

**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 )	Rebuttal Testimony of
Service to Monsanto Company )	Bruce W. Griswold
_____ )	

PACIFICORP

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

2 A. My name is Bruce W. Griswold. My business address is 825 NE Multnomah,  
3 Suite 600, Portland, Oregon. I am the Director, Energy Contracts at PacifiCorp.

4 Q. Are you the same Bruce W. Griswold that previously filed direct testimony in this case?

5 A. Yes.

6 Q. What is the purpose of your testimony?

7 A. I will provide testimony to clarify the negotiations of the power supply agreement and  
8 specifically provide rebuttal to testimony provided by Mr. James Smith and Mr. Daniel  
9 Schettler of Monsanto. I will respond to Monsanto's recommended terms and  
10 conditions for electric service as proposed by Mr. Schettler. Finally, I will provide  
11 PacifiCorp's proposed terms and conditions for electric service to Monsanto.

12 Q. Is PacifiCorp willing to provide Monsanto an electric service agreement and separate  
13 interruptible or curtailment agreements that have the same length of term?

14 A. Yes. Both Mr. Smith and Mr. Schettler have indicated in their testimony that PacifiCorp  
15 is only willing to provide a separate power contract of one to two years and monthly  
16 agreements for interruptibility. This is incorrect. All during our contract negotiations,  
17 we have indicated that we are willing to align the terms of all the agreements such that  
18 they were of the same length of term. In fact in a letter to the Idaho Commissioners  
19 from Frank Mitchell, Vice President of PacifiCorp, he specifically emphasizes that point.  
20 A copy of the letter is attached as Exhibit No. 9 (BWG-R1). It should also be pointed  
21 out we entered additional interruptible and curtailment agreements with Monsanto  
22 during the 1995 Agreement when there was an opportunity that benefited both

1 companies. The specific price structure, terms and conditions of these interruptible and  
2 curtailment agreements were not consistent with the 1995 Agreement but that did not  
3 stop Monsanto from entering those agreements. Clear definition of each component.

4 Q. Do you agree with Mr. Smith's testimony that PacifiCorp entered into agreements to  
5 interrupt Monsanto for economic reasons while the 1995 Agreement was effective?

6 A. No. He is correct that three Operating Reserve Agreements and one Outage Deferral  
7 Agreements were entered into. These agreements are described and documented in my  
8 direct testimony and also in Mr. Smith's direct testimony. However, Mr. Smith  
9 testimony indicates that these four agreements are interruptible for economic reasons  
10 and that is not correct. The operating reserve agreements must meet WECC operating  
11 criteria and these three agreements are limited to transmission or generation  
12 contingencies as stated in Section 2 of the agreements:

13 **2. Definitions**

14 *Operating Reserve is defined as a specific amount of electrical resources;*  
15 *all control areas must have available at all times to ensure the reliable*  
16 *operation of the interconnected system.*

17 *Contingency Operating Reserve, a component of Operating Reserve can*  
18 *include interruptible load and is an amount of reserve necessary to reduce*  
19 *Area Control Error (ACE) to zero within ten minutes of a loss of energy*  
20 *associated with a transmission or generation contingency.*

21 The operating reserve agreements are not available for interrupting for economic  
22 reasons. The fourth agreement referenced by Mr. Smith is the Outage Deferral  
23 Agreement. While Mr. Smith is correct that a maintenance outage was moved to a  
24 higher power cost period, the maintenance was a planned maintenance by Monsanto  
25 that was scheduled by them to occur anyway. It was not an agreement for interruption

1 at all. PacifiCorp shared the power cost savings with Monsanto for moving their  
2 planned maintenance between the originally scheduled outage during a lower power  
3 cost period in the spring to the final agreed outage period in the higher power cost  
4 period in the summer. The actual difference in energy reduction as originally planned for  
5 maintenance and what occurred during the actual outage was minimal. While it had  
6 financial benefits for both parties, it should not be qualified as an interruptible agreement  
7 for economic reasons.

8 Q. Why is the price paid for acquiring operating reserves in the 2002 Operating Reserve  
9 Agreement higher than the 2000 and 2001 Operating Reserve Agreements?

10 A. The 2002 Operating Reserve Agreement was a short-term agreement effective July 9  
11 through September 15, 2002 and the monthly price of \$5.00 per kW-month reflected  
12 the higher power cost months of the summer. The 2000 and 2001 agreements prices  
13 were averages of the individual monthly prices because those agreements had terms of  
14 twelve months. If we had entered into a twelve month agreement versus the two month  
15 plus term for the 2002 agreement, the average price for the 12 months would have been  
16 in the range of \$2.50 to \$3.00 per kW-month for the number of hours per month  
17 acquired for operating reserves.

