

EXHIBIT 2

BEFORE THE IDAHO PUBLIC SERVICE COMMISSION

IN THE MATTER OF THE APPLICATION OF)
ROCKY MOUNTAIN POWER FOR)
APPROVAL OF CHANGES TO ITS)
ELECTRIC SERVICE SCHEDULES AND A)
PRICE INCREASE OF \$27.7 MILLION, OR)
APPROXIMATELY 13.7 PERCENT)
)
)

DOCKET NO. ID PAC-E-10-07

DIRECT TESTIMONY OF

DENNIS E. PESEAU

ON BEHALF OF

**MONSANTO
COMPANY**

October 14, 2010

1 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2 A. My name is Dennis E. Peseau. My business address is Suite 250, 1500
3 Liberty Street, S.E., Salem, Oregon 97302.

4 **Q. BY WHOM AND IN WHAT CAPACITY ARE YOU EMPLOYED?**

5 A. I am President of Utility Resources, Inc. The firm has consulted on a number
6 of economic, financial and engineering matters for various private and public
7 entities since 1985.

8 **Q. ON WHOSE BEHALF ARE YOU TESTIFYING IN THESE PROCEEDINGS?**

9 A. I am testifying on behalf of Monsanto Company.

10 **Q. DOES ATTACHMENT DEP-A ACCURATELY DESCRIBE YOUR**
11 **BACKGROUND AND EXPERIENCE?**

12 A. Yes.

13 **Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY?**

14 A. The purpose of my testimony is to recommend that the Commission defer its
15 decision on PacifiCorp's requested rate base addition of \$801.5 million for
16 the Segment B portion of the Gateway Central, approximately \$45 million of
17 which is allocated to Idaho, until PacifiCorp's next general rate case. As I

1 explain below, this Gateway Central transmission project is but an initial leg
2 of a very speculative and massive undertaking, Energy Gateway that may or
3 may not be built by the end of the next decade. As a result of the over sizing
4 to accommodate a planned larger "Gateway South" 500 kV line, that may be
5 completed in 2020, the requested rate base of Segment B from Populus
6 (near Downey, ID) to Terminal (NW Utah) is far greater than that necessary
7 to upgrade this path on a stand-alone basis.

8 **Q. WHAT IS THE GENERAL BASIS FOR YOUR RECOMMENDATIONS?**

9 A. As explained very clearly by PacifiCorp in its direct testimony and exhibits,
10 and also its 2008 IRP and in multiple company documents, Gateway Central
11 is but a 135 mile line that is the initial segment of perhaps the most ambitious
12 and expensive planned transmission network expansion ever attempted in
13 the United States. PacifiCorp estimates that the entire 2,000 mile network, if
14 completed as Energy Gateway, will have project costs exceeding \$6 billion.
15 Most of the actual legal, environmental, permitting, rights of way, etc. has
16 only just begun on the remaining 1,865 miles of proposed facilities.

17 For perspective, if the entire \$6 billion Energy Gateway project is ever
18 completed, Idaho's allocation would be approximately 6%, or \$360 million of
19 rate base addition. The Energy Gateway transmission project alone will have
20 increased the total Idaho rate base (generation, transmission and distribution

1 plant) by over 60% compared with the year end 2009 rate base. The
2 magnitude of this project's impact on Idaho customers' rates warrants careful
3 and cautious scrutiny by this Commission. My proposal to defer the
4 proposed rate base treatment of Gateway Central is the best means to
5 protect both customers and shareholders of PacifiCorp. As I argue below,
6 most of the Gateway Central rate base will not be used and useful at the
7 outset due to its over sizing. I believe that shareholders as well as
8 customers would be best served by holding open the issue of rate base
9 treatment of Gateway Central until the larger issues of the entire Energy
10 Gateway project are better known.

11 **Q. WHAT ARE YOUR SPECIFIC RECOMMENDATIONS IN THIS CASE WITH**
12 **RESPECT TO THE COMMISSION'S TREATMENT OF THE REQUESTED**
13 **APPROXIMATE \$45 MILLION GATEWAY CENTRAL RATE BASE**
14 **ADDITION?**

15 A. I recommend that the Commission:

- 16 1. Not make a determination regarding the degree of "used and
17 usefulness," if any, of the proposed Gateway Central project in
18 this case even if it does come online December 31, 2010.
- 19 2. Defer the consideration of Gateway Central as an Idaho rate
20 base component until the next general rate case.
- 21 3. Remove \$5.9 million (reduced by power cost offset) from
22 PacifiCorp's requested rate increase.

- 1 4. Order PacifiCorp to place all Gateway Central plant into Plant
2 Held for Future Use, with no carrying charge until such time as
3 the degree of used and usefulness can be determined.
- 4 5. Require PacifiCorp to submit a specific progress report on the
5 status of the proposed Gateway South project as the proposed
6 Gateway Central project makes sense only when Gateway South
7 is completed.
- 8 6. Require PacifiCorp to hold an open season or nomination
9 process for capacity on Gateway Central as a means to gauge
10 the degree of excess rate base that Idaho's network customers
11 will be required to pay for until OATT customers develop.
- 12 7. Require PacifiCorp to revisit its 2008 IRP justification of system
13 load forecast and the proposed Energy Gateway project in light
14 of the prolonged recession and economic uncertainty.

