BEFORE THE

PUBLIC SERVICE COMMISSION OF UTAH

Investigation of Revenue Requirement Impacts of the New Federal Tax Legislation Titled: "An act to provide for reconciliation pursuant to titles II and V of the concurrent resolution of the budget for fiscal year 2018"	**))))))))**	**Docket No. 17-035-69**

Direct Testimony and Exhibits of

Christopher C. Walters

On behalf of

Utah Industrial Energy Consumers

PUBLIC VERSION

August 28, 2018

BRUBAKER & ASSOCIATES, INC.

Project 10555

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Direct Testimony of Christopher C. Walters

Q PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A Christopher C. Walters. My business address is 16690 Swingley Ridge Road, Suite 140, Chesterfield, MO 63017.

Q WHAT IS YOUR OCCUPATION?

A I am a Senior Consultant in the field of public utility regulation with the firm of Brubaker & Associates, Inc. ("BAI"), energy, economic and regulatory consultants.

Q PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND EXPERIENCE.

A This information is included in Appendix A to my testimony.

Q ON WHOSE BEHALF ARE YOU APPEARING IN THIS PROCEEDING?

A I am appearing on behalf of the Utah Industrial Energy Consumers ("UIEC").

Q WHAT IS THE SUBJECT OF YOUR TESTIMONY?

A The focus of my testimony will be on credit rating agencies, what factors can influence credit ratings, as well as a discussion of Rocky Mountain Power's ("RMP" or the "Company") current ratings and credit metrics. I will also comment on RMP's proposed treatment of the current tax benefits and the excess accumulated deferred income tax balances ("EDIT"), generally. My silence on any specific aspect of testimony filed in this case should not be taken as tacit agreement on any particular issue.

Q PLEASE SUMMARIZE YOUR RECOMMENDATIONS AND CONCLUSIONS.

A Based on my review of the testimony, analysis, and data responses in this proceeding, I conclude the following:

- RMP's rates are excessive due to the over-collection of current taxes in the amount of approximately $4.9 million.
- RMP's proposed treatment of customer benefits produced through the enactment of the Tax Cuts and Jobs Act of 2017 ("TCJA") produces unreasonable rates for an uncertain amount of time and creates intergenerational inequities.
- RMP reasonably should be able to return to customers 100% of the current tax benefit as well as the non-protected EDIT (property and non-property) without jeopardizing its credit standing at least over the forecast period.

Further, I make the following recommendations to the Commission:

- Order RMP to return to customers the remaining $4.9 million, annually, so that its rates are not over-collecting current taxes.
- Acknowledge the intergenerational inequities produced by RMP's proposal and require the Company to return to customers the non-protected property-related EDIT along with the non-protected non-property EDIT over a five-year amortization period.

I. Credit Ratings and the Tax Cuts and Jobs Act of 2017 (“TCJA”)

Q WHAT ARE CREDIT RATINGS AND WHO ISSUES THEM?

A Ratings agencies assign ratings to debt-issuing companies, governments, and municipalities, as well as the debt securities, or bonds, themselves. For the purposes of my testimony, I will be discussing the ratings assigned to debt issuers, or issuer credit ratings.[1] Credit ratings measure the overall credit risk of a company by providing an easy-to-understand rating that is assigned after analyzing a large amount of complex data. In the United States, there are three primary ratings agencies: Standard & Poor’s (“S&P”), Moody’s, and Fitch.

Q WHAT ROLE DO CREDIT RATINGS PLAY IN THE REGULATED UTILITY INDUSTRY?

A Credit ratings are important in this industry for several reasons. First, because utilities operate in a capital-intensive industry, they are constantly seeking external debt capital to fund capital expenditures. As previously mentioned, credit ratings provide a level of indicated overall risk. Generally, higher ratings are associated with lower risk, which leads to lower cost of debt and more investors willing to provide capital on reasonable terms and prices.

