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March 16, 2012

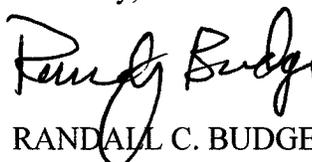
Jean D. Jewell, Secretary
Idaho Public Utilities Commission
P.O. Box 83720
Boise, Idaho 83720-0074

Re: Case No. PAC-E-12-03

Dear Mrs. Jewell:

Enclosed for filing please find the original and seven copies of *Monsanto Company's Reply Comments* in Case No. PAC-E-12-03, together with four CDs containing Confidential Revised Exhibit 1 Excess Outages. Thank you for your assistance.

Sincerely,


RANDALL C. BUDGE

RCB:rr

Enclosures

cc: Service List (w/encls.)

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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)
_____)

Case No. PAC-E-12-03

**MONSANTO
REPLY COMMENTS**

INTRODUCTION

Comes now Intervenor Monsanto Company ("Monsanto"), by and through counsel, and submits these reply 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").

1. Loss Factors For Base and Actual Loads

In its reply comments, RMP agreed with Commission Staff and Monsanto that it failed to update the line loss factor used to adjust Idaho Actual loads from sales to input level. The Company, however, is sticking with its proposal for using transmission losses of 9.884906% for Monsanto and Agrium Base Load, while using losses of 3.605% for their Actual Load. The

Commission should be aware that the Company mischaracterized Monsanto's request and has not responded to Monsanto's concerns about the impact of two different loss factors applied to sales.

To be perfectly clear: Monsanto is not seeking a change in the Base Load for Monsanto at meter. The Company's comments at page 3 noting Peter Eelkema's testimony about 2009 loads is totally irrelevant to Monsanto's concerns in this ECAM proceeding. In fact, Monsanto has accepted the Base Loads from Case No. PAC-E-10-07 for purposes of this ECAM filing. What is at issue here are the losses applied to the Base Loads, not the loads themselves.

RMP raised two objections to Monsanto's comments: (1) that "Monsanto is attempting to relitigate an issue that has already been litigated", and (2) that even assuming the Commission were to ignore due process rights, the Company's numbers only show a difference of 2,255 MWhs between the Company's Base Loads and Actual Loads of Monsanto. Both of these assertions are in error.

First, as to due process, Monsanto did review their Base Loads in Case No. PAC-E-10-07, specifically, the monthly loads shown on page 10.14 of Exhibit No. 2 of Mr. McDougal. In Data Request 10.6, Monsanto specifically asked the Company:

Monsanto Data Request 10.6

Questions Directed to Steven R. McDougal

Reference page 10.14. Please identify how much of the Idaho monthly "Metered Loads (MWH)" are for Monsanto.

Monsanto's discovery was a very simple basic question: how much of the Idaho load shown on page 10.14 is for Monsanto? The Company responded on August 27, 2010: "Please refer to Row 41 on sheet "Energy-2010" of Attachment Monsanto 1.18, which has the monthly sales (at the customer meter) which was used to develop test year sales." This is the crux of the issue

here: what the Company *cleverly* provided this Commission and Monsanto in response to our Data Request 10.6 back in 2010 was Monsanto's monthly sales at the customer meter. There was no mention of any 10% losses to Monsanto in the Company's response. What was provided and litigated in Case No. PAC-E-10-07 was Monsanto's monthly sales at the customer meter.

Monsanto has verified that the Company did in fact use those monthly sales (at the customer meter) provided in Attachment Monsanto 1.18 when RMP filed its ECAM. Monsanto agrees with the Company and accepts those monthly sales at the customer meter (less replacement energy) for purposes of the Base Load. However, what Monsanto cannot accept – and what the Commission should reject – is the application of a 9.884906% loss factor to Monsanto's and Agrium's Base Loads.

