

1 **Q. Please state your name, business address and present position with PacifiCorp,**  
2 **dba Rocky Mountain Power (“the Company”).**

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

6 **Q. Are you the same Michael G. Wilding who submitted direct testimony on**  
7 **behalf of the Company in this proceeding?**

8 A. Yes.

9 **Q. What is the purpose of your response testimony?**

10 A. My testimony presents and supports certain corrections to the Company’s  
11 calculation of the Energy Balancing Account (“EBA”) deferral for the 12-month  
12 period from January 1, 2015, through December 31, 2015 (“Deferral Period”).  
13 Specifically, I provide the corrections to the Deer Creek fuel cost savings to reflect  
14 1) the actual coal consumed as booked and 2) the savings related to the Retiree  
15 Medical Obligation not included in coal fuel costs but which are related to the  
16 settlement of Energy West retiree medical benefits as a result of the Deer Creek  
17 mine closure.

18 Additionally, I respond to certain issues raised by the Utah Division of  
19 Public Utilities (“DPU”) in its energy balancing account (“EBA”) Audit Report and

20 by Daymark Energy Advisors (“Daymark”), on behalf of the DPU, in its Audit  
21 Report. In particular, I address the following issues raised by the DPU and  
22 Daymark:

- 23 1. Accounting Entries Pertaining to Operating Periods Prior to the Deferral Period  
24 – The DPU has recommended three items be disallowed because they relate to  
25 operating periods prior to the Deferral Period: the costs of returning energy to  
26 a third party to compensate for prior excess line losses, the costs of refunding  
27 short distance discounts, and the credit or reduction to NPC to account for a  
28 severance tax audit completed during the Deferral Period.  
29
- 30 2. Plant Outages - Company witness Dana Ralston provides testimony describing  
31 the Company's disagreement with the proposed adjustments related to plant  
32 outages. However, if the Commission determines that an adjustment is  
33 warranted, the calculation of replacement power costs made by Daymark  
34 should be corrected. Additionally, I respond to Daymark’s proposal that an  
35 operations and maintenance (“O&M”) offset should be included in the EBA.  
36
- 37 3. Carrying Charge on the Deer Creek Amortization Expense - The DPU  
38 recommended disallowance of carrying charge on the Deer Creek Mine  
39 amortization expense.  
40
- 41 4. Improving the Audit Process - Daymark has requested that the Company  
42 provide more detail on wind and hydro outages, and the DPU has requested  
43 more detailed documentation of the Trapper Mine costs be made available for  
44 review in future filings.  
45
- 46 5. Trade Documentation - The DPU requested additional trade documentation for  
47 certain trades.

48 **Q. Do you have any observations concerning the DPU's proposed adjustments as**  
49 **a whole?**

50 A. Yes. In total, the DPU indicates its proposed adjustments are a reduction of  
51 approximately \$1.23 million to the EBA. In reviewing the proposed adjustments,  
52 the Company found that the wrong allocation factor had been applied to certain  
53 adjustments. After applying the correct allocation factor the proposed reduction to  
54 the EBA by the DPU is \$1.25 million.

55 **Q. Do any other Company witnesses also provide testimony in response to issues**  
56 **raised by the DPU and Daymark?**

57 A. Yes. Company witness Mr. Dana Ralston provides testimony concerning plant  
58 outages.

59 **Q. Has the Company provided exhibits and workpapers supporting its updated**  
60 **EBA deferral calculation?**

61 A. Yes. Exhibit RMP\_\_\_(MGW-1R) contains the updated calculation of the EBA  
62 deferral, and supporting workpapers are provided with the Company's filing. The  
63 identified adjustments to the EBA decrease the Utah-allocated deferral amount by  
64 \$2.8 million compared to the original filing as shown in Table 1 below. The updated  
65 requested EBA deferral is \$16.2 million.

