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Attorneys for Intervenor Monsanto Company

**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

IN THE MATTER OF THE APPLICATION OF ROCKY )  
MOUNTAIN POWER FOR AUTHORITY TO )  
INCREASE RATES BY \$2.6 MILLION TO RECOVER )  
DEFERRED NET POWER COSTS THROUGH THE )  
ENERGY COST ADJUSTMENT MECHANISM )  

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**Case No. PAC-E-12-03**

**MONSANTO COMMENTS**

**INTRODUCTION**

Comes now Intervenor Monsanto Company (“Monsanto”), by and through counsel, and submits these comments with regard to the Application of Rocky Mountain Power (the “Company” or “RMP”) to increase rates by \$2.6 million to recover deferred net power costs through the Energy Cost Adjustment Mechanisms (“ECAM”). Since this is the first period where both Monsanto and Agrium are subject to the ECAM, it is important that both the revenues requested and the determination of Monsanto’s share of ECAM be reviewed thoroughly. These comments will explain Monsanto’s issues of concern and provide corrections to the filing we ask the Company to consider making. If these issues can be adequately resolved among all parties to this case, including the Staff of the Idaho Public Utilities Commission (“Commission”), then Monsanto is willing to enter into a stipulation with all parties to expedite

the outcome of this case. However, if agreement is not attained, then Monsanto respectfully requests the Commission set a hearing, take testimony and decide the issues presented.

## MONSANTO ISSUES

### 1. Losses In Base Load and Actual Load

RMP has applied an extraordinarily higher transmission loss factor to Monsanto and Agrium's Base Load sales than was applied to their Actual Load sales. Specifically, RMP applied a loss factor of approximately 9.885% to Monsanto and Agrium Base Loads, but then applied a loss factor of 4.543% to Actual sales at meter. This huge discrepancy in losses causes the Base Loads to be arbitrarily higher which unfairly raises the Load Change Adjustment Revenues attributable to Monsanto and Agrium. This difference is further exacerbated if the 4.543% loss factor is corrected downward to 3.605% for the January through November 2011 months.

Monsanto believes the extraordinarily high discrepancy between the transmission loss factors for Actual and Base Loads starting in January 2011 was inadvertent by RMP. A review of their work papers filed in this case shows that for the column marked "PAC-E-08-07" for "Dec 08", the Company used a transmission loss factor of 4.543% for both the Actual Loads and the Base Loads.<sup>1</sup> Monsanto believes that RMP should continue to use similar transmission losses for both Actual and Base Loads for the January through December 2010 time period.

Monsanto proposes a 3.605% transmission loss factor be used to determine sales at input for both Monsanto and Agrium Base Loads and Actual Loads for the months of January through

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<sup>1</sup> See RMP's electronic filing of Exhibit 1 spreadsheet entitled, "Exhibit 1\_ID ECAM (Dec10-Nov11)CONF.xlsx" and in particular, the sheets "ID Actual Loads" and "ID Base Loads".

November 2011. This was the transmission loss factor presented in Case No. PAC-E-10-07. With this correction, Monsanto and Agrium's Load Differentials reflect a more exact difference between Base Loads and Actual Loads, without the distortion caused by radically different loss factors. The deferral impact of setting losses for transmission at 3.605% for both Base Load and Actual Load is as follows:

Tariff Customers	\$722,655
Monsanto <sup>(1)</sup>	(\$659,725)
Agrium <sup>(1)</sup>	(\$49,805)

<sup>(1)</sup> Prior to three-year amortization

## **2. Treatment of Replacement Energy**

Monsanto is concerned with how the Company handles Monsanto "replacement energy" in the ECAM calculations. As background, when Monsanto opts to buy-through an economic curtailment hour rather than physically curtail its 67 MW electric phosphorous furnace, that energy is labeled as "replacement energy" as it "replaces" what would have been curtailed in that hour. This energy is sometimes also referred to as "buy through". The cost of acquiring the buy-through energy is a pass-through directly to Monsanto and is priced at an independent third-party index market price adjusted by a set of hourly load shaping scalars which Monsanto pays fully on its monthly invoice. The price for replacement energy is intended to recover all Company expenses incurred to deliver replacement energy, and thus replacement energy should not be subject to the ECAM.

In fact, RMP's supporting work papers do show the Company removed the replacement

energy from Monsanto Base Load, however, RMP failed to remove replacement energy from Monsanto Actual Load on line 7 in the month of November 2011. In that month, Monsanto purchased 9,021 MWh (at meter) of replacement energy which should have been excluded from the actual sales for purposes of determining the ECAM.<sup>2</sup> The deferral impact of removing replacement energy from Monsanto's November 2011 actual sales is as follows:

TABLE 2. Correction of Actual Loads for Replacement Energy	
Tariff Customers	(\$647)
Monsanto <sup>(1)</sup>	(\$13,821)
Agrium <sup>(1)</sup>	(\$45)
<sup>(1)</sup> Prior to three-year amortization	

### **3. Wind Integration Costs for Wholesale Wheeling Customers**

PacifiCorp failed to make an adjustment to remove wind integration costs for wholesale wheeling customers from the ECAM adjusted actual NPC. For example, pages 28 and 29 of Order No. 32196 from Case No. PAC-E-10-07 include several pertinent paragraphs discussing wind integration costs:

Monsanto contends further that RMP should not be allowed to recover wholesale wheeling customer wind integration costs from retail customers through the ECAM. The Company has included wholesale wheeling customer wind integration costs in NPC, Monsanto contends, because PacifiCorp failed to request an adjustment to its Open Access Transmission Tariff (OATT) so that