15 **OVERVIEW OF GATEWAY CENTRAL AND ENERGY GATEWAY**

16 **Q. PLEASE DESCRIBE THE PROPOSED GATEWAY CENTRAL PROJECT.**

17 A. PacifiCorp's filing in this case, particularly the testimonies of Messrs.
18 Gerrard, Cupparo and McDougal, provides detailed descriptions of the
19 proposed Gateway Central, or "Populus to Terminal" transmission line. I
20 summarize those aspects of the proposed line that bear on the
21 recommendation I make in this case. As a considerable portion of Gateway
22 Central's description has been labeled "CONFIDENTIAL," I will only generally
23 summarize these elements in relation to the much larger plan to construct
24 Energy Gateway.

1 **Q. WHAT IS ENERGY GATEWAY?**

2 A. Energy Gateway is PacifiCorp's program to invest over \$6 billion for
3 approximately 2,000 miles of high voltage transmission lines, primarily 500
4 kV, throughout the western United States. If completed as planned, the
5 project would have a total capacity of 6,000 MW with the intention of
6 transmitting electricity generated primarily from wind energy planned in
7 Wyoming and elsewhere, to markets in California, southern Nevada and to a
8 lesser extent Utah and the Pacific Northwest. My Exhibit 221 (DEP-1), taken
9 from PacifiCorp's website on Energy Gateway Transmission Project's
10 "Frequently Asked Questions," Page 5, provides a schematic of the proposed
11 project.

12 The proposed "Gateway West" segment of Energy Gateway, with an
13 estimated in-service date in the 2014-2018 timeframe,¹ would connect areas
14 of Wyoming that have potential for wind-generated power, to the Captain
15 Jack substation near Malin, Oregon. My Exhibit 222 (DEP-2) is a copy of
16 PacifiCorp's website description of Gateway West, with key milestones. The
17 Captain Jack substation is the hub or connection between the California-
18 Oregon transmission intertie and provides access to several 500 kV lines
19 running south throughout California.

¹Recent deferral of draft EIS may push timeframe back. See Bureau of Land Management announcement at http://www.blm.gov/wy/st/en/info/news_room/2010/july/22gatewaywest.html

1 The proposed “Gateway South” segment of Energy Gateway, with an
2 in-service date in the 2017-2019 timeframe,² would connect potential
3 Wyoming wind generators to the Crystal substation in Nevada Power’s
4 service territory. My Exhibit 223(DEP-3) is a copy of PacifiCorp’s website
5 description of Gateway South, with key milestones. The Crystal substation
6 connects a number of transmission lines and provides access to several 500
7 kV, 345 kV, and 230 kV lines running through Las Vegas Valley and west
8 into California.

9 **Q. HOW DOES PACIFICORP DESCRIBE PLANNING ASPECTS OF THE**
10 **PROPOSED ENERGY GATEWAY AND GATEWAY CENTRAL**
11 **PROJECTS?**

12 A. PacifiCorp differentiates this over \$6 billion project from more conventional
13 resource planning approaches. The Company states:

14 Unlike the conventional “generation before transmission”
15 approach, this transmission project [Energy Gateway] is a
16 relatively new approach, constructing transmission ahead of
17 specific generation resources. With increasing development of
18 location – constrained renewable resources, one project often
19 can no longer form an anchor for transmission.

20 [Page 1, “Frequently Asked Questions”]

21 Elsewhere, PacifiCorp characterizes the Energy Gateway project as more of
22 an overall strategy rather than one single transmission project. PacifiCorp is

²According to the Company’s response to Monsanto Data Request 4.4, Energy Gateway is now anticipated to be completed in the 2018-2020 time frame.

1 proposing to construct Energy Gateway in anticipation of future development
2 of generation resources, and future markets for such resources.

3 **Q. WHAT IS THE COMPANY'S OVERALL STRATEGY WITH THE**
4 **PROPOSED ENERGY GATEWAY?**

5 A. If PacifiCorp succeeds in completing the entire Energy Gateway project by
6 2020, the Company will dominate transmission services throughout the
7 western U.S. This circumstance would place shareholders in the enviable
8 position of earning a return on over \$6 billion in new rate base, as well as
9 providing the "highway" to California and southern Nevada for sales of
10 PacifiCorp's existing and developing wind projects. The reason I say
11 "enviable" is because, unlike unregulated third party developers of new
12 transmission facilities, PacifiCorp is attempting to earn on Energy Gateway
13 immediately by placing the large, initially over-built segments into rate base
14 as each is completed. Private third party developers are not, of course, able
15 to earn on the excess investment prior to the facilities reaching full capacity
16 and coming on line, when they then can charge OATT wheeling tariff rates.

