

UAE Exhibit 1.7
Docket No. 19-057-02

DEU Non-Confidential
Responses to Data Requests
Referenced in the
Direct Testimony & Exhibits of
Kevin C. Higgins

P.S.C.U. Docket No. 19-057-02
UAE Data Request No. 3.02
Requested by Utah Association of Energy Users
Date of DEU Response October 3, 2019

UAE 3.02: Follow up to DEU Response to OCS 3.07. Is DEU recommending that pension expense be permanently removed from DEU rates going forward? If DEU is not recommending a permanent removal of pension expense from rates, would DEU necessarily be opposed to such an outcome?

Answer: DEU is not recommending the permanent removal of pension expense from rates. The Company believes that in any general rate case, conditions in place should be considered when determining the Company's revenue requirement. OCS 3.07 clearly describes why the conditions in the current case merit removing the pension credit. Conditions are always subject to change. As such, the Company would not support a permanent removal of the pension expense and would be opposed to any outcome that would cause shareholders to pay for costs that should be attributed to customers.

Prepared by: Jordan K. Stephenson, Manager, Regulation

P.S.C.U. Docket No. 19-057-02
UAE Data Request No. 4.01
Requested by Utah Association of Energy Users
Date of DEU Response October 10, 2019

UAE 4.01: *EDIT*. Please refer to “19-057-02 DEU Exhibit 4.18-Summers-Rate Case Model 7-1-2019,” the “EDIT Amort Adj” tab.

a. Please explain why the EDIT Amortization amounts shown on rows 16, 17, and 18 of this worksheet differ from the EDIT Amortization amounts shown on rows 22, 23, and 24 of this worksheet. For example, why is the pre-tax EDIT Amortization - Non-Plant Related (30 Year) \$376,470 on row 17 and \$365,176 on row 23?

b. Please provide the workpapers in Excel format that were used to derive the ARAM EDIT amortization pre-tax amounts of \$3,975,823 and \$3,856,548, shown on rows 16 and 22, respectively.

c. What year does the ARAM EDIT amortization pre-tax amount of \$3,856,548 correspond to?

Answer: a. Rows 16-18 are system totals, while rows 22-24 are Utah jurisdiction totals.
b. See attached UAE 4.01 Attachment 1.

c. This amount corresponds to an estimate of 2018 EDIT. The 2018 tax return has been completed and the accrual has been adjusted down to \$3,124,225. The Utah portion of this allocation amounts to \$3,030,498.

Prepared by: Jordan K. Stephenson, Manager, Regulation

P.S.C.U. Docket No. 19-057-02
UAE Data Request No. 4.02
Requested by Utah Association of Energy Users
Date of DEU Response October 10, 2019

UAE 4.02: *EDIT*. In Docket No. 17-057-26, Tax Reform Surcredit 3 was implemented on June 1, 2019 to credit customers with the 2018 ARAM amortization of plant-related EDIT, offset by the average 2018 rate base impact. In that docket, the Company proposed that EDIT amortization for 2019 and future years be included in the 2019 rate case calculations. (See Docket No. 17-057-26 DEU Submission of Report on the Impact of the TCJA on Excess Deferred Income Taxes [March 27, 2019].)

a. Considering the proposed rate effective date of March 1, 2020, how does the Company propose to credit customers with ARAM amortization that will occur during the January 1, 2019 to February 29, 2020 period?

b. Please refer to “19-057-02 DEU Exhibit 4.18-Summers-Rate Case Model 7-1-2019,” the “EDIT Amort Adj” tab. Please explain why the Company is including the 2019 EDIT Adjustment amounts shown in cells N35 through N41 in its calculation of the increase to rate base from EDIT amortization. Are these amounts intended to represent the 2019 EDIT amortization, 2018 EDIT amortization, or something else?

