



RANDALL C. BUDGE
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May 17, 2016

IDAHO PUBLIC
UTILITIES COMMISSION

Jean D. Jewell, Secretary
Idaho Public Utilities Commission
PO Box 83720
Boise, Idaho 83720-0074
jean.jewell@puc.idaho.gov

Re: IPUC Case No. PAC-E-15-16

Dear Ms. Jewell:

Enclosed you will find the original and seven (7) copies of *Comments of Monsanto Company*. Please file the same with the Commission's records. If you have any questions, please don't hesitate to call.

Thank you.

Sincerely,

A handwritten signature in blue ink that reads 'Randall C. Budge' in a cursive style.

RANDALL C. BUDGE

RCB:ts
cc: Service List

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Attorneys for Intervenor Monsanto Company

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION) CASE NO. PAC-E-15-16
OF PACIFICORP dba ROCKY MOUNTAIN)
POWER FOR APPROVAL OF THE 2017) COMMENTS
PROTOCOL ALLOCATION) OF
METHODOLOGY) MONSANTO COMPANY

INTRODUCTION

COMES NOW Intervenor Monsanto Company (“Monsanto”) through counsel and submits these Comments with respect to the December 31, 2015 Application of PacifiCorp, d/b/a Rocky Mountain Power (“Company”) seeking approval of the 2017 Protocol Allocation Methodology (“Application”). Monsanto’s Comments are in response to Order No. 33485 of the Idaho Public Utilities Commission (“Commission”) dated March 23, 2016, giving notice of the Application, that this matter will proceed under Modified Procedure, authorizing interested persons to file written comments in support or opposition by May 23, 2016, and providing rights or participation by filing a Petition to Intervene. Monsanto previously timely filed its Petition to Intervene dated February 12, 2016.

BACKGROUND

Monsanto owns and operates phosphate mines in Caribou County, Idaho, together with a plant in Soda Springs which produces elemental phosphorous utilizing three electric furnaces. Elemental phosphorous becomes the primary building block for the active ingredient *glyphosate* used in Roundup® herbicide, the foremost weed-control agent in the world. With a load of

approximately 180 megawatts, Monsanto's Soda Springs plant is Idaho's single largest user of electricity and the largest single user on the PacifiCorp system.

The Company provides electric service to Monsanto pursuant to an Electric Service Agreement effective January 1, 2016 for a two-year term ("Contract") as provided in rate tariff Schedule 400. Pursuant to the Contract, Monsanto receives firm and interruptible power and energy. Monsanto's interruptible products provide the Company with up to 188 hours of operating reserves interruptions at 95 MW, up to 12 hours of system integrity interruptions at 162 MW and up to 800 hours of economic curtailments at 67 MW. These interruption options provide valuable resource to the Company for which Monsanto receives a rate credit.

Monsanto has continuously been a special contract customer of PacifiCorp since plant operations began in 1951. Even though Monsanto has a special contract, its rates are still subject to periodic rate adjustments just like all other customers of PacifiCorp. Monsanto's electrical energy cost exceeds \$70 million per year and represents the largest single cost of producing elemental phosphorus. The allocation of resource costs among the states within the PacifiCorp system is a critical component in determining fair and reasonable rates to be paid by Monsanto and all other Idaho ratepayers.

MONSANTO COMMENTS

Monsanto recommends that the Commission adopt the 2017 Protocol for purposes of cost allocation for the effective transition period, a proposed term of two years with the opportunity to extend an additional year. In evaluating the proposed allocation, Monsanto believes the Commission Staff's prior basic regulatory objectives it outlined in the last Commission review of PacifiCorp's allocation methodology remain pertinent today.¹¹ These objectives are:

- The protocol should lead to allocations that are fair to PacifiCorp's Idaho ratepayers and to the Company's ratepayers 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.

¹ Case No. PAC-E-10-09, Order No. 32346, page 7.

- Explicit jurisdictional allocation methodologies, predominately based on a consensus methodology, are 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 overly burdensome to administer.
- The allocations should not lead to undue revenue requirement volatility or gross unpredictability.
- The method should allow for states to independently pursue their energy policies.

Monsanto's recommendation for approval is supported by the following six points.

