

Investigation No. 17-04-019  
Exhibit PAC/1300-I  
Witnesses: Etta Lockey and  
Mary M. Wiencke

BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA

PACIFICORP

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Rebuttal Testimony of Etta Lockey and Mary M. Wiencke

Redline Version

ERRATA

December 2018

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**ATTACHED EXHIBITS**

Exhibit PAC/1301-I – Governors’ Accord for a New Energy Future

1 ~~Q. Please state your name, business address, and present position with~~  
2 ~~PacifiCorp d/b/a Pacific Power.~~

3 ~~A. My name is Scott D. Bolton. My business address is 825 NE Multnomah Street,~~  
4 ~~Suite 2000, Portland, Oregon 97232. My current position is Senior Vice~~  
5 ~~President, External Affairs & Customer Solutions.~~

6 **I. QUALIFICATIONS**

7 ~~Q. Please describe your education and business experience.~~

8 ~~A. I graduated from Portland State University with a bachelor's degree in political~~  
9 ~~science. I received a Master of Business Administration from Marylhurst~~  
10 ~~University. I also have a Utility Management Certificate from Willamette~~  
11 ~~University. I joined PacifiCorp in 2004 as an analyst in the government affairs~~  
12 ~~department. Since that time I have held various positions with increasing~~  
13 ~~responsibility within the company. Before my current role, I was Vice President~~  
14 ~~of External Affairs and Customer Solutions. I became Senior Vice President of~~  
15 ~~External Affairs and Customer Solutions in May 2017.~~

16 Q. Who is sponsoring the rebuttal testimony in this Exhibit? A. This testimony  
17 is sponsored by Ms. Etta Lockey and Ms. Mary Wiencke, both of whom  
18 sponsored direct testimony in this proceeding. Ms. Lockey and Ms. Wiencke are  
19 adopting the identified portions of the Rebuttal Testimony of Scott D. Bolton,  
20 served as Exhibits PAC/1300-I and PAC/1301-I.

21  
22 **II. PURPOSE AND SUMMARY OF TESTIMONY (ETTA LOCKEY)**

23 **Q. What is the purpose of ~~your~~this rebuttal testimony in this proceeding?**

1 A. The purpose of ~~my~~this testimony is to rebut the testimony of Sierra Club and The  
2 Utility Reform Network (TURN) on a number of issues, including the propriety  
3 of PacifiCorp’s alternative compliance mechanism for California’s Emissions  
4 Performance Standard (EPS), PacifiCorp’s Multi-State Process (MSP) to revamp  
5 its system-wide inter-jurisdictional allocation methodology, and the effect on  
6 greenhouse gas (GHG) emissions and coal-related costs of recent regulations  
7 issued by the utility commissions in Oregon and Washington. I also address  
8 Sierra Club and TURN’s continuing efforts to turn this proceeding into a  
9 reasonableness review of coal plant fuel costs and investments, which the  
10 Assigned Commissioner and the Assigned Administrative Law Judge have  
11 already determined through their September 14, 2017 Scoping Memo and Ruling  
12 (Scoping Memo) are beyond the scope of the proceeding and more appropriately  
13 addressed in PacifiCorp’s Energy Cost Adjustment Clause (ECAC) proceedings  
14 or its general rate case. Because Sierra Club and TURN have not addressed the  
15 inter-jurisdictional allocation methodologies that are the true subject of this  
16 proceeding, the Commission should reduce the scope of this proceeding to a  
17 review of PacifiCorp’s compliance with the EPS, and defer any major changes to  
18 the company’s inter-jurisdictional allocation methodology to the 2019 Rate Case,  
19 or a proceeding addressing the outcome of the ongoing MSP to negotiate an  
20 entirely new foundation for PacifiCorp’s inter-jurisdictional allocation  
21 methodology. ~~I am also adopting the direct testimony of Ms. Etta Lockey, Vice~~  
22 ~~President of Regulation, filed as Exhibit PAC/100-I—Introduction to PacifiCorp~~  
23 ~~and Witnesses, on November 8, 2017.~~

1 Q. Please summarize ~~your~~this testimony.

2 A. MyThis rebuttal testimony addresses the Commission's alternative  
3 compliance mechanism for the EPS and why it is appropriate for PacifiCorp to  
4 continue to comply with the alternative mechanism. Ms. Mary Wiencke discusses  
5 the fact that PacifiCorp is regulated by five other state utility commissions that  
6 have jurisdiction over a combined approximately 98 percent of PacifiCorp's load  
7 and customers; at least two of these states examine PacifiCorp's emissions  
8 compliance under an EPS program. Additionally, the statutory language,  
9 legislative history, and the Commission's subsequent decision make it clear that  
10 the EPS does not apply to emissions-reduction equipment or fuel contracts, which  
11 are the expenditures cited by TURN and Sierra Club to support their view that  
12 PacifiCorp is out of compliance with the EPS.

13 I~~also~~ discuss how PacifiCorp's MSP discussions to redesign its inter-  
14 jurisdictional allocation methodology are ongoing and have the potential to make  
15 significant changes that could reduce California's allocation of coal-related costs.  
16 The Commission should prioritize participation in that process, which includes  
17 stakeholders from all states in which PacifiCorp operates. The MSP workshop is  
18 developing a proposal that directly addresses inter-jurisdictional allocation issues  
19 to accommodate state energy policies, with input from all the affected states and  
20 many stakeholders. That process is a more appropriate forum for considering a  
21 new allocation methodology. It is wasteful of the Commission's resources and  
22 those of the parties to consider alternative allocation proposals in this case, when  
23 the intervenors have not proposed any alternative allocation proposals.

1 Futhermore, PacifiCorp has requested approval to update its current inter-  
2 jurisdictional allocation methodology in the company’s 2019 Test Year General  
3 Rate Case filed April 12, 2018 (2019 Rate Case) to match the 2017 Protocol,  
4 which is the methodology most recently adopted in PacifiCorp’s other states. At  
5 such time as the MSP discussions result in a new framework for allocation,  
6 PacifiCorp will present the new allocation scheme for approval in a future  
7 proceeding.

8 Finally, I address the fact that neither Sierra Club nor TURN have  
9 examined or commented upon PacifiCorp’s current inter-jurisdictional allocation  
10 methodology or proposed a different methodology. By remaining silent on this  
11 issue, Sierra Club and TURN have not addressed the fundamental purpose of this  
12 proceeding. Instead, their testimony attempts to change the scope of this  
13 proceeding to focus on the reasonableness of PacifiCorp’s coal plant investments,  
14 the dispatch of its coal plants, and the reasonableness of its coal supply contracts.  
15 The Scoping Memo makes it clear that those questions should be addressed in  
16 PacifiCorp’s 2019 Rate Case, or in a future ECAC filing.<sup>1</sup> The Commission  
17 should not expend the parties’ resources, or its own, litigating the reasonableness  
18 of coal plant dispatch or emissions-control expenditures in this Investigation, but  
19 should focus on the issues that are within the scope of this proceeding:  
20 PacifiCorp’s current and proposed allocation methodologies and EPS compliance.

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<sup>1</sup> Scoping Memo, pp. 11–12.

1           **III. PACIFICORP'S COMPLIANCE WITH THE ALTERNATIVE**  
2           **EMISSIONS PERFORMANCE STANDARD MECHANISM (MARY WIENCKE)**

3  
4           **Q. Is PacifiCorp in compliance with California's EPS?**

5           A. Yes. PacifiCorp currently meets the requirements of the alternative compliance  
6           mechanism under the EPS, and has met those requirements consistently since the  
7           EPS was adopted in 2007.<sup>2</sup> It is important to remember that the EPS only applies  
8           to new plants built or long-term financial commitments made after 2007.<sup>3</sup>

9           **Q. Is the alternative compliance mechanism still appropriate for PacifiCorp?**

10          A. Yes. PacifiCorp is regulated by the utility commissions of the five other states in  
11          which it operates; those commissions have jurisdiction over approximately  
12          98 percent of PacifiCorp's customers and load. The Rebuttal Testimony of  
13          Mr. Chad A. Tepy (Exhibit PAC/1400-I) provides an in-depth discussion of the  
14          emissions review and regulation performed annually for PacifiCorp by Oregon  
15          and briefly addresses emissions standards in Washington. This is the exact  
16          regulatory structure that the California Legislature proposed and the Commission  
17          approved when adopting the alternative EPS compliance mechanism for  
18          PacifiCorp.<sup>4</sup> Additionally, PacifiCorp is in the process of negotiating a new inter-  
19          jurisdictional allocation methodology with all the states in which it operates.

