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BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

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

Rocky Mountain Power hereby submits notice of filing an erratum to the prefiled rebuttal testimony of Paul Clements that was submitted to the Idaho Public Utilities Commission for filing October 25, 2007. Shortly after filing the rebuttal testimony, Rocky Mountain Power was notified that it may be implied from Mr. Clements' rebuttal testimony

NOTICE OF FILING ERRATUM - 1

that the company's proposed methodologies for valuing the Monsanto curtailment value in this proceeding were used and agreed to by the parties to establish Monsanto's existing curtailment value. This is not the case.

Accordingly, enclosed herewith as Exhibit A are the applicable revised pages of Paul Clements' prefiled rebuttal testimony that reflect the following clarifications:

1. Page 3, line 5 of the original filing was changed to replace the comma following the word "models" with the words "the Company" and to replace the word "set" with the words "support and justify".
2. Page 5, line 23 of the original filing was changed to replace the words "determine" with the words "support and justify".
3. Page 11, line 17 of the original filing was changed to replace the words "setting" with the words "supporting and justifying".

RESPECTFULLY SUBMITTED this 30th day of October, 2007.

ROCKY MOUNTAIN POWER



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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on this 30th day of October, 2007, a true and correct copy of the foregoing document was served by first-class mail, postage prepaid, and addressed to; by fax transmission to; by overnight delivery to; or by personally delivering to or leaving with a person in charge of the office as indicated below:

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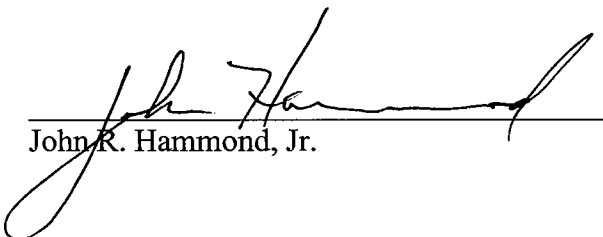
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John R. Hammond, Jr.

EXHIBIT A

- 1 five times more for its curtailment products than Monsanto pays in its tariff rate.
- 2 • Monsanto's current curtailment contract is significantly more generous than the
3 Company's most recent comparable contract.
 - 4 • The Company's front office model and GRID model used for the curtailment
5 valuation are robust models the Company used to support and justify the current
6 approved contract price for Monsanto. In addition, the GRID model is used to
7 set power costs in this case, which include an operating reserve component.
 - 8 • The parties have similar value ranges for the economic curtailment component of
9 the Monsanto curtailment contract, a value generally tied to market prices.
 - 10 • The operating reserve component of the Monsanto curtailment contract should be
11 set considering the Company's current resource portfolio, rather than
12 manipulating the model results as Monsanto suggests to artificially select specific
13 coal units.
 - 14 • Contrary to Staff's approach, operating reserves cannot be accurately valued
15 using a proxy derived from market price increases. This is because the value of
16 operating reserves is not necessarily tied solely to electric market prices. Using
17 Staff's approach for economic curtailment and system integrity, but the
18 Company's updated front office model value for operating reserves, produces a
19 value for the interruptible products in line with the Company's updated value.
 - 20 • Monsanto's peaker valuation approach incorrectly assumes both that Monsanto's
21 curtailment product is similar to a simple cycle turbine unit and that the Company
22 needs such a unit in its resource portfolio. Adjustments to this valuation
23 approach are necessary to account for differences in the Monsanto product and a

1 **Q. Please summarize the interruptible products offered by Monsanto and their**
2 **relative value in Monsanto's current contract.**

3 A. The current Monsanto contract provides three products:

4 1. *Operating Reserves.* Monsanto provides 95 megawatts of operating
5 reserves available for 188 hours per calendar year. The Company holds operating
6 reserves to respond to unit outages and maintain reliability. In the current
7 contract, the operating reserve product accounts for about 55 percent of the total
8 value of the interruptible products.

9 2. *Economic Curtailment.* Monsanto provides 67 megawatts of economic
10 curtailment available for 800 hours per calendar year. This product allows the
11 Company to curtail Monsanto's load on a two hour notice for any reason. In the
12 current contract, the economic curtailment product accounts for about 40 percent
13 of the total value of the interruptible products.

14 3. *System Integrity.* Monsanto provides 162 megawatts of system
15 integrity available 12 hours per calendar year. The product allows the Company
16 to curtail Monsanto following a double contingency event, which is two or more
17 overlapping forced outages of large Company generating assets within 48 hours.
18 In the current contract, the system integrity product accounts for less than 5
19 percent of the total value of the interruptible products.

20 **Q. Please summarize the valuation methodologies proposed by the various**
21 **parties in this docket.**

22 A. The Company has used the same methodologies in this case that it used to support
23 and justify the value set forth in the existing agreement with Monsanto, executed

1 Mountain Power's service territory. The specific details of the curtailment
2 products offered by this customer differ only slightly from those offered by
3 Monsanto. The price for this contract was based upon the same valuation models
4 the Company used in Monsanto's current contract and in this case.

5 The other customer's credit is based on a value of \$4.16 per kilowatt
6 month for operating reserves and \$61.71 per megawatt hour for economic
7 curtailment. Extrapolating these values to the number of megawatts and hours of
8 operating reserves and economic curtailment products Monsanto offers equates to
9 an equivalent value of \$8.1 million per year, \$4.3 million less than Monsanto's
10 current contract price of \$12.4 million.

11 **The Company's Valuation Models**

12 **Q. Do you agree with Monsanto's contention that the Company's models are not**
13 **the most appropriate method to determine the value of Monsanto's**
14 **interruptible product?**

15 A. No. The Company's front office model and GRID model are robust models,
16 which the Company has used for several years for a range of commercial and
17 regulatory purposes, including supporting and justifying the value of Monsanto's
18 current contract. There seems to be general support for the result these models
19 produce for the economic curtailment component, with Monsanto acknowledging
20 that the economic curtailment component of the Company's models "could
21 possibly provide one reference point for valuation." (Iverson Direct Testimony, p.
22 36, lns. 9-10). Monsanto's criticisms are limited to the operating reserve and
23 system integrity valuations produced by the Company's models.