Credit ratings, while designed for the debt-side of external capital, even play a role on the equity-side. For example, some institutional investors such as endowment funds and pension funds, have a mandate to invest in

[1]Throughout my testimony, I will use several terms that are to be considered interchangeable with credit ratings such as, ratings, issuer ratings, and corporate ratings.

companies that are rated at or above a certain rating level. Often times, these types of investors are required to invest in investment-grade companies (or those with ratings of BBB-/Baa3, or higher). Because credit ratings are a measure of total risk and are easily observable, they also often are used to develop a proxy group that is then used to estimate the cost of equity capital in utility rate cases. I have provided the ratings scales for Moody's and S&P below in Table 1, with PacifiCorp's current ratings boxed in.

Table 1

Ratings Scales

	Moody's	S&P
Investment Grade	Aaa	AAA
	Aa1	AA+
	Aa2	AA
	Aa3	AA-
	A1	A+
	A2	**A**
	A3	A-
	Baa1	BBB+
	Baa2	BBB
	Baa3	BBB-
Speculative Grade	Ba1	BB+
	Ba2	BB
	Ba3	BB-
	B1	B+
	B2	B
	B3	B-
	Caa1	CCC+
	Caa2	CCC
	Caa3	CCC-
	Ca	CC
	C	C
	-	D

Q WHAT ARE RMP'S CURRENT RATINGS FROM THE VARIOUS RATINGS AGENCIES?

A RMP's ratings, as assigned to PacifiCorp, are A/A3/A- from S&P, Moody's, and Fitch, respectively. Berkshire Hathaway Energy's ("BHE"), ratings are A/A3/BBB+ from S&P, Moody's, and Fitch respectively. All three ratings agencies currently have a "Stable" outlook for the Company and BHE.

Q HAVE ANY OF THE RATINGS AGENCIES TAKEN RATINGS ACTIONS AGAINST THE UTILITY INDUSTRY AS A DIRECT RESULT OF TCJA?

A Yes. Based on recent reports, the outlooks appear to be mixed from "Stable" or "Negative" over the short-term, to "Positive" over the long-term. While the overall impact on individual companies is uncertain at this time, one thing that all three agencies seem to agree on is that the impact resulting from the TCJA are going to vary widely across the industry and between parent holding companies and their operating utility subsidiaries. For example, in a recent report S&P stated the following:

> **Ratings Outlook:**
> <u>Rating trends across regulated utilities in North America remain mostly stable supported by stable regulatory oversight</u>, mostly flat demand for utility services, but tempered by aggressive capital spending and tax reform considerations in the U.S. that will keep credit metrics from improving and weaken some entities <u>depending on individual tax situations</u> and regulatory/management responses. Emerging new technological and regulatory trends in historically stable Canada and the U.S. may have far-reaching effect on utilities over time, but we see limited influence from those factors in 2018.

> **Industry Trends:**
> The utility sector in the U.S. and Canada is stable with some modest downside ratings exposure, consistent with our general ratings outlook and the nature of the essential products and services utilities sell. Tax reform in the U.S. has emerged as a more urgent issue and could on a case-by-case basis result in downgrades. However, the industry as a whole is well positioned to withstand mild shocks, and we see steady growth and stable credit quality overall.[2]

Similarly, Fitch had the following to say:

> The Tax Cuts and Jobs Act signed into law on Dec. 22, 2017 has negative credit implications for U.S. regulated utilities and utility holding companies over the short-to-medium term, according to Fitch Ratings. A reduction in customer bills to reflect lower federal income taxes and return of excess accumulated deferred income taxes is expected to lower revenues and funds from operations (FFO) across the sector. Absent mitigating strategies on the regulatory front, this is expected to lead to weaker credit metrics and negative rating actions for those issuers that have limited headroom to absorb the leverage creep.
>
> State regulators have begun to examine the impact of tax reform on the regulated utilities in their state. While most state regulators will seek to provide some sort of rate relief to customers, they may be open to a negotiated outcome that also preserves the creditworthiness of the utilities. Management actions to defend their credit profiles are also important in assessing the future rating trajectory of an issuer. Overall, Fitch expects rating actions to be limited and on a case by case basis. Holding companies are more vulnerable given the elevated leverage profile for many driven by past debt funded acquisitions.
>
> Over a longer-term perspective, Fitch views tax reform as modestly positive for utilities. The sector retained the deductibility of interest expense, which would have otherwise significantly impacted cost of capital for this capital intensive sector. The exemption from 100% capex expensing is also welcome news for the sector, which has seen years of bonus depreciation reduce rate base leading to lower earnings.