20          There is no possibility that PacifiCorp's emissions can go un-reviewed and un-

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<sup>2</sup> Exhibit PAC/1100-I and Exhibit PAC/1401-I.

<sup>3</sup> Pub. Util. Code, § 8341.

<sup>4</sup> *Order Instituting Rulemaking to Implement the Commission's Procurement Incentive Framework and to Examine the Integration of Greenhouse Gas Emissions Standards into Procurement Policies*, Decision (D.) 07-01-039 (January 25, 2007), pp. 164–168.

1 regulated.

2 **Q. Sierra Club states that PacifiCorp demonstrates its compliance with the**  
3 **alternative EPS mechanism by filing advice letters and that PacifiCorp “has**  
4 **not provided any supplemental information to the Commission on its**  
5 **emissions, investments, or commitments.”<sup>5</sup> In the 10 years since the**  
6 **alternative EPS mechanism was approved, has the Commission ever sought**  
7 **supplemental information from PacifiCorp?**

8 A. No, not to the best of my knowledge. I will note that the alternative EPS  
9 compliance mechanism does not require the submission of “supplemental  
10 information” of any kind. If the Commission needs or wants additional  
11 information from PacifiCorp, it has the authority and the procedures to ask for it  
12 and PacifiCorp will readily comply. Sierra Club’s insinuation that PacifiCorp has  
13 not provided required information is both false and irrelevant.

14 **Q. TURN and Sierra Club argue that certain coal-supply agreements and**  
15 **PacifiCorp's emissions-control expenditures are improper long-term**  
16 **financial commitments under the EPS. Is this accurate?**

17 A. No. The EPS statute and the Commission decision implementing the EPS, D.07-  
18 01-039, are clear on what constitutes a long-term financial commitment: contracts  
19 to purchase baseload power that are five years or more in length or new  
20 ownership investments.<sup>6</sup> A contract to purchase baseload power is very different

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<sup>5</sup> Revised Direct Testimony of Jeremy Fisher, PhD, on Behalf of Sierra Club (February 7, 2018) (Fisher Direct), p. 8 (lines 2–7).

<sup>6</sup> Senate Bill (SB) 1368, enacting Pub. Util. Code § 8340(j) (“Long-term financial commitment” means either a new ownership investment in baseload generation or a new or renewed contract with a term of five or more years, which includes procurement of baseload generation.”); *See*



1 from a fuel supply contract. The coal supply agreements that both TURN and  
2 Sierra Club claim are improper long-term financial commitments under the EPS  
3 are merely fuel supply contracts.<sup>7</sup> Sierra Club acknowledges that fuel supply  
4 contracts are not considered long-term financial commitments under the EPS, but  
5 argues that the Commission should nevertheless treat them as such because  
6 PacifiCorp takes seriously the financial risks and breach-of-contract penalties  
7 associated with the contracts.<sup>8</sup> ~~While it would be unreasonable and imprudent for  
8 PacifiCorp to disregard its contractual responsibilities for its fuel supply, a fuel  
9 supply contract does not determine or lengthen the useful life of a generation  
10 plant. In fact, PacifiCorp's strategy is to contract for as short of term as possible  
11 while taking into account the risk associated with supply volume and price. The  
12 company seeks to find a balanced outcome between contract term, price and  
13 volume. To be clear the company does not enter into a fuel supply contract with a  
14 term beyond the useful life of the plant. While the terms of a fuel supply  
15 agreement, including any breach-of-contract penalties, would be prudently  
16 considered in the decision to change the useful life of a plant, the fuel supply  
17 agreement would not impede the economic closure of a generation facility.  
18 However, as explained above, fuelFuel supply contracts are not contracts for  
19 baseload power, or new incremental investment in generation plant, and thus do~~

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*also* Assembly Bill Analysis, page E (August 31, 2006); D.07-01-039, pp. 38–64 (Section 4.2—  
Types of Generation and Financial Commitments Subject to the EPS).

<sup>7</sup> Prepared Direct Testimony of Kevin Woodruff on behalf of TURN (Woodruff Direct), pp. 13  
(line 4)–14 (line 2); Fisher Direct, pp. 4 (lines 20–21) and 13 (line 11)–16 (line 2).

<sup>8</sup> Fisher Direct, pp. 14 (line 16)–15 (line 22).

1 not meet the explicit definition of “long-term financial commitments” for  
2 purposes of the EPS, as set forth in both SB 1368 and D.07-01-039.

3 Sierra Club and TURN fare no better with their arguments that  
4 PacifiCorp’s expenditures on emissions control equipment represent a long-term  
5 financial commitment that contravenes the EPS. When parsing the numerous  
6 arguments on the definition of “new ownership investment” presented by the  
7 utilities and intervenors in the proceeding to implement SB 1368, the Commission  
8 stated that “we are looking for the best and most workable approach to identifying  
9 changes in an existing power plant that would *increase the expected level of GHG*  
10 *emissions* from the facility over the long term. This is not accomplished by  
11 requiring that every replacement of equipment or *addition of pollution control*  
12 *equipment* should trigger the EPS.”<sup>9</sup> It should also be repeated that expenditures  
13 on emissions control equipment do not meet the statutory definition of long-term  
14 financial investment, as they are not a “new ownership investment in baseload  
15 generation or a new or renewed contract with a term of five or more years, which  
16 includes procurement of baseload generation.”<sup>10</sup>

17 **III.V. IMPACTS OF OREGON SENATE BILL (SB) 1547 (MARY WIENCKE)**

18 **Q. TURN questions whether Oregon’s statute (SB 1547) that requires**  
19 **PacifiCorp to eliminate capital costs for coal generation from retail rates by**  
20 **2030 will negatively impact PacifiCorp’s compliance with the California EPS.**  
21 **Will Oregon’s SB 1547 have such an impact?**

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<sup>9</sup> D.07-01-039, p. 52 (emphasis added).

<sup>10</sup> Pub. Util. Code § 8340(f).

1 A. No. First, PacifiCorp is subject to an alternative compliance mechanism under the  
2 California EPS. PacifiCorp continues to meet the alternative compliance  
3 mechanism because it is still subject to the Oregon EPS and Washington EPS for  
4 any new resource. Second, PacifiCorp is not entering into any new long-term  
5 financial commitments for fossil fuel plants as a result of Oregon SB 1547. There  
6 is no new ownership investment in baseload generation or a new or renewed  
7 contract with a term of five or more years for any generation with GHG emissions  
8 of more than 1,100 pounds per megawatt-hour.

9 **Q. Does the MSP address TURN's argument? (ETTA LOCKEY)**

10 **A.** Contrary to TURN's assertions, PacifiCorp is also, through the MSP, attempting  
11 to develop a proposal that would allow each state to establish energy policies  
12 without adversely affecting customers in other states. This would facilitate the  
13 west coast states' commitment to diversify energy generation and expand clean  
14 energy sources by, among other commitments, working together to facilitate the  
15 transition away from coal and towards a cleaner resource mix.<sup>11</sup>

16 **IV. ONGOING PROCEEDINGS THAT ADDRESS RESOURCE PLANNING**  
17 **AND ALLOCATION METHODOLOGY (ETTA LOCKEY)**

18  
19 **Q. Does PacifiCorp already have a process to examine its system-wide resource**  
20 **planning?**

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<sup>11</sup> Exhibit PAC/1301-I.

