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January 17, 2013

***VIA ELECTRONIC FILING  
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Oregon Public Utility Commission  
550 Capitol Street NE, Ste 215  
Salem, OR 97301-2551

Attn: Filing Center

**RE: UM 1565 – Response Testimony of R. Bryce Dalley**

PacifiCorp d/b/a Pacific Power submits for filing an original and five copies of the response testimony of R. Bryce Dalley.

PacifiCorp respectfully requests that all data requests regarding this matter be addressed to:

By e-mail (preferred): [datarequest@pacificorp.com](mailto:datarequest@pacificorp.com)

By regular mail: Data Request Response Center  
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Please direct any informal inquiries to Bryce Dalley, Director, Regulatory Affairs & Revenue Requirement, at (503) 813-6389.

Sincerely,

William R. Griffith  
Vice President, Regulation

Enclosures

cc: Service List in UM 1565

## CERTIFICATE OF SERVICE

I hereby certify that I served a true and correct copy of the foregoing document to the service list in Docket UM-1565, on the date indicated below by email and/or US Mail, addressed to said parties at his or her last-known address(es) indicated below.

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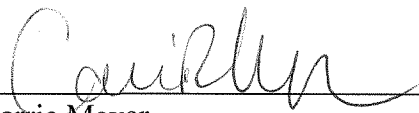
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DATED: January 17, 2013

  
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Carrie Meyer  
Sr. Coordinator, Regulatory Operations

Docket No. UM-1565  
Exhibit PAC/100  
Witness: R. Bryce Dalley

**BEFORE THE PUBLIC UTILITY COMMISSION  
OF THE STATE OF OREGON**

**PACIFICORP**

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**Response Testimony of R. Bryce Dalley**

**January 2013**

1 **Q. Please state your name, business address, and present position with**  
2 **PacifiCorp (Company).**

3 A. My name is R. Bryce Dalley and my business address is 825 NE Multnomah  
4 Street, Suite 2000, Portland, Oregon, 97232. I am currently employed as  
5 Director, Regulatory Affairs and Revenue Requirement.

6 **Qualifications**

7 **Q. Briefly describe your education and professional experience.**

8 A. I received a Bachelor of Science degree in Business Management with an  
9 emphasis in finance from Brigham Young University in 2003. I completed the  
10 Utility Management Certificate Program at Willamette University in 2009, and  
11 I have also attended various educational, professional, and electric industry-  
12 related seminars. I have been employed by PacifiCorp since 2002 in various  
13 positions within the regulation and finance organizations. I was appointed  
14 Manager of Revenue Requirement in 2008 and assumed my current position in  
15 2012. My primary responsibilities include oversight of regulatory proceedings  
16 and filings in California, Oregon, and Washington.

17 **Purpose and Summary of Testimony**

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

19 A. I respond to the Joint Testimony filed by Staff of the Public Utility Commission  
20 of Oregon (Staff) and the Energy Trust of Oregon (Energy Trust). I also respond  
21 to the opening testimony of Northwest Natural Gas Company (NW Natural).

22 **Q. Please describe the purpose of this proceeding.**

23 A. In 2011, NW Natural voiced concerns that an energy incentive program offered

1 by the Energy Trust caused fuel switching and thus unfairly shifted the energy  
2 market away from gas to electric energy. In December 2011, the Public Utility  
3 Commission of Oregon (Commission), at the recommendation of Staff, opened an  
4 investigation into NW Natural's concerns.

5 In May 2012, the presiding Administrative Law Judge distributed a  
6 proposed issues list for the parties' review and comment. No comments were  
7 filed, and the ALJ deemed the following issues list to be adopted on May 21,  
8 2012<sup>1</sup>:

9 Issue 1 What are the Energy Trust's policies and practices regarding  
10 residential fuel switching related to space conditioning? What  
11 outreach and messaging does the Energy Trust engage in  
12 related to this type of fuel switching?

13 Issue 2 Is fuel switching actually occurring?

14 Issue 3 Do the answers to Issues 1 and 2 indicate a need to modify the  
15 Energy Trust's policies or practices or ratepayer-funded  
16 messaging?

17 **Q. Please summarize your testimony.**

18 A. First, I briefly address the policies and practices of the Energy Trust as they relate  
19 to space heating and cooling (space conditioning). Next, I answer the question of  
20 whether fuel switching is actually occurring and, if so, to what degree. Finally, I  
21 conclude that it is not necessary to change the Energy Trust's current policies and  
22 practices because the evidence does not demonstrate that these policies and  
23 practices cause fuel switching or even materially affect customers' fuel choices.

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<sup>1</sup> See ALJ Ruling (May 15, 2012).

1 **Q. What is the key issue in this case?**

2 A. The key issue is Issue 2—“Is fuel-switching actually occurring?” Any future  
3 Commission action hinges on the answer to that question. No further  
4 Commission action is warranted if any of the following is true: (1) fuel switching  
5 is not occurring; (2) the level of fuel switching due to the Energy Trust’s actions  
6 is immaterial; or (3) there is no correlation between customer decisions to fuel  
7 switch and the practices and policies of the Energy Trust.