**Table 1**

<b>Calendar Year 2015 EBA Deferral</b>	<b>Updated</b>	<b>Original</b>	<b>Difference</b>
Actual EBAC (\$/MWh)	\$ 25.99	\$ 25.99	\$ -
Base EBAC (\$/MWh)	\$ 25.31	\$ 25.31	\$ -
\$/MWh Differential	\$ <b>0.68</b>	\$ <b>0.68</b>	\$ -
Utah Sales (MWh)	24,127,542	24,127,542	-
EBA Deferrable*	\$ 16,157,578	\$ 16,157,578	\$ -
EBA Deferral at 70% Sharing	\$ 11,310,305	\$ 11,310,305	\$ -
Coal Fuel Savings not Subject to Sharing*	\$ (2,430,283)	\$ (2,787,700)	\$ 357,418
Incremental Non-Fuel FAS 106 Savings	\$ (2,941,860)	\$ -	\$ (2,941,860)
Total Deferrable	\$ 5,938,162	\$ 8,522,604	\$ (2,584,442)
Interest Accrued through December 31, 2015	\$ 330,942	\$ 405,032	\$ (74,089)
Interest Jan. 1, 2016 through Oct. 31, 2016	\$ 785,915	\$ 921,872	\$ (135,958)
Deer Creek Amortization Costs	\$ 9,098,764	\$ 9,098,764	\$ -
<b>Requested EBA Recovery</b>	<b>\$ 16,153,783</b>	<b>\$ 18,948,273</b>	<b>\$ (2,794,489)</b>

\* Calculated monthly

- 66 **Q. Please describe the updates to the EBA calculation.**
- 67 A. The Company has made two updates to the EBA calculation. First, during the
- 68 course of discovery it was determined the Company had used incorrect coal
- 69 consumed numbers to calculate the coal fuel savings related to the Deer Creek Mine
- 70 closure. This overstated the coal fuel saving and the correction results in an increase
- 71 to the EBA of approximately \$0.4 million, not including carrying charges. Second,
- 72 the Company is including the non-fuel savings related to the settlement of the Deer
- 73 Creek Retiree Medical Obligation. This correction reduces the EBA by
- 74 approximately \$2.9 million before carrying charges. The net result of the updates
- 75 including carrying charges is a reduction of \$2.8 million to the deferral.

76 **Accounting Entries Pertaining to Operating Periods Prior to the Deferral Period**

77 **Q. Please describe the DPU's proposed adjustment to certain accounting entries**  
78 **pertaining to operating periods prior to the deferral period.**

79 A. The DPU argues that a Commission order in an annual EBA filing should finalize  
80 NPC for each deferral period being reviewed, and suggests that subsequent  
81 accounting entries in actual NPC pertaining to operating periods that have already  
82 been reviewed must not be included in later EBAs because it would constitute  
83 impermissible retroactive ratemaking. Specifically, in the current EBA the DPU  
84 proposes disallowing three items which pertain to periods prior to the Deferral  
85 Period: the return of energy to a third party for excess line loss charges (line loss  
86 returns), which decreases the EBA by approximately \$0.3 million; short distance  
87 discounts received by the Company, which decreases the EBA by approximately  
88 \$0.6 million; and the results of a severance tax audit, which increases the EBA by  
89 approximately \$0.4 million.

90 **Q. Please explain the difference between accounting and operating periods.**

91 A. Each accounting entry in NPC has an accounting period and an operating period.  
92 The accounting period is the month and year in which the entry is booked, and the  
93 operating period is the month and year in which the transaction occurred. Typically,  
94 the accounting period and the operating period are the same; however, there are  
95 times when they are not. For example, during the checkout process for reconciling

96 transactions with counterparties, if the Company does not come to an agreement  
97 with the counterparty on a certain transaction before closing the accounting period  
98 an estimate will be booked to properly account for the purchase or sale that has  
99 taken place. Once the checkout process has been completed for that transaction an  
100 adjusting accounting entry is made in a later accounting period but with an  
101 operating period that corresponds to the underlying transaction.

102 **Q. Please explain in more detail the three adjustments proposed by the DPU.**

103 A. The first proposed adjustment is to disallow line loss returns. Beginning August  
104 2014 through April 2015 the Company returned energy to a third party to  
105 compensate for prior excess line losses charged to the third party by the Company.  
106 An adjustment was made to Actual NPC to match the cost of returning energy with  
107 the period the energy was returned, and to exclude the portion of returned energy  
108 associated with periods prior to the start of the EBA in October 2011. However, the  
109 DPU is suggesting that the entire value of the returned energy be disallowed  
110 because the excess line loss charges occurred before the Deferral Period. This  
111 adjustment was also made in the 2015 EBA, and the DPU accepted this adjustment  
112 in that docket when it stated the following:

