



IDAHO PUBLIC UTILITIES COMMISSION

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Commission offers PacifiCorp-Monsanto settlement

BOISE – The Idaho Public Utilities Commission today directed PacifiCorp and Monsanto Company to craft a new service agreement that includes a rate of \$22.80 per megawatt-hour the Soda Springs company must pay PacifiCorp for power.

That compares to a net rate of \$18.50 that Monsanto currently pays for the more than 200 megawatts needed to serve the elemental phosphorous factory.

Monsanto is PacifiCorp's largest customer in its six-state territory and a major employer in the Soda Springs area, with about 400 employees and 200 contractors working at either the plant site or the mine.

Monsanto and PacifiCorp attempted to negotiate a contract for an extended period. After negotiations did not succeed, both parties requested commission intervention. The order issued today requires the companies to complete the service agreement and submit it to the commission for final approval.

The \$22.80 rate includes credits, totaling \$7.48 per megawatt hour, that Monsanto will receive for allowing PacifiCorp to interrupt service under certain conditions. Without those credits, Monsanto's firm rate for non-interruptible power – or "firm power" – is \$30.27 per megawatt-hour. PacifiCorp originally proposed a firm rate of \$31.39, while Monsanto proposed \$28.30.

Monsanto proposed that PacifiCorp phase in the increase, but the commission rejected that request saying a phased-in rate would mean other PacifiCorp customers would be subsidizing PacifiCorp's cost to serve Monsanto.

The commission rejected PacifiCorp's proposal that the costs to serve Monsanto be allocated to Idaho customers only rather than distributed across the utility's entire six-state region. The commission said those costs should continue to be allocated systemwide pending the result of a multi-state process now under way to address PacifiCorp's concerns about jurisdictional issues in the six states. If that process results in proposals for new ways to allocate costs, they could be addressed when PacifiCorp files a general rate case, the commission said.

The commission's order says PacifiCorp will be able to interrupt service to Monsanto under any of the following three circumstances. Monsanto will receive monthly monetary credits for its willingness to be interrupted. Those credits will be paid whether Monsanto is interrupted or not.

1) System integrity. The proposed contract would allow PacifiCorp the interrupt service to all Monsanto's three

furnaces for up to 12 hours per year, or 162 megawatts. That would happen during emergencies when PacifiCorp needs Monsanto's load to satisfy customer demands in its six-state territory. PacifiCorp would pay a monthly credit to Monsanto of \$40,500 for the right to interrupt the Monsanto plant load on a first-call basis with less than two hours' notice.

2) Operating reserves. The Western Electricity Coordinating Council (WECC) requires all utilities in its region to maintain a certain amount of operating reserve for system contingency purposes. The proposed contract would allow PacifiCorp to purchase 95 MW of operating reserve from Monsanto. The monthly credit paid to Monsanto is \$326,850. This portion of the agreement could be re-opened if WECC adjusts the amount of reserve utilities are required to maintain.

3) Economic curtailment. During those times when wholesale market prices are unusually high, PacifiCorp may choose to buy curtailment at more reasonable rates from other sources, such as Monsanto. The proposed contract would allow PacifiCorp to buy 67 MW from Monsanto, available for 500 hours per year, on two hours' notice. The monthly credit to Monsanto is \$335,455.

Monsanto requested a single, integrated contract and that the rate be reflected in a net energy price only. But the commission denied that request, saying that fixed costs of service should not be hidden in an energy-only rate payable only if energy is used. Rates should be broken down to include a customer service charge and demand charge, recognizing that PacifiCorp continues to incur charges and is required to be ready to serve even when Monsanto is idle, the commission said.

The effective date for the new contract is Jan. 1, 2003 and the termination date is December 31, 2006. This contract replaces a 1995 contract. However, Monsanto and PacifiCorp disagree on the termination date of the 1995 contract. Monsanto alleges the contract expired Dec. 31, 2002 and PacifiCorp contends it ended a year earlier. The matter is currently being litigated in federal district court. If the court rules in favor of PacifiCorp and says that the contract expired in 2001, the effective date for the new contract becomes Jan. 1, 2002, and a true-up mechanism will determine how much Monsanto must pay retroactively to PacifiCorp for service during 2002.

A copy of the final order is available on the commission's Web site, ww.puc.state.id.us. Click on "File Room," and then on "Recent Orders and Notice," and go to Order No. 29157. Petitions for reconsideration must be filed by Feb. 17.