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October 2, 2015

VIA ELECTRONIC FILING

Public Utility Commission of Oregon
201 High Street SE, Suite 100
Salem, OR 97301-1166

Attn: Filing Center

RE: UM 1744—PacifiCorp's Reply Testimony

PacifiCorp d/b/a Pacific Power encloses for filing its Reply Testimony in the above-referenced docket.

If you have questions about this filing, please contact Erin Apperson, Manager Regulatory Affairs, at (503) 813-6642.

Sincerely,

A handwritten signature in cursive script that reads "R. Bryce Dalley".

R. Bryce Dalley
Vice President, Regulation

Enclosure

Docket No. UM 1744
Exhibit PAC/200
Witness: Mary M. Wiencke

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

PACIFICORP

Reply Testimony of Mary M. Wiencke

October 2015

1 **Q. Are you the same Mary M. Wiencke that previously provided testimony in**
2 **this proceeding?**

3 A. Yes.

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

5 A. The purpose of my testimony is to respond to the testimony provided by Staff of
6 the Public Utility Commission of Oregon (Commission), Portland General
7 Electric (PGE), the Citizens' Utility Board (CUB), and the Northwest Energy
8 Coalition (NWEC).¹

9 **Q. Since you provided initial testimony in this proceeding, has Northwest**
10 **Natural (NW Natural) put forth new proposals or evidence responsive to the**
11 **issues raised in your initial testimony?**

12 A. No. In my initial testimony I stated that NW Natural has not demonstrated it
13 should receive an incentive for an activity—encouraging combined heat and
14 power (CHP)—it is already incentivized to pursue in the ordinary course of
15 business. My initial testimony also pointed out that use of the U.S.
16 Environmental Protection Agency's (EPA) non-baseload e-Grid carbon emissions
17 value for the Northwest Power Pool (NWPP), which was last calculated in 2010,
18 to estimate emissions reductions achieved by this program is likely to result in
19 overstating emissions reductions. Further, I explained why it is not appropriate
20 for NW Natural to receive an incentive payment for emissions reductions
21 associated with decreased electricity use.

¹ The Northwest Industrial Gas Users and Climate Solutions also provided testimony in this proceeding. At this time, PacifiCorp does not have any comments specific to the testimony of those parties but reserves the right to testify in response to facts raised by either party in future phases of this proceeding.

1 On September 19, 2015, in lieu of a settlement conference, parties held a
2 workshop to discuss NW Natural’s proposal. At the workshop, NW Natural did
3 not bring forth any new proposals or evidence related to the issues raised in my
4 initial testimony or any compelling policy arguments in support of those aspects
5 of the proposal identified in my response testimony. As such, I have not changed
6 the recommendations from my initial testimony.

7 **Q. Do other parties agree that NW Natural is already adequately incentivized to**
8 **pursue CHP without an incentive payment?**

9 A. Yes. As one of the reasons why it could not support NW Natural’s application as
10 proposed, Staff pointed out several flaws in NW Natural’s proposed incentive
11 payment to itself, including that “the Company does not acknowledge the other
12 benefits [i.e., margin from increased revenues] it would receive from the proposed
13 program.”² Staff recommends NW Natural reevaluate its proposed incentive
14 payment and present an alternative proposal.

15 Staff also points out that NW Natural’s proposed incentive payment to
16 itself is overstated as NW Natural did not consider the compliance value of CHP
17 as a Clean Power Plan compliance mechanism.³ Staff ultimately recommends
18 NW Natural receive *no* incentive payment because NW Natural is fully
19 compensated through margin from increased revenue and the compliance value of
20 CHP under the Clean Power Plan.⁴

21 **Q. Do you agree with Staff’s recommendations?**

22 A. Yes. Similar to PacifiCorp, Staff correctly identified that NW Natural is already

² Staff/100, Klotz 4.

³ Staff/200, St.Brown/22.

⁴ Staff/200, St.Brown/22.

1 incentivized, through the normal course of business, to encourage the
2 development of CHP facilities within its service territory. Regardless of the
3 actual values of margin or compliance value,⁵ increased revenue from increased
4 load and the compliance value of a CHP facility under the Clean Power Plan are
5 adequate incentives. NW Natural has not explained why it is necessary to receive
6 additional incentives associated with encouraging CHP and how that is consistent
7 with the statutory requirements set forth in Senate Bill 844.

8 **Q. Did other parties address the use of an incentive associated with decreased**
9 **electricity use?**

10 A. Yes. PGE and CUB both address this issue in their initial testimony. PGE
11 supports PacifiCorp in its view that it is not sound policy to use ratepayer money
12 to incentivize fuel switching.⁶ CUB does not opine on the policy issues
13 associated with incentivizing fuel switching, but recommends NW Natural
14 consider the full spectrum of impacts associated with fuel switching for customers
15 that are customers of both NW Natural and an electric utility.⁷

16 **Q. Do you support the recommendation of CUB related to a full-impacts**
17 **analysis of fuel switching?**

18 A. Yes. A complete analysis by NW Natural of the impacts of fuel switching for
19 customers that are customers of both NW Natural and an electric utility will
20 provide the information necessary for the Commission to determine whether it is
21 sound policy to, in this instance, encourage fuel switching. In the absence of such

⁵ PacifiCorp has not analyzed NW Natural's proposed margin calculation; the issue is not the value of the margin from increased revenues NW Natural receives, but the fact that NW Natural receives any margin from increased revenues as the result of encouraging CHP.

⁶ PGE/100, Barra/2.

⁷ CUB/100, McGovern-Jenks/10.

1 an analysis, NW Natural has not justified the extensive fuel switching it proposes
2 as part of the proposed CHP program.

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

4 A. Yes.