1. The 2017 Protocol Fulfills the Need for a Post-2106 Allocation Method.

The allocation method in effect today is commonly referred to as the "2010 Protocol" approved by the Commission on August 31, 2011² and is set to expire December 31, 2016. The 2017 Protocol satisfies the need for a new allocation method effective January 1, 2017.

2. The 2017 Protocol Was Developed Collaboratively With the Broad Review Work Group ("Work Group").

During the Multi-State Process ("MSP"), PacifiCorp worked collaboratively with the Work Group³ to develop the mutually agreed upon allocation methodology known as the 2017 Protocol as set forth in the Application. The Work Group met on a regular basis to discuss alternative proposed methods and explore modeling runs based on various load growth scenarios, fuel price sensitivities, transmission planning and divisional studies.

Monsanto commends the Company for its consensus approach in developing the 2017 Protocol which effectively fostered communication among various states and stakeholders resulting in the recommended 2017 Protocol which provides a fair and reasonable basis for allocating costs between the states governing all regulatory filings starting January 1, 2017. The

² PAC-E-10-09, Order No. 32346

³ The MSP Work Group collaborative meetings were typically attended by in excess of 50 individuals representing 18 entities from the states of Idaho, Oregon, Utah, Washington and Wyoming, including representatives from the Company, state commission policy staffs, advocacy staffs, industrial customers (including Monsanto) and consumer groups.

Idaho Commission Staff also should be commended for taking an active role in the process, displaying leadership and extraordinary resolve in its efforts to represent and protect the interests of Idaho ratepayers. Accordingly, Idaho ratepayers' were well represented despite the fact that Idaho represents a very small part of the load and could easily be overshadowed by the interests of the larger states.

3. The 2017 Protocol Provides a Short-Term Transition While PacifiCorp Continues to Analyze Options.

The Work Group was ultimately only able to arrive at a short-term transition solution for 2017 and 2018 due to various changing and uncertain circumstances, despite meeting regularly to review and discuss alternative allocation methods. Monsanto agrees this short-term transition solution is the best course of action at this time. An optional one-year extension through 2019 is also possible if all state Commissions that approve the 2017 Protocol agree by March 31, 2017 to extend it for another year.⁴ This agreement offers a short-term solution while key policies are further analyzed, as explained in the direct testimony of Jeffrey K. Larsen:

“The 2017 Protocol is intended to be a transitional allocation mechanism while the impacts of Rule 111(d) and other multi-jurisdictional issues are better understood and analyzed. The 2017 Protocol also provides an opportunity for PacifiCorp to analyze, among other things, alternative allocation methods that may include the formation for a regional independent system operator, corporate structure alternatives, or divisional allocation methodologies, in light of the changing electric industry in the Western United States.” page 12

4. The 2017 Protocol Provides Rate Continuity and Leads To Allocations Which Are Fair To PacifiCorp Ratepayers.

The Work Group used the 2010 Protocol as the starting point for drafting and finalizing the 2017 Protocol. This was done in order to minimize controversy and provide continuity. While some areas of the 2010 Protocol, such as direct access, required detailed updates, the fundamental components of the 2010 Protocol remain unchanged in the 2017 Protocol. These include the long-standing classification of all resource fixed costs as 75 percent Demand-Related and 25 percent Energy-Related based on twelve coincident peaks and annual energy, as well as

⁴ See Section II, i.e.

the continued treatment of special contracts outlined in Appendix D.

Monsanto believes that continuation of these important fundamentals will provide rate continuity, facilitate administration over the next two (or three years if extended), will eliminate any risks of undue revenue requirement volatility or gross unpredictability, and ultimately will result in fair and reasonable rates.

5. The 2017 Protocol Retains Provisions for Independent State Commission Review of Rate.

The 2017 Protocol retains independent state commission review. This was confirmed by Company witness Larsen's testimony that "the 2017 Protocol is not intended to prejudge the prudence of any costs or abrogate a State Commission's right and/or obligation to determine fair, just, and reasonable rates based upon the law of that State..." Importantly, the 2017 Protocol does not prejudge issues of prudence, rate spread, rate design, rate design or cost recovery, and allows each state commission to establish fair, just and reasonable rates.

