

1 **Q. Please state your name and occupation?**

2 A. My name is Matthew Allen Croft. I am employed by the Utah Division of Public Utilities
3 (“Division”) as a Utility Analyst.

4 **Q. What is your business address?**

5 A. Heber M. Wells Office Building, 160 East 300 South, Salt Lake City, Utah, 84114.

6 **Q. On whose behalf are you testifying?**

7 A. The Division.

8 **Q. Please describe your education and work experience.**

9 A. I graduated in December of 2007 from the University of Utah with a Bachelor of Arts degree
10 in Accounting. I am currently enrolled in the Masters of Accounting program at the
11 University of Utah. I began working for the Division in July of 2007.

12 **Q. Have you previously testified before the Commission?**

13 A. Yes. I testified concerning various revenue requirement adjustments in Dockets 07-035-93,
14 08-035-38 and 09-035-23.

15 **Q. What is the purpose of the testimony that you are now filing?**

16 A. The purpose of my testimony is to propose and explain adjustments to the Company’s
17 proposed incremental revenue requirement increase related to the Ben Lomond to Terminal
18 Transmission Line and the Dave Johnston Generation Unit 3 Emissions Control Measure.

19 **Q. Can you please identify your adjustments and the corresponding effect on Utah’s**
20 **revenue requirement?**

21 A. Yes. My adjustments are summarized in the table below with the revenue requirement
22 impact.

23 **TABLE 1**

Adjustment	Utah Revenue Requirement Effect
Change Starting Level of General Business Revenues	(711,342)
Change Fixed IBT to Dynamic IBT	571,477
Total Adjustments	(139,865)

24
25 **Q. Can you please explain your adjustment concerning the starting level of General**
26 **Business Revenues (GBR)?**

27 A. Yes. In order to understand this adjustment I will first explain how GBR are used in the
28 calculation of income taxes in the Company's JAM model. There are two different income
29 tax calculations in the JAM. The first calculation¹ is based on adjusted test year results before
30 any incremental revenue increase. The second calculation² is done in conjunction with the
31 incremental revenue increase but before the Rolled-In rate mitigation cap. The first
32 calculation is based on GBR at test year level loads but "current rates". In this docket the
33 Company chose to use the same "current rates"(\$1.47 billion) from the previous general rate
34 case (Docket No. 09-035-23) as opposed to the Commission ordered GBRs (\$1.5 billion). In
35 other words, the Company's starting point for the first calculation of income taxes was not
36 from the Commission order. Since the first income tax calculation did not include the
37 Commission's order, I added the \$32.4 million authorized rate increase to the "Adjustments"
38 tab in the JAM³. When the \$32.4 million is allowed to flow through the JAM the result is a
39 \$711,342 decrease to Utah's revenue requirement, as filed by the Company in this case.

40 **Q. Can you please explain your adjustment concerning the Income Before Tax or IBT**
41 **factor?**

¹ See Column C, starting in Row 40 in the "Results" tab of the JAM

² See Column D, starting in Row 40 in the "Results" tab of the JAM

³ For simplicity, I added this amount to account 440UT.

42 A. Yes. Essentially, the IBT factor determines what proportion of the total Company state
43 income taxes will be allocated to Utah. Normally, this factor would be allowed to change as
44 the test year results are adjusted. In this case, the Company chose to “fix” the IBT factor that
45 was arrived at in the Commission’s order. The table below shows the revenue requirement
46 effect of changing from a dynamic to a fixed IBT factor under the Company’s initial filing
47 and their supplemental filing⁴.

48 **TABLE 2**

	RMP Rebuttal 09-035-23 Dynamic IBT	Initial Filing 10-035-13 Fixed IBT	Initial Filing 10-035-13 Dynamic IBT	Fixed vs. Dynamic Difference
IBT Factor	55.389%	55.389%	-194.033%	
Rate Increase		33,672,406	37,380,267	(3,707,861)
	Commission Order 09-035-23 Dynamic IBT	Supp Filing 10-035-13 Fixed IBT	Supp Filing 10-035-13 Dynamic IBT	Fixed vs. Dynamic Difference
IBT Factor	52.885%	52.885%	124.689%	
Rate Increase		33,018,892	32,526,111	492,782

49
50 The table below shows how the IBT factor is calculated as well as the difference between
51 using a fixed and dynamic IBT factor in the Company’s initial filing.

52 **TABLE 3**

Formula	$\frac{\text{UT Taxable Income}}{\text{Total Taxable Income}}$	=	UT IBT		UT IBT	x	Total Company State Tax	=	UT State Income Taxes
Fixed IBT					55.389%	x	(1,403,928)	=	(777,622)
Dynamic IBT	$\frac{8,603,310}{(4,433,935)}$	=	-194%		-194.033%	x	(1,403,654)	=	2,723,555

53
54

⁴ The table is based on the Company’s starting GBR of \$1.47 billion

55 As can be seen from Table 2, the Company's initial requested rate increase would have been
56 approximately \$3.7 million higher had the dynamic IBT factor been used. As can be seen in
57 Table 3, the negative total Company taxable income and negative total state taxes resulted in
58 Utah receiving a positive amount of state taxes. After implementing the Commission order,
59 adding the two major plant additions, and adjusting the general business revenue starting
60 point as mentioned before, the dynamic IBT factor changes to a positive 124%⁵. Since the
61 IBT factor has been kept dynamic in the Commission's order and other previous JAM
62 models, I propose that this dynamic IBT factor be used in the revenue requirement
63 calculation for this docket. Keeping the IBT factor dynamic increases Utah's revenue
64 requirement by \$571,477. This is after all DPU adjustments have been put into the JAM.

65 **Q. Are you opposed to a future revision of how the IBT factor is calculated?**

66 No. As far as future cases are concerned, the IBT factor and the state income tax calculation
67 as a whole should be reviewed as to their accuracy and usefulness. Since this single item rate
68 case is based off the Commission's order in docket 09-035-23, I believe the IBT factor
69 should be kept dynamic.

70 **Q. Can you please summarize your testimony and adjustments?**

71 A. Yes. Using the Commissions authorized rate increase of \$32.4 million as a starting point for
72 income tax calculation results in a revenue requirement decrease of \$711.342. If the
73 Company had kept the IBT factor dynamic, their supplemental filing would have yielded an
74 IBT factor of approximately 124.7%. After entering all other DPU adjustments into the JAM,

⁵ The final JAM run, the general business revenues starting point adjustment and IBT factor adjustment were run last. The final dynamic IBT factor after all DPU adjustments is approximately 104.8%.

75 the resulting dynamic IBT factor is 104.8%. This results in a \$571,477 increase to Utah's
76 revenue requirement.

77 **Q. After your adjustments and all other DPU adjustments, what is the Division's final**
78 **incremental revenue requirement increase for the two major plant additions?**

79 A. The final incremental revenue requirement increase is \$31,612,292. This includes total DPU
80 adjustments of -\$1,406,600. A summary of all DPU adjustments is provided in DPU Exhibit
81 2.4. The JAM model used to calculate the adjustments is provided in DPU Exhibit 2.5.

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

83 A. Yes