18 Q. Has PacifiCorp ever declined Monsanto's offer to curtail its load?

19 A. Yes. On more than one occasion, we have been contacted by Monsanto who has  
20 asked us if we would be interested in paying them for the shutdown of a furnace  
21 because their product inventory was sufficient to allow them to shutdown. Specifically,  
22 Mr. Smith references two such instances in his testimony, December 2000 and January

1           2001. He states that while it serves no purpose to discuss these instances he continues  
2           on to state that it shows why short-term operating agreements are problematic and do  
3           not provide price certainty or stability.

4           First, let me briefly explain the situation. As a result of discussions in early December  
5           2000 we were asked by Mr. Smith to consider a second operating reserve agreement  
6           for 49 MW (a second furnace) that would start immediately and expire February 28,  
7           2001 and a one-year extension of the first operating reserve agreement. Both of these  
8           agreements were accepted and signed December 13, 2000. Both were fixed price  
9           agreements that did provide price certainty to Monsanto over the term of the  
10          agreements requested. In January 2001, Mr. Smith did contact me and he stated that  
11          he had a specific third party offer for a multi-day purchase of Monsanto's power and  
12          that PacifiCorp would need to accept this offer so that Monsanto could sell their power  
13          to the third party. I and others in our company informed him that first, the power was  
14          not his to sell since Monsanto did not have a take-or-pay arrangement for that block of  
15          power and second, his power supply contract specifically precludes sale for resale. We  
16          also discussed the fact that we had two Monsanto furnaces on operating reserve  
17          agreements and they are not eligible for curtailment since the operating reserve  
18          agreements define the terms under which the two furnaces could be interrupted.  
19          Monsanto has indicated in negotiations and through their testimony that one furnace  
20          must be operating at all times for safety reasons. Therefore, if the third furnace were  
21          curtailed and we called for operating reserves on the other two furnaces, Monsanto  
22          would be faced with a safety concern. This was simply a situation where the terms of

1 the existing short term operating reserve agreements precluded the use of those two  
2 furnaces in other short-term agreements. The two operating reserve agreements were  
3 priced as fixed monthly price and did provide the price certainty and stability Monsanto  
4 indicates they desire. They know what they are compensated at every month and they  
5 know exactly how many times PacifiCorp had the right to interrupt each month.

6 Q. Please identify and describe what terms and conditions need to be modified or updated  
7 in the draft Power Supply Agreement presented by Mr. Schettler in his testimony as  
8 Exhibit 210?

9 A. Mr. Schettler's testimony indicates that the 1995 Agreement can readily be updated  
10 with minimal changes. I disagree. I have outlined the major areas of disagreement or  
11 where terms conflict or are unclear.

12 • The 1995 Agreement is a single contract with a fixed inclusive energy price for  
13 delivered power with interruptibility for System Integrity. We believe the  
14 agreement should be separated into an agreement for electric service to  
15 Monsanto and a separate agreement for purchase of interruptibility or  
16 curtailment from Monsanto. Monsanto has kept the same fixed price per MWh  
17 and made it inclusive of any discount or credit to reflect the cost of acquiring  
18 three interruptible or curtailment options. The interruptible products described  
19 in Exhibit A of the contract are not defined and costs of acquiring those specific  
20 products under those terms and conditions as shown are not clear. The  
21 agreement keeps the System Integrity definition and interruptibility in Section 3  
22 but then redefines that product in Exhibit A as an Emergency Curtailment. The

1 calculation of power factor in Section 4.14 is not consistent with PacifiCorp's  
2 standard for power factor calculation.

3 • There is no differentiation between the price of power for the proposed 13MW  
4 of firm load and the interruptible load.

5 • The terms in Section 3 need to be updated to reflect any new power quality  
6 standards or safety standards that have been implemented since 1995.  
7 Monsanto and PacifiCorp have been addressing safety and flicker issues at the  
8 plant that could affect their operations, their employees safety, or other  
9 customers during normal switching of the 138kV lines serving Monsanto and it  
10 is important to incorporate terms into the new agreement to address this issue.

11 • Section 2.1 which deals with the Term of the agreement has modified the basic  
12 verbiage but kept the word "thereafter" which is the basis for our current  
13 litigation with Monsanto over termination of the 1995 Agreement. This clause  
14 needs to be rewritten and clarified.

15 • Section 2.3 carries forward the requirement that PacifiCorp match any third  
16 party offer for power sales to Monsanto. Third party offers which are not  
17 available to Monsanto because retail direct access does not exist in Idaho. This  
18 clause is no longer appropriate.