6. The 2017 Protocol Includes a Small Incremental Fixed Cost To Bring Idaho to A Fully "Rolled-In" Allocation.

When Pacific Power and Light merged with Utah Power and Light in 1988, discussions on inter-jurisdictional allocation focused on the expectation that all common costs of the two utility systems would eventually be combined and allocated among all the states.⁵ The goal was to get to a point of allocation where there would be no distinction between the two divisions and costs would be "rolled-in" and allocated to all states. The 2010 Protocol made considerable movement towards a fully "Rolled-In" allocation, particularly with respect to reducing and limiting the impacts from the Embedded Cost Differential ("ECD"), a comparison of embedded hydro and non-hydro resource costs. The 2010 Protocol provided for Idaho to include a flat "fixed" ECD expense of \$836,000. Rates in place today in Idaho include this \$836,000 cost.

The 2010 Protocol ECD, however, resulted in further rate-making concerns. Analysis presented by the Company during Work Group meetings showed an allocation shortfall as a

⁵ Distribution costs are state-specific and thus directly assigned to their respective jurisdictions.

result of differences among the states' implementation of the 2010 Protocol respective to the treatment of the hydro ECD adjustment. While Idaho went with a "fixed" ECD, other states chose instead a "dynamic" approach to the hydro ECD in the 2010 Protocol, and one state Commission opted to eliminate the ECD entirely and move directly to "Rolled-In". Thus PacifiCorp was faced with a growing problem of an allocation shortfall stemming from different ECDs. To equitably share this shortfall, a new "Equalization Adjustment" of \$986,000 for Idaho is included in the proposed 2017 Protocol in Section XIV. For Idaho, the "Equalization Adjustment" is based on the previous \$836,000 fixed ECD plus an incremental negotiated \$150,000, a relatively small amount.

Based on Idaho's revenue requirement of approximately \$270 million, this \$150,000 incremental cost represents an increase of 0.05 percent to Idaho (in other words, five 1/100ths of one percent).⁶ For example, this would increase the average residential customer's monthly bill by less than 5 cents. For Monsanto, this will increase their monthly rates by approximately \$3,500. While no customer wants to see rates increase, Monsanto considers the incremental cost of the "Equalization Adjustment" a reasonable short-term solution and should be approved as part of the 2017 Protocol. It represents Idaho's good faith contribution to reducing the shortfall faced by PacifiCorp. It also means that eliminating the ECD and replacing it with the "Equalization Adjustment" will result in a fully "Rolled-In" inter-jurisdictional allocation for Idaho ratepayers, a goal Idaho regulators have been pursuing since 1988.

CONCLUSION

Monsanto respectfully asks the Commission to approve the Company's Application and adopt the 2017 Protocol as filed and presented by general consensus of the Work Group. The proposed 2017 Protocol meets the six standards outlined when the Commission adopted the previous 2010 Protocol. It also represents a timely and necessary interim solution for the allocation of costs between the states that is fair, just and reasonable. While this will result in a

⁶The rate impact from the Equalization Adjustment will not occur until base rates change as a result of the Company's next Idaho general rate case which will be no earlier than January 1, 2018. If a case is filed with a rate effective date later than January 1, 2018, the incremental portion of \$150,000 will be deferred on a monthly basis (\$12,500) from January 2018 forward as a regulatory asset until the rate effective date of the Company's next Idaho general rate case. See page 24-25 of direct testimony of Jeffrey Larsen.

\$150,000 increase in cost allocated to Idaho, it is a relatively small amount and a reasonable compromise to reach an agreement.

RESPECTFULLY SUBMITTED this 17th day of May, 2016.

RACINE, OLSON, NYE, BUDGE &
BAILEY, CHARTERED

By 
RANDALL C. BUDGE

CERTIFICATE OF MAILING

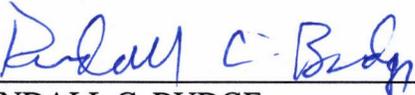
I HEREBY CERTIFY that on this 17th day of May, 2016, I served a true, correct and complete copy of the foregoing document, to each of the following, via the method so indicated:

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