113 “Based on our review of the agreement, subsequent transactions and  
114 accounting detail the adjustment appears to be conceptually

115 appropriate and accounted for correctly. Therefore, no adjustments to  
116 the EBA or net power cost are necessary.”<sup>1</sup>

117 The second proposed adjustment is to disallow an accounting entry to book  
118 the costs of refunding short distance discounts the Company received from a  
119 transmission provider during calendar years 2014 and 2015 but which the  
120 transmission provider indicates were not applicable to PacifiCorp. When notified  
121 of the dispute the Company booked an accrual for the expense as per generally  
122 accepted accounting principles (“GAAP”). The DPU’s proposal is that the portion  
123 of the expense related to 2014 be disallowed.

124 The third proposed adjustment is to disallow the results of a credit to  
125 severance tax expense. During the period of August 2010 to January 2012 one of  
126 the Company’s coal suppliers was passing on a severance tax credit to the  
127 Company. At the time the Company was unsure it qualified for the credit, so it took  
128 a conservative position and accrued an offsetting expense equal the credit.  
129 However, during the Deferral Period a severance tax audit was performed and the  
130 coal supplier informed the Company that there were no adjustments to the  
131 severance tax owed by the Company. Therefore the Company reduced coal costs  
132 for an amount equal to previously accrued expense.

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<sup>1</sup> Docket No. 15-035-03, DPU Exhibit 1.2 EBA Audit Report, Page 27

133 **Q. Is the current method of excluding accounting entries pertaining to operating**  
134 **periods prior to the implementation of the EBA or October 1, 2011, just and**  
135 **reasonable?**

136 A. Yes. Using the EBA implementation as a cut-off for prior period adjustments  
137 ensures that customers pay accurate NPC. In the case of the line loss return and the  
138 short distance discounts, a benefit was passed through to customers in prior EBAs,  
139 and the reversal of these benefits should be recovered through the EBA. In the case  
140 of the severance tax audit, costs were passed through to customers in prior EBAs,  
141 and the credit booked in 2015 should also be passed back to customers. It is just  
142 and reasonable that the benefits and/or costs resulting from corrections and updated  
143 information should also flow through the EBA if the underlying benefit or cost was  
144 included in a prior EBA.

145 **Q. Do you agree with the DPU's proposal that the EBA should finalize NPC for**  
146 **the Deferral Period?**

147 A. No. First, the DPU's proposal would potentially disallow prudent NPC  
148 appropriately booked according to GAAP. Under the DPU's proposal an adjusting  
149 accounting entry made in July (accounting period) for a January (operating period)  
150 transaction could flow through the EBA but an adjusting accounting entry made in  
151 June (accounting period) for transaction occurring the previous December



152 (operating period) could not flow through the EBA simply because the December  
153 transaction occurred in the prior deferral period.

154 Second, the DPU's proposed treatment would unnecessarily complicate the  
155 EBA. Referring specifically to the short distance discounts, the Company explained  
156 in additional filing requirement ("AFR") 6 that "[o]nce the actual expense is  
157 known, it will be booked and any difference from the accrual will flow through the  
158 EBA." DPU responded "[t]he true up must be completed prior to a Commission  
159 Order finalizing the 2015 deferral period."<sup>2</sup> Under the DPU's proposal the  
160 Company would be able to pass through the difference between the actual 2015  
161 expense and the accrued 2015 expense as long as the actual expense could be  
162 included in the EBA before the Commission issued an order. Under this policy, an  
163 actual expense could be known after the DPU audit but before the Commission  
164 order, but instead of letting the adjusting entry flow through the EBA and be subject  
165 to audit in the next EBA the DPU suggests the adjusting entry only be recoverable  
166 if somehow it is included in the current EBA. To be clear, this means that an  
167 accounting entry booked in a period after the Deferral Period would be included in  
168 the EBA. Another option would be for the Company to request that the Commission  
169 recognize specific accounting entries that may be subject to future adjustments and

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<sup>2</sup> DPU Exhibit 2.3, EBA Audit Report, Page 27

170 allow those to flow through a future EBA. However, the Company does not always  
171 know beforehand that an adjusting entry will need to be made. Additionally,  
172 tracking the entries that have been removed from their accounting period for  
173 purposes of the EBA would be cumbersome and complicated for both the Company  
174 and DPU.