17 **Q. PLEASE EXPLAIN.**

18 A. The proposed Gateway Central project for which PacifiCorp is requesting
19 rate base treatment in these proceedings is a good example of this enviable

1 position. The overwhelming amount of this \$801.5 million investment is for
2 interconnection with planned future Energy Gateway segments. Thus, in this
3 docket, Idaho customers, by virtue of PacifiCorp's request to place the Idaho
4 allocation of the entire \$801.5 million into rate base, are being asked to fund
5 the carrying costs of this initially over built segment B until this path will
6 become functional with later segments, particularly Gateway South.

7 **Q. WHEN IS GATEWAY SOUTH PREDICTED TO BE COMPLETED?**

8 A. Gateway South is in the early planning, siting and permitting stages. Rights
9 of way and EIS are not expected to be completed until 2015. The Company
10 projects an in-service date in the 2017-2020 timeframe. As this particular
11 segment of Energy Gateway is the principal driver for the over-building of
12 Gateway Central, this late date and early stage of development causes major
13 concern for the equity and reasonableness to Idaho customers funding and
14 carrying the over built Gateway Central for so many years. Most of this
15 Gateway Central will not be "used and useful" unless and until Gateway
16 South is energized.

17 **Q. WHAT IS THE BASIS FOR YOUR CONCLUSION THAT THE INITIAL LEG**
18 **OF ENERGY GATEWAY, WHICH IS GATEWAY CENTRAL, IS OVER**
19 **BUILT?**

1 A. I base my conclusion on a number of factors. First, as a part of the approval
2 of MEHC's acquisition of PacifiCorp in 2005, both Companies agreed to
3 upgrade this same Path C by the 300 MW required to enhance reliability,
4 facilitate the receipt of renewable resources and to enable further
5 optimization on this segment of Path C. The Path C upgrade was an
6 important commitment to get from MEHC/PacifiCorp because this segment
7 had been previously identified as a potential congested transmission path.
8 Prior to the conception of Energy Gateway, the 300 MW Path C upgrade
9 committed to by MEHC/PacifiCorp was seen as sufficient for this path.

10 **Q. WHAT WAS PACIFICORP'S ESTIMATE OF THE COSTS OF THE**
11 **REQUIRED UPGRADE TO THE PATH C SEGMENT BETWEEN**
12 **SOUTHWEST IDAHO AND NORTHERN UTAH?**

13 A. The Company indicated that this upgrade would cost approximately \$78
14 million, or less than 1/10 of the \$801.5 million requested in these
15 proceedings for the Path C upgrade. Clearly this ambitious request is for the
16 benefit of interconnecting to the planned Gateway South. This is explained
17 on Page 6 of Order No. 29973 approving the acquisition, attached as my
18 Exhibit 224 (DEP-4).

1 **Q. IS THE ANTICIPATED CAPACITY RATING FOR THE POPULUS TO**
2 **TERMINAL SEGMENT B OF PATH C DIFFERENT BEFORE AND AFTER**
3 **THE PLANNED GATEWAY SOUTH?**

4 A. Yes. PacifiCorp's response to Monsanto Data Request 4.4 indicates:

5 **Monsanto Data Request 4.4**

6 Reference Testimony of Mr. John Cupparo. What is the expected
7 megawatt line rating or capacity of the 345 kV Populus to Terminal
8 facility before and after completion of the Gateway West and Gateway
9 South segments?

10 **Response to Monsanto Data Request 4.4**

11 The incremental capacity is expected to be 700 MW in the southbound
12 direction and 350 MW in the northbound direction prior to completion of
13 Gateway South in 2018-2020. Once Gateway South is completed the
14 capacity in both directions is expected to increase to 1400 MW.

15 **Q. DOES THE FACT THAT THIS SEGMENT WILL HAVE ITS CAPACITY**
16 **INCREASED BY 1,050 MW (1400-350) WITHOUT MATERIAL**
17 **ADDITIONAL INVESTMENT DEMONSTRATE THAT IT IS OVER-BUILT**
18 **TODAY IN ANTICIPATION OF THE 2018-2020 PLANNED GATEWAY**
19 **SOUTH?**

20 A. Yes. Let me state that my characterization of Segment B as "over-built" here
21 is not to suggest that this line may not someday become fully used and
22 useful. It is not unusual for a utility to "over-build" facilities at the outset in
23 order to accommodate a near-term expansion of other facilities. What is
24 unusual with PacifiCorp's request is to include a rate base addition, and

1 charge Idaho ratepayers initially, at a level that is approximately ten times its
2 previously approved commit level (\$79 million compared to \$801.5 million)
3 ten years in advance of the transmission line being fully used and useful.
4 And, if the planned Gateway South segment faces the hurdles typical of
5 siting and constructing 500 kV transmission lines in the western U.S., there is
6 a real possibility that Gateway South may be delayed or disapproved by
7 virtue of other competing high voltage transmission line servicing similar
8 markets.

