

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

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In the Matter of the Application of)	
PacifiCorp and ScottishPower plc)	Docket No. 98-2035-04
for an Order Approving the Issuance)	
of PacifiCorp Common Stock)	

REBUTTAL TESTIMONY OF
JOHN NIELSEN

ON BEHALF OF

THE LAND AND WATER FUND OF THE ROCKIES

July 16, 1999

1 **I. INTRODUCTION**

2

3 **Q. Please state your name and address.**

4 A. My name is John Nielsen. I work at 2260 Baseline Road, Suite 200, Boulder, CO, 80302.

5

6 **Q. By whom are you employed and in what capacity?**

7 A. I am employed by the Land and Water Fund of the Rockies (LAW Fund) as a Senior Policy
8 Advisor.

9

10 **Q. Are you the same John Nielsen who has previously submitted testimony in this
11 proceeding?**

12 A. Yes.

13

14 **Q. What is the purpose of this testimony?**

15 A. The purpose is to respond to the testimony submitted by several of the intervening parties as
16 it relates to ScottishPower's renewable energy commitments ____ in particular, the
17 testimonies of Mr. Kenneth Powell on behalf of the Division of Public Utilities (DPU), Mr.
18 Daniel Gimble on behalf of the Committee for Consumer Services (Committee), Dr. Dennis
19 Goins on behalf of Nucor Steel and Dr. Richard Anderson of behalf of the Large Customer
20 Group.

21

22 **Q. How is your testimony organized?**

23 A. I first address what I believe to be the core concern raised by the intervenors regarding
24 ScottishPower's renewable energy commitments, which is that customers may end up paying
25 for a set of renewable resources that have not been shown to be appropriate or cost-effective
26 through the resource planning process.

27 I then briefly address a number of relatively minor issues in the testimony of the
28 intervenors including:

29 statements by Mr. Powell regarding the higher costs of renewable energy and the
30 willingness of Utah customers to pay higher rates to support renewable energy;
31 the view of Mr. Gimble and Dr. Goins that ScottishPower's renewable energy
32 commitment should not be considered a merger benefit because there is no

1 reason that PacifiCorp, as a stand-alone company, could not invest in renewable
2 resources; and

3 Mr. Gimble's position that it is premature for ScottishPower to commit to filing a
4 green resource tariff given that the Commission's Energy Efficiency and
5 Renewable Energy Task Force is currently studying green pricing.

6
7 **II. RESPONSE TO INTERVENORS' CORE CONCERN**

8
9 **Q. You mentioned the intervenors' core concern that customers may have to pay for**
10 **renewable resources that have not yet been demonstrated to be appropriate or cost-**
11 **effective through the resource planning process. Does the LAW Fund have any**
12 **recommendations for addressing this concern?**

13 A. Yes. Given the uncertainties that currently exist, the LAW Fund recommends that
14 ScottishPower and PacifiCorp (and their shareholders) bear the burden of demonstrating that
15 the renewable resource commitments, and the associated investments, are both cost-effective
16 and prudent. More specifically, we recommend that nothing in this proceeding be construed
17 to provide ScottishPower or PacifiCorp with a finding of prudence in regard to these
18 renewable resource commitments prior to a future rate case. Rather, when PacifiCorp or
19 ScottishPower seek to include these renewable resource costs in rates in the future, they must
20 demonstrate at that time that these costs have been prudently incurred.

21
22 **Q. Do you believe that this recommendation addresses the concerns of the intervenors?**

23 A. It should. If adopted, this recommendation would ensure that customers would not be
24 required to bear the costs of these renewable resource investments until ScottishPower and
25 PacifiCorp demonstrated that they were prudent in the context of a future rate case. Of
26 course, the analysis and results from any prior resource planning process would be important
27 evidence in this rate case prudence determination.

28
29
30 **Q. Is this recommendation acceptable to PacifiCorp and ScottishPower?**

31 A. My understanding is that this recommendation is acceptable to the Applicants.
32

1 **Q. Would you agree that the RAMPP process should be used to evaluate and select the**
2 **renewable energy resources acquired by ScottishPower?**

3 A. Yes. In addition to providing critical evidence for a prudency determination, the RAMPP
4 process should be used to help evaluate and select the renewable resources to ensure that
5 they provide the most benefit to PacifiCorp's customers (see, e.g., Nielsen Direct, page 5,
6 lines 19-21). The RAMPP process is designed to evaluate all resources on a consistent and
7 comparable basis across a variety of criteria, including cost, environmental impacts and risk
8 diversification benefits. Thus, the RAMPP process is one appropriate forum to evaluate the
9 costs and benefits of the renewable resource acquisition.

10 However, as retail competition expands in PacifiCorp's service territory ____ for
11 example, the Oregon legislature appears poised to enact a comprehensive industry
12 restructuring bill ____ my sense is that the resource planning process will likely need to
13 change. As a result, I would suggest that some flexibility be retained about the processes that
14 are used to evaluate and select the renewable resources and provide evidence for a future
15 prudency determination.

16

17 **III. OTHER ISSUES**

18

19 **Q. You also wanted to address several points made by DPU witness Powell regarding the**
20 **higher costs of renewable energy and the willingness of Utah customers to pay higher**
21 **electric rates to support ScottishPower's 50 MW renewable energy commitment. What**
22 **is Mr. Powell's testimony on these topics?**

23 A. In his testimony Mr. Powell states that PacifiCorp's "...IRPs have consistently indicated that
24 renewable power production is quite a bit more expensive than the least cost type of power
25 production." He goes on to say that the DPU does not believe "that Utah ratepayers are
26 interested in paying higher rates to get more renewable power in the production mix" (Powell
27 Direct, page 4, lines 21-22).