1 A. Yes. PacifiCorp examines its total-system resource planning every year in the  
2 Integrated Resource Planning (IRP) (odd-numbered years) or IRP update (even-  
3 numbered years).<sup>12</sup>

4 **Q. Does PacifiCorp already have a process to examine its inter-jurisdictional  
5 allocation methodology?**

6 A. Yes. As explained in the opening testimonies of Ms. Lockey and Mr. Steven R.  
7 McDougal, PacifiCorp is currently reviewing its inter-jurisdictional allocation  
8 methodology with stakeholders from all six states in the MSP Workgroup.<sup>13</sup> In  
9 fact, on March 20, 2017, PacifiCorp held a meeting to discuss California-specific  
10 issues with its California stakeholders. All parties to this proceeding were invited,  
11 but only the Office of Ratepayer Advocates and the County of Siskiyou attended,  
12 TURN and Sierra Club did not attend. In addition to revising and optimizing  
13 other aspects of PacifiCorp's inter-jurisdictional allocation methodology, the MSP  
14 will potentially make significant changes to the allocation methodology that  
15 would reduce California's share of PacifiCorp's coal-related costs.

16 **Q. Please explain how the proposed MSP allocation methodology would reduce  
17 California's share of PacifiCorp's coal-related costs.**

18 A. As discussed in the opening testimony of Ms. Lockey, MSP stakeholders have  
19 been reviewing a proposal by PacifiCorp to realign its existing coal generation  
20 resources to allow states to adopt individual energy resource policies on GHG  
21 reduction and coal generation.<sup>14</sup> The Coal Life Evaluation Allocation and

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<sup>12</sup> See Exhibit PAC/1600-I, p. 1.

<sup>13</sup> See Exhibit PAC/100-I, pp. 1-5 (line 3)–1-8 (line 11) and Exhibit PAC/300-I.

<sup>14</sup> Exhibit PAC/100-I at p. 1-6 (lines 18–20).

1 Realignment (CLEAR) proposal would assign coal units, and associated cost  
2 allocations, to serve the retail load of a particular state.<sup>15</sup> One component of the  
3 proposal is that all 24 of PacifiCorp’s coal units would be realigned so that states  
4 seeking early divestment of coal are only responsible for the depreciation of a  
5 small number of units assigned exclusively to that state.<sup>16</sup> For example, Oregon,  
6 which represents approximately 25 percent of PacifiCorp’s load, would be  
7 responsible for 100 percent of the remaining depreciation costs of 6 coal units  
8 instead of 25 percent of the costs of all 24 units.<sup>17</sup> This would allow PacifiCorp to  
9 fully depreciate those units for Oregon and remove them from rates by 2030, the  
10 deadline in Oregon under SB 1547. Allocating expedited depreciation of coal  
11 through this allocation method may prevent customers in those states from  
12 experiencing unnecessary rate increases to address both new renewable resources  
13 and stranded costs from coal-fired resources.

14 **VI. ISSUES WITHIN THE SCOPE OF THIS PROCEEDING (ETTA**  
15 **LOCKEY)**

16 **Q. Does the testimony submitted by Sierra Club and TURN address the issues**  
17 **identified in the Scoping Memo for this proceeding?**

18 A. No. TURN’s testimony focuses on mischaracterizing PacifiCorp’s installation of  
19 emissions-control equipment and fuel contracts for its coal-fired generating  
20 facilities as “long-term financial commitments”<sup>18</sup> that, TURN claims, run afoul of

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<sup>15</sup> See Exhibit PAC/600-I, p. 3.

<sup>16</sup> Exhibit PAC/600-I, p. 5.

<sup>17</sup> *Id.*

<sup>18</sup> See Woodruff Direct.

1 California's EPS. TURN also argues that PacifiCorp exports high-GHG power  
2 into California through the Energy Imbalance Market (EIM).<sup>19</sup>

3 Sierra Club likewise mischaracterizes emissions-control expenditures and  
4 fuel contracts as improper long-term financial commitments under the EPS,  
5 makes a number of erroneous claims regarding PacifiCorp's IRP process, and  
6 provides a lengthy recitation of ratemaking decisions in Oregon and Washington  
7 that do not address the issues in this proceeding.<sup>20</sup> Sierra Club also focuses on  
8 PacifiCorp's dispatch of its coal-fired resources, an issue that the Commission  
9 expressly ruled is outside the scope of this proceeding.<sup>21</sup> At no point do either  
10 Sierra Club or TURN examine PacifiCorp's inter-jurisdictional allocation  
11 methodology or the rates it produces, or propose an alternative methodology.

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<sup>19</sup> *Id.*

<sup>20</sup> *See* Fisher Direct.

<sup>21</sup> Scoping Memo, p. 11.

1 **Q. What do you conclude from the arguments put forth by TURN and Sierra**  
2 **Club?**

3 A. I conclude that Sierra Club and TURN are not examining PacifiCorp’s inter-  
4 jurisdictional allocation methodology, but instead seeking to turn this  
5 investigation into a reasonableness review of PacifiCorp’s coal plant investments  
6 and fuel contracts.<sup>22</sup> The Commission should not permit such an expansion of the  
7 scope of this proceeding. The Scoping Memo specifically excluded issues that  
8 are properly raised in PacifiCorp’s 2019 Rate Case and annual ECAC filings,  
9 which include the reasonableness of plant investments, plant retirement,  
10 depreciation issues, coal plant dispatch decisions, and fuel costs—all of which are  
11 addressed in Sierra Club’s or TURN’s testimony in this case. The arguments and  
12 allegations in the intervenor testimony relating to the out-of-scope issues of  
13 PacifiCorp’s coal plant dispatch, retirement, and fuel contracts do not contribute  
14 to the Commission’s analysis of whether PacifiCorp’s current inter-jurisdictional  
15 allocation methodology produces reasonable rates and a fair allocation of costs  
16 between the states. Their testimonies make it clear that TURN and Sierra Club  
17 have no interest in answering the Commission’s questions about the allocation  
18 methodology. Instead, they advocate for a second phase of this proceeding or a  
19 separate proceeding in which to examine the reasonableness of PacifiCorp’s coal-  
20 related decision making.<sup>23</sup> Such an expansion of the proceeding is plainly  
21 inconsistent with the scope defined in the Scoping Memo, and would create

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<sup>22</sup> See Response of PacifiCorp to Sierra Club Motion to Compel.

<sup>23</sup> Fisher Direct, pp. 4 (lines 20–25), 15 (line 19)–16 (line 2); Woodruff Direct, pp. 3 (lines 1–6), 17 (lines 9–16).

1 multiple redundant proceedings in light of the annual ECAC proceedings and  
2 recently filed 2019 Rate Case. The efforts of Sierra Club and TURN to  
3 substantially expand the scope of this case should be rejected.

4 **Q. Did the Administrative Law Judge’s Ruling directing PacifiCorp to respond**  
5 **to discovery requests expand the scope of this proceeding?**

6 A. No. While the Administrative Law Judge determined that data responses  
7 providing “information on the characteristics and actual dispatch of generation  
8 resources available to PacifiCorp” and the factors that PacifiCorp considers in  
9 making dispatch decisions might inform testimony on whether “PacifiCorp  
10 engages in least-cost planning on a system-wide or control-area basis,”<sup>24</sup> the  
11 intervenors did not use the information for that purpose. The absence in the  
12 record of any claim or analysis that PacifiCorp’s rates are unreasonable, coupled  
13 with a line of Commission orders approving PacifiCorp’s rates, supports the  
14 conclusion that PacifiCorp’s inter-jurisdictional allocation methodology does not  
15 produce unreasonable rates. Equally revealing is that while the ALJ Ruling  
16 suggested that dispatch data might be useful in analyzing whether or not  
17 PacifiCorp used least-cost planning on a system-wide or control-area basis,  
18 neither Sierra Club nor TURN used the dispatch data to make any  
19 recommendation for changes to the PacifiCorp inter-jurisdictional allocation

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<sup>24</sup> I.17-04-019, Email Ruling Directing PacifiCorp to Provide Data and Granting Extension for Submission of Testimony, Dec. 22, 2017. The Ruling stated in part, “Though a review of the reasonableness of PacifiCorp’s specific dispatch decisions is more appropriately addressed in a future ECAC proceeding and will not be conducted here, information on the characteristics and actual dispatch of generation resources available to PacifiCorp, as well as the factors PacifiCorp considers in making dispatch determinations and PacifiCorp’s methods for making those determinations, may inform testimony on the extent to which PacifiCorp engages in least cost planning on a system-wide or control-area basis.”