175 Lastly, this is a change to the current EBA method that has been established  
176 and accepted by the DPU since the EBA was implemented. As there is a docket  
177 scheduled for later this year to address changes to the EBA, the current EBA is not  
178 the appropriate venue to propose method changes to determine NPC.

179 **Plant Outages**

180 **Q. Please describe the proposed adjustment for plant outages.**

181 A. Daymark suggests plant outages at the Craig and the Jim Bridger coal plants were  
182 avoidable and therefore the replacement power costs should not be included in the  
183 EBA.

184 **Q. Does the Company agree the replacement power for plant outages should be  
185 excluded from the EBA?**

186 A. No. Company witness Mr. Dana Ralston provides detailed testimony concerning  
187 the identified plant outages.

188 **Q. Does the Company agree with Daymark’s calculation of the replacement**  
189 **power cost?**

190 A. No. To determine the cost of replacement power Daymark first estimated the lost  
191 MWh by reducing the total lost MWh by applying the Company’s ownership  
192 percentage and a capacity factor. While the Company agrees with the calculation  
193 of lost MWh, Daymark incorrectly assumed 100 percent ownership in the Jim  
194 Bridger plant and used incorrect capacity factors. Next Daymark calculated the  
195 difference between the energy imbalance market (“EIM”) locational marginal price  
196 (“LMP”) for electricity and the fuel cost at each unit, applied to an estimate of lost  
197 MWh during the outage. In other words, the replacement costs are calculated  
198 assuming the lost MWh would have been replaced in EIM.

199 **Q. Why are the EIM LMPs an inappropriate valuation of replacement power?**

200 A. The EIM is an intra-hour market that is designed to efficiently optimize imbalances  
201 that occur across a broader region than a single balancing authority area.  
202 Essentially, the prices in the EIM are only reflective of changes that occur within  
203 the operating hour relative to a forecast from the previous hour; they are not  
204 reflective of transactions or generation decisions that would have occurred the  
205 previous day or week to replace the power that was lost due to an outage. For  
206 example, the LMP in the EIM may reflect solar generation that is higher than  
207 forecast resulting in a negative price or load that is lower than forecast resulting in

208 a lower marginal cost unit. Additionally, Craig is not dispatched in EIM and  
209 therefore its lost output should not be valued at a market in which it does not  
210 participate.

211 **Q. What capacity factor should be used to determine the lost MWh?**

212 A. The lost MWh should align with the monthly capacity factors used to determine  
213 NPC in rates. Base NPC was set in Docket No. 13-035-184, and includes a monthly  
214 capacity factor for each generation unit. This methodology is consistent with the  
215 structure of the EBA as it excludes the replacement power cost for only the  
216 generation included in Base NPC and all other costs are trued-up in the EBA  
217 calculation as normal. The Craig capacity factor in rates for January is ■■■ percent  
218 compared to ■■■ percent used by Daymark. The Jim Bridger capacity factor in rates  
219 for January is ■■■ percent compared to ■■■ percent used by Daymark.

220 **Q. Has the Company provided a calculation of the replacement power costs?**  
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221 A. Yes. To calculate the replacement power costs the Company used the same  
222 calculation as Daymark but corrected some of the inputs. First, the Company's  
223 ownership share of Jim Bridger was corrected to reflect 66.7 percent as opposed  
224 to the 100 percent used by Daymark. Second, the capacity factor used to set base  
225 rates was used to determine the lost MWh. Finally, the Company used actual  
226 wholesale market prices in place of EIM LMPs. Making these corrections reduces  
227 the impact of the adjustments proposed by Daymark to the Utah-allocated deferral

228 to approximately \$15,000 for Craig and \$0 for Jim Bridger. The replacement power  
229 cost for Jim Bridger is \$0 because the market price was lower than the average  
230 operation costs and therefore no lost MWh are assumed consistent with Daymark's  
231 method.<sup>3</sup> However, as stated in Mr. Ralston's response testimony, the Company's  
232 position is that no adjustment should be made regardless of the calculations above.