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[2]S&P Global Ratings, "Industry Top Trends 2018: North America Regulated Utilities", January 25, 2018 at 1 (emphasis added).

> Finally, the reduction in federal income taxes lowers cost of service to customers, providing utilities headroom to increase rates for capital investments.[3]

Finally, Moody's had the following to say:

> Tax reform is credit negative for US regulated utilities because the lower 21% statutory tax rate reduces cash collected from customers, while the loss of bonus depreciation reduces tax deferrals, all else being equal. Moody's calculates that the recent changes in tax laws will dilute a utility's ratio of cash flow before changes in working capital to debt by approximately 150 - 250 basis points on average, depending to some degree on the size of the company's capital expenditure programs. From a leverage perspective, Moody's estimates that debt to total capitalization ratios will increase, based on the lower value of deferred tax liabilities.
>
> <u>The change in outlook to negative from stable for the 24 companies affected in this rating action primarily reflects the incremental cash flow shortfall caused by tax reform on projected financial metrics that were already weak, or were expected to become weak, given the existing rating for those companies.</u> The negative outlook also considers the uncertainty over the timing of any regulatory actions or other changes to corporate finance polices made to offset the financial impact.
>
> <u>The vast majority of US regulated utilities, however, continue to maintain stable rating outlooks. We do not expect the cash flow reduction associated with tax reform to materially impact their credit profiles because sufficient cushion exists within projected financial metrics for their current ratings.</u> Nonetheless, further actions could occur on a company specific basis.[4]

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[3]FitchRatings, "Fitch: Tax Reform Creates Near-term Credit Pressure for U.S. Utilities", January 24, 2018 (emphasis added).

[4]*Moody's Investors Service*, "Rating Action: Moody's changes outlooks on 25 us regulated utilities primarily impacted by tax reform", January 19, 2018 (emphasis added).

Then, in June, Moody's issued a report changing its short-term outlook of the industry to negative.[5]

Q DID MOODY'S PROVIDE ANY INSIGHT ON WHY IT CHANGED THE SHORT-TERM INDUSTRY OUTLOOK IN ITS JUNE ANNOUNCEMENT?

A Moody's cited two primary causes for its change in the short-term outlook: (1) higher holding company debt levels and (2) lower deferred tax contributions to cash flow.

Q WERE RMP OR ITS PARENT, BHE, IMPACTED BY THOSE ACTIONS TAKEN BY MOODY'S?

A No. I am not aware of RMP, or BHE, receiving a ratings downgrade or a change in its outlook by Moody's since the TCJA was signed into law. The "stable" outlooks issued for both entities since the TCJA was signed into law would appear to confirm that Moody's has seen no reason to change the outlook of RMP or BHE. In other words, the two primary causes for Moody's change in the outlook for the industry are not currently a major threat to RMP or BHE.

[5]Moody's Investor Service, "Rating Action: Moody's changes the US regulated utility sector outlook to negative from stable," June 18, 2018.

II. Response to RMP's Proposed Treatment of Tax Benefits

Q WHAT HAS RMP IDENTIFIED AS THE POTENTIAL AMOUNT OF TAX BENEFITS RESULTING FROM THE TCJA?

A RMP has identified an annual amount of $65.9 million in current tax benefits and $26.4 million in property-related EDIT. This results in an annual revenue requirement benefit of $92.3 million, not including non-property non-protected EDIT.[6]

Q WHAT METHODS HAS RMP PROPOSED TO RETURN THE TCJA BENEFITS?

A Effective May 1, 2018, RMP began refunding to customers $61 million of current tax benefits. RMP is proposing to maintain that level of refunds in rates, while deferring the remaining $4.9 million of current annual tax benefits and an annual amount of $26.4 million property-related EDIT determined by the average rate assumption method ("ARAM"), to be used as an offset to future cost increases and regulatory assets. The Company states that its proposal is grounded in gradualism and rate stability.[7]

RMP has identified a non-property related EDIT balance of $22.6 million, and proposes to amortize this balance over a five-year period at the conclusion of the next general rate case, "or at another time as approved by the Commission."[8]

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[6]Direct Testimony of Steven R. McDougal, page 4.
[7]*Id.* at 6.
[8]*Id.* at 8.