9 **Q. ARE YOU SUGGESTING THAT THE \$801.5 MILLION INVESTMENT IN**
10 **SEGMENT B IS IMPRUDENT?**

11 A. No. I cannot conclude on the prudence or not of the level of investment
12 absent a more thorough understanding of the segment in relation to the
13 uncertainty and risk associated with Gateway South. My recommendation to
14 defer any rate base treatment of the \$801.5 million investment is to better
15 understand these issues, and avoid any decision at present as to how much
16 of the \$801.5 million investment is "used and useful" in the traditional
17 regulatory sense.

18 **Q. IS YOUR RECOMMENDATION FAIR AND EQUITABLE TO IDAHO**
19 **CUSTOMERS AND PACIFICORP SHAREHOLDERS?**

1 A. Yes, I believe it is the most equitable position to take in these proceedings.
2 Ratepayers are being requested to carry a huge investment made for a
3 future planned project that would ordinarily be borne by shareholders. And,
4 in my opinion, shareholders are better served by having the Commission
5 defer full approval rather than force it to determine what degree of present
6 “used and usefulness” Segment B serves in 2011. The latter decision could
7 be viewed negatively by financial markets and should be avoided in favor of
8 a more comprehensive, integrative review of the Segment B Gateway South
9 Gateway West projects.

10 **Q. DID YOU CONDUCT ADDITIONAL ANALYSES TO DETERMINE**
11 **WHETHER THE POPULUS TO TERMINAL SEGMENT B IS BEING OVER**
12 **BUILT?**

13 A. Yes. There are a number of other high voltage transmission projects in the
14 western U.S. in both the planning and construction phase. A simple
15 comparison of the investment per transmission mile serves as a rough check
16 of the investment per mile of Segment B if completed as a stand-alone
17 project.

18 **Q. PLEASE EXPLAIN.**

1 A. A simple and straightforward manner in which the Segment B investment
2 costs can be benchmarked is to compare its investment per mile with the
3 remainder of the Energy Gateway planned projects. This is a conservative,
4 but not completely comparable basis for comparison because the 135 mile
5 Segment B line is 345 kV, while the majority of the remaining 1,865 miles of
6 the planned Energy Gateway project is the higher voltage, higher cost 500
7 kV transmission line. As such, the comparison is conservative.

8 My Exhibit 225 (DEP-5) shows the simple calculations comparing the
9 investment costs of Segment B with the remainder of Energy Gateway. The
10 assumptions shown include the total investment in the planned Energy
11 Gateway of (over) \$6 billion for the 2,000 mile project. The 135 segment
12 from Populus to Terminal is \$801.5 million.

13 **Q. WHAT ARE THE RELATIVE INVESTMENT COSTS PER MILE OF THE**
14 **GATEWAY CENTRAL PROJECT COMPARED WITH THE REMAINING**
15 **SEGMENTS OF ENERGY GATEWAY?**

16 A. As shown on my exhibit, the requested investment for Gateway Central is
17 \$5.94 million per mile. The remaining Energy Gateway project is estimated
18 to be \$2.79 million per mile. The fact that the proposed Gateway Central
19 project investment is well more than twice as expensive as the remaining,

1 higher voltage Energy Gateway transmission system is a further indication
2 that Gateway Central is being over-built to accommodate Gateway South.

3 If Gateway South was a certain project that was expected to come on-
4 line at a time similar to the expected December 2010 on-line date of Gateway
5 Central and there was true demand for that amount of transmission, this
6 investment mismatch would not be a problem. However, this is not the case.
7 Gateway South will not even be permitted in the near future and will not be
8 energized before 2020, if indeed it is constructed at all.

9 **Q. HAVE YOU PARTICIPATED RECENTLY IN THE SITING AND APPROVAL**
10 **OF OTHER SIMILAR AND COMPETITIVE HIGH VOLTAGE**
11 **TRANSMISSION PROJECTS IN THE U.S.?**

12 A. Yes. I have for many years participated in some of the financial planning for
13 the Southwest Intertie Project, or "SWIP" as it has been called. This project,
14 originally proposed by Idaho Power Company, has been planned in various
15 stages since as early as 1992. Today, SWIP is a similar and competing
16 project with Gateway South and is owned jointly by NV Energy and Great
17 Basin Transmission, LLC. The project originates at Midpoint, Idaho and
18 terminates initially in Nevada Power's territory, similar to Gateway South
19 plans. The SWIP project is being constructed in two phases, the first being
20 called "ON Line" and will originate in Sierra Pacific Power's service territory in

1 eastern Nevada (Robinson Summit substation) and run south for 235 miles
2 to major markets in the southern Nevada and California markets. ON Line is
3 a 500 kV transmission line approved and under construction.

4 **Q. WHAT ARE THE INVESTMENT COSTS FOR ON LINE THAT HAVE BEEN**
5 **APPROVED BY THE PUBLIC UTILITIES COMMISSION OF NEVADA?**

6 A. \$509.6 million. The investment cost per mile for this 500 kV, 235 mile line is:

7
$$\$509.6/235 = \$2.17 \text{ million/mile}$$

8 The ON Line 500 kV line is below, but in line with \$2.79 million/mile
9 investment in the remaining Energy Gateway project, but vastly below the
10 \$5.94 million/mile investment cost estimate for the proposed Gateway
11 Central segment.