Second, the Company attempts to show that their numbers yield a difference of 2,255 MWH. Their assertion is wrong. The Company's comparison erroneously includes the replacement energy which even the Company agrees should be removed. Their difference is in fact 7½ times greater than what they filed in their Comments:

January – November Base Load including 9.884906% losses =	1,351,296 MWH
January – November Actual Load including 3.605% losses =	<u>1,334,211 MWH</u>
Difference =	17,085 MWH

Furthermore, the absurdness of using two completely different loss factors can easily be demonstrated when looking at the January and February load changes between Base Load and Actual Load. Here's what the Company is claiming is Monsanto should pay for Load Change Adjustment in the months of January and February:

Monsanto Loads:	January 2010	February 2010
Base MWH Sales at Meter	126,100	106,919
Losses @ 9.884906%	12,465	10,569
Base MWH Sales at Input	138,565	117,487
Actual MWH Sales at Meter	125,300	105,400
Losses @ 3.605%	4,517	3,800
Actual MWH Sales at Input	129,817	109,200
Load Change MWH at Meter	800	1,519
Load Change Losses	7,948	6,769
Load Change MWH at Input	8,748	8,288
LCAR Rate (\$/MWH)	\$21.89	\$21.89
LCA Revenues to be collected ¹	\$191,489	\$181,418

Even though the Load Change at the meter is only 800 MWH and 1,519 MWH in January and February, through RMP's misapplication of two different loss factors, the Load Change increases by 634% on average to 8,748 MWH and 8,288 MWH, for a total of 17,036 MWH Load Change at Input. The Commission should reject such an absurd proposal by the Company. A more reasonable approach would show Monsanto's load change to be 2,319 MWH (800 + 1,519) adjusted upwards by 3.605%, or only 2,403 MWH. Clearly, RMP's misapplication causes a distortion in the true load change between Base Loads and Actual Loads.

For the time period January through November, Monsanto's Base Load was 1,229,737 MWH at the meter, while the Actual Load was 1,287,786 MWH at the meter, thus the Actual Load was higher than the Base Load. The Company should not dispute this. But because the Company uses two different loss factors, the Company shows Monsanto's Base Load as

¹ See RMP's Revised Exhibit 1, provided with their comments, line 24 for these LCA revenues.

1,351,296 MWH at input, while the Actual Load is 1,334,211 MWH at input, making the Actual Load *lower* than the Base Load. This flip-flop in load change direction should be rejected by the Commission.

Interestingly, the Company had nothing to say in its reply comments about the fact that the exact same loss factor was used for both the Base Load and the Actual Load for the December 2008 column in their ECAM filing.² Since the Company clearly has treated loss factors consistently for the December 2008 period, there is no justifiable reason for their refusal to correct this error starting January 2010.

2. Wind Integration Costs for Wholesale Wheeling Customers

RMP's reply comments claim that the actual incurred costs are undisputable and it is inappropriate for Monsanto to arbitrarily remove any actual costs without showing that the costs were not prudently incurred. This claim is misplaced because the Commission did not predicate recovery of wind integration costs incurred due to the operation of wholesale wheeling customers located in the Company's control area on a determination of prudence. The Commission stated in Order No. 32196 from Case No PAC-E-10-07 that "the responsibility for recovery of wind integration costs from wholesale transmission customers resides with the Company." In other words, the costs are not recoverable from retail customers and should be removed from the ECAM calculation.

RMP also claims that it would somehow be inappropriate to disallow recovery of wind integration costs imposed on the Company by wholesale wheeling customers from retail

² See RMP's Revised Exhibit 1, sheet "ID Base Load" cells C10 and C11, and "ID Actual Load" cell B13 where in both Actual and Base load determination a loss factor of 4.543% is used for Monsanto and Agrium.

customers through the ECAM, because the mechanism already has a 10 percent sharing band. This is simply irrational reasoning on the Company's part. The two issues are distinct and separate and are not appropriate to be combined. The Commission granted RMP's request to implement an ECAM, which included a 10 percent sharing band. Nowhere in the order approving the ECAM did the Commission indicate that costs previously determined to not be recoverable from retail customers, would be recoverable from those same retail customers through the ECAM. There is no basis for the Company's claims.

Monsanto agrees that it should have used a wind integration rate that excluded the inter-hour component and agrees with the revised customer impact shown in the Company's reply comments.

Monsanto acknowledges that the Company made a filing with FERC for recovery of wind integration costs from wholesale wheeling customers. Accordingly, Monsanto believes it would be reasonable to remove any revenues that are related to this ECAM test period from future ECAM results if the Commission adopts Monsanto's proposed adjustment. However, it should be noted that recovery of wind integration costs incurred during this ECAM test period through FERC is uncertain since the Company's request has not been approved, and if they do approve the request, it may not be retroactive back to the time of the filing. Further, it should also be noted, that the Company's FERC proposed rates are based on capacity costs and therefore, will not recover the full cost of wind integration for wholesale wheeling customers because it will not recover the energy related component of wind integration cost.