233 **Q. Did Daymark propose any other adjustments related to plant outages?**

234 A. Yes. Daymark proposes that an insurance payment of [REDACTED] related to the Craig  
235 outage be included in the EBA and "passed onto customers as a reduction in  
236 Company-wide NPC costs."<sup>4</sup>

237 **Q. Is the EBA the appropriate mechanism to pass through the insurance  
238 payment?**

239 A. No. The insurance payment covered only property damages from the Craig 1 outage  
240 and did not include incidentals such as replacement power costs. The Company  
241 incurred [REDACTED] of O&M which was offset by a [REDACTED] insurance  
242 payment ([REDACTED] was received during the deferral period with the remaining  
243 balance received in 2016) for a net O&M cost of [REDACTED] for the Craig 1  
244 outage. O&M costs are not included in the EBA and the matching principle would

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<sup>3</sup> DPU Exhibit 2.3, EBA Audit Report, Page 26

<sup>4</sup> DPU Exhibit 2.3, EBA Audit Report, Page 27

245 dictate that an offset to O&M, in this case the insurance payment, should likewise  
246 not be included in the EBA. Daymark acknowledges that the insurance payment  
247 offsets non-EBA costs but states:

248 “Crediting the EBA for these sums will ensure that ratepayers receive  
249 their share of these benefits promptly. Other mechanisms to return  
250 these benefits to ratepayers, such as adjustments to base rates, may  
251 take more time, and there is no assurance that future rate cases will  
252 capture such benefits.”

253 Both the O&M costs and the insurance payment should receive the same  
254 regulatory treatment. In Daymark’s scenario, if a future rate case does not capture  
255 the insurance payment it would also not capture the O&M costs and customers  
256 would be indifferent. Furthermore, if the Commission determines the outage is  
257 imprudent, which is Daymark’s position, passing the O&M offset (insurance  
258 payment) to customers through the EBA, while deferring disallowance of O&M  
259 costs to a future proceeding would create a duplicative benefit to customers by first  
260 benefiting customers through a current credit in the EBA and secondly by  
261 benefiting customers with disallowed O&M costs in a future proceeding.

262 **Carrying Charge on the Deer Creek Amortization Expense**

263 **Q. Please describe the DPU's proposed adjustment for carrying charges on the**  
264 **Deer Creek amortization expense.**

265 A. The DPU proposes an adjustment to disallow the carrying charge on the Deer Creek  
266 amortization expense in the amounts of \$465,312 for the period January 1, 2016  
267 through October 31, 2016, and \$250,216 for the collection period of November 1,  
268 2016 through October 31, 2017. Additionally, the DPU proposes the Company not  
269 be allowed a carrying charge on the Deer Creek amortization expense in any future  
270 period where it is included in the EBA.

271 **Q. Does the DPU quantify the total value of the proposed adjustment?**

272 A. No. However, the Company has calculated the total value of the adjustment to be  
273 approximately \$3.6 million, assuming the current EBA interest rate applies for the  
274 entire period of the Deer Creek amortization expense.

275 **Q. What is the basis the DPU's adjustment?**

276 A. The DPU position is that the "Company's actions in proposing and seeking or  
277 supporting"<sup>5</sup> Senate Bill 115, or the Sustainable Transportation and Energy Plan  
278 Act ("STEP"), were in contradiction to the terms of the Deer Creek settlement in  
279 Docket No. 14-035-147.

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<sup>5</sup> DPU Exhibit 3, Testimony of Dr. Artie Powell, Page 3

280 **Q. What is the specific provision in the Deer Creek Settlement to which the DPU**  
281 **is referring?**

282 A. The DPU is referring to Paragraph 17 of the Deer Creek Settlement, which states:

283 17. The Parties agree that the Commission should enter an order  
284 authorizing a one-time, non-precedential exception to be made to the  
285 70/30 Energy Balance Account (“EBA”) sharing band for the  
286 following items, to be recovered by flowing them through the EBA at  
287 100 percent without applying the sharing band until the rate effective  
288 date of the next general rate case:

289 a. unrecovered Deer Creek Mine investment amortization, at the  
290 current level of depreciation expense in rates, and the amortization  
291 of the loss related to the Mining Assets at the current rate of  
292 depreciation as described in the Application; and

293 b. actual Utah fueling cost for the Hunter and Huntington plants,  
294 including:

295 i. lower replacement coal costs;

296 ii. Prep Plant operational savings;

297 iii. pension timing savings; and



298                                      iv.    savings on Energy West retiree medical benefits as a  
299    result of the settlement of the Retiree Medical  
300    Obligation.