28

29 **Q. Isn't Mr. Powell's first statement that renewable resources are more expensive than**
30 **conventionally resources true?**

31 A. In general, it is true that for many utility scale applications, electricity generated from
32 renewable resources such as wind, geothermal and solar is currently more expensive than

1 electricity from conventional resources, when evaluated on a purely financial basis.
2 However, it is also true that renewable energy tends to offer other benefits such as increased
3 resource diversity, fewer environmental impacts, and benefits to the utility of gaining
4 experience with renewable energy technologies. These broader renewable energy benefits
5 are often not accounted for when comparing the costs of renewable-generated electricity with
6 electricity generated from conventional resources, and are not reflected in DPU Exhibit 5.2
7 which Mr. Powell uses to support his statement that renewable resources cost more than
8 conventional resources.

9 Also, in certain situations, renewable energy can in fact be the most cost-effective
10 resource option, even when its broader social benefits are not taken into account. At one
11 point in his testimony, Mr. Powell refers to the costs of solar energy as being “beyond all
12 reason” (Powell Direct, page 4. Lines 9-10). It is important to point out that, in certain, off-
13 grid applications where new transmission and distribution lines would be needed to bring in
14 electricity, solar photovoltaic panels are in many cases the most cost-effective resource.
15 Moreover, solar resources tend to generate during peak-demand periods, when the value of
16 electricity is highest. This peak-load following characteristic is a benefit that should be
17 accounted for in valuing solar resources.

18
19 **Q. Mr. Powell’s testimony is that the DPU does not believe that Utah ratepayers are**
20 **interested in paying higher rates to support ScottishPower’s commitment to add 50**
21 **MW of renewable energy to the PacifiCorp ratebase. Do you agree with the DPU?**

22 **A.** I don't think there is anywhere near enough evidence on this record to resolve this question.
23 As an indicator of customer preferences toward renewable energy, Mr. Powell cites a recent
24 PacifiCorp customer survey. However, a number of the survey questions he cites (Powell
25 Direct, page 4, lines 21-26 and page 5, lines 1-12) seem designed to reveal customer
26 preferences about voluntary green pricing programs and not customer preferences for
27 ratebasing renewable resources. Moreover, a ratebase commitment of 50 MW would result
28 in a very small rate impact, far smaller than the premiums discussed with customers in the
29 survey. Thus, I do not believe the survey provides compelling evidence about customer
30 willingness to include more renewable resources in the ratebase. In any event, I do not
31 believe that this issue needs to be resolved in this case if the Commission adopts a policy (as
32 described above) of requiring PacifiCorp and ScottishPower to demonstrate the prudence of

1 the renewable resource investments in a subsequent rate case.

2

3 **Q. Are there other issues you want to address?**

4 A. Yes. I want to address a point made by Committee witness Gimble and Nucor Steel witness
5 Goins that ScottishPower's 50 MW renewable energy commitment should not be considered
6 a merger benefit because there is no reason that PacifiCorp, as a stand-alone company, could
7 not invest in renewable resources that are shown to be cost-effective. (Gimble Direct page
8 26, lines 4-7, Goins Direct page 14, lines 14-16).

9

10 **Q. Do you agree that the investments in renewable energy and the benefits these**
11 **investments offer could be made by PacifiCorp as a stand-alone company?**

12 A. Not really. The LAW Fund's experience, during the six to twelve months immediately prior
13 to the merger, was that PacifiCorp lacked direction and leadership. I think the company's
14 principal objective at the current time is to find new ownership and management. If the
15 merger with ScottishPower does not go through, I think the next step for the company will be
16 to search for another merger partner and that a period of paralysis will follow until new
17 leadership is found. As a result, until new ownership is found, PacifiCorp will likely be
18 extremely cautious about moving forward on important environmental (and other) programs
19 that will provide benefits to Utah customers.

20

21 **Q. Are there any final areas in the intervenor testimony you would like to respond to?**

22 A. Yes. I would like to respond to Committee witness Gimble's testimony regarding
23 ScottishPower's commitment to file a green pricing tariff.

24

25

26

27 **Q. What is Mr. Gimble's position on the green pricing commitment?**

28 A. In his testimony, Mr. Gimble states that a Commission sponsored task force has been set up
29 to study a number of environmental issues, including green pricing. He believes it is
30 premature for ScottishPower to commit to implementing a green pricing program until the
31 task force submits its report to the Commission (Gimble Direct, page 26, lines 16-21).

32

1 **Q. Do you agree with Mr. Gimble?**

2 A. I agree that the Energy Efficiency and Renewable Energy Task Force is studying green
3 pricing, but I do not agree that it is premature for ScottishPower to commit to file a green
4 resource tariff. For the reasons cited in my direct testimony (Nielsen Direct, page 6, lines 1-
5 22), I believe a green pricing program makes sense for Utah and the sooner a well-designed
6 program is in place the better. From my perspective, the most productive role of the task
7 force with respect to green pricing, is not to discuss whether to implement a green pricing
8 program, but instead to provide inputs to ScottishPower and PacifiCorp to help design the
9 program so that it provides maximum benefits to Utah.

10

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

12 A. Yes.