Q DO YOU HAVE ANY INITIAL CONCERNS WITH RMP'S PROPOSAL?

A Yes, I do. As an initial matter, RMP is proposing to include non-protected property in the ARAM amortization. There is no requirement to amortize back, or normalize, non-protected EDIT (property-related or not) over ARAM. As a result, RMP's proposal introduces intergenerational inequities that are unfair to the customers that have funded the EDIT during past years.

Should the Company's proposal to amortize non-protected property-related EDIT over ARAM be accepted, it will take approximately 35 years for customers to realize the full benefit of non-protected EDIT, as shown in Table 2 below.

Table 2

Implied ARAM Amortization Period

Description		Utah Amount ($000)
Property Related EDIT[1]:		
Protected	$	612,362
Non-Protected		104,934
Total	$	717,296
Annual Amortization[2]	$	20,470
Implied ARAM Period		35.04 Years

Sources:
[1]McDougal Direct, August 2 replacement page 9.
[2]McDougal Direct, page 8.

This means that future customers unnecessarily will be receiving an EDIT benefit that was funded by previous generations of RMP customers, while those customers who have funded the EDIT benefit may not receive an equitable share of the EDIT.

RMP's proposed amortization period of five years for the non-property non-protected balance seems reasonable as this method returns non-protected EDIT to customers in a fashion that practically eliminates intergenerational inequities. However, the five-year amortization period needs to begin sooner, rather than later, for the same intergenerational inequity reason identified above. Furthermore, RMP has [redacted],[9] further delaying the return of non-protected EDIT. In addition, it would be preferable to amortize all non-protected EDIT, not just non-property, over the five-year period.

Q SINCE ITS JULY FILING, HAS RMP ESTIMATED ITS CREDIT METRICS UNDER VARIOUS SCENARIOS?

A RMP has provided the estimated credit metrics produced by an alternative analysis included in its Confidential Attachment to DPU 1.2 3rd Supplemental. Rather than calculating its pro forma credit metrics under several scenarios as requested by the parties in this case, RMP provided the underlying high-level

[9]Confidential Exhibit RMP___(NLK-1) Page 5.

model supporting Confidential Attachment to DPU 1.2 3rd Supplemental in its response to UIEC 12.2.

Q PLEASE BRIEFLY DESCRIBE THE UNDERLYING ASSUMPTIONS RMP MADE IN ITS ALTERNATIVE ANALYSIS.

A Relative to its July 10 proposal, the primary difference is that RMP's alternative analysis assumes that it amortizes all non-protected EDIT over a five-year period beginning on January 1, 2019.

Q PLEASE DESCRIBE RMP'S ESTIMATED CREDIT METRICS AS PROVIDED IN ITS CONFIDENTIAL ATTACHMENT TO DPU 1.2 3rd SUPPLEMENTAL RESPONSE.

A As shown on the Confidential Attachment, the Moody's FFO-to-Debt metric,[10] on a three-year average basis, [redacted].

Q HOW DO THESE PROJECTED METRICS COMPARE TO WHAT MOODY'S HAS STATED IN ITS MOST RECENT CREDIT OPINION OF THE COMPANY?

A In its June 2018 report, Moody's described the factors that could lead to a potential downgrade. Moody's stated the following:

[redacted]

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[10]FFO = Funds From Operations. When discussing FFO-to-Debt pertaining to Moody's methodology, it is used interchangeable with CFO pre-WC to Debt. CFO pre-WC to Debt = Cash Flow from Operations pre-Working Capital-to-Debt

[redacted].[11]

[redacted].

Q DOES THIS MEAN THAT MOODY'S WILL TAKE ACTION ON RMP'S RATINGS?

A Not necessarily. As mentioned above, Moody's stated that, as an example, ratings "could" be downgraded [redacted]. This situation must be evaluated in context. First, the Company had to make several assumptions about how each of its jurisdictions will treat the various components of tax benefits associated with TCJA. Second, while we can see the forecast results out to 2020, it is not clear what the metrics will be thereafter. In addition, there are several reasons to believe that RMP's credit metrics and cash flows will be stable to improving after the forecast period ending in 2020.