<sup>2</sup> In the Company's work papers, Actual Tariff Customer Load is calculated as a residual or fall out (Total Load less Monsanto less Agrium). Thus, if replacement energy is removed Monsanto's line, it reappears in the Tariff Customers Loads simply as a mathematical result. Consequently, Monsanto has removed the replacement energy (plus losses) from the November 2011 Actual Total Idaho Jurisdictional Load to avoid this mathematical error. This same type of residual treatment is also found in the Company's work papers for the Tariff Customer Base Load and should be examined as to its appropriateness, The \$722,655 impact shown in Table 1 above for Tariff Customers would decrease to \$582,829 if replacement energy is removed from the Total Base Load..

these costs can be recovered from wholesale wheeling customers. These costs, Monsanto contends, are not the responsibility of Idaho customers and should be removed from NPC. (page 28)

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PIIC proposes to remove the inter-hour wind integration costs associated with integrating non-owned wind projects that are interconnected to the Company's transmission system because the Company does not have a transmission tariff to recover the costs from those customers. (page 29)

At page 30 of the Order, the Commission finding states: "We find also that the responsibility for recovery of wind integration costs from wholesale transmission customers resides with the Company."

According to the RMP's March 9, 2012 Response to Monsanto Data Request 5, the Company's latest calculated rate for 2013 is \$3.87 per MWh. Monsanto proposes to use this rate in lieu of the \$6.50 rate proposed by PacifiCorp in Case No. PAC-E-10-07. The deferral impact of removing wholesale customer wind integration costs using the Company's latest wind integration rate of \$3.87 per MWh is as follows:

Tariff Customers	(\$126,785)
Monsanto <sup>(1)</sup>	(\$88,772)
Agrium <sup>(1)</sup>	(\$6,805)
<sup>(1)</sup> Prior to three-year amortization	

#### **4. Liquidated Damages**

The Company's accounting for liquidated damage payments/settlements received from contractors for performance issues during planned outages creates a mismatch between costs and

benefits because of timing differences between Company and customer recovery periods. To correct this problem payments/settlements should be removed from ECAM adjusted actual NPC.

Contractor performance issues result in the Company incurring replacement power costs for generation lost due to a delay in placing generation online after an outage. These replacement power costs are recovered by the Company through the annual ECAM deferral. However, the payments received by the Company during the ECAM test year were either credited to plant or O&M contract costs. Consequently, customers recover the benefit of the payments recorded to plant over the remaining life of the plant and do not ever recover the benefit of payments credited to O&M because there is not a mechanism to pass O&M credits back to customers.

During the ECAM test year the Company received \$945,000 of payments/settlements for contractor performance issues. According to RMP's March 14, 2012 Response to Monsanto Data Request 2, the detail of these payments/settlements is as follows:

- \$300,000 for Huntington Unit 1 (\$150,000 credited to plant in service in July 2011, \$150,000 was used as settlement of a Jim Bridger capital project payment).
- \$345,000 was recorded on July 6, 2011 for Wyodak Unit 1 (\$276,000 was credited to capital projects and \$69,000 was credited to O&M contract costs).
- \$300,000 for Bridger Unit 3 (\$150,000 was recorded to plant in service on August 18, 2011 and the remaining \$150,000 will be reflected as a reduction in prices for the yet to be established 2012 Bridger Unit 4 boiler overhaul.

The deferral impact of crediting liquidated damage payments/settlements to ECAM adjusted actual NPC.

**TABLE 4.**  
**Correction of Liquidated Damage  
 Payments/Settlements**

Tariff Customers	(\$49,482)
Monsanto <sup>(1)</sup>	(\$20,603)
Agrium <sup>(1)</sup>	(\$1,507)

<sup>(1)</sup> Prior to three-year amortization

The total deferral impact from all four of these corrections is presented in the following table:

**TABLE 5.**  
**Total Impact of Corrections**

Tariff Customers <sup>(1)</sup>	\$544,674
Monsanto <sup>(2)</sup>	(\$781,206)
Agrium <sup>(2)</sup>	(\$58,089)

<sup>(1)</sup> No adjustment to Base Load residual calculation. If Base Load is corrected, this would decrease to \$404,849.

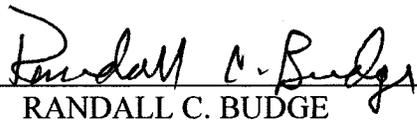
<sup>(2)</sup> Prior to three-year amortization

**CONCLUSION**

Monsanto requests that the Company and Staff review issues and proposed corrections presented above and determine if they can be accepted by stipulation of the parties to permit the Company's ECAM rate adjustments to be implemented on April 1, 2012 as proposed. Otherwise, Monsanto respectfully requests the Commission set a hearing, take testimony and decide the issues presented.

DATED this 17th day of March, 2012.

RACINE, OLSON, NYE, BUDGE &  
BAILEY, CHARTERED

By  \_\_\_\_\_  
RANDALL C. BUDGE

**CERTIFICATE OF MAILING**

I HEREBY CERTIFY that on this 17<sup>th</sup> day of March 2012, I served a true, correct and complete copy of the foregoing document, to each of the following, via the method so indicated:

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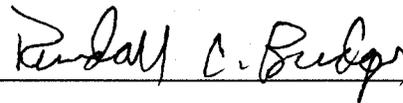
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