

1 **Q. Please state your name, business address and present position with Rocky**
2 **Mountain Power (the “Company”), a division of PacifiCorp.**

3 A. My name is Paul H. Clements. My business address is 201 S. Main, Suite 2300,
4 Salt Lake City, Utah 84111. My position is Originator/Power Marketer for
5 PacifiCorp Energy. PacifiCorp Energy, like Rocky Mountain Power, is a division
6 of PacifiCorp.

7 **Q. How long have you been in your present position?**

8 A. I have been in my present position since December 2004.

9 **Q. Please describe your education and business experience.**

10 A. I have a B.S. in Business Management from Brigham Young University. I worked
11 in the merchant energy sector for approximately seven years in pricing and
12 structuring, origination, and trading roles for Illinova and Duke Energy. I have
13 been employed by the Company since 2004 as an originator/power marketer
14 responsible for negotiating interruptible retail special contracts, negotiating
15 qualifying facility contracts, and managing wholesale or market-based energy and
16 capacity contracts with other utilities and power marketers. I was the Company
17 representative who negotiated the 2006 and the 2007 through 2010 electric
18 service agreements with Monsanto, as well as the interim electric service
19 agreements in 2011. I have managed all Monsanto contract-related issues since
20 late 2004.

21 **Purpose and Summary of Testimony**

22 **Q. What is the purpose of your testimony?**

23 A. The purpose of my testimony is to provide the analysis and recommendation

1 regarding the economic valuation of the interruptible products offered by
2 Monsanto to determine the interruptible credit amount for inclusion in a
3 Monsanto electric service agreement. My testimony will address the following
4 areas:

- 5 • provide a summary of how the Company updated the valuation of the
6 Monsanto interruptible products consistent with the Commission findings
7 in Order No. 32196 when determining its recommended credit value in
8 this proceeding;
- 9 • provide a comparison of the Company’s recommended credit value in this
10 proceeding to the value established by the Commission in Case No. PAC-
11 E-10-07 (the “2010 General Rate Case”); and
- 12 • provide a recommendation on an interruptible credit value to be included
13 in a Monsanto contract.

14 **Q. Why is Rocky Mountain Power filing testimony on the value of the Monsanto**
15 **interruptible products in conjunction with this general rate case filing?**

16 A. In its Order No. 32224 dated April 18, 2011, the Commission stated the following
17 regarding the value of the Monsanto interruptible credit:

18 “...we find that it is both reasonable and appropriate that the value
19 of the Monsanto interruptible credit remain subject to adjustment
20 commensurate with the Commission-approved adjustments of the
21 Company's firm power and energy charges over time.”¹

22 Since the Company is proposing a change to Monsanto’s firm power and energy
23 charges as part of this general rate case filing, the Company is also providing a

¹Order No. 32224 in Case No. PAC-E-10-07, page 7.

1 recommended value and supporting evidence regarding the Monsanto
2 interruptible credit.

3 **Q. Has the Commission recently issued findings regarding the value of**
4 **Monsanto's interruptible products?**

5 A. Yes. In Confidential Attachment C of Order No. 32196 in the 2010 General Rate
6 Case, the Commission established the interruptible product value for each of the
7 interruptible products provided by Monsanto. In its detailed findings in that
8 Order, the Commission provided an explanation of how the recommended values
9 were derived. In most instances, the Commission's recommended values were
10 established using selected results from the various models and methodologies
11 proposed by the different parties in the proceeding.

12 **Valuation of Monsanto's Interruptible Products**

13 **Q. What approach did the Company utilize for the valuation of Monsanto's**
14 **interruptible products when determining its recommended interruptible**
15 **credit for this proceeding?**

16 A. The Company reviewed the detailed Commission findings addressing Monsanto
17 interruptible value in the 2010 General Rate Case. Based on those findings the
18 Company utilized the same models and methodologies with updated assumptions
19 to reflect current market conditions to establish recommended interruptible
20 product values in this proceeding.

1 **Q. Please explain how the Company utilized the models and methodologies**
2 **consistent with the Commission findings to determine a recommended value**
3 **for each Monsanto interruptible product.**

4 A. In Order No. 32196, the Commission provided details regarding which models
5 and methodologies were used to derive the recommended values for the three
6 Monsanto interruptible products: (1) non-spinning operating reserves; (2)
7 economic curtailment; and (3) system integrity. I will summarize the Commission
8 findings for each of these products and the analysis the Company performed for
9 this proceeding when calculating a recommended value that is consistent with
10 those findings.