Moody's provided additional information in its June 2018 Credit Opinion which indicates that RMP benefits from several other credit supportive factors that will not change, [redacted]. Furthermore, Moody's provided a short list of [redacted] "credit weaknesses" for RMP: [redacted]

[11]Confidential Exhibit RMP___(NLK-1) Page 2 (emphasis added).

[redacted]. Importantly, pressure on cash flows and credit metrics as a result of the TCJA is not a listed credit weakness.

Q PLEASE EXPLAIN WHY YOU BELIEVE RMP'S CREDIT METRICS AND CASH FLOWS WILL BE STABLE TO IMPROVING AFTER 2020.

A It is reasonable to expect RMP's cash flows to be stable or improving after 2020 because a large portion of the tax benefits will have been returned to customers over five years. Once the five year amortization is over, the Company would see an increase in cash flows and its credit metrics in the near future, all else constant. Further, as the Company continues to invest in plant and property, which it is planning to do with its approved Energy Vision 2020 program, its rate base will grow, increasing future cash flows through depreciation expense and return on investment. RMP has indicated it will be filing a depreciation rate study as soon as next month, in which it is expecting "upward pressure on composite depreciation rates related to prior capital investment."[12] It should be noted that future ADIT will provide a benefit to cash flows as RMP continues to invest in its capital programs such as Energy Vision 2020.

[12] Response to DPU 1.6.

Q WHY IS THE LENGTH OF TIME RELEVANT TO HOW RATINGS AGENCIES VIEW CREDIT METRICS?

A Ratings agencies typically do not take ratings actions based on short-lived temporary events, whether the event is temporarily credit positive or credit negative. Ratings actions could happen annually for some firms if this were the practice.

Ratings agencies tend to use multiple years of historical and/or projected results. For example, Moody's states the following:

> [redacted].[13]

Q ARE CREDIT METRICS THE ONLY FACTOR RATINGS AGENCIES RELY ON WHEN ASSESSING RMP'S CREDIT RATINGS?

A No. Ratings agencies take into consideration many factors when assessing credit ratings. In fact, Moody's states that credit metrics, in total, are accorded [redacted] weight in assessing a utility's ratings. Moody's generally assesses [redacted]

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[13] Moody's Investor Service, "Rating Methodology: Regulated Electric and Gas Utilities," June 23, 2017 (emphasis added). Although this document is publicly available from Moody's website, RMP has classified it confidential in response to UIEC 12.4. UIEC disagrees with RMP's confidential classification of this document. In the interest of time and resources, UIEC has not yet formally challenged RMP's confidential claim. By treating this material as confidential in this testimony, UIEC, is not conceding that the material is confidential nor is it waiving its rights to make such a challenge in the future.

measurements of credit metrics in its credit ratings determination, of which the CFO pre-WC-to-debt (FFO-to-Debt) ratio [redacted] (out of 100%). Moody's also considers many other factors, including the [redacted]. Importantly, the FFO-to-Debt ratio carries less weight than the other factors such as the regulatory framework and the ability to recover costs. In addition, Moody's also takes into consideration affiliated companies and the corporate structure, and ring-fence separations.

Attached to my testimony is Confidential Exhibit UIEC___(CCW-1) which details the several factors, and their weights, that Moody's relies on in determining credit ratings for regulated utilities.

Q HAS MOODY'S MENTIONED ANY OF THESE OTHER 'FACTORS' IN ASSESSING RMP'S CREDIT RATINGS?

A [redacted]. In its June 2018 Credit Opinion of PacifiCorp, Moody's stated the following:

[redacted]

[redacted].[14]

As described by Moody's, PacifiCorp benefits from many of the other factors considered in its ratings assessment, including its affiliation with Berkshire Hathaway.

Q HAVE YOU MEASURED THE FORECASTED CREDIT METRICS BASED ON DIFFERENT SCENARIOS?

