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IDAHO PUBLIC
UTILITIES COMMISSION

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 \$32.7 MILLION, OR
APPROXIMATELY 15 PERCENT

Case No. PAC-E-11-12

MONSANTO COMMENTS

INTRODUCTION

Comes now Intervenor Monsanto Company (“Monsanto”), by and through counsel, and submits these comments with regard to the settlement Stipulation dated October 17, 2011 (“Stipulation”) signed by Monsanto and all but one other party. The Stipulation has been filed with the Idaho Public Utility Commission (“Commission”) and scheduled for an approval hearing on December 19, 2011. Since the terms of the Stipulation and the basis upon for approval are well-described in the direct testimony of Staff Utilities Division Administrator Randy Lobb and PacifiCorp dba Rocky Mountain Power (the “Company” or “RMP”) witness Ted Weston, and since the Stipulation speaks for itself as to the terms, Monsanto felt it was unnecessary to file written testimony but does deem it important that the Commission understand that Monsanto signed the Stipulation with great trepidation and serious concerns, as explained in

the following comments.

MONSANTO APPROVED THE STIPULATION WITH GREAT RELUCTANCE

Monsanto approved and signed the Stipulation because it believes that the Stipulation represents a reasonable compromise of the disputed claims and positions of the parties. Accordingly, Monsanto urges the Commission to approve it in its entirety.

That said, Monsanto's approval of the Stipulation came after considerable question and with serious trepidation, and Monsanto believes it is important to apprise the Commission not only of the reasons supporting approval but also of important issues concerning sustainability of the course being taken by the Company.

Monsanto appreciates the fact that this Commission has recognized the importance of price certainty and stability to Monsanto for planning, operational, and competitive reasons. While the Stipulation provides price certainty for two years, it does not provide price stability. The primary reasons Monsanto approved the Stipulation are as follows:

1. The Stipulation provides price certainty for the next two years, although prices will increase annually. (Stipulation ¶ 4, 19)
2. The Stipulation is a "black box" settlement, with no agreement or acceptance by the Parties of any specific revenue requirement, cost allocation or cost of service methodology. (Stipulation, ¶ 5, 24)
3. The Stipulation represents a compromise of disputed claims with the risks, uncertainties, and costs associated with a contested rate case eliminated. (Stipulation, ¶ 21)
4. The ECAM balances that Monsanto and Agrium now are exposed to, which

would have caused a dramatic rate shock, are being amortized over three years.

(Stipulation, ¶ 9)

5. The value of Monsanto's curtailment products will increase each year (January 1, 2012 and January 1, 2013). (Stipulation, ¶ 9)

6. The Company agrees to work collaboratively and in good faith during the rate plan period to address the terms, conditions and valuation of Monsanto's curtailment products and to discuss alternative cost of service methodologies.

(Stipulation, ¶ 14)

7. Monsanto and the Company will execute a new Electric Service Agreement covering the next two years. The two-year period will provide Monsanto with an opportunity to take a proactive role of scrutinizing, influencing and changing the Company's present plans to expend nearly \$9 billion over the next eight years (driven by the Gateway Transmission Project) with little if any concern for the resulting annual rate increases to the customers and whether the customers can afford them.

MONSANTO CONCERNS

Rapidly Escalating Energy Costs:

Since Mid-American Energy Holding Company ("MEHC") acquired PacifiCorp in 2005, Monsanto and other customers have experienced rapidly escalating energy costs. The amount and frequency of rate increases has been dramatic, far outpacing what was promised at the time of the acquisition. When MEHC sought regulatory approval of its acquisition of PacifiCorp in 2005, MEHC management testified that, under its ownership, PacifiCorp's rates would increase

less than 4% per year.¹ Actual increases since have exceeded that promise by more than double.

To illustrate, in 2006, the year that MEHC's acquisition was approved, Monsanto's electric bill was \$32.1 million. In 2013 Monsanto's electric bill will be over \$63 million with the ECAM². Monsanto's rates have increased more than 4% percent in every year but one since MEHC³ acquired the Company, including increases of 11% in 2007, 11% in 2008, and 16% in 2011. As a result of this Stipulation, Monsanto's rates will increase another 8.91% January 1, 2012, and 8.25% in 2013. While these increases are reasonable based on the Stipulation and when compared with what the Company requested, the reality is that they far outstrip inflation and exacerbate the stress already caused by the Company's recent history of heavy annual increases.

As shown in Figure 2 below, the Company's Idaho service territory electricity costs are increasing at rates significantly higher than the Consumer Price Index.⁴ Figure 3 below shows that Monsanto's rate increases when compared to the Consumer Price Index are dramatically and disproportionately higher yet.

