

1 Q. PLEASE STATE YOUR NAME, ADDRESS, AND EMPLOYMENT.

2

3 A. I am Anthony J. Yankel. I am President of Yankel and Associates, Inc.

4 My address is 29814 Lake Road, Bay Village, Ohio, 44140.

5

6 Q. WOULD YOU BRIEFLY DESCRIBE YOUR EDUCATIONAL

7 BACKGROUND AND PROFESSIONAL EXPERIENCE?

8

9 A. I received a Bachelor of Science Degree in Electrical Engineering from  
10 Carnegie Institute of Technology in 1969 and a Master of Science Degree in Chemical  
11 Engineering from the University of Idaho in 1972. From 1969 through 1972, I was  
12 employed by the Air Correction Division of Universal Oil Products as a product design  
13 engineer. My chief responsibilities were in the areas of design, start-up, and repair of  
14 new and existing product lines for coal-fired power plants. From 1973 through 1977, I  
15 was employed by the Bureau of Air Quality for the Idaho Department of Health &  
16 Welfare, Division of Environment. As Chief Engineer of the Bureau, my responsibilities  
17 covered a wide range of investigative functions. From 1978 through June 1979, I was  
18 employed as the Director of the Idaho Electrical Consumers Office. In that capacity, I  
19 was responsible for all organizational and technical aspects of advocating a variety of  
20 positions before various governmental bodies that represented the interests of the  
21 consumers in the State of Idaho. From July 1979 through October 1980, I was a partner  
22 in the firm of Yankel, Eddy, and Associates. Since that time, I have been in business for  
23 myself. I am a registered Professional Engineer in the states of Ohio and Idaho. I have

1 presented testimony before the Federal Energy Regulatory Commission (FERC), as well  
2 as the State Public Utility Commissions of Idaho, Montana, Ohio, Pennsylvania, Utah,  
3 and West Virginia.

4

5 Q. ON WHOSE BEHALF ARE YOU TESTIFYING?

6

7 A. I am testifying on behalf of the Idaho Irrigation Pumpers Association  
8 (Irrigators).

9

10 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS  
11 PROCEEDING?

12

13 A. I will address the appropriateness of maintaining interruptible options on  
14 the PacifiCorp System, the need to continue the treatment of interruptible customers as  
15 System customers, and an appropriate price discount for interruptions.

16

17 Q. WHAT ARE YOUR RECOMMENDATIONS?

18

19 A. I make three recommendations:

- 20 1. Interruptible options should continue on the PacifiCorp System;
- 21 2. Interruptible customers generally provide System wide benefits; and
- 22 therefore, should be treated as System customers, as opposed to getting
- 23 Sitas treatment.

1                   3. The rate given to interruptible customers should be based upon the  
2                   benefit that the interruptions provide to the System. This can be  
3                   calculated by taking what the firm rate would have been for the  
4                   customer and subtracting the quantifiable benefit of the interruptible  
5                   load. In the case of Monsanto, I recommend a rate of \$22.78 per  
6                   MWH which reflects cost-of-service as well as the benefit to the  
7                   System of the interruptible provisions of the contract.  
8

1 **INTRODUCTION**

2 Q. WHAT IS YOUR UNDERSTANDING OF THE HISTORY OF  
3 INTERRUPTIBLE RATES ON THIS SYSTEM?

4  
5 A. It is my understanding that Monsanto has been an interruptible customer  
6 on this System since 1952. During the 24 years that I have been participating in either  
7 UP&L or PacifiCorp cases in Idaho and Utah, the Company has always treated Monsanto  
8 as an interruptible customer. Historically, the Company set rates for Monsanto by simply  
9 taking the variable costs and adding one-half of the fixed costs to serve Monsanto.

10 Although far more data and computational sophistication is available today for setting  
11 rates, the historical use of only one-half of the demand costs was not an unreasonable  
12 method. That method breaks down when it is applied to interruptible customers that have  
13 different levels of interruptibility, i.e., a customer that can only be interrupted 1% of his  
14 operation should not get the same credit as a customer that can be interrupted 10% of his  
15 operating time.

16  
17 Q. IS THERE ANY SOUND REASON FOR PACIFICORP’S DRASTIC  
18 SHIFT IN POLICY TO NO LONGER HAVE LONG-TERM INTERRUPTIBLE  
19 CONTRACTS?

