BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION OF ROCKY MOUNTAIN POWER FOR APPROVAL OF CHANGES TO ITS ELECTRIC SERVICE SCHEDULES	))))))	**CASE NO. PAC-E-07-05** **APPLICATION OF ROCKY MOUNTAIN POWER**

ROCKY MOUNTAIN POWER

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Supplemental Direct Testimony and Exhibits

July 2007

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IN THE MATTER OF THE APPLICATION OF ROCKY MOUNTAIN POWER FOR APPROVAL OF CHANGES TO ITS ELECTRIC SERVICE SCHEDULES	)))))))	**CASE NO. PAC-E-07-05** **Supplemental Direct Testimony of Mark T. Widmer**

ROCKY MOUNTAIN POWER

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Q. Are you the same Mark T. Widmer that provided prefiled direct testimony in this case?

A. Yes.

Purpose and Summary of Testimony

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to provide clarifying comments describing how the Company addressed Monsanto's interruptible product valuation in the context of the general rate case. For purposes of comparison, I will also provide additional detail regarding the updated forecast value of the interruptible products for 2008 and 2009, using current data. I also provide clarifying comments regarding the Company's 2007 interruptible irrigation load curtailment programs.

Curtailment in the General Rate Case

Q. Did the Company address the amount paid to Monsanto for curtailment products in the Company's general rate case application?

A. Yes. The Company included the price paid to Monsanto for curtailment products provided to the Company as a component of the total net power costs in its general rate case application. Specifically, Page 2 of my Exhibit No. 14 shows a payment for $12.4 million to P4 Production, a Monsanto affiliate. This payment includes the annual amount expected to be paid to Monsanto during 2007 for economic curtailment, operating reserves, and system integrity products included in the existing Monsanto electric service agreement (Agreement) executed on May 18, 2006, and approved by the Commission in Case No. PAC-E-06-09 (Order No. 30197). This Agreement became effective January 1, 2007 and has an initial term of three years.

Q. Why did the Company include the payments for curtailment based on the 2007 credit value set forth in the existing Agreement?

A. The rate case is based on a historical 2006 test period, adjusted for known and measurable changes through December 31, 2007. Since the terms of the Agreement are known and measurable, the 2007 contract terms were included to match the adjusted test period.

Q. Does the Company believe that providing the 2007 known and measurable curtailment values in the original Application complied with Order No. 30197 in Case No. PAC-E-06-09?

A. Yes. Order No. 30197 states the following:

> "...we expect the parties to address interruptible product valuation in the context of a general rate case when Monsanto's cost of service is determined."

The Monsanto Agreement requires the Company pay Monsanto $12.4 million for providing the curtailment product in 2007. Furthermore, section 2.2 of the Agreement states that no adjustments may be made to the rates in the Agreement prior to January 1, 2008.

> "Adjustments to the charges in Section 4.1 of this Agreement shall become effective on the effective date of any adjustment to Electric Service Schedule No. 400 resulting from any general rate case or other filing by PacifiCorp. Provided, however, that no adjustment to Electric Service Schedule No. 400 shall go into effect prior to January 1, 2008."

Pursuant to the Agreement, the contract terms for the test period applicable in the general rate case are set and cannot be modified. Therefore, the Company has addressed the value of the interruptible credit by including it as a known and measurable component of 2007 net power costs.

Interruptible Product Valuation Methodology

Q. What is the underlying principle behind the Company's approach to valuing interruptible products offered by industrial customers?

A. The Company follows a "ratepayer indifference" approach similar to what is used in calculating avoided costs for qualifying facilities. In other words, the Company seeks to pay industrial customers who can offer curtailment products the same price the Company would otherwise pay if it were to acquire those same products from other sources, such as the market or its own resources.

Q. Why is it important to price interruptible products that industrial customers provide consistent with the price the Company would pay to acquire the same product from other sources?

A. All customers within each jurisdiction are allocated their proportionate share of prudent costs incurred by the Company. The price paid to industrial customers for curtailment products is included in the net power costs and is allocated to all Idaho customers. Therefore, if the Company pays industrial customers more for the curtailment products than it would otherwise incur acquiring those same products from another source, the other ratepayers would be subsidizing the industrial customers because they are being allocated higher costs than if the Company were to acquire those same curtailment products from the lowest cost resource. Therefore, ratepayer equity suggests that the price paid to industrial customers for curtailment products should be no greater than the amount the Company would incur if it were to acquire those same products from the next lowest cost available resource.

Q. **Has the Company performed any analysis quantifying the forecast value of the interruptible product for the remainder of the initial term in the Agreement, or 2008 and 2009?**

A. Yes. The Company performed an analysis to determine the forecasted interruptible value for 2008 and 2009. The analysis indicated an average value of $10.0 million for the curtailment product credit for calendar year 2008 and an average value of $9.6 million for calendar year 2009. The details of the analysis are provided in Exhibit No. 42.

Q. Does the Company offer any additional major interruptible energy programs to its Idaho customers?

A. Yes. The Company offers the irrigation load control program under Schedule No. 72 and 72A.

Q. Please explain the Company's interruptible energy programs available under Schedule No. 72 and 72A.

A. The Company includes irrigation load curtailment programs in its mix of demand side management program offerings in Idaho. Since 2003, the Company has offered irrigation customers the ability to participate in pre-scheduled service interruptions in exchange for a monthly load control service credit as detailed in Schedule No. 72. Participation in this program is renewed each year, and participants' load is scheduled to be curtailed according to a pre-determined schedule for the entire irrigation season. In 2007, the Company initiated a pilot program that would allow participants' irrigation load to be interrupted at the

Company's discretion in exchange for an annual load control service credit as detailed in Schedule No. 72A. Curtailment would be at the Company's option, limited to a certain duration and frequency throughout the irrigation season. The Commission approved the pilot program in Case No. PAC-E-06-12, and the Company is currently implementing the new technology required for the program.

Q. Are the costs of this curtailment included in the Company's general rate case?

A. Because these programs are part of the Company's demand side management offerings, program costs are generally recovered through Schedule 191, Customer Efficiency Services Rate Adjustment, and are not included in the calculation of revenue requirement used to set base rates in this case. However, the load control service credit paid to program participants is included in the calculation of revenue requirement and is detailed on Page 4.11 of Exhibit No. 11 to the direct testimony of Company witness Steven R. McDougal. Consistent with the test year conventions applied in this case, the Company included the actual load control service credits paid to irrigation customers during 2006. No adjustment was made to estimate changes during the 2007 season because of the unknown impact of introducing the dispatchable pilot program.

Q. Does the Company evaluate the cost effectiveness of the interruptible product provided by the irrigation load curtailment programs?

A. Yes. The Company evaluates the overall cost-effectiveness of all its demand side management programs in Idaho on an annual basis, and provides a detailed analysis of the irrigation load control programs at the conclusion of each irrigation season. The Company seeks to strike a balance between the total cost of the program and the cost of alternative sources of supply such that ratepayers are not harmed by the offering of such programs. Because the dispatchable pilot program offering is still in the early phases of implementation, a detailed analysis of the program operation or anticipated cost effectiveness has not yet been completed. The Company intends to comply with the Commission order in Case No. PAC-E-06-12 and provide an analysis of the program after the 2007 irrigation season.

Q. Does this conclude your supplemental testimony?

A. Yes.