301                                      The Parties agree that the sharing band waiver is non-precedential, and  
302                                      the Company agrees to not request any change or elimination of the EBA  
303                                      sharing band to be effective prior to the end of the EBA pilot.

304    **Q.    What is your understanding of Paragraph 17 of the Deer Creek Settlement?**

305    A.    The Parties requested that the Commission authorize a one-time exception to be  
306                                      made to the 70/30 sharing band in the EBA for items that normally either would not  
307                                      qualify for recovery under the EBA or, if they did, would otherwise be subject to  
308                                      the sharing band. Parties agreed that this exception was non-precedential and  
309                                      therefore this settlement could not be used as evidence to either support or reject  
310                                      future changes to the sharing band. The Company also agreed not to request a  
311                                      change to the sharing band that would be *effective* prior to the expiration of the EBA  
312                                      pilot program.

313    ~~Paragraph 17 must be read in the context of the regulatory environment in~~  
314    ~~which the Company operates. When the Company seeks authority do anything~~  
315    ~~related to the rates it charges its customers it requests authority from the~~  
316    ~~Commission, and Paragraph 17 was in the context of the Company's actions as~~  
317    ~~regulated by the Commission. Tellingly, throughout the Stipulation, signing Parties~~

318 ~~request that the Commission either issue orders or approve certain terms and~~  
319 ~~conditions that affect their future actions before the Commission. I do not believe~~  
320 ~~that any signing party contemplated that any of its agreements limited its ability to~~  
321 ~~support or oppose legislation to change the law about any issue. Parties agreed to~~  
322 ~~certain terms and conditions over which the Commission has jurisdiction as the~~  
323 ~~regulatory agency.~~

324 **Q. Did the Company violate the Deer Creek settlement and “request any change**  
325 **or elimination of the EBA sharing band to be effective prior to the end of the**  
326 **EBA pilot”?**

327 A. No. The Company worked with bill sponsors Senator Stuart Adams and  
328 Representative Lowry Snow to bring STEP forward. The initial draft of the bill,  
329 attached as Exhibit RMP\_\_\_(MGW-2R), included many items related to energy  
330 policy in the state, including a provision that eliminated the sharing band in the  
331 EBA beginning January 1, 2017. During the legislative process a compromise was  
332 struck by legislative sponsors to include a sunset date for the elimination of the  
333 sharing band and in return the effective date was moved to June 1, 2016. This  
334 legislative compromise also provided a period of time beginning June 1, 2016 to  
335 gather the necessary data for the Commission to report to the legislature beginning  
336 in 2017 on the elimination of the sharing band.

337 ~~————— Additionally, Paragraph 26 of the Deer Creek Settlement states:~~

338 ~~“The Parties agree that no part of this Stipulation or the~~  
339 ~~formula and methodologies used in developing the same~~  
340 ~~or a Commission order approving the same shall in any~~  
341 ~~manner be argued or considered as precedential in any~~  
342 ~~future case except with regard to issues expressly called-~~  
343 ~~out and resolved by this Stipulation.”~~

344 ~~The Company expressly agreed not to request a change or elimination of~~  
345 ~~the sharing that would be effective before the end of the EBA pilot program. The~~  
346 ~~Company did not expressly agree it would not support legislation. Therefore, the~~  
347 ~~Company was under no obligation to oppose STEP in the final hours of the~~  
348 ~~legislative session as suggested by the DPU.<sup>6</sup>~~

349 **Q. Before the passage of STEP when did the EBA pilot program end?**

350 A. December 31, 2016. The Commission Order dated August 29, 2014 in the 2014  
351 GRC states: “[t]he Commission approves the extension of the EBA pilot program  
352 approved in Docket No. 09-035-15, from December 31, 2015, to December 31,  
353 2016.” Furthermore, the settlement from the 2014 GRC states: “The Parties agree  
354 and request that the Commission approve herein an extension of the current EBA  
355 pilot, which currently ends December 31, 2015, of one year through December 31,  
356 2016.”

