



**ROCKY MOUNTAIN
POWER**
A DIVISION OF PACIFICORP

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201 South Main, Suite 2300
Salt Lake City, Utah 84111

October 25, 2007

IDAHO PUBLIC
UTILITIES COMMISSION

**VIA ELECTRONIC MAIL AND
OVERNIGHT DELIVERY**

Jean D. Jewell
Commission Secretary
Idaho Public Utilities Commission
472 W. Washington
Boise, ID 83702

Re: Application of Rocky Mountain Power
for Approval of Changes to Its Electric Service Schedules
Case No. PAC-E-07-05
Rocky Mountain Power's Rebuttal Testimony & Exhibits

Dear Ms. Jewell:

Please find enclosed for filing an original and nine copies of Rocky Mountain Power's rebuttal testimony and exhibits in the above-referenced matter. Also enclosed with each copy of the rebuttal testimony and exhibits is a CD containing work papers. To the attention of the Court Reporter is a paper copy of all documents along with a CD containing all testimony and exhibits in original, text-searchable format.

The following exhibits are only available in pdf format: Hadaway Exhibit No. 43 and McDougal Exhibit No. 48.

All formal correspondence and regarding this filing should be addressed to:

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Communications regarding discovery matters, including data requests issued to Rocky Mountain Power, should be addressed to one or more of the following:

By E-mail (preferred): datarequest@pacificorp.com

By Fax:

(503) 813-6060

By regular mail:

Data Request Response Center
PacifiCorp
825 NE Multnomah St., Suite 2000
Portland, OR 97232

Thank you for your assistance with this filing.

Very truly yours,

Handwritten signature of Jeffrey K. Larsen in cursive script, followed by the initials "JL".

Jeffrey K. Larsen
Vice President, Regulation

cc: Service List

Enclosures

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

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

ROCKY MOUNTAIN POWER

CASE NO. PAC-E-07-05

Rebuttal Testimony and Exhibits

October 2007

CERTIFICATE OF SERVICE

I hereby certify that on this 25th day of October, 2007, I caused to be served, via e-mail and overnight delivery a true and correct copy of Rocky Mountain Power's Rebuttal Testimony and Exhibits in PAC-E-07-05, to the following:

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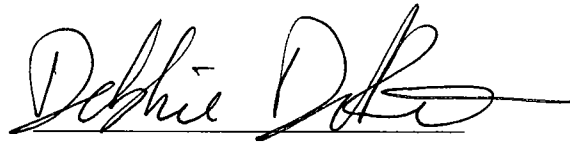
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A handwritten signature in black ink, appearing to read "Debbie DePetris". The signature is fluid and cursive, with a long horizontal stroke extending to the right from the end of the name.

Debbie DePetris
Supervisor, Regulatory Administration

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IDAHO PUBLIC
UTILITIES COMMISSION

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE)	
APPLICATION OF ROCKY)	CASE NO. PAC-E-07-05
MOUNTAIN POWER FOR APPROVAL)	
OF CHANGES TO ITS ELECTRIC)	Rebuttal Testimony
SERVICE SCHEDULES)	of A. Richard Walje

ROCKY MOUNTAIN POWER

CASE NO. PAC-E-07-05

October 2007

1 **Q. Please state your name, business address and present position with the**
2 **Company (also referred to as Rocky Mountain Power).**

3 A. My name is A. Richard Walje. My business address is 201 South Main, Suite
4 2400, Salt Lake City, Utah 84111. I am President of Rocky Mountain Power.

5 **Q. Are you the same A. Richard Walje that previously submitted testimony in**
6 **this proceeding?**

7 A. Yes. I submitted direct testimony on behalf of Rocky Mountain Power providing
8 an overview of the Company's 2007 Idaho general rate case application,
9 describing the need for rate relief, and supporting regulatory policy matters
10 related to the Company's request.

