

Application No. 25-08-001
Exhibit No. PAC/800
Witness: Kieran O'Donnell

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

PACIFICORP

Rebuttal Testimony of Kieran O'Donnell

May 2026

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1 **I. PURPOSE AND SUMMARY OF TESTIMONY**

2 **Q. Are you the same Kieran O'Donnell who previously submitted direct testimony**
3 **in this proceeding on behalf of PacifiCorp d/b/a Pacific Power (PacifiCorp)?**

4 A. Yes.

5 **Q. Please summarize your rebuttal testimony.**

6 A. My rebuttal testimony: (1) clarifies PacifiCorp's cap-and-invest¹ offset request and
7 (2) PacifiCorp's position on the Solar on Multifamily Affordable Housing (SOMAH)
8 program set aside for January–June 2026.

9 **II. CLARIFICATION OF CAP-AND-INVEST OFFSETS REQUEST**

10 **Q. Please clarify PacifiCorp's request to the California Public Utilities Commission**
11 **(Commission) regarding Cap-and-Invest Offsets.**

12 A. The company requests that the Commission allow PacifiCorp to include the costs of
13 offsets for recovery in future ECAC proceedings as an acceptable Cap-and-Trade
14 compliance cost category. As described in my previous testimony, the Commission
15 previously authorized Pacific Gas and Electric Company (PG&E), Southern
16 California Edison Company (SCE), and San Diego Gas & Electric Company
17 (SDG&E) to procure offsets so long as the offsets are certified by the California Air
18 Resources Board (ARB) and the seller contractually assumes the risk of invalidation.²
19 In addition, the Commission subsequently directed these three utilities, plus

¹ References herein to the "Cap-and-Trade Program" refer to California's greenhouse gas market-based compliance program now known as the Cap-and-Invest Program. Subsequent to the company's August 1, 2025 filing, the California Legislature enacted Assembly Bill 1207, which, effective September 19, 2025, renamed the program to "Cap-and-Invest." All references in PacifiCorp's rebuttal testimony should therefore be read as referring to the Cap-and-Invest Program as amended.

² *In re CPUC IRP and Long-Term Procurement*, D.12-04-046 (Apr. 24, 2012).

1 PacifiCorp, to adhere to a Calculation of Weighted Average Cost of Greenhouse Gas
2 Compliance Instruments, which includes both allowances and ARB offsets as Eligible
3 Compliance Instruments.³

4 Offsets are an established compliance instrument under the Cap-and-Trade
5 program, similar in function to allowances. PacifiCorp's request in the 2026 ECAC is
6 limited to seeking clarification of the Commission's prior directive, and authorization
7 to include the costs of eligible offsets for recovery in future ECAC proceedings.

8 Cal Advocates' assertion that authorizing offsets could increase customer
9 costs are speculative. To the contrary, allowing PacifiCorp the flexibility to consider
10 offsets alongside allowances could provide an opportunity to reduce overall costs,
11 because offsets are proven to be a more cost-effective compliance mechanism.

12 **Q. Could approval of PacifiCorp's request exceed the scope of (D.) 12-04-046?**

13 A. No, approval of PacifiCorp's request cannot lead to an exceedance of the scope of
14 D.12-04-046 because PacifiCorp is simply requesting clarification regarding the same
15 treatment that the Commission granted to the three large California investor-owned
16 utilities (PG&E, SCE, and SDG&E) in that decision. Specifically, PacifiCorp requests
17 authorization to procure offsets under the following conditions: (1) PacifiCorp may
18 only procure offsets certified by the ARB, (2) PacifiCorp may purchase no more than
19 8 percent of its compliance requirement in the form of offsets, and (3) PacifiCorp
20 may only purchase offsets if the seller contractually assumes the risk of invalidation.⁴

³ *In re the Application of Southern California Edison Company (U338E) for Approval of Greenhouse Gas Cap-and-Trade Program Cost and Revenue Allocation*, Docket No. A.13-08-002, D.19-04-016 (May 11, 2021).

⁴ *See In re Order Instituting Rulemaking to Integrate and Refine Procurement Policies and Consider Long-Term Procurement Plans*, Docket No. R.10-05-006, D.12-04-046 at 75 (Apr. 24, 2012). CARB

1 **Q. Would the approval of PacifiCorp's offset use request limit review or potentially**
2 **lead to unnecessary costs for California ratepayers?**

3 A. No, approval of PacifiCorp's request would not limit review because the costs from
4 the procurement of offsets would be included in *future* ECAC proceedings and
5 subject to reasonableness and prudence review standards. Furthermore, because the
6 costs of future procurements of offsets would be subject to this review, approval of
7 PacifiCorp's request will not lead to unnecessary costs for California customers.

8 **Q. Do offsets offer clear benefits for California ratepayers?**

9 A. Yes, offsets offer a clear benefit to California customers by reducing the cost of
10 compliance with the cap-and-trade program. Offsets are widely recognized as cost
11 containment feature of the cap-and-trade program by providing a "limited and lower
12 cost compliance option."⁵ In D.12-04-046, responding to the Sierra Club's comment
13 that offsets reduce the cost of compliance under the cap-and-trade program, the
14 Commission recognized this benefit to California customers, stating that "[f]rom a
15 ratepayer perspective, reducing the utilities' cost of compliance would be a good
16 thing."⁶

17 In addition to cost benefits, offset credits represent meaning environmental
18 benefits for Californians and support the state's decarbonization goals. At least 50
19 percent of the offset credits retired for compliance must have direct environmental

regulations later lowered the maximum number of offsets that can be used for compliance to 4 percent for 2021-2025 and 6 percent for 2026-2030.

⁵ California Air Resources Board, *Cap-and-Trade Program Fact Sheet* (May 2025), https://ww2.arb.ca.gov/sites/default/files/2025-05/Cap-and-Trade%20Fact%20Sheet_May%202025_1.pdf (last visited Apr. 14, 2026).

⁶ *In re CPUC IRP and Long-Term Procurement*, D.12-04-046 (Apr. 24, 2012), at 43.

1 benefits in the state.⁷ An offset credit that has a “direct environmental benefits in the
2 state” is defined as “the reduction or avoidance of emissions of any air pollutant in
3 the state or the reduction or avoidance of any pollutant that could have an adverse
4 impact on waters of the state.”⁸ Therefore, in addition to the clear compliance cost
5 savings benefits to customers, offset credits also provide direct environmental
6 benefits to Californians.

7 **Q. What can PacifiCorp do if the Commission does not approve the use of offsets as
8 for recovery in future ECAC proceedings as an acceptable Cap-and-Trade
9 compliance cost category?**

10 A. A significant portion of the company’s cap-and-trade compliance obligation arises
11 from wholesale sales of energy into California. Costs from compliance instruments
12 procured to satisfy this wholesale sales obligation are not recoverable through the
13 ECAC and not borne by California customers. Absent Commission action to provide
14 PacifiCorp the same treatment afforded to the three large California investor-owned
15 utilities (PG&E, SCE, and SDG&E)—specifically, the recognition of offsets as an
16 allowable cap-and-trade compliance cost for purposes of future ECACs—the
17 company may use offsets to meet its wholesale obligation and retain the full
18 economic benefit of any associated cost savings.

⁷ Cal. Health & Safety Code, Section 38562(c)(2)(E).

⁸ Cal. Health & Safety Code, § 38562(c)(2)(E).