¹ Re: MEHC and PacifiCorp Application, Oregon PUC Docket No. UM 1209, PPL/312 at Brett Gale/6-7 (Dec. 7, 2005)

² Stipulation, Attachment 1 – Settlement Revenue Requirement and Rate Spread, Rocky Mountain Power – State of Idaho, Case No. PAC-E-11-12

⁴ 2007-2011 CPI data is from <http://www.usinflationcalculator.com/inflation/current-inflation-rates/>
2012-2013 CPI data forecast from *Consensus Forecasts*, <http://www.ltroth.com/valuation-update/article/economic-outlook1>
2007 RMP rate increase taken from IPUC 2006 Annual Report <http://www.puc.state.id.us/ar2006/electric.pdf>
2008 RMP rate increase taken from IPUC 2007 Annual Report <http://www.puc.state.id.us/ar2007/electric.pdf>
2009 RMP rate increase taken from IPUC 2009 Annual Report <http://www.puc.state.id.us/ar2009/electric.pdf>
2011 RMP rate increase taken from IPUC, Case No. PAC-E-10-07, Interlocutory Order No. 32151, http://www.puc.idaho.gov/internet/cases/elec/PAC/PACE1007/ordnotc/20101227INTERLOCUTORY_ORDER_NO_32151.PDF
2012-13 RMP rate increase pending as proposed in IPUC, Case No. PAC-E-11-12, Notice of Proposed Settlement, Order No. 32399, p. 2, http://www.puc.idaho.gov/internet/cases/elec/PAC/PACE1112/ordnotc/20111109NOTICE_OF_PROPOSED_SETTLEMENT_ORDER_NO_32399.PDF

Figure 2 – RMP Electric Base Rates vs. CPI (percent increase since 2006)

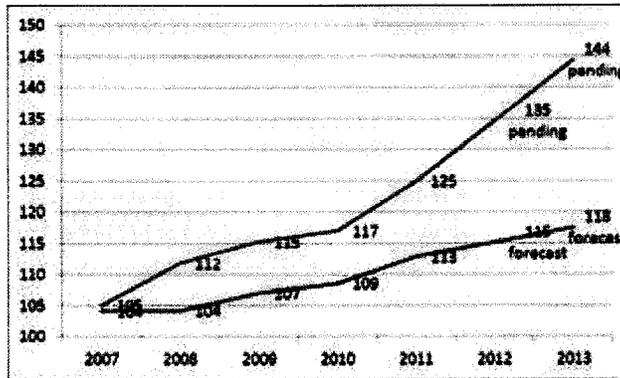
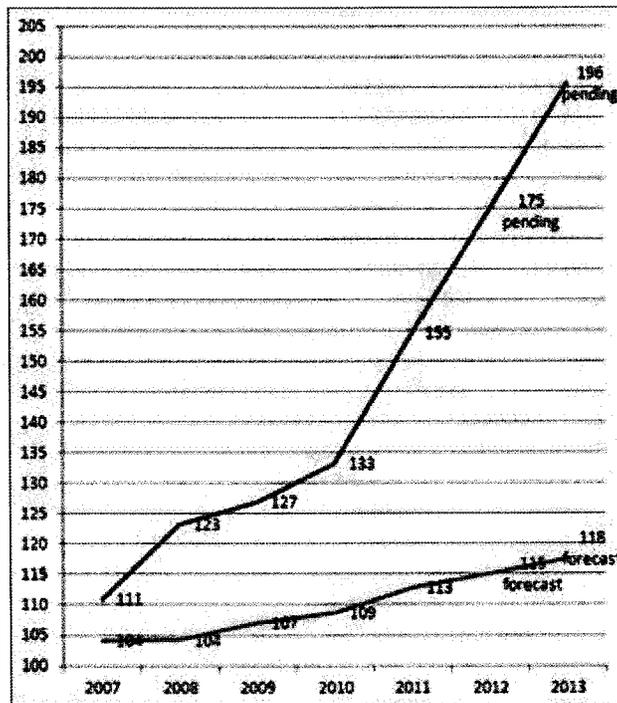


Figure 3 - Monsanto Rates vs. CPI (percent increase since 2006)



Despite providing 1,050 hours of interruptible power, Monsanto rates are approaching full firm rate levels paid in other parts of the country. Clearly, the Company's Idaho customers have lost their competitive energy advantage since MEHC acquired the Company. Monsanto cannot tolerate these types of increases in the future and does not believe that other Idaho customers can either.