1 methodology based on system-wide or control-area distinctions. Notwithstanding  
2 the ALJ's Ruling requiring PacifiCorp to provide the data to the intervenors, the  
3 introduction of dispatch data for the purpose of challenging the reasonableness of  
4 PacifiCorp's dispatch decisions regarding its coal plants should not be permitted.  
5 As the ALJ Ruling of December 22, 2017 expressly stated, "a review of the  
6 reasonableness of PacifiCorp's specific dispatch decisions is more appropriately  
7 addressed in a future ECAC proceeding and will not be conducted here."

8 **Q. How did TURN and Sierra Club use the information provided?**

9 A. Sierra Club uses the idea of "least-cost planning" to advance arguments regarding  
10 the claimed lack of transparency in PacifiCorp's IRP process and to criticize  
11 PacifiCorp's emissions control and fuel contract expenditures.<sup>25</sup> TURN uses  
12 "least-cost planning" to introduce a discussion of PacifiCorp's Balancing  
13 Authority Areas, which segues into TURN's argument that PacifiCorp exports  
14 high-GHG energy into California through the EIM.<sup>26</sup> None of these arguments or  
15 allegations are accurate or address the question of PacifiCorp's planning or inter-  
16 jurisdictional allocation methodology. TURN and Sierra Club provide no opinion  
17 on whether PacifiCorp's rates are unreasonable, and propose no alternative  
18 allocation methodology.

19 **Q. Have Sierra Club or TURN provided evidence that changing PacifiCorp's**  
20 **allocation methodology will affect coal-plant dispatch or PacifiCorp's EPS**  
21 **compliance?**

22 A. No, they have not. Neither TURN nor Sierra Club addressed PacifiCorp's

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<sup>25</sup> Fisher Direct, pp. 19 (line 10)–25 (line 18).

<sup>26</sup> Woodruff Direct, pp. 3 (line 11)–9 (line 2).

1 allocation methodology at all. Nor did they provide any connection between  
2 actual or theoretical allocation methodologies and their arguments on capital  
3 expenditures, coal contracts, coal plant dispatch, or PacifiCorp's IRP. The fact is  
4 that PacifiCorp's inter-jurisdictional allocation methodology does not depend on  
5 these issues. As I note in my previous answer, specific expenditures or resource  
6 planning decisions do not impact the inter-jurisdictional allocation *methodology*.  
7 Additionally, to the extent PacifiCorp's expenditures are relevant to EPS  
8 compliance, the installation of emissions control equipment at PacifiCorp's coal-  
9 fired generating plants would only serve to reduce PacifiCorp's ~~GHG~~ emissions.

10 **Q. Are PacifiCorp's rates under the current allocation methodology reasonable?**

11 A. Yes. As Mr. McDougal explained in his direct testimony, PacifiCorp's inter-  
12 jurisdictional costs are currently allocated to its California customers under the  
13 Revised Protocol.<sup>27</sup> Under the Revised Protocol, California customers pay a  
14 proportionate share of PacifiCorp's system costs based on the customers' relative  
15 usage of the PacifiCorp assets used to serve California. System-wide costs, which  
16 are primarily generation and transmission costs, are allocated to each state based  
17 on their contribution to system peak (demand-related) and annual energy usage  
18 (energy-related); this determines each state's cost causation on PacifiCorp's  
19 system. The allocated costs are calculated using a weighted load-based factor to  
20 determine the System Generation (SG) allocation factor: each state's contribution  
21 to the 12-monthly system peaks is weighted 75 percent (demand-related) and each  
22 state's annual energy usage is weighted 25 percent (energy-related). In this way

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<sup>27</sup> Exhibit PAC/300-I, pp. 3-5 (line 14)–3-6 (line 5).

1 the SG factor aligns allocated generation and transmission costs with cost-  
2 causation. Fuel costs are allocated using as System Energy (SE) factor, which is  
3 calculated as each state's percentage of total energy usage for the year.<sup>28</sup>

4 The Revised Protocol has been in place for PacifiCorp's California  
5 customers for over a decade. During that time, the Commission has regularly  
6 reviewed and approved PacifiCorp's California rates. This fact, combined with  
7 the absence of a record to support a different inter-jurisdictional allocation  
8 methodology, suggests that the most appropriate course of action for the  
9 Commission is to leave the Revised Protocol in place while the 2017 Protocol is  
10 evaluated in the upcoming 2019 Rate Case, or until the MSP yields a new  
11 recommended allocation methodology at some time in the future.

12 **Q. What do you recommend to the Commission in this proceeding, in light of**  
13 **PacifiCorp's ongoing IRP and MSP processes?**

14 A. I recommend that the Commission allow the IRP and MSP processes to go  
15 forward and to limit this investigation to issues not already being addressed in  
16 those proceedings. The Commission should make it a priority to participate in the  
17 MSP, which will produce a new inter-jurisdictional allocation methodology that  
18 relies on the input of all six states, instead of using this proceeding to consider a  
19 new allocation methodology exclusively for use in California. Because TURN  
20 and Sierra Club have not addressed the current allocation methodology, have not  
21 participated significantly in the MSP, and have not proposed their own allocation  
22 methodologies, there is no record in this proceeding on which the Commission

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<sup>28</sup> Exhibit PAC/300-I, pp. 3-7 (lines 1-2).

1 can base a revised allocation methodology. Moreover, PacifiCorp is seeking to  
2 update its current inter-jurisdictional allocation methodology in its 2019 Rate  
3 Case to match the 2017 Protocol allocation adopted recently in PacifiCorp's other  
4 states. This investigation is therefore the third proceeding in which PacifiCorp's  
5 inter-jurisdictional allocation methodology is under review. Because PacifiCorp  
6 is a multi-jurisdictional utility, it is reasonable to rely on a process that will craft  
7 an allocation methodology based on input from all of PacifiCorp's jurisdictions.  
8 I therefore recommend that the Commission not order any modification of the  
9 current inter-jurisdictional allocation methodology in this case, and limit this  
10 proceeding to an examination of PacifiCorp's compliance with the EPS. In that  
11 regard, the Commission should conclude based upon the testimony on the record  
12 that PacifiCorp has complied with the EPS, and there is no evidence to support  
13 any modification of the EPS alternative compliance mechanism.

14 **Q. Does that conclude your rebuttal testimony?**

15 A. Yes.

Investigation No. 17-04-019  
Exhibit PAC/1300-I  
Witnesses: Etta Lockey and  
Mary M. Wiencke

BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA

PACIFICORP

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Rebuttal Testimony of Etta Lockey and Mary M. Wiencke

Clean Version

ERRATA

December 2018

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**ATTACHED EXHIBITS**

Exhibit PAC/1301-I – Governors’ Accord for a New Energy Future

1 **Q. Who is sponsoring the rebuttal testimony in this Exhibit?** A. This testimony  
2 is sponsored by Ms. Etta Lockey and Ms. Mary Wiencke, both of whom  
3 sponsored direct testimony in this proceeding. Ms. Lockey and Ms. Wiencke are  
4 adopting the identified portions of the Rebuttal Testimony of Scott D. Bolton,  
5 served as Exhibits PAC/1300-I and PAC/1301-I.

6 **I. PURPOSE AND SUMMARY OF TESTIMONY (ETTA LOCKEY)**

7 **Q. What is the purpose of this rebuttal testimony in this proceeding?**

8 A. The purpose of this testimony is to rebut the testimony of Sierra Club and The  
9 Utility Reform Network (TURN) on a number of issues, including the propriety  
10 of PacifiCorp's alternative compliance mechanism for California's Emissions  
11 Performance Standard (EPS), PacifiCorp's Multi-State Process (MSP) to revamp  
12 its system-wide inter-jurisdictional allocation methodology, and the effect on  
13 greenhouse gas (GHG) emissions and coal-related costs of recent regulations  
14 issued by the utility commissions in Oregon and Washington. I also address  
15 Sierra Club and TURN's continuing efforts to turn this proceeding into a  
16 reasonableness review of coal plant fuel costs and investments, which the  
17 Assigned Commissioner and the Assigned Administrative Law Judge have  
18 already determined through their September 14, 2017 Scoping Memo and Ruling  
19 (Scoping Memo) are beyond the scope of the proceeding and more appropriately  
20 addressed in PacifiCorp's Energy Cost Adjustment Clause (ECAC) proceedings  
21 or its general rate case. Because Sierra Club and TURN have not addressed the  
22 inter-jurisdictional allocation methodologies that are the true subject of this  
23 proceeding, the Commission should reduce the scope of this proceeding to a

1 review of PacifiCorp's compliance with the EPS, and defer any major changes to  
2 the company's inter-jurisdictional allocation methodology to the 2019 Rate Case,  
3 or a proceeding addressing the outcome of the ongoing MSP to negotiate an  
4 entirely new foundation for PacifiCorp's inter-jurisdictional allocation  
5 methodology.