12 **Q. IS THE ON LINE TRANSMISSION PROJECT IN COMPETITION WITH THE**
13 **PROPOSED GATEWAY SOUTH PROJECT?**

14 A. Yes. The ON Line project is being built to serve renewable energy projects in
15 northern Nevada, Idaho and Wyoming. The 2000 MW project is well ahead
16 of and in direct competition with Gateway South.

17 **Q. DOES THE ON LINE PROJECT PRECLUDE GATEWAY SOUTH FROM**
18 **EVER BEING BUILT ECONOMICALLY?**

1 A. No. But clearly the current clamor for renewable resources in southern
2 Nevada and in California is moderating and would have to grow significantly
3 in order to accommodate and justify a second major 500 kV project such as
4 Gateway South.

5 **Q. BESIDES ON LINE, WHICH IS APPROVED AND UNDER**
6 **CONSTRUCTION, ARE THERE OTHER PLANNED HIGH VOLTAGE**
7 **TRANSMISSION PROJECTS DESIGNED TO SIMILARLY CONNECT AND**
8 **DELIVER POTENTIAL WIND GENERATION IN WYOMING TO THE**
9 **DESERT SOUTHWEST?**

10 A. Yes, there are several. While I make no attempt here to rank the
11 probabilities of each being completed in relation to the proposed Gateway
12 South project, the mere existence of several proposed competing
13 transmission projects demonstrates the inherent uncertainty attached to any
14 single project's success.

15 **Q. WHAT OTHER COMPETING PROJECTS ARE UNDER DEVELOPMENT?**

16 A. My Exhibit 226 (DEP-6) provides a map of a number of competing 500kV
17 and above projects currently being proposed and developed. I have not
18 studied the progress of each, but have generally been aware of their
19 intentions in industry press. Most of these projects have been proposed prior

1 to Gateway South and as such are competitors to it. If one or more of these
2 competitor projects advances prior to Gateway South, there is a distinct
3 possibility that Gateway Central would become a largely stranded
4 investment. My testimony anticipates this, and requests that the Commission
5 guard today against the potential for Gateway Central to be carried by
6 ratepayers in the event that Gateway South never develops. This complex
7 issue is best considered in future proceedings where the risks and rewards of
8 this investment can be analyzed.

9 **Q. ARE YOU CHALLENGING PACIFICORP'S PROPOSED RATE BASE**
10 **TREATMENT OF IDAHO'S SHARE OF THE \$801.5 MILLION GATEWAY**
11 **CENTRAL INVESTMENT BECAUSE YOU BELIEVE THAT THIS**
12 **SEGMENT WILL SERVE NO PURPOSE FOR THE FORESEEABLE**
13 **FUTURE?**

14 A. No, I am not. Even if Gateway South is never completed, the Populus to
15 Terminal segment will relieve congestion on this transmission path. In
16 response to Monsanto Data Request 4.5, PacifiCorp listed a number of
17 potential benefits that would derive from an upgrade to this path. I attach the
18 one page response as my Exhibit 227 (DEP-7). I do not challenge this
19 response. I do challenge the proposed decade long inclusion of the \$801.5
20 million investment in rate base, and its associated large increase in revenue

1 requirements, so long in advance of it being used and useful for Gateway
2 South.

3 **Q. DO YOU RECOMMEND THAT A SMALL PORTION OF THE PROPOSED**
4 **\$801.5 MILLION BE PLACED IN IDAHO'S RATE BASE IN THIS CASE?**

5 A. No. Again this issue is complex and needs a more thorough review. And,
6 from PacifiCorp's viewpoint, the Company may well wish to postpone
7 consideration until the entire investment could logically be determined to be
8 used and useful.

9 **Q. HAS THIS COMMISSION SPECIFICALLY CONSIDERED PACIFICORP**
10 **RATE BASE ADDITIONS PREVIOUSLY THAT WERE REQUESTED**
11 **EITHER OUT-OF-PERIOD OR MUCH LONGER THAN CURRENTLY**
12 **NECESSARY?**

13 A. I do not believe so. It is my understanding that the Commission has not
14 issued an order pertaining to PacifiCorp in a fully contested rate case since
15 sometime in the 1980s.

16 **Q. PLEASE SUMMARIZE YOUR CONCLUSIONS AND**
17 **RECOMMENDATIONS.**

1 A. I conclude that the Commission should defer consideration of Pacificorp's
2 proposed Gateway Central rate base addition to the next general rate case,
3 for the reasons developed in my testimony.