Capital Investment Plans:

When this Commission approved MEHC's acquisition of PacifiCorp from Scottish Power, the Order acknowledged that MEHC projects "that PacifiCorp's service territories will require investments of at least \$1 billion per year, for the next five years, in order to assure reliable electric service."⁵ At that time MEHC also asserted "it is 'uniquely suited' to undertake such investments because it is 'privately held and not subject to shareholder expectations or regular quarterly dividends and relatively fast returns on investments;" further, that "Mid-American has access to significant financial and managerial resources through its relationship with Berkshire-Hathaway."⁶ Ratepayers have now experienced first-hand Berkshire-Hathaway's capitalization of PacifiCorp.

For example, MEHC's merger commitment included a transmission upgrade of Path C from Southeast Idaho to Northern Utah at an estimated cost of \$78 million.⁷ Yet, we learned in the 2010 rate case the actual cost was more than \$801 million.⁸ This casts considerable doubt and should raise the concern among ratepayers as to whether the Company's projected expenditures of \$8.8 billion through 2020 (of which \$5 billion is Gateway Transmission) are realistic (even assuming these expenditures are necessary).

While the Company is able and comfortable in "projecting" enormous capital expenditure costs through 2020, it has never disclosed how these will translate into rate increases to the customers that will be asked to foot the bill. Further, the "affordability" of substantially increased energy costs to affected customers has been disregarded. The negative economic

⁵ Order No. 29973 dated February 13, 2006, in Case No. PAC-E-05-8, p. 4.

⁶ Order No. 29973 at p. 5.

⁷ Order No. 29973, IDAHO COMMITMENTS, No. 34 (a), p. 6

⁸ Order No. 32196 dated February 28, 2011, CASE NO. PAC-E-10-07, p. 35.

impacts that continuing large rate increases will have on the regional economy and how it will effect load growth has apparently not been analyzed. If energy costs continue to escalate at these rates, there is a significant likelihood that loads of many customers will disappear.

In sum, the need for the Company's plan to expend \$9 billion in capital improvements is unclear, the effect such expenditures will have on rates and demand has not been disclosed, and a cost-benefit analysis is non-existent.

Monsanto notes with interest that the recent Wyoming settlement requires a "certificate of public convenience and necessity" be obtained in advance for the Gateway transmission project and large environmental projects. Monsanto believes that this process of requiring advanced scrutiny and approval before huge capital expenditures are incurred is a significant development that should provide a focused process to determine not only whether such projects are warranted and cost effective, but also to address the resulting rate increases and affordability questions. Idaho should closely follow these proceedings and perhaps require similar advance approval in Idaho.

Given the protracted recession, stagnant economy, and recent regular rate increases, PacifiCorp should moderate and defer if not abandon its huge capital expenditures programs that benefit primarily the shareholders in favor of austerity plans that to provide affordable rates.

CONCLUSION

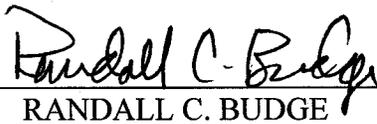
Monsanto approved and signed the Stipulation and for the reasons stated believes the settlement in the best interests of all customers under the particular circumstances of this case and therefore urges approval by the Commission. Monsanto is extremely concerned about massive past and planned future capital investments programs since MEHC acquired PacifiCorp which have and will continue to result in substantial and regular rate increase that far exceed

what MEHC promised customers when the merger was approved in 2006. "Affordability" of electricity to customers should not be ignored simply because a utility has a monopoly, an obligation to serve all customers within its jurisdiction and an entitlement to a reasonable rate of return. The Company should not be operated as a Berkshire Hathaway investment haven. Given the protracted recession, MEHC and PacifiCorp are urged to defer and moderate if not abandon their huge capital expenditures plans that primarily benefit shareholders and embark upon new austerity plans that provide electricity rates that are affordable and sustainable.

RESPECTIVELY SUBMITTED.

DATED this 19th day of December, 2011.

RACINE, OLSON, NYE, BUDGE &
BAILEY, CHARTERED

By 
RANDALL C. BUDGE

CERTIFICATE OF MAILING

I HEREBY CERTIFY that on this 19th day of December, 2011, I served a true, correct and complete copy of the foregoing document, to each of the following, via the method so indicated:

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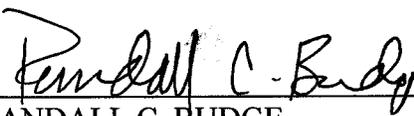
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