20  
21 A. Not to my knowledge. PacifiCorp has made a unilateral decision to do  
22 away with long-term interruptible contracts in all jurisdictions. To my knowledge, none  
23 of the large interruptible special contract customers have agreed to such a change. These

1 large industrial customers have been operating under interruptible rates for a long time.  
2 These interruptible contracts have provided the customers with lower rates and the  
3 System with reduced costs. There has not been a fundamental change in the electric  
4 utility industry that now renders useless these contracts from a System cost point of view.  
5 These interruptible contracts can provide flexibility in operating the System by reducing  
6 the need for purchasing expensive power at times of System peak or reducing the need to  
7 own generation plant sufficient to meet peak load that would include these customers.

8

9 Q. DO YOU AGREE WITH COMPANY WITNESS TAYLOR'S  
10 SUGGESTION<sup>1</sup> THAT INTERRUPTIBLE CUSTOMERS AND A "CONTRIBUTION  
11 TO FIXED COST STANDARD" MADE ECONOMIC SENSE AND WERE  
12 ALLOWED ON THE SYSTEM "WHEN THE COMPANY HAD ADEQUATE  
13 CAPACITY, OR WHEN MARKET PRICES WERE WELL BELOW EMBEDDED  
14 COSTS"?

15

16 A. No. First, the so-called "contribution to fixed cost standard" was never  
17 employed with regard to interruptible customers solely because the Company had  
18 "adequate capacity or when market prices were well below embedded costs". A  
19 "contribution to fixed cost standard" simply insures that a special contract customer  
20 (interruptible or economic incentive) pays an amount sufficient to cover more than  
21 variable cost.

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<sup>1</sup> Taylor's direct testimony page 5, line 18 through page 6, line 4.

1           Second, the suggestion that interruptible rates are only appropriate when the  
2 Company has adequate capacity or when market prices are well below embedded costs is  
3 more appropriately aimed at economic incentive contracts or contracts where customers  
4 have alternative energy supplies. Interruptible customers, by their vary nature, are a  
5 completely different entity. The Company’s arguments blur these two distinctively  
6 different types of contracts. Monsanto and other interruptible customers are providing a  
7 benefit to the System by lowering overall costs—less expensive peak power purchased  
8 and/or less peaking facilities required. The benefit provided by economic incentive  
9 contracts is to simply use up some available electricity that otherwise would not be  
10 generated, and thus, not used if the rates are not low enough.

11           Third, interruptible customers have been on the System through times of adequate  
12 capacity and times when capacity was short. During the late 1970’s and early 1980’s  
13 there was a great deal of growth on the UP&L System that resulted in the addition of the  
14 Bridger, Huntington, and Hunter units. Interruptible customers continued to be of value  
15 to the Company at that time, and in fact, the Interruptible Irrigation program was initiated  
16 during that timeframe.

17

18           Q.     THE IRRIGATORS RECENTLY STIPULATED TO THE REMOVAL  
19 OF THE INTERRUPTIBILITY PROGRAM FOR IRRIGATORS. DOES THIS ADD  
20 ANY CREDIBILITY TO THE COMPANY’S CLAIMS THAT LONG-TERM  
21 INTERRUPTIBLE RATES ARE NO LONGER NECESSARY OR APPROPRIATE?

22

1           A.     No. The Stipulation in Case No. PAC-E-02-1 made all service to  
2 Irrigation customers firm and called for a study to develop some sort of interruptible  
3 provisions for large Irrigation customers that get little or no BPA credit. The agreement  
4 should not be viewed as a long-term shift in philosophy, but merely a pragmatic result.  
5 With the large BPA credit that will generally be available to Irrigation customers, there  
6 was less concern about lowering rates through the use of an interruptibility credit.  
7 However, when the present BPA credit goes away, there may well be a dramatic need to  
8 find ways to reduce Irrigation rates through the offering of an interruptibility program. If  
9 the Irrigation customers can provide a cost savings to the Company through the use of an  
10 interruption program, then this may be one way to help keep utility costs under control  
11 and farmers using their irrigation equipment.

12

1 **SYSTEM VS. SITUS TREATMENT**

2 Q. IS SYSTEM OR SITUS TREATMENT MORE APPROPRIATE FOR  
3 INTERRUPTIBLE CUSTOMERS?  
4

5 A. System treatment has become the appropriate treatment for the Monsanto  
6 interruptible load. Over 20 years ago the Company pushed to make all interruptible loads  
7 System as opposed to Situs in order to “correct” some inter-jurisdictional allocation  
8 problems. In this case the Company is now proposing to “correct” inter-jurisdictional  
9 allocation problems by providing only firm special contracts to customers and treating  
10 them as Situs. The Company’s present position is unclear regarding the use of Situs  
11 treatment, if these special contract customers retain their interruptibility. If the Company  
12 believes that interruptible customers should be treated as System customers then I concur.  
13 However, if the Company believes that all interruptible customers should be treated as  
14 Situs, then I disagree.