6 **Q. Please summarize this testimony.**

7 A. This rebuttal testimony addresses the Commission's alternative  
8 compliance mechanism for the EPS and why it is appropriate for PacifiCorp to  
9 continue to comply with the alternative mechanism. Ms. Mary Wiencke discusses  
10 the fact that PacifiCorp is regulated by five other state utility commissions that  
11 have jurisdiction over a combined approximately 98 percent of PacifiCorp's load  
12 and customers; at least two of these states examine PacifiCorp's emissions  
13 compliance under an EPS program. Additionally, the statutory language,  
14 legislative history, and the Commission's subsequent decision make it clear that  
15 the EPS does not apply to emissions-reduction equipment or fuel contracts, which  
16 are the expenditures cited by TURN and Sierra Club to support their view that  
17 PacifiCorp is out of compliance with the EPS.

18 I discuss how PacifiCorp's MSP discussions to redesign its inter-  
19 jurisdictional allocation methodology are ongoing and have the potential to make  
20 significant changes that could reduce California's allocation of coal-related costs.  
21 The Commission should prioritize participation in that process, which includes  
22 stakeholders from all states in which PacifiCorp operates. The MSP workshop is  
23 developing a proposal that directly addresses inter-jurisdictional allocation issues



1 to accommodate state energy policies, with input from all the affected states and  
2 many stakeholders. That process is a more appropriate forum for considering a  
3 new allocation methodology. It is wasteful of the Commission's resources and  
4 those of the parties to consider alternative allocation proposals in this case, when  
5 the intervenors have not proposed any alternative allocation proposals.

6 Furthermore, PacifiCorp has requested approval to update its current inter-  
7 jurisdictional allocation methodology in the company's 2019 Test Year General  
8 Rate Case filed April 12, 2018 (2019 Rate Case) to match the 2017 Protocol,  
9 which is the methodology most recently adopted in PacifiCorp's other states. At  
10 such time as the MSP discussions result in a new framework for allocation,  
11 PacifiCorp will present the new allocation scheme for approval in a future  
12 proceeding.

13 Finally, I address the fact that neither Sierra Club nor TURN have  
14 examined or commented upon PacifiCorp's current inter-jurisdictional allocation  
15 methodology or proposed a different methodology. By remaining silent on this  
16 issue, Sierra Club and TURN have not addressed the fundamental purpose of this  
17 proceeding. Instead, their testimony attempts to change the scope of this  
18 proceeding to focus on the reasonableness of PacifiCorp's coal plant investments,  
19 the dispatch of its coal plants, and the reasonableness of its coal supply contracts.  
20 The Scoping Memo makes it clear that those questions should be addressed in  
21 PacifiCorp's 2019 Rate Case, or in a future ECAC filing.<sup>1</sup> The Commission  
22 should not expend the parties' resources, or its own, litigating the reasonableness

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<sup>1</sup> Scoping Memo, pp. 11–12.

1 of coal plant dispatch or emissions-control expenditures in this Investigation, but  
2 should focus on the issues that are within the scope of this proceeding:  
3 PacifiCorp's current and proposed allocation methodologies and EPS compliance.

4 **II. PACIFICORP'S COMPLIANCE WITH THE ALTERNATIVE**  
5 **EMISSIONS PERFORMANCE STANDARD MECHANISM (MARY WIENCKE)**

6 **Q. Is PacifiCorp in compliance with California's EPS?**

7 A. Yes. PacifiCorp currently meets the requirements of the alternative compliance  
8 mechanism under the EPS, and has met those requirements consistently since the  
9 EPS was adopted in 2007.<sup>2</sup> It is important to remember that the EPS only applies  
10 to new plants built or long-term financial commitments made after 2007.<sup>3</sup>

11 **Q. Is the alternative compliance mechanism still appropriate for PacifiCorp?**

12 A. Yes. PacifiCorp is regulated by the utility commissions of the five other states in  
13 which it operates; those commissions have jurisdiction over approximately  
14 98 percent of PacifiCorp's customers and load. The Rebuttal Testimony of  
15 Mr. Chad A. Teply (Exhibit PAC/1400-I) provides an in-depth discussion of the  
16 emissions review and regulation performed annually for PacifiCorp by Oregon  
17 and briefly addresses emissions standards in Washington. This is the exact  
18 regulatory structure that the California Legislature proposed and the Commission  
19 approved when adopting the alternative EPS compliance mechanism for  
20 PacifiCorp.<sup>4</sup> Additionally, PacifiCorp is in the process of negotiating a new inter-

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<sup>2</sup> Exhibit PAC/1100-I and Exhibit PAC/1401-I.

<sup>3</sup> Pub. Util. Code, § 8341.

<sup>4</sup> *Order Instituting Rulemaking to Implement the Commission's Procurement Incentive Framework and to Examine the Integration of Greenhouse Gas Emissions Standards into Procurement Policies*, Decision (D.) 07-01-039 (January 25, 2007), pp. 164–168.

1 jurisdictional allocation methodology with all the states in which it operates.

2 There is no possibility that PacifiCorp’s emissions can go un-reviewed and un-  
3 regulated.

4 **Q. Sierra Club states that PacifiCorp demonstrates its compliance with the**  
5 **alternative EPS mechanism by filing advice letters and that PacifiCorp “has**  
6 **not provided any supplemental information to the Commission on its**  
7 **emissions, investments, or commitments.”<sup>5</sup> In the 10 years since the**  
8 **alternative EPS mechanism was approved, has the Commission ever sought**  
9 **supplemental information from PacifiCorp?**

10 A. No, not to the best of my knowledge. I will note that the alternative EPS  
11 compliance mechanism does not require the submission of “supplemental  
12 information” of any kind. If the Commission needs or wants additional  
13 information from PacifiCorp, it has the authority and the procedures to ask for it  
14 and PacifiCorp will readily comply. Sierra Club’s insinuation that PacifiCorp has  
15 not provided required information is both false and irrelevant.

16 **Q. TURN and Sierra Club argue that certain coal-supply agreements and**  
17 **PacifiCorp's emissions-control expenditures are improper long-term**  
18 **financial commitments under the EPS. Is this accurate?**

19 A. No. The EPS statute and the Commission decision implementing the EPS, D.07-  
20 01-039, are clear on what constitutes a long-term financial commitment: contracts  
21 to purchase baseload power that are five years or more in length or new

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<sup>5</sup> Revised Direct Testimony of Jeremy Fisher, PhD, on Behalf of Sierra Club (February 7, 2018) (Fisher Direct), p. 8 (lines 2–7).

1 ownership investments.<sup>6</sup> A contract to purchase baseload power is very different  
2 from a fuel supply contract. The coal supply agreements that both TURN and  
3 Sierra Club claim are improper long-term financial commitments under the EPS  
4 are merely fuel supply contracts.<sup>7</sup> Sierra Club acknowledges that fuel supply  
5 contracts are not considered long-term financial commitments under the EPS, but  
6 argues that the Commission should nevertheless treat them as such because  
7 PacifiCorp takes seriously the financial risks and breach-of-contract penalties  
8 associated with the contracts.<sup>8</sup> Fuel supply contracts are not contracts for  
9 baseload power, or new incremental investment in generation plant, and thus do  
10 not meet the explicit definition of “long-term financial commitments” for  
11 purposes of the EPS, as set forth in both SB 1368 and D.07-01-039.

