BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

PACIFICORP

Exhibit Accompanying Rebuttal Testimony of
Chad A. Teply

Testimony Excerpt of Jeremy Fisher in Oklahoma Cause No. PUD 201400229

November 2018
BEFORE THE CORPORATION COMMISSION OF OKLAHOMA

IN THE MATTER OF THE APPLICATION OF
OKLAHOMA GAS AND ELECTRIC COMPANY FOR COMMISSION
AUTHORIZATION OF A PLAN TO COMPLY
WITH THE FEDERAL CLEAN AIR ACT AND
COST RECOVERY; AND FOR APPROVAL OF
THE MUSTANG MODERNIZATION AND
COST RECOVERY

CAUSE NO. PUD 201400229

Direct Testimony of
Jeremy I. Fisher, PhD

PUBLIC VERSION

On Behalf of
Sierra Club

December 16, 2014
challenge, suddenly leaving the Company with an IRP $1 billion short of legally
required retrofits. OG&E appears to once again be banking on a legal challenge
to a federal rulemaking, and in doing so unreasonably claiming that there will be
no carbon costs for the next thirty years. When OG&E refuses to acknowledge
reasonable regulatory risks, it inappropriately exposes its ratepayers to high cost
consequences – costs that OG&E could otherwise mitigate.

Q How are other utilities responding to the proposed Section 111(d) rule?

A Although I have not taken an extensive survey of utility responses, the largest
utilities are taking the proposal seriously, and examining their resource options for
compliance, as described below. As I noted previously, the proposed rule
provides both significant flexibility in meeting (and even interpreting) targets, and
significant ambiguity in interpreting provisions. Therefore, some utilities are
actively working with stakeholders to interpret the proposal and review
compliance options, while other utilities have settled into using a proxy CO₂ price
for forward planning as they await clarity from EPA and state regulators.

For example, while constructing this testimony, I attended a technical workshop
hosted by PacifiCorp (a utility with generation and load in nine western states)
specifically focused on modeling Section 111(d) compliance across multiple
states. The utility has traditionally used a carbon price assumption in all of its
reference or base cases supporting IRP and CPCN dockets, and is now generally
substituting that price with a rate-based compliance mechanism. Notably, a large
fraction of PacifiCorp’s generation is served from Wyoming, a co-signatory to the
lawsuit against EPA’s proposed 111(d) rule. Nonetheless, PacifiCorp has made its
intent clear to model 111(d) requirements in thirteen of fourteen cases (93%).

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14 See OG&E Press Release, May 27, 2014. “U.S. Supreme Court declines to hear OG&E's Regional Haze
case: Company expresses disappointment with decision,” Attached as Exhibit JIF-2.
P/PacificCorp_2015IRP_PIM05_11-14-2014_FINAL.pdf Attached as Exhibit JIF-3.
and has treated the CPP as one of the two primary environmental compliance risks under review.

In an ongoing docket in Indiana, Indiana Michigan Power Company, a subsidiary of American Electric Power, which also owns Oklahoma Public Service Company (PSO), uses a carbon price in the reference case of evaluating the economics of continuing to operate Rockport unit 1, a large coal generating station in southern Indiana.\(^ {17}\) Like Wyoming, Indiana is also a party to the lawsuit against EPA’s proposed 111(d) rule. Nonetheless, Indiana Michigan Power Company uses a carbon price in four of five (80%) of its core cases.\(^ {18}\)

Similarly, although Kentucky is also a party in the EPA lawsuit, the largest utilities in this state are very actively considering mechanisms of meeting more stringent carbon reduction requirements. Kentucky Utilities and Louisville Gas & Electric (KU/LG&E) are engaged in ongoing review of an IRP filed in early 2014. In the most recent addendum to this docket, filed October 17, 2014, the utilities reviewed twenty-one cases, of which twelve (57%) assumed either a carbon price or a cap on greenhouse gas emissions from the utility.\(^ {19}\)

**Q** Is it your opinion that OG&E should have used a carbon price in the base case?

**A** Yes. The Company’s reasonable baseline assumption should be proposed regulations pose enough of a risk that they warrant serious assessment and mitigation. If the assessment of the Company’s fleet looked identical with and without the assumed regulatory impact, there might be a case to be made that the plan is robust regardless of the final disposition of the rule. However, the proxy

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\(^ {17}\) Direct Testimony of Mr. Scott Weaver (AEP) in Indiana Cause 44523. Page 48, lines 10-16. “the proposed rule is centered on the achievement of future state-specific CO₂ emission reduction targets that were predicated on a set of suggested “building block” metrics. Because of that complexity and uncertainty, it is the Company’s position that it would be necessary to attempt to reasonably ‘proxy’ the potential relative economic implication on Rockport Unit 1 by way of assessing the deleterious impact of such “CO₂ pricing.” Attached as Exhibit JIF-4.

\(^ {18}\) Direct Testimony of Mr. Scott Weaver (AEP) in Indiana Cause 44523. Table 3, pages 37-38.