A Yes, I have. In my Confidential Exhibit UIEC___(CCW-2), I have provided the forecast FFO-to-Debt ratio under two different scenarios. In the first scenario, I show the results of RMP's alternative analysis provided in its Confidential Attachment to DPU 1.2 3rd Supplemental, which includes a continuation of $61 million return of the current tax benefit in Utah, while providing 100% of the current tax benefit in the remaining PacifiCorp jurisdictions, as well as a five-year amortization of all non-protected (property and non-property related) EDIT.

In the second scenario, I show the results assuming a return of 100% of the current tax benefit, in all jurisdictions, including Utah. The pro forma adjustment to revenues is $4.9 million per year during 2018-2020.

[14] Confidential Exhibit RMP___(NLK-1) Page 1 (emphasis added).

Q PLEASE DISCUSS THE RESULTING MOODY'S FFO-TO-DEBT RATIO UNDER YOUR PRO FORMA SCENARIO THAT ASSUMES 100% RETURN OF THE CURRENT TAX BENEFIT.

A [redacted]. This change is driven by the $4.9 million being returned to customers annually in my pro forma scenario.

It should be noted that the annual declines in 2019 and 2020 are temporary, and not expected to be sustained for a long period of time given that the assumed amortization period of the non-protected EDIT is only five years. The temporary nature of this particular refund to customers will be known to ratings analysts. After the amortization period has ended, RMP will see an improvement in cash flows.

The temporary nature of the five-year period of refunding money to customers, coupled with the potential for rate cases to recover cost increases as well as the return of and on new plant during the five year amortization period, indicates that post-2020, RMP can expect enhanced cash flows to support its credit metrics and credit ratings. As I have explained above, the credit pressures associated with refunding EDIT to customers is temporary and not expected to be sustained and that it is sustained credit pressures that the credit agencies consider.

Q DO YOU HAVE ANY SPECIFIC RECOMMENDATIONS REGARDING THE TREATMENT OF CURRENT TAXES AND EDIT AT THIS TIME?

A Yes. As an initial matter, I recommend the Commission order RMP to include in rates the full amount of the $65.9 million of current tax benefits, or $4.9 million more than what is currently being returned to customers. It is known that rates are currently over-collecting by at least $4.9 million, making them unjust and unreasonable. There is no reason RMP should be able to continue to over-collect from customers. In addition, I recommend the Commission require RMP to begin returning all non-protected EDIT (property and non-property) over a five year period beginning January 1, 2019, rather than deferring the amortization until the next general rate case. Put another way, my recommendation is to adopt the alternative analysis that RMP provided in response to DPU 1.2 3rd Supplemental, plus returning to customers the remaining $4.9 million currently being over-collected in rates.

As described above, and shown in my Confidential Exhibit UIEC___(CCW-2), RMP's pro forma FFO-to-Debt ratio is [redacted]. Further, this proposal mitigates practically all of the intergenerational inequities resulting from the Company's July proposal.

Q PLEASE SUMMARIZE THE PRIMARY DIFFERENCES BETWEEN RMP'S PROPOSAL, THE ALTERNATIVE ANALYSIS IN RESPONSE TO DPU 1.2, AS WELL AS YOUR RECOMMENDATION, AS THEY RELATE TO UTAH.

A The primary differences between RMP's proposal and DPU 1.2 relate to the treatment of non-protected EDIT. RMP's proposal would unnecessarily amortize property-related non-protected EDIT over ARAM (35 years) and would then amortize the non-property non-protected over five years beginning at the effective date from the next general rate case.

The analysis provided in DPU 1.2 begins to amortize all non-protected EDIT (property and non-property) over five years, beginning in 2019.

In short, as described above, my recommendation adopts the alternative analysis provided in response to DPU 1.2, plus returning to customers the remaining $4.9 million in taxes currently being over-collected in rates.

Q DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A Yes.

Qualifications of Christopher C. Walters

Q PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A Christopher C. Walters. My business address is 16690 Swingley Ridge Road, Suite 140, Chesterfield, MO 63017.

Q PLEASE STATE YOUR OCCUPATION.

A I am a Senior Consultant in the field of public utility regulation with the firm of Brubaker & Associates, Inc. ("BAI"), energy, economic and regulatory consultants.

Q PLEASE STATE YOUR EDUCATIONAL BACKGROUND AND PROFESSIONAL EMPLOYMENT EXPERIENCE.