12 Sierra Club and TURN fare no better with their arguments that  
13 PacifiCorp’s expenditures on emissions control equipment represent a long-term  
14 financial commitment that contravenes the EPS. When parsing the numerous  
15 arguments on the definition of “new ownership investment” presented by the  
16 utilities and intervenors in the proceeding to implement SB 1368, the Commission  
17 stated that “we are looking for the best and most workable approach to identifying  
18 changes in an existing power plant that would *increase the expected level of GHG*

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<sup>6</sup> Senate Bill (SB) 1368, enacting Pub. Util. Code § 8340(j) (“Long-term financial commitment” means either a new ownership investment in baseload generation or a new or renewed contract with a term of five or more years, which includes procurement of baseload generation.”); *See also* Assembly Bill Analysis, page E (August 31, 2006); D.07-01-039, pp. 38–64 (Section 4.2—Types of Generation and Financial Commitments Subject to the EPS).

<sup>7</sup> Prepared Direct Testimony of Kevin Woodruff on behalf of TURN (Woodruff Direct), pp. 13 (line 4)–14 (line 2); Fisher Direct, pp. 4 (lines 20–21) and 13 (line 11)–16 (line 2).

<sup>8</sup> Fisher Direct, pp. 14 (line 16)–15 (line 22).

1        *emissions* from the facility over the long term. This is not accomplished by  
2        requiring that every replacement of equipment or *addition of pollution control*  
3        *equipment* should trigger the EPS.”<sup>9</sup> It should also be repeated that expenditures  
4        on emissions control equipment do not meet the statutory definition of long-term  
5        financial investment, as they are not a “new ownership investment in baseload  
6        generation or a new or renewed contract with a term of five or more years, which  
7        includes procurement of baseload generation.”<sup>10</sup>

8        **III.    IMPACTS OF OREGON SENATE BILL (SB) 1547 (MARY WIENCKE)**

9        **Q.    TURN questions whether Oregon’s statute (SB 1547) that requires**  
10       **PacifiCorp to eliminate capital costs for coal generation from retail rates by**  
11       **2030 will negatively impact PacifiCorp’s compliance with the California EPS.**  
12       **Will Oregon’s SB 1547 have such an impact?**

13      A.    No. First, PacifiCorp is subject to an alternative compliance mechanism under the  
14       California EPS. PacifiCorp continues to meet the alternative compliance  
15       mechanism because it is still subject to the Oregon EPS and Washington EPS for  
16       any new resource. Second, PacifiCorp is not entering into any new long-term  
17       financial commitments for fossil fuel plants as a result of Oregon SB 1547. There  
18       is no new ownership investment in baseload generation or a new or renewed  
19       contract with a term of five or more years for any generation with GHG emissions  
20       of more than 1,100 pounds per megawatt-hour.

21      **Q.    Does the MSP address TURN’s argument? (ETTA LOCKEY)**

22      A.    Contrary to TURN’s assertions, PacifiCorp is also, through the MSP, attempting

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<sup>9</sup> D.07-01-039, p. 52 (emphasis added).

<sup>10</sup> Pub. Util. Code § 8340(f).

1 to develop a proposal that would allow each state to establish energy policies  
2 without adversely affecting customers in other states. This would facilitate the  
3 west coast states' commitment to diversify energy generation and expand clean  
4 energy sources by, among other commitments, working together to facilitate the  
5 transition away from coal and towards a cleaner resource mix.<sup>11</sup>

6 **IV. ONGOING PROCEEDINGS THAT ADDRESS RESOURCE PLANNING**  
7 **AND ALLOCATION METHODOLOGY (ETTA LOCKEY)**

8 **Q. Does PacifiCorp already have a process to examine its system-wide resource**  
9 **planning?**

10 A. Yes. PacifiCorp examines its total-system resource planning every year in the  
11 Integrated Resource Planning (IRP) (odd-numbered years) or IRP update (even-  
12 numbered years).<sup>12</sup>

13 **Q. Does PacifiCorp already have a process to examine its inter-jurisdictional**  
14 **allocation methodology?**

15 A. Yes. As explained in the opening testimonies of Ms. Lockey and Mr. Steven R.  
16 McDougal, PacifiCorp is currently reviewing its inter-jurisdictional allocation  
17 methodology with stakeholders from all six states in the MSP Workgroup.<sup>13</sup> In  
18 fact, on March 20, 2017, PacifiCorp held a meeting to discuss California-specific  
19 issues with its California stakeholders. All parties to this proceeding were invited,  
20 but only the Office of Ratepayer Advocates and the County of Siskiyou attended,  
21 TURN and Sierra Club did not attend. In addition to revising and optimizing

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<sup>11</sup> Exhibit PAC/1301-I.

<sup>12</sup> See Exhibit PAC/1600-I, p. 1.

<sup>13</sup> See Exhibit PAC/100-I, pp. 1-5 (line 3)–1-8 (line 11) and Exhibit PAC/300-I.

1 other aspects of PacifiCorp’s inter-jurisdictional allocation methodology, the MSP  
2 will potentially make significant changes to the allocation methodology that  
3 would reduce California’s share of PacifiCorp’s coal-related costs.

4 **Q. Please explain how the proposed MSP allocation methodology would reduce**  
5 **California’s share of PacifiCorp’s coal-related costs.**

6 A. As discussed in the opening testimony of Ms. Lockey, MSP stakeholders have  
7 been reviewing a proposal by PacifiCorp to realign its existing coal generation  
8 resources to allow states to adopt individual energy resource policies on GHG  
9 reduction and coal generation.<sup>14</sup> The Coal Life Evaluation Allocation and  
10 Realignment (CLEAR) proposal would assign coal units, and associated cost  
11 allocations, to serve the retail load of a particular state.<sup>15</sup> One component of the  
12 proposal is that all 24 of PacifiCorp’s coal units would be realigned so that states  
13 seeking early divestment of coal are only responsible for the depreciation of a  
14 small number of units assigned exclusively to that state.<sup>16</sup> For example, Oregon,  
15 which represents approximately 25 percent of PacifiCorp’s load, would be  
16 responsible for 100 percent of the remaining depreciation costs of 6 coal units  
17 instead of 25 percent of the costs of all 24 units.<sup>17</sup> This would allow PacifiCorp to  
18 fully depreciate those units for Oregon and remove them from rates by 2030, the  
19 deadline in Oregon under SB 1547. Allocating expedited depreciation of coal  
20 through this allocation method may prevent customers in those states from  
21 experiencing unnecessary rate increases to address both new renewable resources

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<sup>14</sup> Exhibit PAC/100-I at p. 1-6 (lines 18–20).

<sup>15</sup> See Exhibit PAC/600-I, p. 3.

<sup>16</sup> Exhibit PAC/600-I, p. 5.

<sup>17</sup> *Id.*

1 and stranded costs from coal-fired resources.

2 **V. ISSUES WITHIN THE SCOPE OF THIS PROCEEDING (ETTA**  
3 **LOCKEY)**

4 **Q. Does the testimony submitted by Sierra Club and TURN address the issues**  
5 **identified in the Scoping Memo for this proceeding?**

6 A. No. TURN’s testimony focuses on mischaracterizing PacifiCorp’s installation of  
7 emissions-control equipment and fuel contracts for its coal-fired generating  
8 facilities as “long-term financial commitments”<sup>18</sup> that, TURN claims, run afoul of  
9 California’s EPS. TURN also argues that PacifiCorp exports high-GHG power  
10 into California through the Energy Imbalance Market (EIM).<sup>19</sup>

11 Sierra Club likewise mischaracterizes emissions-control expenditures and  
12 fuel contracts as improper long-term financial commitments under the EPS,  
13 makes a number of erroneous claims regarding PacifiCorp’s IRP process, and  
14 provides a lengthy recitation of ratemaking decisions in Oregon and Washington  
15 that do not address the issues in this proceeding.<sup>20</sup> Sierra Club also focuses on  
16 PacifiCorp’s dispatch of its coal-fired resources, an issue that the Commission  
17 expressly ruled is outside the scope of this proceeding.<sup>21</sup> At no point do either  
18 Sierra Club or TURN examine PacifiCorp’s inter-jurisdictional allocation  
19 methodology or the rates it produces, or propose an alternative methodology.

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<sup>18</sup> See Woodruff Direct.

<sup>19</sup> *Id.*

<sup>20</sup> See Fisher Direct.

<sup>21</sup> Scoping Memo, p. 11.



