

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

In the Matter of the Application of) CASE NO. PAC-E-01-16
PacifiCorp, dba Utah Power & Light)
Company for Approval of Interim)
Provisions for the Supply of Electric)
Service to Monsanto Company)
_____)

DIRECT TESTIMONY OF BRUCE W. GRISWOLD

1 **Q. Please state your name, business address and position with PacifiCorp (the**
2 **Company).**

3 R. My name is Bruce W. Griswold. My business address is 825 N. E. Multnomah, Suite
4 600, Portland, Oregon. I am the Director, Energy Contracts at PacifiCorp.

5 **Qualifications**

6 **Q. Please briefly describe your education and business experience.**

7 R. I have a B.S. and M.S. degree in Agricultural Engineering from Montana State and
8 Oregon State, respectively. I have been employed with PacifiCorp over fifteen years
9 in various positions of responsibility in retail energy services, engineering, marketing
10 and wholesale energy services. I have also worked in private industry and with an
11 environmental firm as a project engineer. I currently work in the Commercial and
12 Trading Business unit of PacifiCorp. My responsibilities include negotiation and
13 management of special power supply and resource acquisition agreements with
14 PacifiCorp's largest retail customers.

15 **Purpose of Testimony**

16 **Q. What is the purpose of your testimony?**

17 R. I will present testimony regarding the general background and negotiations with
18 Monsanto for both the power supply agreement and separate agreements for operating
19 reserves, interruptibility or other load curtailment options. I will provide
20 supplemental testimony regarding interruptibility in support of Mr. Taylor's direct
21 testimony. I will show that PacifiCorp has negotiated in good faith and treated
22 Monsanto consistent with other special contract customers served by PacifiCorp in
23 Idaho and other states.

1 **Q. What have been the contractual arrangements for supplying power to**
2 **Monsanto?**

3 R. Monsanto has provided electric service under an interruptible power supply
4 agreement that was approved in 1995 and, in the Company's view, terminated
5 December 31, 2001. During the term of this agreement, PacifiCorp also purchased
6 operating reserves and a load curtailment product from Monsanto. As the termination
7 date of the 1995 Agreement approached, the parties were unable to negotiate a new
8 rate. As a result, on December 07, 2001, PacifiCorp filed an Application with the
9 Idaho Commission requesting that the Commission approve interim provisions for the
10 supply of electric service to Monsanto at PacifiCorp's Cost of Service as provided in
11 Mr. Taylor's testimony.

12 **Q. What has changed that requires the existing interruptible contract structure to**
13 **be separated into a firm power supply agreement and a separate interruptibility**
14 **agreement?**

15 R. The basis for separating the interruptible or curtailment agreements from the power
16 supply agreement was due to commercial and regulatory reasons. I will address the
17 commercial reasons. Mr. Taylor has addressed the regulatory reasons in his
18 testimony. The 1995 Agreement as written allowed PacifiCorp to interrupt Monsanto
19 for system integrity only. This meant that regardless of the price of power to serve
20 Monsanto, as long as the PacifiCorp electrical system was operating within the
21 defined electrical system limits, PacifiCorp was required to purchase that power to
22 serve Monsanto. For example, during the summer of 2001 we were constantly
23 purchasing power at prices over \$150 per MWh to serve Monsanto's load at the 1995

1 Agreement price of \$18.50 per MWh. In fact, during the 74-month term of the 1995
2 Agreement, PacifiCorp's records show that we interrupted Monsanto less than five
3 times under the conditions of the agreement. Therefore, on a going forward basis
4 one reason to separate the agreements was to clearly define any terms and conditions
5 for interruptibility including the months of the year, hours of the day, load to be
6 interrupted, frequency, notification period, etc. Second, it was necessary to
7 accurately reflect the cost of acquiring any interruptibility and align the cost with the
8 specific resource being acquired. Because these resources are considered short-term,
9 the alternative is to purchase a resource from the wholesale market and must be
10 compared to market. Separating the agreement from power supply allows the
11 Company to acquire the resource at the most appropriate cost for the type of resource
12 on a short term without impacting the power supply agreement. Third, there are
13 proposed changes by both NERC and WECC in their operating policies that could
14 modify both the quantity and requirements of both contingency and spinning
15 operating reserves. These changes will affect the short notice interruptibility
16 requirements for PacifiCorp. They are still under review and not finalized; however,
17 the focus of the change is to increase the system security and real-time recovery after
18 a contingency. The timeline on changes is anticipated to be mid-2003 but we do not
19 have a definitive schedule from the WECC yet. Last, PacifiCorp's preferred approach
20 is to purchase an option for the right to interrupt plus pay for the actual interruption
21 when used. This is similar to products we are purchasing from third parties in the
22 market to meet peak load conditions and more closely reflects the value of
23 interruptibility as a resource – where the alternative option is to quickly ramp up a