3. Liquidated Damages

RMP claims that accounting guidelines require that revenue received for liquidated

damages be charged to property plant and equipment not net power costs in almost all circumstances. While Monsanto does not disagree with the Company's statements made related to AICPA Guideline TPA 2210.28 – Accounting for Certain Liquidated Damages from a purely accounting perspective, we are concerned with what the Company did not say. In Idaho, the Company previously proposed regulatory treatment that is different than the treatment prescribed by an accounting pronouncement so that costs and benefits would be better matched. Specifically, the Company proposed that Emerging Issues Task Force (EITF) 04-06 recommended accounting for coal stripping costs be bypassed through the use of SFAS 71: Accounting for the Effects of Certain Types of Regulation, to better match coal stripping costs and tons mined. Specifically, EITF 04-06 states that coal stripping costs incurred while mining coal are variable production costs that should be included in inventory costs during the period stripping cost are incurred. This has the effect of raising coal prices when a mine plan requires more stripping to produce coal. SFAS 71 allows normalization of stripping costs over the total tons recoverable as a result of stripping. This allows stripping costs to be deferred to rate base so they can be amortized over all of the coal that will be produced as a result of the stripping costs, thereby smoothing out fluctuations in coal prices. In the same light, SFAS 71 allows the Commission to adopt regulatory treatment of liquidated damages that would produce a better match between costs and benefits in the manner Monsanto proposed.

4. Excessive Forced Outages

After review of additional material produced in discovery responses provided by the Company after Monsanto's opening comments were filed, Monsanto has an additional concern with the Company's ECAM filing.

PacifiCorp's thermal plant forced outage experience compared to industry averages for generation plants sized 400-599 MW for NERC boiler tube failure outage codes 1040, 1050, 1070 and 1080 were significantly worse than comparable industry averages. Monsanto believes that the Company should not be allowed to recover the costs of such outages because outages that significantly exceed industry averages do not represent prudent operation of those resources. For this adjustment, Monsanto is defining significantly exceeding industry averages as when a PacifiCorp plant's generation lost for a specific NERC outage code exceeds the industry average by more than 100 percent. This way the adjustment only captures extreme divergences. PacifiCorp plants that exceeded industry averages by more than 100 percent during the ECAM test period include Hunter, Huntington and Jim Bridger. The comparison of PacifiCorp plant performance to industry averages and the impact of each plant adjustment are shown in the attached file named "Excessive NERC Outages". The deferral impact of Monsanto's proposed adjustment is shown below for tariff customers, Monsanto and Agrium in Table 1. The deferral impact of the adjustment was calculated in the attached file named "Exhibit 1_ID ECAM Excessive Outages Confidential"

TABLE 1.
Correction of Wind Integration Costs

Tariff Customers	(\$303,072)
Monsanto ⁽¹⁾	(\$173,773)
Agrium ⁽¹⁾	(\$6,601)

⁽¹⁾ Prior to three-year amortization

CONCLUSION

The Commission should reject the Company's proposal to use transmission losses of 9.884906% for Monsanto and Agrium Base Load, while using losses of 3.605% for their Actual Load. Instead, the Company should be required to utilize a 3.605% loss factor for both the Base Load and the Actual Load, Since the Company clearly has treated loss factors consistently in the past, there is no justifiable reason for their refusal to correct this error.

Wind integration costs associated incurred due to the operation of wholesale wheeling customers located in the Company's control area should not be recoverable through the ECAM. Nowhere in the order approving the ECAM did the Commission indicate that costs previously determined to not be recoverable from retail customers, would be recoverable from those same retail customers through the ECAM.

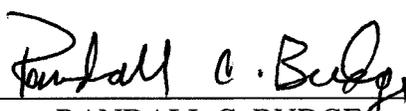
The Commission should adopt Monsanto's recommendation to pass liquidated damages payments received by the Company through the ECAM to provide a better match between costs and benefits.

Finally, the Company should not be allowed to recover excessive forced thermal outage costs because outages that significantly exceed industry averages do not represent prudent operation of those resources.

RESPECTFULLY SUBMITTED,

DATED this 28thth day of March, 2012.

RACINE, OLSON, NYE, BUDGE &
BAILEY, CHARTERED

By  _____
RANDALL C. BUDGE

CERTIFICATE OF MAILING

I HEREBY CERTIFY that on this 28th 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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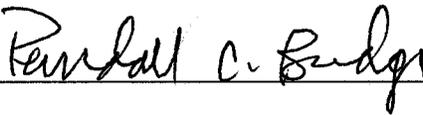
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