19 • Section 4.1.5 is a most favored nations clause. PacifiCorp treats every  
20 customer similarly for the benefits that they bring to any transaction. Both  
21 Monsanto and PacifiCorp want defined contract terms over a specified number  
22 of years. This clause is one-sided and no longer appropriate.

1 Q. What are PacifiCorp's proposed terms and conditions for electric service to Monsanto  
2 at their Soda Springs facility?

3 A. PacifiCorp proposes to provide electric service to Monsanto under the following  
4 general provisions. A detailed proposal is attached as Exhibit No. 10 (BWG-R2).  
5 While both my rebuttal testimony and Exhibit No. 10 (BWG-R2) contain the major  
6 provisions for electric service, they do not contain all the terms and conditions that  
7 would go into a definitive agreement. I have only attempted to define the commercial  
8 structure.

9 1. Two agreements – one agreement for electric service to the plant and a  
10 separate agreement for acquiring interruptibility from the plant.

11 2. Term of both agreements would be effective September 1, 2002 or when the  
12 Idaho PUC issues an Order approving the agreements. Both agreements would  
13 terminate December 31, 2006. Length of the agreements would be  
14 coterminous and four years and four months in length.

15 3. Price components for the electric service to the plant are cost of service  
16 components. These specific components would be applied to all power and  
17 energy delivered and metered at the Soda Springs plant:

- 18 • Customer Charge: \$ 282.89 per month
- 19 • Demand Charge: \$ 9.51 per kW month
- 20 • Energy Charge: \$ 16.31 per MWh

21  
22 A power factor adjustment to energy usage would also apply when power  
23 factor is less than 90 percent.



- 1           4.     Update electric service agreement terms to reflect any new power quality,  
2                     safety or operational standards based on prudent industry practice and modify  
3                     or remove contentious terms including most favored nation, significant changes,  
4                     and termination clauses.
- 5           5.     Once per year adjustment to all price components in the electric service  
6                     agreement based on overall average Idaho jurisdictional rate increase or  
7                     decrease for that calendar year.
- 8           6.     The electric service agreement to be retail load situs to Idaho jurisdiction.
- 9           7.     The interruptible agreement would be a separate agreement. It would pay  
10                    Monsanto monthly payments for three interruptible or curtailment options  
11                    including system integrity, non-spin contingency operating reserves and an  
12                    economic curtailment option which has a buy-through provision at the Palo  
13                    Verde market hub. Total allowed hours of interruption or curtailment would be  
14                    800 hours per calendar year. The monthly payments to Monsanto for these  
15                    options are:
- 16                    •     System Integrity monthly payment of \$40,500 for 162MW minimum.
  - 17                    •     Operating Reserves monthly payment of \$259,350 for 95MW minimum  
18                    for 300 hours.
  - 19                    •     Economic Curtailment monthly payment of \$195,000 for 46MW  
20                    minimum for 500 hours.
  - 21                    •     Total monthly payment of \$494,850.
- 22           8.     The interruptible agreement would be subject to reopeners for either party  
23                    based on interruptibility costs developed in other proceedings or task forces or

1 the WECC operating reserve criteria changes that would affect the operating  
2 reserve component of the interruptible agreement.

3 9. The interruptible agreement to be system allocated.

4 10. Additional interruptible or curtailment opportunities may be negotiated between  
5 PacifiCorp and Monsanto as separate agreements during the term.

6 These proposed agreements correctly align the cost of service for Monsanto and the  
7 cost of acquiring interruptibility or curtailment from Monsanto as a power resource. If  
8 these components are applied under the proposed terms and conditions to the historical  
9 usage pattern in the cost of service study prepared by Mr. Taylor, Monsanto's average  
10 net cost including all interruptible or curtailment option payments would be \$27 per  
11 MWh. Exhibit No. 11 (BWG-R3) summarizes these costs as they apply to Monsanto  
12 on a monthly basis and converts them to a net price per MWh.

13 Q. The Commission previously ordered in this case that there be a true-up mechanism to  
14 adjust for the difference between the interim rate and the rate finally adopted in this case  
15 if the federal district court determines that the 1995 Agreement expired December 31,  
16 2001. Do you have a proposal for such a true-up mechanism?

17 A. Yes. The Company proposes that the Commission base the true up on the average  
18 effective price to Monsanto of \$27 per MWh, as described above. Of course, that  
19 price is based on a level of interruptibility greater than the interruption capability that  
20 existed under the 1995 Agreement, which we have continued operating under since  
21 December 31 of last year. Nevertheless, we believe that the net effective price to  
22 Monsanto, based on the prices for electric service and payments for interruptibility,

1            would provide a basis for true up consistent with the Commission's prior order.

2    Q.    Does this conclude your rebuttal testimony?

3    A.    Yes it does.