15 During the last 20 or so years, the Company has treated some firm special  
16 contract customers as System customers as well as all interruptible special contract  
17 customers. The establishment of firm special contract rates has been based upon a  
18 variety of reasons including economic incentives. It is not hard to imagine situations  
19 where one jurisdiction would question the System benefit of reduced rates that are given  
20 to firm special contract customers by a different jurisdiction when all jurisdictions were  
21 required to share in any revenue shortfall. However, interruptible rates are markedly  
22 different. Although there may be some argument over the exact amount, I believe that  
23 most regulators would agree that there is a cost reduction/benefit associated with

1 interruptible customers. This benefit flows to the Company as a whole and is not limited  
2 to the jurisdiction in which the customer is located. If interruptible customers are truly  
3 System resources and their revenue requirements are set accordingly, then they should  
4 get System treatment.

5

6 Q. IS PACIFICORP PROPOSING TO DO AWAY WITH ALL SYSTEM  
7 CUSTOMERS AND THE USE OF THE REVENUE CREDIT APPROACH FOR  
8 THESE CUSTOMERS?

9

10 A. No. PacifiCorp has not proposed to change its present treatment of  
11 Wholesale customers as System customers where no costs are assigned to these  
12 customers. Wholesale sales fall under the regulation of the FERC, yet PacifiCorp is not  
13 proposing Sitas treatment of these contracts into the FERC Jurisdiction. These  
14 Wholesale sales consist of both firm and opportunity sales. The Company claims that  
15 these sales are made for the benefit of the System. Interruptible sales also benefit the  
16 System.

17

18 Q. OTHER THAN PROVIDING AN OBVIOUS SYSTEM BENEFIT, IS  
19 THERE ANOTHER REASON WHY MONSANTO SHOULD BE TREATED AS A  
20 SYSTEM CUSTOMER?

21

22 A. Yes. Sitas treatment of an interruptible load made more sense historically  
23 when “half of the demand costs” were allocated/assigned to interruptible loads. Under

1 such a scheme there was a more precise link between jurisdictional allocations and the  
2 revenue collected from interruptible customers. There is not a precise allocation method  
3 that exists today for the establishment of interruptible rates that can be tied to  
4 jurisdictional allocations. Presently, interruptible rates are more based upon System  
5 benefits and less on the allocation of costs. The Idaho jurisdiction is simply too small to  
6 realistically treat Monsanto's interruptible load as Sitas when assigning revenue  
7 requirement on the basis of System benefits. If Monsanto was going to be treated as a  
8 firm customer, Sitas treatment may be more appropriate. However, both PacifiCorp and  
9 Monsanto agree that Monsanto will be interrupted—the argument is only over the form,  
10 term, and price of the contract(s). Only in the rarest of circumstances will Monsanto be  
11 interrupted just for the sake of the Idaho Jurisdiction. Rates should be based upon the  
12 benefits of the interruptibility that Monsanto provides to the System, not just the benefits  
13 to the Idaho Jurisdiction.

14 Under Sitas treatment, if the credit for interruptibility that is given to Monsanto is  
15 only based upon the benefits to Idaho, then Monsanto's rates will be too high. If, on the  
16 other hand, Monsanto's interruptibility credit is based upon the benefits provided to the  
17 System, yet it is assigned Sitas to the Idaho jurisdiction, then the other Idaho customers  
18 could be asked to make up a jurisdictional shortfall that does not exist on a System basis.

19

20 Q. DOES SITUS TREATMENT OF THE MONSANTO INTERRUPTIBLE  
21 LOAD MAKE MORE SENSE GIVEN THE SRP PROCESS THAT IS PRESENTLY  
22 UNDERWAY?

23

1           A.     No. It certainly does not make sense at this time to use the SRP process as  
2 a cornerstone for advocating Sitas treatment, especially when the SRP process is a long  
3 way from being concluded. Before the SRP process could make Sitas treatment of  
4 interruptible loads appropriate, it would have to overcome the inequity described above  
5 of an interruptible customer providing a System benefit, yet being allocated to a specific  
6 jurisdiction. If the SRP process can adequately resolve this inequity, then the question of  
7 System vs. Sitas treatment of the interruptible Monsanto load can be treated at that time.