11 **Purpose of Testimony**

12 **Q. What is the purpose of your rebuttal testimony?**

13 A. I will present updates to the Company's filing and respond to certain policy-
14 related issues raised in the direct testimony of the Idaho Irrigation Pumpers
15 Association (IIPA) and Monsanto. Specifically, I will discuss the loss of the
16 Bonneville Power Administration (BPA) residential exchange credit (BPA credit)
17 that has historically been passed on to our residential and small farm customers in
18 Idaho. I will also provide the Company's view of the settlement agreement
19 reached with Monsanto during 2006. Finally, I will discuss the Company's
20 communications with customers about the underlying cost pressures that have
21 caused the Company to make this rate filing.

22 **Q. Has the Company revised its requested price increase?**

23 A. Yes. The Company has reduced its overall requested revenue increase from \$18.4

1 million to \$15.4 million, or 8.6 percent. The reduction reflects: 1) corrections
2 identified by the Company and intervening parties since the original filing; and 2)
3 the Company's acceptance of certain adjustments proposed by Staff and other
4 intervening parties in an effort to reasonably and conservatively reflect the cost to
5 serve our Idaho customers. Consequently, the Company is now proposing revised
6 increases of 6.3 percent for residential and irrigation customers, 17.1 percent for
7 street and area lighting, 14.1 percent for Agrium's special contract, and 18.7
8 percent for Monsanto's special contract.

9 **BPA Credit**

10 **Q. Please respond to Mr. Mark Mickelsen's statement true that the loss of the**
11 **BPA credit has "caused an increase in irrigators' rates in the neighborhood**
12 **of 50% to 80%"¹?**

13 **A.** While it is true that the loss of the BPA credit has impacted the amount irrigation
14 customers will pay for service based on their net bills, and in some cases
15 significantly, the base rates paid for service from Rocky Mountain Power have
16 not changed. At the time the reduction in the credit was implemented for Rocky
17 Mountain Power customers, the Company calculated that irrigators' net bills
18 would rise 51 percent on average. The impact is strictly due to an unfavorable
19 court ruling that effectively prevents BPA, at least temporarily, from sharing the
20 benefits of the federal hydro-power system with customers of the region's
21 investor-owned utilities, including Rocky Mountain Power's customers in Idaho.

¹ Mickelsen, Dir, Page 1 Line 14.

1 **Q. Mr. Mickelsen² and Mr. Anthony Yankel³ both state that the Company must**
2 **drastically increase the price paid to the irrigators under the irrigation load**
3 **control demand side management program in order to mitigate the loss of**
4 **the BPA credit. Do you agree?**

5 A. No. The credit given to irrigation customers who participate in the Company's
6 irrigation load control demand side management program must be determined
7 independently based on the value the program provides the Company and its other
8 customers; it cannot in any way be modified to offset changes to the Residential
9 Exchange benefits passed on to our qualifying customers by the federal
10 government. Company witness Mr. Gregory N. Duvall will testify regarding the
11 appropriate level of credit to be given for the irrigation load control program and
12 its correct treatment for ratemaking purposes.

13 **Q. What is the Company doing to help restore the BPA credit?**

14 A. We have been diligently working with BPA, other parties and through the judicial
15 process to restore federal benefits to our customers. We believe that it is clear in
16 the law that our customers have the right to share in the benefits of the federal
17 hydro power system. We continue to work directly with BPA, other investor-
18 owned utilities, and publicly owned utilities to restore the Residential Exchange
19 benefits as soon as possible to our customers. I have communicated with this
20 Commission and Idaho's political leaders, and corresponded with Mr. Mickelsen
21 in his capacity as president of IIPA as we work toward a solution. However,
22 Rocky Mountain Power's base rates must be determined based on the cost to

² Mickelsen, Dir, Page 3 Line 7.

³ Yankel, Dir, Page 16 Line 1.

1 serve our customers, independent of the Residential Exchange benefits that are
2 passed on to our qualifying customers.