4 **Q. DO YOU HAVE CONCLUDING REMARKS REGARDING THE COURSE**
5 **OF IDAHO WITH REGARD TO MULTI-STATE ALLOCATORS FOR THIS**
6 **COMMISSION?**

7 A. Yes I do. I have participated in numerous studies and proceedings in Idaho
8 since the early 1980s. My preparation for the testimony I sponsor here has
9 raised major concerns in regard to my assessment of how the new era of
10 renewable resource development and major speculative transmission
11 investments in the western United States will affect this state, and especially
12 the Idaho service territory served by PacifiCorp. We all know that Idaho is
13 less than 6% of PacifiCorp's total customer base. We further know that
14 certain of PacifiCorp's larger state jurisdictions are "driving" the surge for
15 more expensive and potentially excess resources through ambitious
16 resource portfolio standards ("RPS"). The fact that PacifiCorp is driven to
17 serve these requirements, and potentially to profit greatly from them, will not
18 in my opinion, bode well for the State of Idaho. I say this because of the
19 multi-state protocols and resulting costly allocations that are headed Idaho's
20 way as a result these multi-billion dollar investments that would likely not

1 arise in the absence of such requirements. The largest drivers of the need
2 for these investments are those large states that either are not rich in
3 generation resources, or simply will not allow such development in their own
4 back yard. Idaho, on the other hand, can independently pursue its rich
5 renewable and other generation resource potential largely without the aid of
6 the massive type projects such as Energy Gateway and wind generation.
7 Idaho ratepayers I fear may be in for indefinite rate increases that could be
8 avoided if the state would opt out of the multi-state policies. These rate
9 increases are certainly disastrous not only for Monsanto, but for the general
10 livelihood of eastern Idaho. I urge the Commission to consider whether it
11 wishes to adopt a more parochial view of the western U.S. energy future and
12 focus on what is best for Idaho.

13 **Q. WOULDNT' IDAHO'S OPTING OUT OF MANY OF PACIFICORP'S**
14 **EXPANSION PROGRAMS HURT THE COMPANY?**

15 A. No, not at all. Idaho is such a small percentage of PacifiCorp that neither the
16 Company nor other states would necessarily be affected.

17 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

18 A. Yes.

QUALIFICATIONS OF
DENNIS E. PESEAU

- 1985 - Present President of Utility Resources, Inc., a firm that provides consulting and technical services on economic and financial matters. Dr. Peseau has conducted numerous studies on economic, energy and competitive and regulated markets, including complex litigation.
- His regulatory experience includes studies and testifying on a number of regulatory revenue requirement, cost of service, rate of return and rate design issues in more than 100 civil and administrative proceedings.
- 1978 - 1985 Vice President, Zinder Companies, Inc. Dennis headed the west coast office of the national consulting organization headquartered in Washington, D.C. His primary responsibilities included marginal and incremental cost of service studies, rate of return and rate design for a number of public utilities companies.
- 1974 - 1978 Senior Economist, Oregon Public Utility Commissioner. Dr. Peseau conducted numerous studies on behalf of the Commissioner's staff on various financial capital structure, rate of return, econometric and forecasting issues.
- 1972 - 1974 Senior Economic Analyst, Southern California Edison Company. Dennis worked in Southern California Edison's economics department on matters of economic growth and energy pricing, cost of service and econometric and statistical analysis.

Education

PhD, M.A., Claremont Graduate School

B.A., California State University, Chico

Dr. Peseau has conducted studies on regulatory revenue requirements, cost of service, rate of return, system planning and resource plans and general financial feasibility analyses in the states of

Alaska
California
Colorado
Idaho
Maryland

Minnesota
Montana
Nevada
New York
Oregon

Virginia
Washington
Washington, DC
Wyoming

He has participated in energy matters before the Federal Energy Regulatory Commission, the federal Bonneville Power Administration, and in Alberta, Canada and Pemex in Mexico City.



Energy Gateway

Bringing New Transmission to the West

Attention is focusing on our nation's electrical transmission system, especially in the West where there has been very little investment in new transmission infrastructure for nearly 20 years. During that time, population, communities and electricity demand in the region have all grown significantly. The transmission system is reaching capacity in many places and is bottlenecked in others.

PacifiCorp is leading the way to change that. In May 2007, PacifiCorp launched the Energy Gateway Transmission Expansion - an ambitious, multi-year \$6 billion-plus investment plan that will add approximately 2,000 miles of new transmission line across the West. Energy Gateway, and projects planned by other entities, will alleviate constraints and address current and future growth of many kinds.

Today, construction is underway on one Energy Gateway segment and outreach, siting and permitting processes continue for several others. Major segments are scheduled to be in service by 2014.

Among its benefits, Energy Gateway will provide access to conventional energy sources and connect areas where renewable energy development possibilities are strong, as shown in these regional maps of wind (PDF), solar, biomass and geothermal (PDF) potential. Learn more about how Energy Gateway supports renewable resource development (PDF).

Along with population and energy demand growth, investment in our transmission system also is driven by our Integrated Resource Plan. This plan identifies a need for more transmission lines to deliver electricity from new generating resources - either from new generating plants, or to provide a path for additional energy purchases from other entities in the region.

The Energy Gateway map shows the individual segment additions to the transmission system to complete the expansion at its potential full build. Depending on regional, third-party and local participation, the final lines may vary somewhat. PacifiCorp is taking every reasonable step to accommodate broad regional transmission needs but will, at minimum, build Energy Gateway to first meet our commitment to provide our customers with safe, reliable and reasonably priced electrical service.

