DPU Data Request 2.2

Results of Operations (ROO) Audit - Operating Expense Adjustments:

(1) The miscellaneous general revenue & expenses adjustment (4.1) from the previous year was 138,288 and (37,065) and this year they were 452,914 and (60,581) a difference of (314,626) and 23,516 respectively, could you please explain the difference.

(2) The generation overhaul expenses - steam and other and the non-overhaul expense (4.3) from the previous year was 12,608,939 and 14,001,740 and this year they were (5,099,262) and 1,734,104 a difference of 17,708,159 and 12,267,636 respectively, could you please explain the difference.

(3) The previous year the uncollectible percentage (4.4.1) was .239% and this year the percentage is .351% an increase of .112%. Please explain why there is such a significant increase.

(4) In 2018 why is there not an adjustment to remove non-recurring entries?

(5) The net power cost adjustment (5.1) from the previous year was 31,393,174 and this year it was (49,712,575), a difference of 81,105,749, could you please explain the difference.

(6) The Division is having a difficulty in following the 2018 adjustment 6.2. Please expand the entries on 6.2 into journal entries with explanations. Please provide references to where the amounts used in the adjustment can be found in the 2018 ROO or the FERC form 1 for 2018. What is the impact of this adjustment on return on rate base and equity for Utah? In other words what would be the Utah return on rate base without this adjustment or the before and after results of the adjustment.

Response to DPU Data Request 2.2

(1) The difference is that calendar year 2018 included fewer entries that needed to be removed (per accounting entries that should be removed from regulatory results) than in calendar year 2017.

(2) The purpose of this adjustment is to adjust base period expense to a historical four-year average to help levelize year-on-year variances that can exist from required overhauls. The difference in the generation overhaul expenses adjustment is due to the increase in base year expense from $20,931,333 for steam in 2017 to $34,051,525 in 2018 in relation to the four-year historical average.

(3) The uncollectible percentage is calculated using bad debt expense divided by unadjusted Utah revenues. Bad debt expense is calculated on aging reports based on

actual write-off activity. As past due amounts age they become increasingly at risk of becoming a write-off. The Company's calculation applies the risk of write-off to the current month aging to come up with the estimate of the reserve required. Calendar year 2018 experienced an increase in bad debt expense, which ultimately resulted in an increase in the calculated uncollectible percentage.

(4) The non-recurring entries adjustment included in the December 2017 results of operations (ROO) was necessary to remove accounting entries that were posted December 31, 2017 and related to an allowance for funds used during construction (AFUDC) over-accrual for prior periods. There were no non-recurring adjustments to be corrected for December 2018 ROO.

(5) This difference is largely due to market fluctuations resulting in higher market prices from the year before.

(6) Adjustment 6.2 is a regulatory adjustment required to correctly reflect the buy-down of the Dave Johnston generation plant that was agreed to as part of the settlement stipulation in the Tax Cuts and Jobs Act, Docket No. 17-035-69. Specifically, this adjustment correctly applies the non-property excess deferred income taxes and current tax regulatory liability balances to Utah's net book value of the Dave Johnston generation plant.

The amount used in the adjustment can be found on the Company's reconciliation between FERC form 1 and December 2018 Results of Operations that was provided in the Company's response to data request DPU 1.1 in this docket.

This adjustment has no rate base impact because the adjustment moves the balance from one rate base account (excess deferred income tax) to another (accumulated depreciation). There is no impact to Utah's return on rate base. The regulatory liability balances that were established as part of the Tax Cuts and Jobs Act are included in Utah as a reduction to rate base. This adjustment debits the balance from those regulatory liability accounts and credits Utah's share of the Dave Johnston generation plant net book value. Both the regulatory liability accounts and accumulated depreciation are included as a reduction to rate base.

Please refer to Attachment DPU 2.2, also provided in Docket No. 17-035-69, for additional background and the details supporting this adjustment.