

Application No. 18-04-002  
Exhibit PAC/1602  
Witness: Chad A. Teply

BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA

PACIFICORP

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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 ) CAUSE NO. PUD 201400229  
COST RECOVERY; AND FOR APPROVAL OF )  
THE MUSTANG MODERNIZATION AND )  
COST RECOVERY )**

**Direct Testimony of  
Jeremy I. Fisher, PhD**

**PUBLIC VERSION**

**On Behalf of  
Sierra Club**

**December 16, 2014**

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1 challenge, suddenly leaving the Company with an IRP \$1 billion short of legally  
2 required retrofits.<sup>14</sup> OG&E appears to once again be banking on a legal challenge  
3 to a federal rulemaking, and in doing so unreasonably claiming that there will be  
4 no carbon costs for the next thirty years. When OG&E refuses to acknowledge  
5 reasonable regulatory risks, it inappropriately exposes its ratepayers to high cost  
6 consequences – costs that OG&E could otherwise mitigate.

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

8 **A** Although I have not taken an extensive survey of utility responses, the largest  
9 utilities are taking the proposal seriously, and examining their resource options for  
10 compliance, as described below. As I noted previously, the proposed rule  
11 provides both significant flexibility in meeting (and even interpreting) targets, and  
12 significant ambiguity in interpreting provisions. Therefore, some utilities are  
13 actively working with stakeholders to interpret the proposal and review  
14 compliance options, while other utilities have settled into using a proxy CO<sub>2</sub> price  
15 for forward planning as they await clarity from EPA and state regulators.

16 For example, while constructing this testimony, I attended a technical workshop  
17 hosted by PacifiCorp (a utility with generation and load in nine western states)  
18 specifically focused on modeling Section 111(d) compliance across multiple  
19 states.<sup>15</sup> The utility has traditionally used a carbon price assumption in all of its  
20 reference or base cases supporting IRP and CPCN dockets, and is now generally  
21 substituting that price with a rate-based compliance mechanism. Notably, a large  
22 fraction of PacifiCorp's generation is served from Wyoming, a co-signatory to the  
23 lawsuit against EPA's proposed 111(d) rule. Nonetheless, PacifiCorp has made its  
24 intent clear to model 111(d) requirements in thirteen of fourteen cases (93%),<sup>16</sup>

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<sup>14</sup> 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.

<sup>15</sup> PacifiCorp 2015 IRP Public Input Meeting 5. November 14, 2014. Page 35.  
[http://www.pacificorp.com/content/dam/pacificorp/doc/Energy\\_Sources/Integrated\\_Resource\\_Plan/2015IRP/PacifiCorp\\_2015IRP\\_PIM05\\_11-14-2014\\_FINAL.pdf](http://www.pacificorp.com/content/dam/pacificorp/doc/Energy_Sources/Integrated_Resource_Plan/2015IRP/PacifiCorp_2015IRP_PIM05_11-14-2014_FINAL.pdf) Attached as Exhibit JIF-3.

<sup>16</sup> PacifiCorp 2015 IRP Public Input Meeting 5. November 14, 2014. Page 24.

1 and has treated the CPP as one of the two primary environmental compliance  
2 risks under review.

3 In an ongoing docket in Indiana, Indiana Michigan Power Company, a subsidiary  
4 of American Electric Power, which also owns Oklahoma Public Service Company  
5 (PSO), uses a carbon price in the reference case of evaluating the economics of  
6 continuing to operate Rockport unit 1, a large coal generating station in southern  
7 Indiana.<sup>17</sup> Like Wyoming, Indiana is also a party to the lawsuit against EPA's  
8 proposed 111(d) rule. Nonetheless, Indiana Michigan Power Company uses a  
9 carbon price in four of five (80%) of its core cases.<sup>18</sup>

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

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

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

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<sup>17</sup> 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 CO<sub>2</sub> 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 "CO<sub>2</sub> pricing." Attached as Exhibit JIF-4.

<sup>18</sup> Direct Testimony of Mr. Scott Weaver (AEP) in Indiana Cause 44523. Table 3, pages 37-38.

<sup>19</sup> Kentucky Docket 2014-00131. October 2014. KU/LG&E 2014 IRP. 2014 Resource Assessment Addendum. [http://psc.ky.gov/pscecf/2014-00131/rick.lovekamp@lge-ku.com/10172014103810/2014\\_Resource\\_Assessment\\_Addendum\\_2014-IRP\\_10-17-14.pdf](http://psc.ky.gov/pscecf/2014-00131/rick.lovekamp@lge-ku.com/10172014103810/2014_Resource_Assessment_Addendum_2014-IRP_10-17-14.pdf)