Answer: a. As discussed in UAE 4.01, the 2018 estimate was about \$826,000 too high and the 2019 estimate would need to be reduced accordingly. Taking the current estimate of \$3,030,498 of EDIT allocable to Utah and adjusting it for the over amortization in 2018 yields an annual amount of about \$2,203,621 (\$3,030,498 updated tax number less \$826,877 in over amortization in 2018). This amount could be returned through a sur-credit or could be used to reduce the balance in the integrity expense account. The sur-credit would result in a one year reduction in rates, the reduction in the integrity balance account would result in a reduction in base rates until the next general rate case.

b. The amounts in cells N35 through N41 represent the 2019 adjustment to rate base for EDIT amortization over the same period. The Company began returning EDIT to customers in June 2019 and the rows in N35 to N41 reflect that decrease in rate base.

Prepared by: Jordan K. Stephenson, Manager, Regulation

P.S.C.U. Docket No. 19-057-02
UAE Data Request No. 4.03
Requested by Utah Association of Energy Users
Date of DEU Response October 10, 2019

UAE 4.03: *EDIT*. Please refer to the Direct Testimony of Jordan K. Stephenson, p. 17, the 2017 Plant-Related EDIT balance of \$178,519,818.

a. Please separate the December 31, 2017 Plant-Related pre-gross-up EDIT balance into protected (i.e. associated with the accelerated depreciation of utility plant) and non-protected plant-related components. Please provide the Total Company and Utah Allocated portions of these components, in Excel format.

b. For Plant-Related EDIT, please separately provide the pre-gross-up ARAM amortization that occurred in 2018 associated with the protected and nonprotected components. Please provide the Total Company and Utah Allocated portions of these components, in Excel format.

c. For Plant-Related EDIT, please separately provide the pre-gross-up ARAM amortization that is projected to occur in 2019 associated with the protected and non-protected components. Please provide the Total Company and Utah Allocated portions of these components, in Excel format.

d. For Plant-Related EDIT, please separately provide the ARAM amortization that is projected to occur in 2020 associated with the protected and non-protected components. Please provide the Total Company and Utah Allocated portions of these components, in Excel format.

Answer:

- a. See attached UAE 4.03 Attachment 1.
- b. See attached UAE 4.03 Attachment 2 for accrued Plant-Related EDIT amortization broken out between protected and unprotected.
- c. The tax department is currently calculating an estimate for 2019. The best estimate right now would be the 2018 actual EDIT of 3,124,225.
- d. The current best estimate for 2020 EDIT is \$3,124,225 as discussed in part c.

Prepared by: Jamie Gabbert, Manager, Tax

P.S.C.U. Docket No. 19-057-02
OCS Data Request No. 4.05
Requested by the Office of Consumer Services
Date of DEU Response September 6, 2019

OCS 4.05: Budgets. Refer to the attachment provided in response to MDR D.12, which provided the annual operating budgets for 2018, 2019 and 2020. The budgeted “Operation & Maintenance,” “BU Managed Service Company,” and “DRS Managed Service Co.” expenses are \$142,425,169 for 2020 on a combined basis. Company Exhibit DEU 3.10, page 2 of 2, shows the “2020 Total O&M” as \$146,502,353 (excludes the -\$500,000 “Cost Savings Initiatives” as it is not carried forward to the O&M adjustment on Exhibit DEU 3.03). Does the Company currently anticipate that its 2020 O&M expenses will be lower than the O&M expenses included in its adjusted test year in this case? If yes, then please explain why the Company is escalating the non-labor O&M expenses in this case. If no, then explain why not considering the 2020 budgeted amounts.

Answer: As a general rule in prior rate cases, the non-labor O&M has not been based on budgets, but rather historical actuals adjusted for known and measurable changes. The referenced budget amounts represent an adjustment for efficiency goals across the broader corporation. Though the Company strives to increase efficiencies and manage O&M costs, the budget does not reflect adjustments for known and measurable items. The regulatory filing is based on 2018 actual costs and adjusting for known items. These items include millions of dollars in VRP savings and the \$500,000 in “Own your own future” initiatives.