8

9           Q.     IS THERE A THIRD ALTERNATIVE TO THE TREATMENT OF  
10 MONSANTO OTHER THAN THE SYSTEM OR SITUS APPROACH?

11

12           A.     Another option would be to treat Monsanto as its own jurisdiction or as a  
13 part of a jurisdiction with only interruptible customers. In this way the Idaho Jurisdiction  
14 would not be inappropriately saddled with more interruptible load than it can reasonably  
15 use for its own purposes. Likewise, it would not impact other jurisdictions through the  
16 revenue credit method that is presently used. The draw back to such a proposal is that it  
17 does not get to the root question—how to establish an appropriate credit for  
18 interruptibility that will be passed on to the customer in the form of lower rates. That is  
19 the single largest question that the Commission will need to address in this case and in  
20 the SRP process with respect to interruptible load.

21

1                   **LONG-TERM INTERRUPTIBILITY CONTRACTS**

2           Q.     IS PACIFICORP PROPOSING TO DO AWAY WITH  
3 INTERRUPTIBILITY CONTRACTS ENTIRELY?

4  
5           A.     No. PacifiCorp recognizes that it will need to interrupt Monsanto and  
6 other loads in the future. What is at question is how to establish contracts for  
7 interruptibility. PacifiCorp is proposing that interruptible provisions be negotiated  
8 separately and on more of a short-term, as needed basis. This is a fundamental change  
9 from the way things have been done historically. Change isn't necessarily bad, but it  
10 should not be imposed unilaterally. Monsanto and the other interruptible customers tend  
11 to Utah prefer long-term interruptible contracts as opposed to the case-by-case  
12 agreements that PacifiCorp is proposing. Business interests (including farming) need  
13 certainty. PacifiCorp's proposal gives the customer no certainty.

14           Rates that are established in rate cases give customers certainty and stability  
15 which greatly aids in their understanding and ultimate use of electricity. Long-term  
16 contracts do much the same for large energy users. To the maximum extent possible, this  
17 removes fluctuations from year to year or even month to month.

18  
19           Q.     COMPANY WITNESS TAYLOR STATES<sup>2</sup> THAT THE DRASTIC  
20 CHANGES IN THE WHOLESALE MARKET OVER THE LAST COUPLE OF  
21 YEARS HAVE SHOWN THAT INTERRUPTIBILITY CAN HAVE VERY DIFFERENT  
22 VALUES AT DIFFERENT POINTS IN TIME. IS THIS SUFFICIENT

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<sup>2</sup> Taylor direct testimony page 7 lines 8 through 12.

1 JUSTIFICATION FOR ONLY SETTING INTERRUPTIBLE RATES IN SHORT-  
2 TERM AGREEMENTS?

3

4 A. No. Although wholesale prices have dramatically changed over the last  
5 few years, this is not a sufficient reason to only provide for interruptibility in short-term  
6 agreements. The need to impose interruptions has always varied. There are no two years  
7 that are exactly alike and routinely there have been wide fluctuations from year to year.

8

9 Q. WILL SHORT-TERM AGREEMENTS MAKE COST ALLOCATION  
10 AND REVENUE REQUIREMENT CONSIDERATIONS IN RATE CASES EASIER?

11

12 A. No, they will be more complicated. For example, if there were a large  
13 number of short-term agreements for interruptions during a given year, there would be a  
14 need to normalize these out. In a similar manner, there would be a need to normalize if  
15 there were too few. But how does one normalize prices and interruptions when the  
16 wholesale market can change so dramatically? In the long run, it is easier to set long-  
17 term interruptible conditions and prices in a contract that is Commission approved, than it  
18 is to continually negotiate short-term contracts that will all need to be normalized at some  
19 point anyway. If prices go completely out of kilter, it may be necessary to obtain  
20 additional special short-term deals, but for the long-run there should be long-term  
21 interruptibility contracts that are cost justified.

22

1 Q. COMPANY WITNESS TAYLOR ARGUES<sup>3</sup> THAT INTERRUPTIBLE  
2 PROVISIONS REDUCE THE NEED FOR THE COMPANY'S PEAKING CAPACITY  
3 BUT DO NOT OFFSET THE NEED FOR BASE LOAD CAPACITY. DO YOU  
4 AGREE?

5  
6 A. Generally speaking, this is a valid statement. However, it does not mean  
7 that interruptible contracts are not needed during a time when only base load facilities are  
8 being installed. This could be a sign that the very nature of the interruptible contracts  
9 may be working well, such that peaking capacity is being obtained from interruptible  
10 loads.