3 **Monsanto Settlement Agreement**

4 **Q. Please describe the recent agreement reached between the Company and**
5 **Monsanto.**

6 A. On May 18, 2006, the Company executed an agreement with Monsanto to renew
7 its electric service agreement effective January 1, 2007 (the 2007 Agreement). As
8 part of the 2007 Agreement, both the tariff rate for electric service and the price
9 paid by the Company to Monsanto for ancillary products increased, resulting in an
10 11 percent increase in Monsanto's net rate. Among other things, Monsanto
11 agreed that its rates would be subject to Commission-approved tariff changes on
12 or after January 1, 2008. This provision is important because it aligns the timing
13 of Monsanto rate changes with that of other customers and allows for all rates to
14 be set based on a consistent cost of service study. The Commission approved the
15 2007 Agreement in Order No. 30197.

16 **Q. Do you agree that the 2007 Agreement was fair, just, and reasonable?**

17 A. Yes, at the time and under the circumstances.

18 **Q. Do you agree that the 2007 Agreement set a rate for Monsanto that is "at or**
19 **near true cost of service" as stated by Monsanto witness Mr. James R.**
20 **Smith⁴?**

21 A. No. Historically, Monsanto's rate had fallen behind relative to the Company's
22 true cost to serve its load. Over the last several years, the Company and
23 Monsanto have worked together through negotiated settlements, including the

⁴ Testimony of James R. Smith, Page 16 Line 6.

1 2007 Agreement, to increase Monsanto's rate and bring it closer to the true cost of
2 service. Monsanto's present rate, however, is still not at full cost of service.
3 Despite Monsanto's implications to the contrary,⁵ the fact that the negotiated
4 increase in 2007 did not bring Monsanto's rate to the full cost of service was
5 known to all parties involved. The cost of service study the Company relied on to
6 make its decision was filed as an exhibit in Case No. PAC-E-06-09. Furthermore,
7 in Order No. 30197 the Commission stated:

8 "The 16.5% (\$6,843,817) increase in rates to Monsanto is a justified
9 increase that moves Monsanto *more than half way toward the approximate*
10 *\$13 million required by the Company's study to attain full cost of service.*
11 Commercial and residential customers under the Company's cost of
12 service study are presently at or near full cost of service. No change in
13 rates for these customers is proposed in the Company's PAC-E-06-04
14 docket. *The perceived shortfall in Monsanto's return is acceptable given*
15 *the Company's present willingness to absorb the difference.*" (Emphasis
16 added.)

17 As expressed by the Commission in its Order, all parties were aware that the
18 agreement did not result in Monsanto moving to full cost of service. Moreover,
19 the Company recognized the adverse effects on Monsanto of moving to full cost
20 of service all at once and the negotiation resulted in the Company agreeing to
21 absorb the difference between Monsanto's rate and the full cost of service so as to
22 effectuate a mutually acceptable settlement among the parties at the time.

23 **Q. Has the Company made any additional efforts to ensure its proposed**
24 **increase in rates was not a surprise to its customers?**

25 A. Yes. As Staff notes in its testimony, the Company complied with Commission
26 rules regarding the notice requirements. In addition, the Company has made a
27 concerted effort to communicate its expectations for the utility business in the

⁵ Testimony of Daniel R. Schettler, Page 15 Line 15.

1 future. I have personally spent time in Idaho communicating with local leaders
2 and customers in our service territory to explain the challenges facing the
3 Company in the near future. This year I have toured the Monsanto and Agrium
4 plants near Soda Springs, Idaho and met with management from each company. I
5 have sponsored the "Plugging into Rocky Mountain Power" tour in 2006 and
6 2007 during which I visited multiple cities within our service territory to meet
7 with customers and civic leaders. In addition, I have regularly met with the
8 Commission and Staff in Boise to provide updates on the state of our business and
9 our expectations for the future. In each of these meetings with various
10 stakeholders I have consistently explained the need for increased investment and
11 the upward pressure currently being placed on the Company's rates.

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

13 **A. Yes.**