Read more about this important investment in the Energy Gateway fact sheet (PDF), or get answers to frequently asked questions (PDF).

Links to Energy Gateway and local transmission project segment information can be found below. We update these pages regularly as new information becomes available.

Energy Gateway Segments

Segment A - Walla Walla to McNary

Gateway Central

Segment B - Populus to Terminal

Segment C - Mona to Oquirrh

Segment C - Oquirrh to Terminal

Gateway West

Segment D - Windstar to Populus

Segment E - Populus to Hemingway

Gateway South

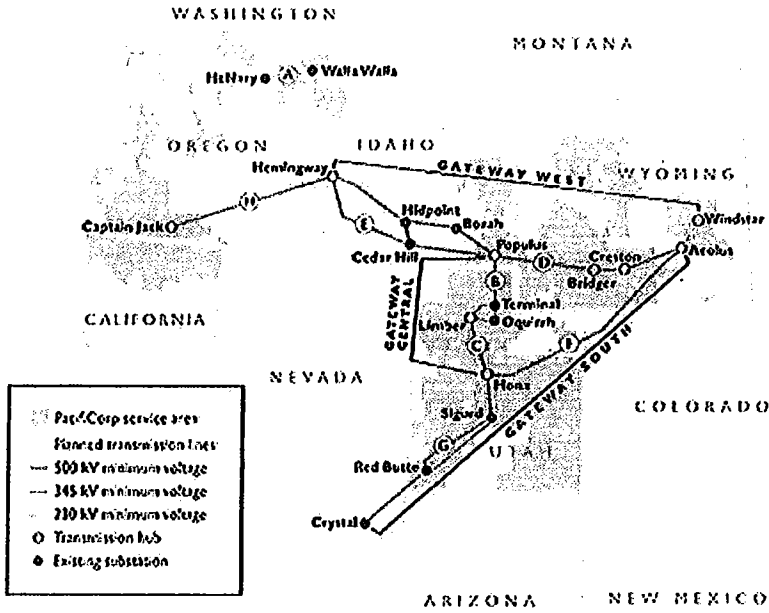
Segment F - Aeolus to Mona

Segment G - Mona to Crystal

Segment G - Sigurd to Red Butte

Segment H - Hemingway to Captain Jack

Monsanto Company
Exhibit 221 (DEP-1)
Page 1 of 2
Case No. PAC-E-10-07
Witness: Dennis E. Peseau



(Updated February 19, 2010)

This map is for general reference only and reflects the expansion necessary to construct Energy Gateway to its full capacity of 4000 MW. It may not reflect the final routes or construction sequence.

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Monsanto Company
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 Case No. PAC-E-10-07
 Witness: Dennis E. Peseau



Gateway West

Energy use is on the rise and demand is fast approaching the limits of the existing electrical system. This growth comes from both new and existing customers. Individually, consumers today are using 26 percent more electricity than they did 20 years ago. To meet this increasing demand, new facilities are needed.

As part of PacifiCorp's Energy Gateway Transmission Expansion Project, Idaho Power and Rocky Mountain Power are planning to build a new high-voltage transmission line across southern Wyoming and southern Idaho. This project, called Gateway West, will stretch approximately 1,100 miles and supply present and future needs of customers. The project also will enhance electric system reliability in the service areas of both companies. In addition, Gateway West will enable electricity generated from existing and new resources, including wind, to be delivered to customers throughout the region.

The proposed route for Gateway West's Windstar to Populus segment extends from eastern Wyoming to a hub near Downey, Idaho, where it will connect with a segment that will continue through to western Idaho. The proposed route for the Populus to Hemingway segment runs from a planned transmission hub near Downey, Idaho, across the state to a point southwest of Boise, Idaho.

Project Timeline

- Public Scoping - June 2008
- Environmental Impact Statement process - 2008 - 2012
- Public outreach - June 2008 - project completion
- Permitting and obtaining rights of way - 2011 - 2014
- Estimated line in service for customers - 2014 - 2018

Additional Information About the Project

Under the National Environmental Policy Act, the Bureau of Land Management is currently developing an Environmental Impact Statement on Gateway West - a process that began in June 2008 with open house Public Scoping meetings. BLM has oversight of this process and hosted these meetings to collect official public comments. For more information, please visit BLM's Web site.

Gateway West maps can be viewed below:

- Project overview map
- Segment maps
- Land ownership maps

Further information also can be found on our Gateway West newsletter (PDF) or at our Gateway West Web site .

Public Participation

Public input is an important part of the transmission line development process and is welcomed at all stages. In addition to public, group and individual meetings, project materials and newsletters also have been sent to landowners and other interested parties.

The Bureau of Land Management held open house meetings June 2008 as part of the environmental review process for this project. Rocky Mountain Power and Idaho Power hosted additional meetings in December 2008 to gather input from landowners and other interested parties in Montpelier, Murphy, Pocatello and Twin Falls, Idaho, and in Glenrock, Kemmerer, Rawlins and Rock Springs, Wyoming. Follow-up landowner meetings were then held in Douglas, Glenrock and Sinclair, Wyoming, and in American Falls, Bruneau, Burley, Gooding, Grand View, Kuna, Melba and Twin Falls, Idaho. For a more comprehensive listing of the various outreach efforts, please see the meeting list (PDF).

