Box 412000
St. Louis, MO 63414-2000
E-Mail: mbrubaker@consultbai.com

James R. Smith (E-mail only)
Monsanto Company
P.O. Box 816
Soda Springs, Idaho 83276
E-Mail: jim.r.smith@monsanto.com

Gary Kajander
Energy Procurement
Monsanto Company
800 N. Lindberg BLVD., Mailzone C2NF
St. Louis, MO 63167
E-mail: gary.r.kajander@monsanto.com

Scott Woodbury
Deputy Attorney General
Idaho Public Utilities Commission
472 W. Washington (83702)
PO Box 83720
Boise, ID 83720-0074
E-Mail: scott.woodbury@puc.idaho.gov

PacifiCorp/dba Rocky Mountain Power
ted.weston@pacificorp.com
mark.moench@pacificorp.com
Daniel.solander@pacificorp.com
datarequest@pacificorp.com



Kaley McNay
Coordinator, Administrative Services