1 **Q. What do you conclude from the arguments put forth by TURN and Sierra**  
2 **Club?**

3 A. I conclude that Sierra Club and TURN are not examining PacifiCorp's inter-  
4 jurisdictional allocation methodology, but instead seeking to turn this  
5 investigation into a reasonableness review of PacifiCorp's coal plant investments  
6 and fuel contracts.<sup>22</sup> The Commission should not permit such an expansion of the  
7 scope of this proceeding. The Scoping Memo specifically excluded issues that  
8 are properly raised in PacifiCorp's 2019 Rate Case and annual ECAC filings,  
9 which include the reasonableness of plant investments, plant retirement,  
10 depreciation issues, coal plant dispatch decisions, and fuel costs—all of which are  
11 addressed in Sierra Club's or TURN's testimony in this case. The arguments and  
12 allegations in the intervenor testimony relating to the out-of-scope issues of  
13 PacifiCorp's coal plant dispatch, retirement, and fuel contracts do not contribute  
14 to the Commission's analysis of whether PacifiCorp's current inter-jurisdictional  
15 allocation methodology produces reasonable rates and a fair allocation of costs  
16 between the states. Their testimonies make it clear that TURN and Sierra Club  
17 have no interest in answering the Commission's questions about the allocation  
18 methodology. Instead, they advocate for a second phase of this proceeding or a  
19 separate proceeding in which to examine the reasonableness of PacifiCorp's coal-  
20 related decision making.<sup>23</sup> Such an expansion of the proceeding is plainly  
21 inconsistent with the scope defined in the Scoping Memo, and would create

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<sup>22</sup> See Response of PacifiCorp to Sierra Club Motion to Compel.

<sup>23</sup> Fisher Direct, pp. 4 (lines 20–25), 15 (line 19)–16 (line 2); Woodruff Direct, pp. 3 (lines 1–6), 17 (lines 9–16).

1 multiple redundant proceedings in light of the annual ECAC proceedings and  
2 recently filed 2019 Rate Case. The efforts of Sierra Club and TURN to  
3 substantially expand the scope of this case should be rejected.

4 **Q. Did the Administrative Law Judge’s Ruling directing PacifiCorp to respond**  
5 **to discovery requests expand the scope of this proceeding?**

6 A. No. While the Administrative Law Judge determined that data responses  
7 providing “information on the characteristics and actual dispatch of generation  
8 resources available to PacifiCorp” and the factors that PacifiCorp considers in  
9 making dispatch decisions might inform testimony on whether “PacifiCorp  
10 engages in least-cost planning on a system-wide or control-area basis,”<sup>24</sup> the  
11 intervenors did not use the information for that purpose. The absence in the  
12 record of any claim or analysis that PacifiCorp’s rates are unreasonable, coupled  
13 with a line of Commission orders approving PacifiCorp’s rates, supports the  
14 conclusion that PacifiCorp’s inter-jurisdictional allocation methodology does not  
15 produce unreasonable rates. Equally revealing is that while the ALJ Ruling  
16 suggested that dispatch data might be useful in analyzing whether or not  
17 PacifiCorp used least-cost planning on a system-wide or control-area basis,  
18 neither Sierra Club nor TURN used the dispatch data to make any  
19 recommendation for changes to the PacifiCorp inter-jurisdictional allocation

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<sup>24</sup> I.17-04-019, Email Ruling Directing PacifiCorp to Provide Data and Granting Extension for Submission of Testimony, Dec. 22, 2017. The Ruling stated in part, “Though a review of the reasonableness of PacifiCorp’s specific dispatch decisions is more appropriately addressed in a future ECAC proceeding and will not be conducted here, information on the characteristics and actual dispatch of generation resources available to PacifiCorp, as well as the factors PacifiCorp considers in making dispatch determinations and PacifiCorp’s methods for making those determinations, may inform testimony on the extent to which PacifiCorp engages in least cost planning on a system-wide or control-area basis.”

1 methodology based on system-wide or control-area distinctions. Notwithstanding  
2 the ALJ’s Ruling requiring PacifiCorp to provide the data to the intervenors, the  
3 introduction of dispatch data for the purpose of challenging the reasonableness of  
4 PacifiCorp’s dispatch decisions regarding its coal plants should not be permitted.  
5 As the ALJ Ruling of December 22, 2017 expressly stated, “a review of the  
6 reasonableness of PacifiCorp’s specific dispatch decisions is more appropriately  
7 addressed in a future ECAC proceeding and will not be conducted here.”

8 **Q. How did TURN and Sierra Club use the information provided?**

9 A. Sierra Club uses the idea of “least-cost planning” to advance arguments regarding  
10 the claimed lack of transparency in PacifiCorp’s IRP process and to criticize  
11 PacifiCorp’s emissions control and fuel contract expenditures.<sup>25</sup> TURN uses  
12 “least-cost planning” to introduce a discussion of PacifiCorp’s Balancing  
13 Authority Areas, which segues into TURN’s argument that PacifiCorp exports  
14 high-GHG energy into California through the EIM.<sup>26</sup> None of these arguments or  
15 allegations are accurate or address the question of PacifiCorp’s planning or inter-  
16 jurisdictional allocation methodology. TURN and Sierra Club provide no opinion  
17 on whether PacifiCorp’s rates are unreasonable, and propose no alternative  
18 allocation methodology.

19 **Q. Have Sierra Club or TURN provided evidence that changing PacifiCorp’s**  
20 **allocation methodology will affect coal-plant dispatch or PacifiCorp’s EPS**  
21 **compliance?**

22 A. No, they have not. Neither TURN nor Sierra Club addressed PacifiCorp’s

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<sup>25</sup> Fisher Direct, pp. 19 (line 10)–25 (line 18).

<sup>26</sup> Woodruff Direct, pp. 3 (line 11)–9 (line 2).

1 allocation methodology at all. Nor did they provide any connection between  
2 actual or theoretical allocation methodologies and their arguments on capital  
3 expenditures, coal contracts, coal plant dispatch, or PacifiCorp's IRP. The fact is  
4 that PacifiCorp's inter-jurisdictional allocation methodology does not depend on  
5 these issues. As I note in my previous answer, specific expenditures or resource  
6 planning decisions do not impact the inter-jurisdictional allocation *methodology*.  
7 Additionally, to the extent PacifiCorp's expenditures are relevant to EPS  
8 compliance, the installation of emissions control equipment at PacifiCorp's coal-  
9 fired generating plants would only serve to reduce PacifiCorp's emissions.

10 **Q. Are PacifiCorp's rates under the current allocation methodology reasonable?**

11 A. Yes. As Mr. McDougal explained in his direct testimony, PacifiCorp's inter-  
12 jurisdictional costs are currently allocated to its California customers under the  
13 Revised Protocol.<sup>27</sup> Under the Revised Protocol, California customers pay a  
14 proportionate share of PacifiCorp's system costs based on the customers' relative  
15 usage of the PacifiCorp assets used to serve California. System-wide costs, which  
16 are primarily generation and transmission costs, are allocated to each state based  
17 on their contribution to system peak (demand-related) and annual energy usage  
18 (energy-related); this determines each state's cost causation on PacifiCorp's  
19 system. The allocated costs are calculated using a weighted load-based factor to  
20 determine the System Generation (SG) allocation factor: each state's contribution  
21 to the 12-monthly system peaks is weighted 75 percent (demand-related) and each  
22 state's annual energy usage is weighted 25 percent (energy-related). In this way

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<sup>27</sup> Exhibit PAC/300-I, pp. 3-5 (line 14)–3-6 (line 5).

1 the SG factor aligns allocated generation and transmission costs with cost-  
2 causation. Fuel costs are allocated using as System Energy (SE) factor, which is  
3 calculated as each state's percentage of total energy usage for the year.<sup>28</sup>

4 The Revised Protocol has been in place for PacifiCorp's California  
5 customers for over a decade. During that time, the Commission has regularly  
6 reviewed and approved PacifiCorp's California rates. This fact, combined with  
7 the absence of a record to support a different inter-jurisdictional allocation  
8 methodology, suggests that the most appropriate course of action for the  
9 Commission is to leave the Revised Protocol in place while the 2017 Protocol is  
10 evaluated in the upcoming 2019 Rate Case, or until the MSP yields a new  
11 recommended allocation methodology at some time in the future.