A I graduated from Southern Illinois University Edwardsville in 2008 where I received a Bachelor of Science Degree in Business Economics and Finance. I graduated with a Master of Business Administration Degree from Lindenwood University in 2011.

In January 2009, I accepted the position Financial Representative with American General Finance and was promoted to Senior Assistant Manager. In this position I was responsible for assisting in the management of daily operations of the branch, analyzing and reporting on the performance of the branch to upper management, performing credit analyses for consumers and small businesses, as well as assisting home buyers obtain mortgage financing.

In January 2011, I accepted the position of Analyst with BAI. As an Analyst, I performed detailed analysis, research, and general project support on regulatory and competitive procurement projects. In July 2013, I was promoted to the position of Associate Consultant. In January 2016, I was promoted to Consultant. In January 2018, I was promoted to Senior Consultant. As a Senior Consultant, I perform detailed technical analyses and research to support regulatory projects including expert testimony, and briefing assistance covering various regulatory issues. At BAI, I have been involved with several regulated projects for electric, natural gas and water and wastewater utilities, as well as competitive procurement of electric power and gas supply. My regulatory filing tasks have included measuring the cost of capital, capital structure evaluations, assessing financial integrity, merger and acquisition related issues, risk management related issues, depreciation rate studies, other revenue requirement issues and wholesale market and retail regulated power price forecasts. Since 2011, I have been working with BAI witnesses on utility rate of return filings. Specifically, I have assisted in analyzing rate of return studies, drafting discovery requests and analyzing responses, drafting testimony and exhibits and assisting with the review of the briefs in more than 30 states, two Canadian provinces, and the Federal Energy Regulatory Commission ("FERC").

BAI was formed in April 1995. BAI and its predecessor firm have participated in more than 700 regulatory proceedings in 40 states and Canada.

BAI provides consulting services in the economic, technical, accounting, and financial aspects of public utility rates and in the acquisition of utility and energy services through RFPs and negotiations, in both regulated and unregulated markets. Our clients include large industrial and institutional customers, some utilities and, on occasion, state regulatory agencies. We also prepare special studies and reports, forecasts, surveys and siting studies, and present seminars on utility-related issues.

In general, we are engaged in energy and regulatory consulting, economic analysis and contract negotiation. In addition to our main office in St. Louis, the firm also has branch offices in Phoenix, Arizona and Corpus Christi, Texas.

Q HAVE YOU EVER TESTIFIED BEFORE A REGULATORY BODY?

A Yes. I have sponsored testimony before state regulatory commissions including: Arkansas, Delaware, Florida, Kansas, Kentucky, Michigan, Minnesota, Ohio and Oklahoma. I have also filed an affidavit before the FERC.

Q PLEASE DESCRIBE ANY PROFESSIONAL REGISTRATIONS OR ORGANIZATIONS TO WHICH YOU BELONG.

A I earned the Chartered Financial Analyst ("CFA") designation from the CFA Institute. The CFA charter was awarded after successfully completing three examinations which covered the subject areas of financial accounting and reporting analysis, corporate finance, economics, fixed income and equity valuation, derivatives, alternative investments, risk management, and professional and ethical conduct. I am a member of the CFA Institute and the CFA Society of St. Louis.

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Rocky Mountain Power

Moody's Ratings Factors and Weights

1. Identification and Discussion of the Rating Factors in the Grid

The grid in this rating methodology focuses on four rating factors. The four factors are comprisedof sub-factors that provide further detail:

Factor / Sub-Factor Weighting - Regulated Utilities

Broad Rating Factors	Broad Rating Factor Weighting	Rating Sub-Factor	Sub-Factor Weighting
[redacted]			

Source:
Moody's Investor Service, "Rating Methodology: Regulated Electric and Gas Utilities," June 23, 2017.

Rocky Mountain Power

Comparison of Pro Forma Credit Metrics

Description	2016	2017	2018	2019	2020
RMP Alternative Analysis					
FFO/Debt (Moody's)	[redacted]				
Three Year Average					
100% Giveback of Current					
FFO/Debt (Moody's)	[redacted]				
Three Year Average					