1 generator like a peaking unit. A single agreement with a discounted price to tariff
2 for interruptibility does not reflect this cost structure or flexibility because the cost to
3 PacifiCorp is fixed whether the interruption is taken or not. Our approach correctly
4 aligns the cost for both supply of power to Monsanto based on Cost-Of-Service as a
5 firm load and the purchase of the interruptibility back from Monsanto as a short-term
6 resource acquired from the market. As my testimony indicates, we did purchase
7 operating reserves from Monsanto and also a load curtailment product by shifting a
8 major furnace maintenance during the period 2000 through 2001. These were done
9 under separate agreements that we would not have been able to do through the
10 existing 1995 Agreement. Throughout the current negotiations we have proposed
11 several operating reserves, interruptible or curtailment options that paid Monsanto
12 monthly for the right to interrupt and then for the actual interruption. Exhibit No. 4
13 (BWG-1) is a summary table of the various demand side products proposed to
14 Monsanto during the negotiation period and is summarized as of October 11, 2001.
15 In fact, through February 2002, PacifiCorp continued to provide updated prices and
16 terms for operating reserves. The flexibility and cost to PacifiCorp for these options
17 are consistent with our other peak management alternatives that we acquired during
18 the same period. These various demand side management products when netted with
19 the Cost-Of-Service power supply agreement provide Monsanto a net power cost of
20 approximately \$27 to \$28 per MWh and correctly aligns the cost to serve Monsanto
21 and the cost to acquire of demand side resources from Monsanto.

22 **Q. What has been the negotiation process leading up to the current arrangement**
23 **for supplying power to Monsanto?**

1 R. As early as 1999, representatives from PacifiCorp held meetings, both at Monsanto's
2 request and self initiated, to discuss a new power supply agreement at a cost of
3 service based rate. As presented in Mr. Taylor's testimony, the Company realized
4 during this same period that system allocation of special contracts was becoming
5 more difficult and a more appropriate approach for power supply agreements was to
6 move them to tariff or a cost of service agreement as a firm retail load situs to the
7 state where they were served and develop separate agreements with those customers
8 for interruptibility, operating reserves and / or generation.

9 Throughout calendar 2000 and 2001, the parties continued discussions on a number
10 of power supply and demand side resource acquisition opportunities with several
11 management levels throughout PacifiCorp. These discussions included the exchange
12 of proposals for operating reserves, interruptibility, and load curtailment. As a result
13 of those meetings and the exchange of proposals, PacifiCorp entered into three
14 separate agreements to purchase interruptible and load curtailment products from
15 Monsanto that it could not acquire through the existing contract. Two operating
16 reserve agreements were reached in 2000 and 2001. The first operating reserve
17 agreement paid Monsanto a monthly option for the minimum of one furnace. The
18 second operating reserve agreement paid Monsanto a monthly option for a minimum
19 of a second furnace. These agreements are included in Exhibit No. 5 (marked
20 CONFIDENTIAL). An outage deferral agreement that shifted Monsanto's major
21 furnace outage from the April 2002 to July 2001 was also purchased from Monsanto
22 in 2001. This agreement split the cost savings of market power purchases with
23 Monsanto based on shifting the maintenance to the higher market price period. This

1 agreement is attached in Exhibit No. 6 (marked CONFIDENTIAL). In addition,
2 numerous other demand side proposals were presented to Monsanto during the
3 negotiations that were never agreed. These are included in Exhibit No. 7 (BWG-4).
4 In view of the impending termination of the 1995 Agreement, PacifiCorp and
5 Monsanto began more intensive negotiation of a new power sales arrangement in July
6 2001. Principles for the new agreement were discussed during the meetings and
7 shared in writing in October 2001 by PacifiCorp. This outline of terms assumed that
8 PacifiCorp would provide Monsanto's full service requirements at a cost of service
9 rate as described in Mr. Taylor's testimony. Under this structure, PacifiCorp offered
10 to pay Monsanto for curtailment—or the ability to interrupt Monsanto's load through
11 a separate agreement. A copy of the principles is attached as Exhibit No. 8 (BWG-5).
12 Throughout the period, the parties continued their discussions in an effort to arrive at
13 a new power supply arrangement that included the purchase of interruptibility and/or
14 load curtailment. Over time, however, the negotiations broke down, with Monsanto
15 insisting on obtaining a rate that was far below what PacifiCorp could economically
16 provide either through the Cost-Of-Service or as a prudent purchase of demand side
17 resources. Monsanto also was unwilling to separate the two agreements.
18 Because of this gap, the parties were unable to reach an agreement. Given the
19 parties' inability to reach an agreement and the impending termination of the 1995
20 Agreement, PacifiCorp filed an application with the Commission on December 07,
21 2001 requesting that Monsanto be provided service on an interim basis at the cost of
22 service PacifiCorp had previously proposed.

1 **Q. Has PacifiCorp treated Monsanto any differently than other special contract**
2 **customers?**

3 **R.** No, our approach and dealings have been consistent across all special contract
4 customers. In particular, in Idaho we have provided Nu-West the same approach and
5 successfully agreed upon a special contract with them based on their Cost-Of-Service.
6 We have also negotiated separate agreements with many special contract customers in
7 other jurisdictions for resources they could and would provide including on-site
8 generation or demand side management. We have provided offers for the purchase of
9 Monsanto's interruptibility that reflects the cost of acquiring those resources.

10 **Q. Does this conclude your testimony?**

11 **R.** Yes it does.