Prepared by: Scott B. Chandler, Manager, Financial & Business Services

P.S.C.U. Docket No. 19-057-02
OCS Data Request No. 4.06
Requested by the Office of Consumer Services
Date of DEU Response September 6, 2019

OCS 4.06: Budgets. Refer to the attachment provided in response to MDR D.12, which provided the annual operating budgets for 2018, 2019 and 2020. Do the budgeted “Operation & Maintenance,” “BU Managed Service Company,” and “DRS Managed Service Co.” expenses for 2020 contained in the attachment include the impacts of the Voluntary Retirement Program? If not, does the Company have an updated 2020 budget that has been revised to reflect the impacts of the Voluntary Retirement Program? If such an updated budget exists, please provide a copy of the updated version.

Answer: The 2020 budget information provided in MDR D.12 does not include the impacts of the VRP. It was created prior to the VRP announcement. See file OCS 4.06 Attach1 for an updated 2020 budget that includes the impact of the VRP.

Prepared by: Scott B. Chandler, Manager, Financial & Business Services

2019 Plan (2019 5+7 Alt)	Jan 2020	Feb 2020	Mar 2020	Apr 2020	May 2020	Jun 2020	Jul 2020	Aug 2020	Sep 2020	Oct 2020	Nov 2020	Dec 2020	Year 2020	Year 2020
E-Questar Gas														
Income Statement														
(Dollars in Millions)														
Operating Revenues:														
Regulated Electric Sales														
Non-regulated Electric Sales														
Total Electric														
Regulated Gas Sales	157,920,720	133,018,043	105,925,324	63,136,564	40,202,298	28,105,652	24,422,803	23,393,512	27,072,776	48,447,628	97,087,836	147,985,655	896,718,811	896,718,811
Nonregulated Gas Sales														
Total Gas Sales	157,920,720	133,018,043	105,925,324	63,136,564	40,202,298	28,105,652	24,422,803	23,393,512	27,072,776	48,447,628	97,087,836	147,985,655	896,718,811	896,718,811
Other Energy-Related Commodities	1,300,000	1,300,000	1,300,000	1,300,000	1,300,000	1,300,000	1,300,000	1,300,000	1,300,000	1,300,000	1,300,000	1,300,000	15,600,001	15,600,001
Gas Transportation & Storage	2,627,410	2,509,133	2,468,235	2,358,507	2,296,475	2,266,344	2,448,323	2,468,789	2,374,181	2,488,859	2,602,581	2,719,250	29,628,086	29,628,086
Other	(188,043)	(107,810)	(69,904)	51,922	69,861	(53,426)	(50,261)	(57,641)	(183,790)	(170,867)	(328,128)	(311,064)	(1,399,153)	(1,399,153)
Total Operating Revenues	161,660,087	136,719,366	109,623,656	66,846,992	43,868,634	31,618,570	28,120,864	27,104,659	30,563,167	52,065,619	100,662,288	151,693,842	940,547,746	940,547,746
Operating Expenses:														
Fuel, Net				(555,556)	(555,556)	(555,556)	(555,556)	(555,556)	(555,556)	(555,556)	(555,556)	(555,556)	(5,000,000)	(5,000,000)
Purchased Power Capacity, Net														
Purchased Gas	92,679,314	78,452,708	62,105,098	35,739,759	22,098,929	13,286,490	10,466,696	9,606,348	11,132,893	25,846,583	54,988,233	86,351,805	502,754,857	502,754,857
Other Energy-Related Commodity Purchases	1,300,000	1,300,000	1,300,000	1,300,000	1,300,000	1,300,000	1,300,000	1,300,000	1,300,000	1,300,000	1,300,000	1,300,000	15,600,001	15,600,001
Operation & Maintenance	10,090,935	8,713,264	8,381,125	5,739,302	5,435,670	4,654,628	4,536,092	4,428,975	4,790,799	5,377,496	6,269,195	12,580,856	80,998,337	80,998,337
