Q. Please state your name, business address and present position with PacifiCorp, dba Rocky Mountain Power (the "Company").

A. My name is Michael G. Wilding. My business address is 825 NE Multnomah St., Suite 600, Portland, Oregon 97232. My title is Net Power Cost Mechanism Manager.

Qualifications

Q. Briefly describe your education and business experience.

A. I received a Master of Accounting degree from Weber State University and a Bachelor of Science degree in accounting from Utah State University. I am a Certified Public Accountant licensed in the State of Utah. Prior to joining the Company, I was employed as an internal auditor for Intermountain Healthcare and an auditor for the Utah State Tax Commission. I have been employed by the Company since February 2014.

Q. Have you testified in previous regulatory proceedings?

A. Yes. I have filed testimony in proceedings before the public utility commission in Utah, Wyoming, Idaho, California, and Oregon.

Purpose of Testimony

Q. What is the purpose of your testimony in this proceeding?

A. I provide testimony supporting certain changes to the Energy Balancing Account ("EBA"), specifically I propose to include the following items in the EBA: chemical costs, start-up fuel, and production tax credits ("PTC"). However, my proposal is for these additions to be effective on the rate effective date from the next general rate case ("GRC").

Q. When does the EBA pilot program sunset?

A. The EBA was originally scheduled to sunset December 31, 2015; however, the Commission-approved settlement stipulation Docket No. 13-035-184 ("2014 GRC") which extended the EBA pilot one year. Subsequently, the Commission approved revisions to tariff Schedule 94 that extended the EBA pilot to December 31, 2019, to be consistent with the recently passed legislation modifying Utah Code § 54-7-13.5. For the Company, the EBA is an integral and necessary ratemaking mechanism that allows for the appropriate and timely recovery of costs incurred to provide safe and reliable service to its customers. For this reason, the EBA should be made permanent and continue after 2019.

Q. Why are you proposing changes to the EBA at this time?

A. The Commission authorized the EBA in Docket No. 09-035-15 as a pilot program and directed the Division of Public Utilities ("DPU") to file a written evaluation of the pilot program during the second and third calendar years of the EBA. The timeline for the second DPU report was extended consistent with the extension of the EBA pilot in the 2014 GRC. The DPU filed its second written evaluation on May 20, 2016, and as a result the current docket and schedule was established to evaluate the EBA.

Energy Balancing Account

Q. Please briefly describe the Company's current EBA as authorized by the Commission.

A. The EBA is a mechanism to recover the differences between actual net power cost ("NPC") and wheeling revenues and base NPC and wheeling revenues in rates.

Q. What additional items does the Company propose adding to the EBA?

A. The Company proposes a true-up of certain non-NPC costs and benefits that are either directly correlated with generation output, or are clearly and closely related to the generation process. Specifically, the Company is proposing the inclusion of the following: chemical costs, start-up fuel/gas costs, and PTCs. Each of these items are similar to NPC in that they are volatile and vary with generation and weather. Fluctuations in each of these items are also generally beyond the Company's control. If included in the EBA, the Company proposes to treat these items like EBA costs – their base costs would be set along with NPC and wheeling revenue in a GRC, and they would be subject to later true up in the annual filings.

Q. Please explain why chemical costs should be included in the EBA.

A. Chemical consumption and costs are largely related to number of megawatt-hours ("MWh") produced at the Company's coal-fired generation plants, and the attributes of the coal consumed. Chemical consumption is also dependent on coal quality. With the completion of mercury control equipment installation at the Company's coal-fired generation facilities, approximately 75 percent to 85 percent of the Company's chemical consumption will be attributable to pollution control equipment such as scrubbers, selective catalytic reduction equipment ("SCR") and mercury control equipment. The percentage of pollution control equipment relative to total chemicals will continue to increase as additional SCR equipment is installed on various units within the thermal generation coal fleet. The remaining chemical expenditures are primarily attributable to boiler and cooling tower water treatment. As generation increases so does the Company's chemical consumption. The

Company has demonstrated its efforts to control chemical costs by strategically entering into long-term agreements to minimize variability in chemical pricing. The Company has also included coal quality specifications in coal supply agreements to ensure delivery of coal within plant tolerance levels. However, variability in volumes consumed due to megawatt hours generated still exists causing chemical costs to fluctuate, justifying its inclusion in the EBA.