To submit an official public comment on the Gateway West Transmission Line Project, please contact the BLM directly at:

Bureau of Land Management
Gateway West Project
P. O. Box 20879
Cheyenne, WY 82003
E-mail Gateway_West_WYMail@blm.gov

To contact us about this transmission project, please call 801-220-4221 or e-mail ConstructionProjects@pacifiCorp.com. Please be sure to include the project name --"Gateway West" -- in your inquiry.

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Gateway South

With energy use on the rise and electrical demand fast approaching the limits of the existing transmission system, new facilities are needed to meet the growing needs. This growth in demand for electrical energy comes from both new and existing customers. Individually, consumers today are using 26 percent more electricity than they did 20 years ago.

As part of PacifiCorp's Energy Gateway Transmission Expansion Project, the company is planning to build a high-voltage transmission line project across southern Wyoming, potentially crossing northwest Colorado, through Utah to a point north of Las Vegas, Nevada. This line segment, Gateway South, will be approximately 800 miles long, supplying present and future needs of customers and enhancing electric system reliability throughout the region. In addition, the project will enable delivery of existing and new generating resources, including wind, to more customers.

The proposed route for Gateway South, Aeolus to Mona, extends from eastern Wyoming to a hub near Mona, Utah, where it will connect with another segment that continues through southern Utah.

The proposed route for Gateway South, Mona to Crystal, is from a new substation that will be built near Mona, Utah, connecting to multiple substations through southwest Utah to a point north of Las Vegas, Nevada.

Sigurd to Red Butte, another transmission line that is part of the Gateway South project, will start in Sigurd, Utah, and continue south to the Red Butte Substation north of St. George, Utah.

Gateway South maps will be available following Public Scoping in Spring 2010.

Project Timeline

- Public Scoping - August/September 2010
- Informational Meetings - August/September 2010
- Environmental Impact Statement - December 2008-2015
- Estimated line in service for customers - 2017-2019

Public Participation

Public input is a very important part of this process and will be welcomed at all stages of this transmission line development. Public Scoping meetings are expected to be held as part of the environmental review process. The Bureau of Land Management will oversee this process under the National Environmental Policy Act and will host these meetings to collect official public comments on the project for the draft Environmental Impact Statement.

Additional Information About the Project

The company welcomes your comments at all stages of this transmission line development. For more information, please call us at (801) 220-4221 or e-mail ConstructionProjects@pacificorp.com. Please be sure to include the project name - "Energy Gateway South" - in your inquiry.

(Updated January 14, 2010)

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Case No. PAC-E-10-07
Witness: Dennis E. Peseau

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

**IN THE MATTER OF THE JOINT)
APPLICATION OF MIDAMERICAN) CASE NO. PAC-E-05-8
ENERGY HOLDINGS COMPANY (MEHC))
AND PACIFICORP DBA UTAH POWER &)
LIGHT COMPANY FOR AN ORDER)
AUTHORIZING MEHC TO ACQUIRE) ORDER NO. 29973
PACIFICORP)**

On July 15, 2005, PacifiCorp dba Utah Power & Light Company ("PacifiCorp") and MidAmerican Energy Holdings Company ("MidAmerican") filed a Joint Application requesting that the Commission authorize MidAmerican's acquisition of PacifiCorp. PacifiCorp is a public utility subject to the Commission's jurisdiction and provides retail electric service to nearly 60,000 customers in southeastern Idaho. At present, PacifiCorp is a wholly-owned subsidiary of Scottish Power plc.

If the Joint Application is approved, PacifiCorp would become an indirect, wholly-owned subsidiary of MidAmerican. MidAmerican's principal owner is Berkshire Hathaway, Inc. The Applicants must obtain approval from the Idaho Commission and the regulatory commissions of the other five states where PacifiCorp provides electric service for MidAmerican to acquire PacifiCorp. In addition, the acquisition must also be approved by several federal agencies including the Federal Energy Regulatory Commission (FERC).¹

On August 18, 2005, the Commission issued its Notice of Application setting this matter for hearing. On December 16, 2005, most of the parties in this proceeding executed a settlement Stipulation urging the Commission to approve the Joint Application conditioned upon 76 "commitments." On January 17, 2006, the Commission convened a technical hearing to consider the Stipulation. Based upon our review of the Joint Application, the settlement Stipulation, the testimony of the parties and the public comments, the Commission approves the acquisition conditioned upon the commitments incorporated in this Order.

¹ The Wyoming and Utah Commissions approved the acquisition on January 26 and 27, 2006, respectively. FERC authorized the transaction on December 20, 2005 in Docket No. EC05-110-000, 113 FERC ¶ 61,298 (2005), rehearing granted (for limited purpose of further consideration), 113 FERC ¶ _____ (Feb. 6, 2006).