BU Managed Service Co.	475,082	529,013	484,158	475,267	497,224	473,736	465,307	476,204	468,348	472,911	472,523	470,104	5,759,875	5,759,875
DRS Managed Service Co.	3,752,147	3,958,037	3,802,302	3,703,982	3,736,527	3,768,167	3,721,252	3,714,055	3,646,401	3,697,514	3,682,110	3,745,226	44,927,720	44,927,720
DRS Managed Operating Co.														
Depreciation / Depletion	7,513,911	7,472,633	7,509,574	7,480,234	7,477,333	7,549,613	7,607,892	7,600,047	7,722,170	7,671,748	7,722,114	8,207,967	91,535,236	91,535,236
Other Taxes	2,802,660	2,731,398	2,753,499	2,762,612	2,769,930	2,719,090	2,760,631	2,738,439	2,723,541	2,757,373	2,718,419	2,717,944	32,955,537	32,955,537
Total Operating Expenses	118,614,050	103,157,054	86,335,757	56,645,601	42,760,058	33,196,168	30,302,314	29,308,512	31,228,597	46,568,069	76,597,038	114,818,346	769,531,561	769,531,561
Operating Income	43,046,038	33,562,312	23,287,899	10,201,392	1,108,576	(1,577,598)	(2,181,450)	(2,203,852)	(665,430)	5,497,551	24,065,250	36,875,497	171,016,184	171,016,184
Other Income	293,048	295,883	298,133	296,598	296,850	245,888	290,764	288,745	293,323	293,323	293,323	293,323	3,479,205	3,479,205
Other Expense	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	300,000	300,000
Net Other Income	268,048	270,883	273,133	271,598	271,850	220,888	265,764	263,745	268,323	268,323	268,323	268,323	3,179,205	3,179,205
Interest Income														
Equity Earnings														
Total Other Income	268,048	270,883	273,133	271,598	271,850	220,888	265,764	263,745	268,323	268,323	268,323	268,323	3,179,205	3,179,205
Income before Fixed Charges and Income Taxes	43,314,086	33,833,196	23,561,032	10,472,990	1,380,427	(1,356,710)	(1,915,686)	(1,940,107)	(397,107)	5,765,874	24,333,573	37,143,820	174,195,389	174,195,389
Fixed Charges:														
Interest Expense	2,824,210	2,748,802	2,730,499	2,778,850	2,787,107	2,937,332	2,985,610	2,991,701	3,022,348	3,098,777	3,099,874	3,101,908	35,107,018	35,107,018
Interest Expense - JSN & RSN														
Total Fixed Charges	2,824,210	2,748,802	2,730,499	2,778,850	2,787,107	2,937,332	2,985,610	2,991,701	3,022,348	3,098,777	3,099,874	3,101,908	35,107,018	35,107,018
Income before Income Taxes	40,489,876	31,084,393	20,830,533	7,694,141	(1,406,681)	(4,294,041)	(4,901,295)	(4,931,808)	(3,419,455)	2,667,097	21,233,699	34,041,912	139,088,371	139,088,371
Current Income Taxes	9,453,890	7,109,893	4,576,078	1,324,670	(932,168)	(1,634,570)	(1,762,106)	(1,775,192)	(1,375,129)	127,148	4,731,807	8,018,315	27,862,637	27,862,637
Deferred Income Taxes	281,515	297,419	270,391	270,213	274,370	262,079	239,304	244,837	219,119	223,416	214,455	98,300	2,895,416	2,895,416
Provision for income taxes	9,735,404	7,407,312	4,846,469	1,594,883	(657,798)	(1,372,492)	(1,522,802)	(1,530,355)	(1,156,010)	350,564	4,946,262	8,116,615	30,758,053	30,758,053
Income Including Non-Controlling Interests	30,754,472	23,677,081	15,984,065	6,099,258	(748,883)	(2,921,549)	(3,378,493)	(3,401,453)	(2,263,445)	2,316,533	16,287,437	25,925,297	108,330,318	108,330,318
Preferred Dividends														
Non-controlling Interest														
Total Non-Controlling Interests														
Net Income (calculated)	30,754,472	23,677,081	15,984,065	6,099,258	(748,883)	(2,921,549)	(3,378,493)	(3,401,453)	(2,263,445)	2,316,533	16,287,437	25,925,297	108,330,318	108,330,318