

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In the Matter of the Application Of)	Docket No. 17-035-40
Rocky Mountain Power for Approval Of)	
A Significant Energy Resource Decision)	Rebuttal Testimony
And Voluntary Request for Approval of)	of Donna Ramas
Resource Decision)	For the Office of
)	Consumer Services

REBUTTAL TESTIMONY

OF

Donna Ramas

FOR THE OFFICE OF CONSUMER SERVICES

January 16, 2018

1 **Q. WHAT IS YOUR NAME, OCCUPATION AND BUSINESS ADDRESS?**

2 A. My name is Donna Ramas. I am a Certified Public Accountant licensed in
3 the State of Michigan and Principal at Ramas Regulatory Consulting, LLC,
4 with offices at 4654 Driftwood Drive, Commerce Township, Michigan
5 48382.

6 **Q. HAVE YOU PREVIOUSLY SUBMITTED TESTIMONY IN THIS**
7 **DOCKET?**

8 A. Yes. I submitted direct testimony on behalf of the Utah Office of
9 Consumer Services (Office) in this docket on December 5, 2017.

10 **Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?**

11 A. I respond to certain statements made regarding the impact of a reduction
12 to the federal corporate income tax rate on the value of the Production Tax
13 Credits ("PTCs") found in the direct testimonies of Utah Clean Energy
14 ("UCE") witness Kate Bowman and Interwest Energy Alliance ("IEA")
15 witness Gregory F. Jenner.

16 **Q. WHAT STATEMENT MADE IN MS. BOWMAN'S DIRECT TESTIMONY**
17 **DO YOU WISH TO ADDRESS?**

18 A. Lines 214 – 215 of Ms. Bowman's Replacement Direct Testimony asks if
19 changes in the corporate tax rate could impact the economic benefits of
20 the proposed wind projects. Ms. Bowman responds to the question at
21 lines 216 – 219 as follows:

22 As I understand it, changes to the corporate tax rate are not likely
23 to have a significant impact on the value of Production Tax Credits
24 (PTCs). While a reduction in the corporate tax credit will reduce the
25 total tax liability of corporations, taxpayers are permitted to carry

26 PTC credits back to the preceding tax year and forward to the
27 following 20 years.
28

29 **Q. WHAT STATEMENT MADE IN MR. JENNER'S DIRECT TESTIMONY**
30 **DO YOU WISH TO ADDRESS?**

31 A. Mr. Jenner's direct testimony at page 10, lines 18 – 19, asks if the
32 corporate tax rate affects the value of the production tax credits. He
33 responds on lines 20 – 22 of page 10 of his direct testimony as follows:

34 No. As noted earlier, the PTC provides a dollar-for-dollar offset
35 against the taxpayer's tax liability. Unlike a tax deduction a tax
36 credit is not affected by the rate of tax applicable to the taxpayer.
37

38 **Q. SINCE THE DATE THE DIRECT TESTIMONIES WERE FILED IN THIS**
39 **CASE, IS THERE MORE CERTAINTY REGARDING THE CHANGE IN**
40 **THE FEDERAL CORPORATE INCOME TAX RATE?**

41 A. Yes. On December 22, 2017 President Trump signed H.R.1 – An Act to
42 provide for reconciliation pursuant to titles II and V of the concurrent
43 resolution on the budget for fiscal year 2018 (often referred to, and
44 hereinafter referred to, as "The Tax Cuts and Jobs Act") into law. The Tax
45 Cuts and Jobs Act reduced the federal corporate income tax rate from
46 35% to 21%.

47 **Q. ARE THE ASSERTIONS MADE BY MS. BOWEN AND MR. JENNER**
48 **THAT THE REDUCTION IN THE FEDERAL CORPORATE INCOME TAX**
49 **RATE DOES NOT IMPACT OR AFFECT THE VALUE OF THE PTCs**
50 **ACCURATE?**

51 A. No, not with regards to the impact on Rocky Mountain Power's ("RMP")
52 ratepayers or with regards to the overall economics of the proposed
53 projects from the perspective of ratepayers. In determining the impact of
54 the PTCs on the revenue requirements that would be charged to
55 ratepayers, the PTCs are grossed-up for taxes. While the PTCs would
56 increase the net operating income that is input into the revenue
57 requirement calculation, the impact of each dollar of PTCs is greater than
58 one dollar due to the need to gross-up each dollar for the income tax
59 impacts. This is acknowledged by RMP in Exhibit RMP__(JKL-2)
60 provided with the Direct Testimony of RMP witness Jeffrey K. Larsen. On
61 lines 17 and 18 of that exhibit, RMP applies the "Gross-up for taxes" to the
62 estimated amount of PTCs to determine the revenue requirement impacts
63 of the PTCs. This "Gross-up for taxes" is also referred to as the "Net to
64 Gross Bump up Factor" on line 35 of the same exhibit. A reduction in the
65 federal corporate income tax rate reduces the gross-up factor that is
66 applied to the PTC in determining the revenue requirement impacts of the
67 PTCs. Thus, the value to ratepayers associated with the PTCs, as well as
68 the overall economic impact to ratepayers associated with the PTCs, is
69 greatly impacted by the federal corporate income tax rate. The lower the
70 federal corporate income tax rate, the lower the bump-up factor applied in
71 determining the impacts on revenue requirements resulting from the
72 PTCs. In other words, a lower corporate tax rate decreases the value of

73 the PTCs for ratepayers which then increases the cost of the proposed
74 projects for ratepayers.

75

76 **Q. HAS UCE ACKNOWLEDGED THAT THE CORPORATE TAX RATE**
77 **AFFECTS THE REVENUE REQUIREMENT IMPACT TO UTAH**
78 **RATEPAYERS ASSOCIATED WITH THE PTCs?**

79 A. Yes. When asked in OCS Data Request 1-4 directed to UCE if Ms.
80 Bowen agrees that the corporate tax rate does impact the revenue
81 requirements to Utah ratepayers associated with the PTCs, UCE
82 responded as follows:

83 Yes, the PTC reduces the Company's revenue requirement and
84 therefore federal and state taxable income. The PTC is "grossed
85 up" based on the corporate tax rate, so a change in the corporate
86 tax rate affects the gross up of the PTC. This is one of many ways
87 the change in tax laws could directly and indirectly affect the value
88 of renewable energy investments. Utah Clean Energy's testimony
89 on this issue relied on the expertise of Interwest Energy Alliance's
90 tax expert in the Wyoming docket.
91

92 **Q. HAS MR. JENNER ALSO ACKNOWLEDGED THAT THE CORPORATE**
93 **TAX RATE AFFECTS THE REVENUE REQUIREMENT IMPACT TO**
94 **UTAH RATEPAYERS ASSOCIATED WITH THE PTCs?**

95 A. Yes. On page 16 of his direct testimony, at lines 1 – 9, Mr. Jenner agrees
96 that the corporate tax rate does affect the value of the PTCs, stating:
97 "This would come about because the higher the corporate tax rate, the
98 greater the benefit to ratepayers." OCS Data Request 1.8(b) directed to
99 Interwest Energy Alliance references page 10 of Mr. Jenner's direct

100 testimony and asks: "Does Mr. Jenner agree that the corporate tax rate
101 does impact the value of the production tax credits to Utah ratepayers?"

102 The response states: "Yes, the corporate tax rate impacts Rocky
103 Mountain Power's analysis of the benefits of the Combined Projects as
104 they are assumed to be acquired in their testimony."

105 **Q. DOES THIS COMPLETE YOUR PREFILED REBUTTAL TESTIMONY?**

106 **A. Yes.**