

1 **INTRODUCTION**

2 Q. Please state your name, business address and present employment.

3 A. My name is Gordon E. McDonald. My business address is 920 S.W. Sixth
4 Avenue, Portland, Oregon, where I am employed by PacifiCorp (the
5 "Company") as Energy Service Policy & Administration Director. Q.What
6 are your current responsibilities?

7 A. I manage and coordinate planning, policies and reporting related to demand-
8 side resources. I am responsible for the assessment of demand-side resources
9 which is included in the Company's integrated resource plan. I am also
10 responsible for the Company's competitive bid for demand-side resources.
11 In addition, I manage reporting of the operating results of demand-side
12 resource programs.

13 Q. Please briefly describe your education and business experience.

14 A. I have been employed by PacifiCorp for six years. Prior to my present
15 position, I was manager of pricing development. In that capacity I was
16 responsible for developing price strategy and pricing new products. Before
17 coming to PacifiCorp, I was manager of forecasting and conservation analysis
18 at the Pacific Northwest Utilities Conference Committee, a trade association
19 of customers of the Bonneville Power Administration. I have a Master of
20 Arts degree in economics from the University of Washington.

1 **SUMMARY OF TESTIMONY**

2 Q. What is the purpose of your testimony?

3 A. My testimony describes the amount of demand-side resource which the
4 Company plans to acquire. It also describes the programs with which the
5 Company plans to acquire demand-side resources.

6 Q. What are the Company's goals for acquisition of demand-side resources in
7 Utah?

8 A. The Company's present goals for acquiring demand-side resources are
9 described in its integrated resource plan, "Resource and Market Planning
10 Program" (RAMPP-2), dated May 14, 1992.

11 Q. I show you what has been marked as Pacificorp Exhibit No. ____ (GM 3.1)
12 and ask if you can identify it?

13 A. Yes. It is a page from the RAMPP-2 Technical Appendix which shows the
14 Company's near-term plans for acquisition of demand-side resources in the
15 state of Utah.

16 Q. Please explain the exhibit.

17 A. The exhibit shows that the Company plans a substantial increase in its
18 demand-side resource program, both in terms of resources acquired and in
19 terms of expenditure. The Company plans to spend more than \$18.5 million
20 on demand-side resources acquisition in Utah in the next two years.

21 Q. What programs are planned by the Company to acquire these resources?

22 A. The Company plans to operate six major demand-side resource programs in
23 Utah in the next two years:

- 24 ● Energy FinAnswer, aimed at new commercial construction;
- 25 ● Industrial Energy FinAnswer, aimed at industrial facilities, both new
26 and existing;

- 1 ● Retrofit FinAnswer, the working name for a program aimed at large
- 2 existing commercial buildings;
- 3 ● Super Good Cents, aimed at new residences;
- 4 ● A program aimed at residential customers with low income; and
- 5 ● Home Comfort, aimed at existing residences.

6 Q. Briefly describe the Energy FinAnswer program for new commercial
7 buildings.

8 A. Energy FinAnswer offers up-front financing of the incremental costs of
9 making new commercial structures at least 10 percent more energy efficient
10 than would be required under applicable building codes. Financing is offered
11 at prime rate for cost-effective electrical efficiency measures. In addition,
12 measures which conserve other fuels or offer other value to the customer may
13 be financed at prime plus three percentage points. This supplemental funding
14 may not exceed the amount of primary funding for cost-effective measures.
15 The program offers modelling services to estimate measure costs and savings,
16 a guarantee of savings, and performance verification which confirms that
17 measures identified have been installed and are performing according to
18 agreed-upon specifications.

19 A variant of the program, Energy FinAnswer 12,000 targets new
20 buildings of less than 12,000 square feet in size plus warehouses of any size.
21 Experience with Energy FinAnswer showed that it was not cost-effective to
22 perform detailed energy modelling for these small buildings. The Energy
23 FinAnswer 12,000 program works prescriptively, with savings and cost
24 estimates taken from standardized tables. Performance verification is not
25 included.

26 Q. What is the status of this program.

1 A. The Energy FinAnswer Program is operating in Utah under Electric Service
2 Schedule No. 120. A proposed electric service schedule implementing
3 Energy FinAnswer 12,000 has been filed with the Commission.

4 Q. Please describe the Industrial Energy FinAnswer program.

5 A. The industrial program is similar in form to its commercial counterpart.
6 Improvements to the energy efficiency of buildings and processes are both
7 eligible for funding. It is available to customers whose average demand
8 exceeds 500 kW. Customers receive an audit to estimate measure costs and
9 savings. The program finances incremental measure costs at the prime interest
10 rate for new facilities and prime plus two percentage points for existing
11 facilities. A guarantee of savings backed up by performance verification is
12 also provided in some cases.

13 Q. What is the status of the Industrial Energy FinAnswer program?

14 A. The program is operating in Utah under Electric Service Schedule Nos. 140
15 and 141.

16 Q. Please describe the Retrofit Energy FinAnswer program.

17 A. This program focuses on retrofit opportunities in large existing commercial
18 structures. The Company expects to operate the program in a capability-
19 building mode, focusing on projects and building types illustrative of the
20 buildings in its Utah service territory to gain knowledge about acquiring this
21 resource while minimizing free-riders and cream skimming. The program will
22 target customers actively engaged in or planning remodels. It will finance
23 incremental costs above today's code for those measures within the
24 customer's remodel plans and the entire cost to retrofit the energy efficiency
25 measures we propose.