8 **Q. Should the Commission direct the Energy Trust to changes its policies and  
9 practices?**

10 A. No. Currently, the Energy Trust has a fuel-neutral *policy*. The Energy Trust  
11 offers energy efficiency incentives to customers without expressing a preference  
12 for one fuel source over another, and leaves it to customers to decide for  
13 themselves which fuel to use. In contrast, NW Natural is advocating for a fuel-  
14 neutral *outcome*. It is inappropriate to regulate for a fuel-neutral outcome,  
15 particularly when doing so would require adoption of a fuel-*biased* policy like  
16 that proposed by NW Natural. Even assuming the Energy Trust’s fuel-neutral  
17 policies and practices are leading to fuel switching—and NW Natural has not  
18 shown that they do—it is sound regulatory policy to adhere to the Energy Trust’s  
19 fuel-neutral policy.

20 **Issue 1—The Energy Trust’s Policies and Practices**

21 **Q. Please describe the Energy Trust’s outreach practices.**

22 A. The Energy Trust provides energy efficiency information to utility customers in  
23 Oregon, as well as financial incentives for energy conservation and efficiency

1 programs and products. It also provides information through its outreach  
2 programs using general advertising, direct marketing, and the internet.

3 The Energy Trust and the Company work collaboratively to provide direct  
4 mailings of efficiency and conservation information with the Company's bill  
5 inserts and customer newsletters. Both the Company and the Energy Trust review  
6 all outreach materials sent to the Company's customers for content, accuracy, and  
7 delivery timing.

8 **Q. Please describe your understanding of the Energy Trust's fuel switching  
9 policies and PacifiCorp's position regarding those policies.**

10 A. The Energy Trust's policy, as discussed in its own policy statement, does not  
11 allow it to create or implement specific incentive programs to switch from one  
12 fuel to another.<sup>2</sup> The policy also does not allow the Energy Trust to provide  
13 financial or other advice to customers on the benefits or disadvantages of  
14 switching their primary fuel source. Rather, the Energy Trust's intent is to  
15 promote energy efficiency through a policy that supports the customer's decision  
16 to use the fuel of their choice, without regard to the customer's decision to stay  
17 with their original fuel or switch to a new fuel source.<sup>3</sup> The Company has been  
18 supportive of the Energy Trust's fuel-neutral policy since its inception.

19 **Q. Does the Energy Trust provide incentives for space conditioning?**

20 A. Yes. The Energy Trust currently offers an incentive for electric heat pumps.  
21 Previously, the Energy Trust offered an incentive for the purchase of high  
22 efficiency gas furnaces. The Energy Trust no longer offers incentives for high

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<sup>2</sup> Energy Trust of Oregon, Inc., 4.03.000-P Fuel-switching Policy.

<sup>3</sup> *Id.*



1 efficiency gas furnaces since it determined that the market had been transformed  
2 and customers no longer needed incentives to purchase high efficiency models.

3 **Q. Does the Energy Trust target its messaging of heat pump incentives to only**  
4 **electric customers?**

5 A. No.

6 **Q. Does the Company target its messaging or outreach depending on whether**  
7 **customers use gas or electricity to heat their homes?**

8 A. It depends on the method of outreach. A direct mailing from the Company may  
9 target only electric heat customers. But if bill inserts are used, every residential  
10 customer will receive the bill insert, regardless of the target market of the  
11 message.

12 **Q. Does the lack of tailored messaging of heat pump incentives indicate that the**  
13 **Energy Trust is promoting fuel switching?**

14 A. No. The intent of the Energy Trust's messaging is to convey to customers  
15 information regarding incentives available to increase energy efficiency,  
16 regardless of the customer's current fuel source.

17 **Issue 2—Is Fuel Switching Occurring With Respect To Space Conditioning?**

18 **Q. Is fuel switching occurring with respect to space conditioning?**

19 A. The Energy Trust provided data showing that between 2003 and 2011, it  
20 distributed 1,440 incentives for the installation of high efficiency heat pumps to  
21 customers that previously heated by gas.<sup>4</sup> In comparison, during the same time  
22 period, the Energy Trust provided 2,483 incentives for the installation of high  
23 efficiency gas furnaces in homes previously heated by electricity. The clear

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<sup>4</sup> Staff-ETO/105, Johnson-Lacey/1.

1 conclusion is that any fuel switching that is occurring is limited in scope and  
2 moving from *both* gas to electric and electric to gas.

3 **Q. Is it clear from the data that the policies and practices of the Energy Trust**  
4 **are causing fuel switching?**

5 A. No. Based on data provided by the Energy Trust, NW Natural testified that since  
6 2003, 1,440 incentives for the installation of electric heat pumps went to gas  
7 heated customers.<sup>5</sup> NW Natural fails to even estimate the percentage of  
8 customers that made the decision to switch *without* Energy Trust information.  
9 Implied in NW Natural’s testimony is the assumption that none of the customers  
10 who received incentive payments would have made the same decision to switch  
11 fuels in absence of the incentive provided by the Energy Trust. However, an  
12 actual analysis of the impact of the Energy Trust on consumer decision making is  
13 not presented.