11 *Non-Spinning Operating Reserves*

12 For the non-spinning operating reserves product, the Company
13 recommends using the average of the Front Office and GRID model results.
14 Exhibit No. 39 provides an explanation of each of these models and how they are
15 used to calculate the value of the various Monsanto interruptible products. This
16 approach is consistent with the Commission findings regarding operating
17 reserves:

18 “The Commission believes that the energy value is most accurately
19 established using the average of the GRID and Front Office Model
20 runs as proposed by the Company and supported by Staff.”²

21 To determine a recommended value for the non-spinning operating reserves
22 product, the Company updated the Front Office and GRID models with current
23 assumptions and then averaged the results.

²Order No. 32196 in Case No. PAC-E-10-07, page 56.

1 Next, the Company addressed the issue of additional capacity value for the
2 non-spinning operating reserves product. In Order No. 32196, the Commission
3 found the additional capacity value of the non-spinning operating reserves product
4 to be \$ [REDACTED] million per year. This value was established by taking the average of
5 the capacity costs of Currant Creek and the Aero-derivative unit proposed by
6 Monsanto.³ The Commission offered the following additional explanation as to
7 the applicability of this incremental capacity value:

8 “The Commission finds that this value properly blends the current
9 condition with the longer term capacity view that corresponds with
10 Monsanto's demonstrated long-term interruptible commitment.....
11 This approach is also consistent with our desire and expectation
12 that the parties will execute a five-year contract as opposed to the
13 three contracts that have been the norm for the parties in the recent
14 past. In addition to promoting greater price certainty and stability
15 for Monsanto, a large industrial customer and employer in
16 southeast Idaho, it would also allow the Company to plan more
17 effectively into the future. Therefore, the Commission finds that an
18 extended contract period would serve the public interest.”⁴

19 Therefore, the Company recommends an additional capacity value of \$ [REDACTED]
20 million in this proceeding.

21 *Economic Curtailment*

22 For the economic curtailment product, the Company recommends using
23 the average of the Front Office and GRID model results. This approach is
24 consistent with the Commission findings regarding economic curtailment value:

25 “The Commission finds that the value proposed by RMP...and
26 accepted by Staff is fair, just and reasonable... The differences in
27 GRID and FO Model runs, with and without Monsanto Economic
28 Curtailment, fairly estimate this value.”⁵

³Order No. 32196 in Case No. PAC-E-10-07, pages 56-57.

⁴Order No. 32196 in Case No. PAC-E-10-07, page 57.

⁵Order No. 32196 in Case No. PAC-E-10-07, page 57.

1 To determine a recommended value for the economic curtailment product, the
2 Company updated the Front Office and GRID models with current assumptions
3 and then averaged the results.

4 *System Integrity*

5 In Order No. 32196, the Commission set the value of the system integrity
6 product at \$[REDACTED] million as a compromise between the parties' recommended
7 values. The Commission provided the following justification for this compromise:

8 "…all customers are subject to interruption to preserve system integrity,
9 without reimbursement, with an understanding that interruption of a single
10 large load customer like Monsanto in an emergency brings benefit to RMP
11 and other customers."⁶

12 For the system integrity product, the Company recommends using the \$[REDACTED]
13 million value established by the Commission in Order No. 32196.

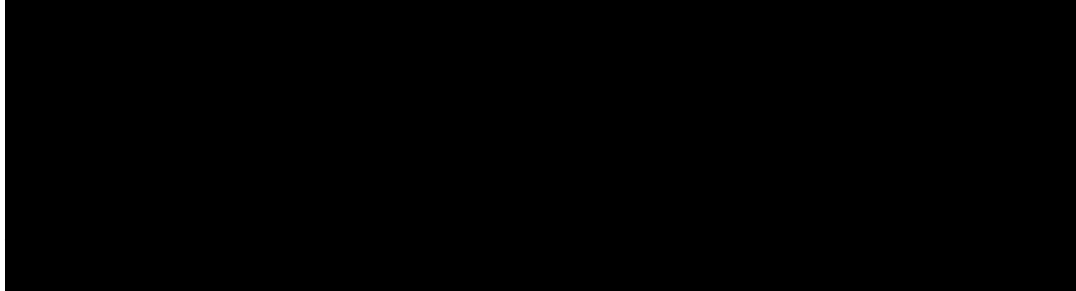
14 **Summary of Results and Recommendation**

15 **Q. Please summarize the Company's recommendation for the value of**
16 **Monsanto's interruptible products in this proceeding.**

17 A. The Company performed an updated analysis using models and methodologies
18 consistent with the Commission findings in Order No. 32196. The individual
19 model results for the GRID and Front Office models for calendar year 2012 are
20 summarized in the following table:⁷

⁶Order No. 32196 in Case No. PAC-E-10-07, page 57.