26 Q. Please describe how this program will operate.

1 A. Financing will be offered at the prime interest rate plus two percentage points
2 for cost-effective electricity measures and the prime interest rate plus four
3 percentage points for measures which save other fuels or offer other values.
4 Again, the supplemental amounts will not exceed the cost-effective funding.
5 Audits will be performed to estimate measure costs and savings, which are
6 somewhat easier to determine since the structure's billing history will be
7 available.

8 Q. What is the status of this program?

9 A. The commercial retrofit program is now under development. The Company
10 expects to file a proposed schedule with the Public Service Commission of
11 Utah ("Commission") before the end of 1992 to implement the program.
12 The schedule will characterize the program as "experimental".

13 Q. Please describe the Super Good Cents program for new residences.

14 A. The Super Good Cents program provides training and \$1,500 incentives to
15 builders that install cost-effective energy efficiency upgrades in electrically
16 heated homes. The program is operated under license from Southern Electric
17 International. To receive an incentive, houses must include R-49 attic
18 insulation, R-24 wall insulation, R-30 floor insulation, and U-.38 (R-2.6)
19 windows. Qualifying houses must also meet standards for infiltration of
20 unconditioned air and indoor air quality.

21 Q. What is the status of the Super Good Cents program?

22 A. The Company has filed a proposed Electric Service Schedule No. 231 with
23 the Commission to implement the program. Action on the proposed
24 schedule has been suspended pending the outcome of this proceeding.

25 Q. Please describe the low income program.

1 A. The low income weatherization program provides funding for weatherization
2 and other energy saving measures to low income customers at no direct cost
3 to them. The program is operated in conjunction with the Utah Division of
4 Energy and community agencies already serving this target group. The
5 community agency implements the program and the Utah Division of Energy
6 co-funds the measures.

7 Q. What is the status of the program?

8 A. A pilot version of the low income program was operated in Utah during the
9 last year. Discussions are now proceeding concerning full scale operation of
10 the program.

11 Q. Please describe the Home Comfort program for existing residences.

12 A. The Home Comfort program provides comprehensive energy audits of
13 existing residences, measures to improve energy efficiency of customers'
14 homes, and loans for weatherization measures. The audit and measures are
15 designed to attract customer interest and increase the frequency with which
16 customers undertake weatherization following the audit. The audit may
17 include a "blower door" test to determine air leakage combined with infrared
18 images which graphically illustrate heat loss. In Utah, we expect to promote
19 solar water heating measures. These measures are likely to be cost-effective
20 in Utah, but not in the Northwest.

21 Q. What is the status of the Home Comfort program?

22 A. The program is being operated on a pilot basis in Washington state. The
23 Company expects to begin pilot operation of the program in Utah in 1993.

24 Q. Is PacifiCorp conducting or planning any other actions to acquire demand-
25 side resources in the next two years for which it will seek to recover costs?

1 A. Yes, two additional activities are now identified. First, the Company issued
2 its first request for resource proposals in 1991. We will be negotiating
3 contracts with three developers to acquire demand-side resources in Utah.
4 Utah expenditures in 1993 are likely to exceed \$1 million. The Company will
5 seek approval of accounting treatment for these costs when we bring the
6 contracts before the Commission.

7 Second, the Company is committed to participating in the Super
8 Efficient Refrigerator Project. In that project, utilities from around the
9 country will provide funding to manufacturers of refrigerators as an incentive
10 to build units which are significantly more efficient than any now made.
11 Substantial expenditures will not occur until 1994 or 1995.

12 Q. Are there current customer programs for which the Company does not
13 anticipate requesting accounting treatment as demand-side resource
14 programs?

15 A. Yes. The Company is now operating the H-PRO program, which promotes
16 improved efficiency of residential air conditioning and may also promote its
17 use. The Company may, in the future, request that some or all of the costs
18 of the H-PRO program be treated as demand-side resource costs. Whether
19 such a request would be justified has not yet been determined.

20 Q. In his testimony in this proceeding, Mr. McKay describes the Company's
21 proposal for a lost revenue accrual mechanism. How does the Company
22 propose to determine, for the purposes of that lost revenue accrual
23 mechanism, the energy and capacity savings associated with its demand-side
24 resource programs?

25 A. The Company proposes to determine capacity and energy savings on the basis
26 of energy service contract savings. Customers who participate in the current

1 Commission-approved demand-side resource programs are, under the
2 provision of Electric Service Schedules 120, 140 and 141, required to execute
3 an energy services contract with the Company. Each energy services contract
4 includes the best current estimate of the energy and capacity savings to be
5 realized from the energy conservation measures installed under the contract.
6 Because they represent the best current estimate of energy and capacity
7 savings from the Commission-approved demand-side resource programs, the
8 energy services contract savings provide an appropriate measure of energy
9 and capacity savings for the purposes of the lost revenue accrual mechanism.

10 While this approach has several immediately apparent advantages,
11 including its relative simplicity and ease of implementation, the proceedings
12 in Docket No. 92-2035-04 will provide interested parties with a full
13 opportunity to fully discuss this and other possible approaches to the
14 determination of capacity and energy savings. At the conclusion of those
15 proceedings, the method used by the Company to estimate lost revenue could
16 be adjusted, if necessary, to reflect the results of those proceedings.

17 Q. Does this conclude your testimony.

18 A. Yes.