11 More importantly, we are now in a time where the Company has just added  
12 peaking facilities in Utah. Obviously, the Company is looking for additional ways to  
13 meet its peaking requirements. Now would seem to be a good time to be adding more  
14 interruptible contracts, not the time to be eliminating them.

15

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<sup>3</sup> Taylor direct testimony page 5, lines 9-11.

1 **PRICING INTERRUPTIBLE POWER**

2 Q. WHAT IS THE MOST IMPORTANT PRINCIPLE IN THE  
3 ESTABLISHMENT OF RATES FOR INTERRUPTIBLE SERVICE?  
4

5 A. Unlike economic incentive contracts, interruptible contracts should be  
6 based upon cost-of-service and cost causation principles. Admittedly, cost-of-service is  
7 more difficult to define for an interruptible customer than it is for a firm customer, but  
8 this is no excuse to abandon cost causation principles. Interruptible customers provide a  
9 benefit to the System and this benefit should be combined with cost-of-service principles  
10 in order to define a revenue requirement.

11 Although there are many ways to define cost-of-service for an interruptible  
12 customer, I consider a top-down approach to be the most straightforward. A top-down  
13 approach would establish the cost of firm service to the customer and then subtract out  
14 the impact that the interruptible provisions provide to the System.  
15

16 Q. BOTH MONSANTO AND THE COMPANY HAVE FILED COST-OF-  
17 SERVICE STUDIES WITH DIFFERING ALLOCATION METHODS IN THIS CASE  
18 AND PRODUCED VARIOUS ASSESSMENTS OF WHAT THE FIRM RATE TO  
19 MONSANTO SHOULD BE. WHICH OF THESE STUDIES DO YOU SUPPORT FOR  
20 ESTABLISHING A STARTING POINT (FIRM) RATE FOR MONSANTO?  
21

22 A. For purposes of this case, I believe that the Company's cost-of-service  
23 study is the appropriate starting place. Monsanto witness Iverson has proposed a number

1 of changes to the Company's classification and allocation methods. I do not believe any  
2 of these proposed changes should be adopted in this case because:

3 1) Such changes would have a tendency to serve as precedent for future  
4 proceedings. It would be far more appropriate to set allocation methodologies  
5 in full-blown rate cases where cost-of-service for all classes is reviewed and  
6 where there may be wider participation by various parties.

7 2) The classification and allocation methods used by the Company have been  
8 generally accepted and/or developed by both the Idaho Commission and the  
9 Utah Commission over a long period of time. As stated above, this is not the  
10 right forum to make wholesale changes to cost-of-service methodologies.

11 Therefore, I recommend that the starting point for setting rates for Monsanto should be  
12 the firm rate that the Company calculated of \$31.40 per MWH.

13

14 Q. HOW SHOULD THE BENEFITS OF THE INTERRUPTIONS BE  
15 CALCULATED FOR PURPOSES OF ESTABLISHING AN INTERRUPTION  
16 CREDIT THAT WILL BE SUBTRACTED FROM THE FIRM RATE OF \$31.40 PER  
17 MWH?

18

19 A. The development of an interruptibility credit is less straightforward than  
20 the calculation of a firm rate, but cost causation principles still apply. As pointed out by  
21 the Company, interruptible contracts reduce the need for peaking capacity. A benefit can  
22 be calculated by determining how much peaking resources can be removed.

23

1 Q. WHAT IS A MEASURE OF THE COST OF PEAKING RESOURCES  
2 AND HOW CAN IT BE USED TO ESTABLISH AN INTERRUPTIBLE CREDIT FOR  
3 MONSANTO?

4

5 A. The Company has recently installed a simple cycle combustion turbine  
6 peaking units in Utah. According to the Company's RAMPP 6 filing made in 2001, the  
7 total resource cost of a simple cycle combustion turbine in Utah is 89.71 mills per kWh<sup>4</sup>.  
8 Because the Company just installed such units, and because interruptible contracts can be  
9 an alternative to such units, I will use this as the basis for calculating an interruptible  
10 credit for Monsanto.