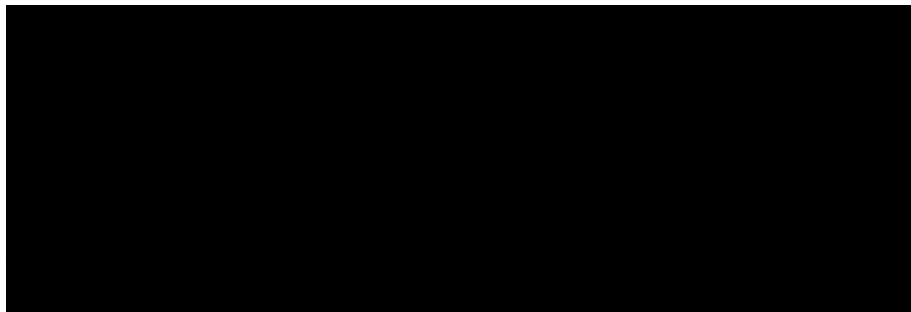
⁷For the System Integrity product, the Company used the Commission's recommended value in Order No. 32196 instead of the actual model results. The GRID and Front Office models were not used to calculate the additional capacity value amount of \$[REDACTED] million. Instead, that value was derived from the Commission findings in Order No. 32196. The GRID model used a March 31, 2011 forward price curve and the Front Office model used a May 18, 2011 forward price curve.



1 **Q. Please summarize the Company's recommendation for the value of**
2 **Monsanto's interruptible products in this proceeding.**

3 A. The Company recommends taking the average results of the Front Office and
4 GRID models for the energy portion of the non-spinning operating reserves
5 product and the economic curtailment product. Consistent with the Commission
6 findings in Order No. 32196, the Company recommends applying \$█ million in
7 additional capacity value to the non-spinning operating reserves product. The
8 Company recommends using the Commission's recommended value from Order
9 No. 32196 for the system integrity product.

10 The Company recommends a total interruptible credit to Monsanto for the
11 three products of \$█ million. The table below summarizes the value by
12 product type:



1 **Q. Please provide a comparison of the Company's recommended interruptible**
2 **product value in this proceeding to that ordered by the Commission in Case**
3 **No. PAC-E-10-07.**

4 A. The table below compares the Company's recommended Monsanto interruptible
5 product value for this proceeding to the values found in Confidential Attachment
6 C of Order No. 32196.



7 **Q. How should the credit value of \$ [REDACTED] million be reflected in the Monsanto**
8 **contract?**

9 A. The credit value of \$ [REDACTED] million should be reflected as a per unit credit of \$ [REDACTED]
10 per kW month applicable to the first 162 MW of measured demand in each
11 month.

12 **Q. Should other interruptible product terms of the contract change at this time?**

13 A. No. The values recommended by the Company apply only if Monsanto provides
14 the same interruptible products under the same terms and conditions as those
15 found in the existing contract, with the assumption of 800 hours of economic
16 curtailment per calendar year.

1 **Q. Does the Company's recommended value of \$[REDACTED] million impact the**
2 **Company's general rate case filing?**

3 A. No. The Monsanto interruptible credit value for the test period in question in the
4 general rate case was set by the Commission in the 2010 General Rate Case. The
5 \$[REDACTED] million annual value set in that case will be in effect through calendar year
6 2011. The Company and Monsanto have agreed⁸ to a new contract with a June 1,
7 2011, through December 31, 2011 term. The new contract includes an
8 interruptible credit rate that equates to \$[REDACTED] million per year. The Company
9 recommends a rate effective date of January 1, 2012, for the interruptible credit
10 amount of \$[REDACTED] million recommended in this case.

11 **Q. Does this conclude your direct testimony?**

12 A. Yes.

⁸At the time of preparation of this filing, the Company and Monsanto had verbally agreed to a new contract under the terms described and were in the process of arranging for execution of the new agreement. Execution of a new agreement is expected prior to the expiration date of the interim agreement which terminates May 31, 2011.