12 **Q. What do you recommend to the Commission in this proceeding, in light of**  
13 **PacifiCorp's ongoing IRP and MSP processes?**

14 A. I recommend that the Commission allow the IRP and MSP processes to go  
15 forward and to limit this investigation to issues not already being addressed in  
16 those proceedings. The Commission should make it a priority to participate in the  
17 MSP, which will produce a new inter-jurisdictional allocation methodology that  
18 relies on the input of all six states, instead of using this proceeding to consider a  
19 new allocation methodology exclusively for use in California. Because TURN  
20 and Sierra Club have not addressed the current allocation methodology, have not  
21 participated significantly in the MSP, and have not proposed their own allocation  
22 methodologies, there is no record in this proceeding on which the Commission

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<sup>28</sup> Exhibit PAC/300-I, pp. 3-7 (lines 1-2).

1 can base a revised allocation methodology. Moreover, PacifiCorp is seeking to  
2 update its current inter-jurisdictional allocation methodology in its 2019 Rate  
3 Case to match the 2017 Protocol allocation adopted recently in PacifiCorp's other  
4 states. This investigation is therefore the third proceeding in which PacifiCorp's  
5 inter-jurisdictional allocation methodology is under review. Because PacifiCorp  
6 is a multi-jurisdictional utility, it is reasonable to rely on a process that will craft  
7 an allocation methodology based on input from all of PacifiCorp's jurisdictions.  
8 I therefore recommend that the Commission not order any modification of the  
9 current inter-jurisdictional allocation methodology in this case, and limit this  
10 proceeding to an examination of PacifiCorp's compliance with the EPS. In that  
11 regard, the Commission should conclude based upon the testimony on the record  
12 that PacifiCorp has complied with the EPS, and there is no evidence to support  
13 any modification of the EPS alternative compliance mechanism.

14 **Q. Does that conclude your rebuttal testimony?**

15 **A. Yes.**

Investigation No. 17-04-019  
Exhibit PAC/1301-I  
Witnesses: Etta Lockey and  
Mary M. Wiencke

BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA

PACIFICORP

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Exhibit Accompanying Rebuttal Testimony of  
Etta Lockey and Mary M. Wiencke  
Governors' Accord for a New Energy Future

ERRATA  
December 2018

## **GOVERNORS' ACCORD FOR A NEW ENERGY FUTURE**

American prosperity has always depended on embracing new ideas and technologies. By deploying renewable, cleaner and more efficient energy solutions, we can make our national economy more productive and resilient. These technologies help to diversify energy sources that power our economy and reduce dependence on foreign energy sources while securing abundant, domestically produced electricity. Embracing these new energy solutions also modernizes our infrastructure and transportation systems, decreases air pollution, and supports the growth of innovative American companies.

Current challenges also demand these new energy solutions. Extreme weather events, such as floods, droughts, wildfires and sea-level rise, can negatively impact electric reliability and the economy. Embracing new energy solutions can provide more durable and resilient infrastructure, and enable economic growth, while protecting the health of our communities and natural resources. These improvements will help secure a safe and prosperous future for our country.

We recognize that now is the time to embrace a bold vision of the nation's energy future. And to do so, states are once again poised to lead. We join together, despite unique opportunities and challenges in each state, to embrace a shared vision of this future:

### ***Our states will diversify energy generation and expand clean energy sources.***

Expanding energy efficiency and renewable energy in a cost-effective way strengthens our states' economic productivity, reduces air pollution and avoids energy waste. Integrating more of these clean energy sources into our electricity grids can also improve the flexibility and stability of these grids. Promoting energy savings through efficiency and conservation programs is the fastest, most reliable and often cheapest way to meet our energy needs. Technologies that capture solar, wind, hydroelectric and geothermal power have become viable and cost-effective to integrate into our states' energy portfolios. These technologies are already providing energy to millions of Americans while reducing energy waste and air pollution. Amidst decreasing costs of renewable energy, and rapid advances in efficiency throughout entire energy systems, our states will diversify our energy portfolios for economic, health and environmental benefits.

### ***Our states will modernize energy infrastructure.***

Modern distribution and transmission grids are required to give consumers more control over their own energy use, increase electricity reliability, and integrate more renewable energy and energy efficiency technologies into our energy systems. Electrical grid improvements, advanced in a cost-effective way, can empower utilities and consumers to manage electricity flexibly and efficiently.

### ***Our states will encourage clean transportation options.***

Hundreds of thousands of electric vehicles, and tens of millions of vehicles using alternative fuels, are driving on American roads, and fuels such as natural gas, biofuels and hydrogen are increasingly available to power vehicles. Supporting automakers' and fueling companies' market expansion for these new vehicles and fuels expands consumer choice, lessens dependence on petroleum and reduces pollution. By



supporting needed infrastructure development, incentives and policies when appropriate, our states will encourage expanded use of these new technologies.

***Our states will plan for this energy transition.***

Given the complexity of state-wide energy systems and the scale of modernizing these systems, many states have developed energy plans and strategies to implement energy improvements. These approaches have incorporated best practices and lessons-learned from new technologies, other states' energy policies, consumer programs, and workforce training efforts. These state-by-state approaches enable each state to meet benchmarks it sets for itself in areas such as energy diversification, reduced energy waste, improved air and water, and economic performance. Our states will support each other in developing, refining and implementing these plans through sharing expertise among our policy experts.

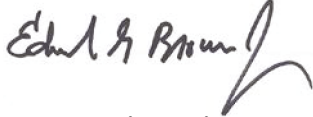
***Our states will work together to make these transformational policy changes.***

Our states are already transforming energy and transportation to be cleaner, more efficient, and more resilient. Many actions taking place in one state can be adapted to meet the needs of other states and scaled across regions. Examples include streamlining siting of environmentally-desirable infrastructure, setting renewable and energy efficiency standards, adopting incentives for clean vehicles and fuels, and diversifying energy portfolios to integrate peak shaving, efficiency and renewable energy into a state's energy mix. Building on current efforts, our states will help each other reach shared energy and transportation objectives. This collaboration will be advanced through periodic meetings and technical convenings of our states.

***Our states will help secure a stronger national energy future.***

Given the unique energy portfolio and regulatory framework of each state, Governors are uniquely positioned to drive lasting improvements to our country's energy system. Federal agencies lend technical expertise, provide funding, and enable research and development that can help our states make energy improvements. In order to provide effective support, federal agencies must work closely with states to tailor technical support, funding and research to the needs of each state and avoid presupposing the best types of assistance. Strong partnerships among our states and between our states and the federal government will improve our country in the decades to come.

Signed, on the 16<sup>th</sup> day of February, 2016,



Governor Edmund G. Brown, Jr.  
State of California



Governor Dannel P. Malloy  
State of Connecticut



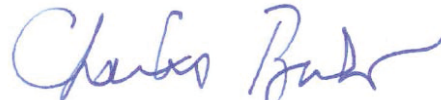
Governor Jack Markell  
State of Delaware



Governor David Y. Ige  
State of Hawaii



Governor Terry E. Branstad  
State of Iowa



Governor Charlie Baker  
Commonwealth of Massachusetts



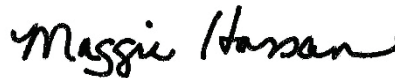
Governor Rick Snyder  
State of Michigan



Governor Mark Dayton  
State of Minnesota



Governor Brian Sandoval  
State of Nevada




Governor Maggie Hassan  
State of New Hampshire



Governor Andrew M. Cuomo  
State of New York



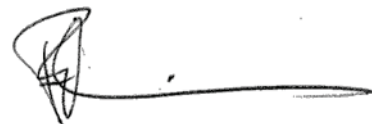
Governor Kate Brown  
State of Oregon



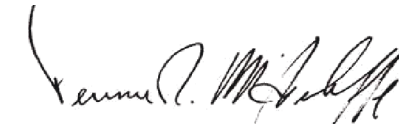
Governor Tom Wolf  
Commonwealth of Pennsylvania



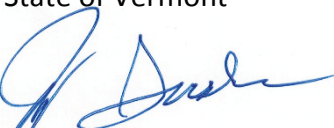
Governor Gina M. Raimondo  
State of Rhode Island



Governor Peter Shumlin  
State of Vermont



Governor Terence R. McAuliffe  
Commonwealth of Virginia



Governor Jay Inslee  
State of Washington