11 Exhibit 301 outlines the calculation of an interruptibility credit, and ultimately, a  
12 rate to charge Monsanto for interruptible service, based upon a proposed 800 hours of  
13 interruption per year. The total resource cost of the peaking unit (\$89.71 per MWH) is  
14 increased by 1.0519 in order to reflect losses at the transmission level—the effective  
15 offset to the peaking facility is thus \$94.39 per MWH. At an average demand level of  
16 160 MW and 800 hours of interruption per year there would be 128,000 MWH of  
17 interruption when a peaking unit would not be needed. This equates to a savings of \$12  
18 million per year. Using the Company's calculation of a firm service rate to Monsanto of  
19 \$31.40 per MWH, the total cost to Monsanto for firm service is \$44 million. Subtracting  
20 the savings due to the interruptions of \$12 million from the firm cost of \$44 million  
21 equates to a cost of \$32 million after interruptions are taken into account. Spreading this  
22 over the annual usage results in an average rate of \$22.78 per MWH.

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<sup>4</sup> Table 4-15, page 2 of 2.

1

2 Q. IS THERE ANOTHER WAY TO ESTIMATE AN INTERRUPTIBILITY  
3 CREDIT FOR MONSANTO?

4

5 A. Yes. Instead of assuming that interruptions would save the cost of a  
6 peaking facility, one could assume that interruptions could be taken in order to reduce the  
7 cost of purchase power. Although Monsanto's present contract does not have a provision  
8 for economic interruptions, previous contracts did have such a provision and Monsanto  
9 appears to be willing to have such a provision in its future contracts. Although a single  
10 year of cost savings is not as strong an indicator of an appropriate interruptibility credit, it  
11 can help to set some ballpark parameters.

12 For the sake of being conservative, I assumed that the Company would not be  
13 selective in its interruptions, but simply evenly divide its interruptions of Monsanto  
14 during the Heavy-Load-Hours (HLH) of June and July. Exhibit 302, page 1 lists the cost  
15 savings in 2000 under such a scheme. Although this was a time of abnormally high  
16 purchase power costs, it can be seen that the price of day-ahead purchase power during  
17 HLH was in fact higher during two other months of that year. Had these interruptions  
18 taken place in June and July of 2000, a savings of over \$17 million would have resulted.  
19 Based upon the purchase power costs that could have been saved in 2000, the average  
20 rate for Monsanto with an interruptibility credit would have been calculated at \$18.86 per  
21 MWH.

22 Exhibit 302, page 2 lists the cost savings in 2001 under a similar scheme—blindly  
23 having all interruptions occurring during the HLH of June and July. Although there were

1 also abnormally high purchase power costs in 2001, costs were more back to normal by  
2 the summer months. It can be seen from Exhibit 302, page 2 that the cost of day-ahead  
3 purchases during HLH was in fact higher during the first five months of 2001 than they  
4 were during June and July. Had these interruptions taken place in only June and July of  
5 2001, savings of \$7 million would have resulted. Based upon these savings in 2001, the  
6 average rate for Monsanto with an interruptibility credit would have been calculated at  
7 \$26.46 per MWH.

8

9 Q. WHAT CONCLUSION CAN BE DRAWN FROM YOUR ANALYSIS  
10 OF SAVINGS THAT WOULD HAVE RESULTED FROM HAVING  
11 INTERRUPTIBILITY PROVISIONS CAPABLE OF REDUCING PURCHASE  
12 POWER COSTS IN 2000 AND 2001?

13

14 A. The information contained on page 1 and 2 of Exhibit 302 tends to set  
15 some rough limits on the level of the savings associated with 800 hours of interruptibility  
16 per year. The data from these two years suggests an average rate for Monsanto of \$22.66  
17 per MWH (average of \$18.86 and \$26.46). This is extremely close to the average rate  
18 with an interruptibility credit of \$22.78 that was calculated on Exhibit 301 using the cost  
19 of a peaking unit.

20

1 **RECOMMENDATIONS**

2 Q. WHAT DO YOU RECOMMEND WITH RESPECT TO SETTING  
3 RATES FOR MONSANTO IN THIS CASE?

4  
5 A. I make the following recommendations:

- 6 1. Monsanto should be treated as a System customer and not be given  
7 Situs treatment.
- 8 2. Interruptible contracts provide the Company with cost savings that can  
9 be of great benefit to the entire System. Those savings should be  
10 quantified and used to develop an interruptibility credit for  
11 interruptible customers. Rates for interruptible customers should be  
12 set no lower than what can be cost justified from the savings that they  
13 provide.
- 14 3. A rate of \$22.78 per MWH would be an appropriate rate to set for  
15 Monsanto, assuming 800 hours per year of interruptions are allowed in  
16 the contract.

17  
18 Q. DOES THIS COMPLETE YOUR PREFILED DIRECT TESTIMONY?

19  
20 A. Yes.