Q. Please explain why start-up fuel costs should be included in the EBA.

A. The Company's coal-fired generation plants rely on number two diesel fuel or natural gas as start-up fuel. The primary function of start-up fuel is to provide a proper ignition source during startup, flame stability during coal mill and other operation interruptions, and flame support during de-rate and shutdown activities. From a generation perspective, start-up fuel is not used to increase overall heat input as the thermal design uses coal to regulate and increase the overall heat input. Even though start-up fuel is not used to increase the heat input and generate energy it is essential to the generation process and should be treated the same as the coal fuel cost. In addition, the cost of the number two diesel fuel or natural gas used for start-up should be included in the EBA because of its exposure to volatile market prices. Table 1 below shows the total Company Chemicals and Start-Up Fuel costs for 2010 through 2015.

Table 1
Actual Chemicals and Startup Fuel 2010 - 2015 Total Company($ millions)

	2010	2011	2012	2013	2014	2015
Chemicals	24.92	24.77	27.67	30.72	26.92	36.72
Startup Fuel	9.47	10.24	8.12	7.94	6.64	5.44

Q. Please explain why production tax credits should be included in the EBA.

A. The generation of energy at certain company-owned facilities is eligible for the renewable electricity PTC under Internal Revenue Code section 45, and the credit is included as an offset to the Company's federal income taxes. For each kilowatt hour of energy generated at eligible wind-powered generating facilities the Company receives a $0.023 credit ($0.011 credit for eligible hydro generating facilities) on its tax return, for a duration of 10 years beginning on the date which the facility becomes commercially operable. The value of these credits are reflected as a reduction to current income tax expense on the financial statements and for rate making purposes. The Company's PTCs will begin expiring in 2017 with a greater amount dropping off in each subsequent year, having a significant impact on the Company's revenue requirement. Table 2 below shows the expiration dates of the PTCs for the Company's geothermal and wind power plants.

Table 2

Wind/Geothermal Plant	PTC Expiration Date
Leaning Juniper	9/13/2016
Marengo I	8/2/2017
Blundell Bottoming Cycle	12/1/2017
Goodnoe	12/17/2017
Marengo II	6/25/2018
Glenrock	12/30/2018
Seven Mile	12/30/2018
Seven Mile II	12/30/2018
Glenrock II	1/16/2019
Rolling Hills	1/16/2019
High Plains	10/14/2019
McFadden Ridge	10/31/2019
Dunlap I	9/29/2020

Additionally, the amount of renewable electricity production tax credit received is entirely dependent on the amount of generation at eligible facilities. The generation is highly dependent on weather, varying from year to year as weather patterns fluctuate. The forecasted generation of these facilities used to set Base NPC is the same output currently used to calculate the value of the renewable electricity production tax credits in general rate cases. To the extent the generation from these plants varies from the forecast, the impact on NPC gets updated via the current EBA filings but the value of the production tax credit is not trued-up. Therefore, including a true-up of the production tax credits in the EBA would be appropriate.

Q. When does the Company propose the changes to the EBA become effective?

A. The Company proposes that chemical costs, start-up fuel, and PTC be included in the EBA beginning with the effective date of the date when rates from the next GRC are authorized.

Q. Have you included an example EBA calculation that incorporates the Company's proposed changes?

A. Yes. Exhibit RMP___(MGW-1) includes an example EBA calculation template with the new EBA components included.

Q. Does the Company propose any other changes or potential changes to the EBA?

A. Not at this time. However, the Company would propose that the EBA is a dynamic mechanism that should be used, with Commission approval, as such. For example, in the past the EBA has been used to credit Utah customers for a change in the Company's open access transmission tariff ("OATT") rates until the change was captured in base rates. The recovery of the Deer Creek Mine regulatory asset and the return of the fuel cost savings to customers is another example of the dynamic application of the EBA. In the future, pursuant to Company request and Commission approval, the EBA could also be used as a mechanism to true-up the costs and benefits of special contracts.

Q. Does this conclude your modification testimony?

A. Yes.