14 **Q. NW Natural states that the 1,440 incentives issued by the Energy Trust**  
15 **actually “understates the extent to which fuel switching is occurring.”<sup>6</sup> What**  
16 **is the basis of NW Natural’s argument?**

17 A. After a review of permit records from various cities, NW Natural concludes that,  
18 in addition to the 1,440 incentives received by gas customers, “at least 5,395  
19 customers [] installed heat pumps” during the 2006-2011 timeframe.<sup>7</sup>

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<sup>5</sup> NWN/100, Edmonds/7, lines 11–12.

<sup>6</sup> *Id.* lines 13–14.

<sup>7</sup> *Id.* at 8, lines. 4–16.

1 **Q. Do you agree with NW Natural's conclusion that this data shows fuel**  
2 **switching is occurring at a greater rate than the Energy Trust's data**  
3 **suggests?**

4 A. No. As NW Natural correctly points out, it is difficult to verify the exact amount  
5 of fuel switching that is occurring. The data relied upon by NW Natural,  
6 however, suffers from several deficiencies. For example, the data reviewed by  
7 NW Natural appears to include commercial, as well as residential, installations.  
8 NW Natural's conclusion that the Energy Trust's data under-represents fuel  
9 switching is unsupported.

10 **Q. Of the customers that were paid an incentive, should it be assumed that the**  
11 **customer would not have switched without the Energy Trust's policies and**  
12 **practices?**

13 A. No. There is no testimony or any other support to show that customers who  
14 received Energy Trust incentives for space conditioning would not have switched  
15 fuels on their own. In fact, the 1,440 incentives received by customers from the  
16 Energy Trust for the installation of a heat pump likely overstates—not  
17 understates—the impact of Energy Trust incentives on fuel switching. It is not  
18 reasonable to assume that all customers who received incentives would not have  
19 switched in the absence of the incentive. It is also important to recognize that the  
20 Energy Trust provides an incentive if a customer choosing to install a heat pump  
21 chooses a *high efficiency* heat pump. In other words, the Energy Trust is trying to  
22 promote choosing a high efficiency heat pump versus a standard heat pump, not to

1 promote choosing between a heat pump and another method of space  
2 conditioning.

3 **Q. Has the Company looked at the impact of fuel switching in its Oregon service**  
4 **territory?**

5 A. Yes. The Company has seen no noteworthy switching of gas heat customers in its  
6 Oregon service territory to another fuel in the last 10 years. The Company has  
7 also not seen any significant shift in the main heating systems used to heat  
8 customer homes.

9 **Issue 3—Is there a need to modify the Energy Trust’s policies or practices or**  
10 **ratepayer-funded messaging?**

11 **Q. Do the Energy Trust’s polices, practices, or ratepayer-funded messages need**  
12 **to be modified?**

13 A. No. The Energy Trust’s current policies, practices, and messages do not need to  
14 be modified. Although the data provided by the Energy Trust shows 1,440  
15 incentives were provided to gas customers for the installation of electric heat  
16 pumps since 2003, the Commission should be cautious using this as a surrogate  
17 for a measure of the number of customers that switched *because of* the Energy  
18 Trust’s polices or practices. Making this assumption would clearly overstate the  
19 impact of the Energy Trust on customer decisions. The data simply does not  
20 indicate a potential problem with the fuel-neutral policies, practices, or ratepayer-  
21 funded messages of the Energy Trust.

1 **Q. NW Natural implies that the Energy Trust, and indirectly the Company,**  
2 **should include a disclaimer that the information is not intended to cause fuel**  
3 **switching in information provided to customers interested in space**  
4 **conditioning. Do you agree?**

5 A. No. NW Natural suggests a solution to a problem—fuel switching caused by the  
6 policies and practices of the Energy Trust—that has not been shown to exist.  
7 Although evidence suggests a minimal amount of fuel switching from *both* gas to  
8 electricity and electricity to gas, NW Natural has not shown that the policies of  
9 the Energy Trust are causing that fuel switching, or that customers are  
10 disproportionately switching from natural gas to electricity. It would be an  
11 inappropriate use of already limited resources for the Energy Trust or the  
12 Company to provide a disclaimer to customers regarding a “problem” that has not  
13 been shown to exist.

14 **Conclusion**

15 **Q. Please summarize your position.**

16 A. Purchasing a new or upgraded space conditioning system, including heat pumps,  
17 is an important and expensive decision. The Company supports the Energy  
18 Trust’s incentive program to support customers’ decisions to select the most  
19 energy efficient heating space conditioning methods available.

20 A basic analysis of the data does not indicate that the Energy Trust  
21 policies or practices are affecting fuel switching. Contrary to NW Natural’s  
22 suggestion that the Commission should act based on an assumed causation

1           between the Energy Trust policies and practices and fuel switching, the data  
2           simply does not support the need for Commission action at this time.

3   **Q.    Does this conclude your testimony?**

4   **A.    Yes.**