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<sup>6</sup> ~~DPU Exhibit 3, Testimony of Dr. Artie Powell, Page 4~~

357 **Q. Should the Company be penalized for the date change between the initial draft**  
358 **of STEP and the passed bill?**

359 A. No. The changes to the sharing band sought by the Company would have been  
360 effective after the EBA pilot program ended. The effective date change was a result  
361 of the legislative process that was not controlled by the Company.

362 **Q. Do you agree with the adjustment proposed by the DPU?**

363 A. No. The ~~DPU's proposal to disallow the carrying charges related to the Deer Creek~~  
364 ~~amortization is clearly a punitive reaction to a legislative outcome. Further, the~~  
365 DPU provides no evidence that its proposed adjustment is in the public interest.

366 The DPU references the Company's participation in the legislative process  
367 that impacted the EBA sharing bands as the basis for the proposed adjustment.  
368 However, the DPU provides no evidence that the Company's actions have harmed  
369 customers or been imprudent. The Company has calculated the EBA as prescribed  
370 by current Commission orders, and the DPU fails to provide any evidence or  
371 quantification that the Company's calculation or operation of the EBA has harmed  
372 the public interest.

373

374 **Q. What is your recommendation with regard to the adjustment proposed by the**  
375 **DPU?**

376 A. The Company respectfully recommends that the proposed adjustment not be  
377 adopted by the Commission because the DPU has failed to demonstrate that the  
378 public interest has been harmed. ~~Rather, the proposed adjustment is a punitive~~  
379 ~~reaction to a legislative outcome.~~

380 **Improving the Audit Process**

381 **Q. Do you have any comments regarding the audit of the current EBA?**

382 A. Yes. The Company appreciates the professionalism and the spirit of cooperation  
383 from both the DPU and Daymark. The Company looks forward to a continued  
384 working relationship in future EBAs.

385 **Q. Did the DPU or Daymark make recommendations for future EBA filings in**  
386 **their audit summary?**

387 A. Yes. The DPU recommended that the Company work with the joint owners of the  
388 Trapper Mine to make available operating cost in greater detail. Daymark  
389 recommended the Company provide more detailed narrative descriptions of wind  
390 and hydro outages similar to what is provided for thermal outages.

391 **Q. Has the Company reviewed these recommendations?**

392 A. Yes. The Company provided greater detail of the Trapper Mine operating cost than  
393 it has in the past and will work with the DPU to review the Trapper Mine costs in  
394 the future.

395 The Company currently does not have a process or personnel in place to  
396 facilitate providing a narrative similar to that provided for thermal units for wind  
397 and hydro outages. The Company has not viewed incurring the costs of such  
398 deployment of resources reasonable given the minimal impact that the outage of  
399 one individual turbine has on overall system availability. However, the Company  
400 will continue to provide all available information for specific outages through the  
401 discovery process. It should be noted that NERC GADS reporting is expected to  
402 become mandatory for wind plants in the near future. As stated in NERC's June  
403 2015 "GADS Wind Turbine Generation Data Reporting Instructions,"<sup>7</sup> mandatory  
404 reporting of various data, including outages, will begin January 2017 for plants 200  
405 MW or larger, January 2018 for plants 100 MW or larger, and January 2019 for  
406 plants smaller than 100 MW. In recent NERC working group meetings, it has been  
407 stated that such mandatory reporting may be delayed one year. The Company is in  
408 the process of preparing for such mandatory NERC-GADS reporting, and once that

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<sup>7</sup> [http://www.nerc.com/pa/RAPA/gads/Documents/WIND\\_DRI\\_Master\\_v1-1\\_rev20150602.pdf](http://www.nerc.com/pa/RAPA/gads/Documents/WIND_DRI_Master_v1-1_rev20150602.pdf) (last accessed August 12, 2016).

409 effort is completed the Company can provide this further detailed information in  
410 future filings.

411 **Trade Documentation**

412 **Q. What additional trade documentation did the DPU request?**

413 A. In its audit report the DPU indicated that it had not received counterparty invoices  
414 for certain trades. Additionally, there were two trades for which the DPU requested  
415 documentation of counterparty approval. No disallowance was recommended for  
416 these trades.

417 **Q. Has the requested information been provided to the DPU?**

418 A. Yes. The requested information was provided in supplemental data requests. The  
419 Company appreciates the reasonable manner in which the request was handled.

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

421 A. Yes.