

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

Investigation of Revenue Requirement)	Docket No. 17-035-69
Impacts of the New Federal Tax)	
Legislation Titled: “An act to provide for)	Direct Testimony
reconciliation pursuant to titles II and V)	of Cheryl Murray
of the concurrent resolution of the)	For the Office of
budget for fiscal year 2018”)	Consumer Services

DIRECT TESTIMONY

OF

CHERYL MURRAY

FOR THE OFFICE OF CONSUMER SERVICES

AUGUST 28, 2018

1 **Q. PLEASE STATE YOUR NAME, OCCUPATION AND BUSINESS**
2 **ADDRESS.**

3 A. My name is Cheryl Murray; I am a Utility Analyst for the Office of Consumer
4 Services (Office). My business address is 160 East 300 South, Salt Lake City, Utah
5 84111.

6 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

7 A. The purpose of my testimony is to introduce the other witness testifying on behalf of
8 the Office in this docket, as well as to provide a summary of the Office’s position and
9 recommendations.

10 **Q. PLEASE IDENTIFY THE OTHER WITNESS TESTIFYING ON BEHALF OF**
11 **THE OFFICE.**

12 A. The Office retained Ms. Donna Ramas of Ramas Regulatory Consulting, LLC to
13 review the impacts on Rocky Mountain Power’s (Company) revenue requirement
14 resulting from the federal legislation titled “An act to provide for reconciliation
15 pursuant to titles II and V of the concurrent resolution of the budget for fiscal year
16 2018” (Tax Reform Act). Ms. Ramas is a revenue requirement expert and CPA. Ms.
17 Ramas will testify on behalf of the Office regarding her analysis, which is the basis
18 for the Office’s recommendations to the Commission on how the impacts of tax
19 reform changes should be implemented to benefit Utah customers of the Company.
20 This includes reducing the amount of federal income taxes being collected in current
21 rates and returning to customers the past over-collection of deferred income taxes that
22 will no longer be paid to the federal government.

23 **Q. WHAT IS THE PRIMARY GOAL OF THE OFFICE REGARDING THE TAX**
24 **REFORM ACT?**

25 A. The Office asserts that customers should receive the full benefits that result from the
26 Tax Reform Act.

27 **Q. IS THE COMPANY IN AGREEMENT WITH THE OFFICE'S PRIMARY**
28 **OBJECTIVE?**

29 A. Yes. Based on the Company's April 16, 2018 reply comments and the Direct
30 Testimony of Nikki L. Kobliha¹, it appears that the Company does agree that the
31 benefits of tax reform should be passed on to customers.

32 However, the Office and Company do not agree on the method and timing by
33 which the benefits should be passed on to Utah rate payers. Ms. Ramas more fully
34 explains those differences in her direct testimony.

35 **Q. PLEASE SUMMARIZE THE OFFICE'S RECOMMENDATIONS**
36 **REGARDING PASSING THE BENEFITS OF THE TAX REFORM ACT ON**
37 **TO UTAH CUSTOMERS.**

38 A. First and foremost the Office recommends that the full revenue requirement impacts
39 associated with the impact of the Tax Reform Act be passed to the Company's
40 customers. Regarding the treatment of the impacts of the reduction in the federal
41 corporate income tax rate, the Office makes the following recommendations.

42 1) Beginning January 1, 2019, the current annual rate reduction of \$61 million
43 approved by the Public Service Commission (Commission) on April 27, 2018, be
44 increased to \$99,884,000. This \$99,884,000 reduction includes: a) the impact on

¹ Direct Testimony of Nikki L. Kobliha, July 10, 2018, lines 30 – 31.

current taxes resulting from the Tax Reform Act, calculated by RMP as \$65.89 million; and b) the amortization of non-protected Excess Deferred Income Tax (EDIT) balances over a five-year period, grossed up for the revenue requirement impacts. This amount should continue until rates from the next general rate case go into effect.

2) The reduction in revenue requirement associated with current taxes for 2018 that will not be fully refunded to customers during 2018 under the current \$61M interim rate reduction, should continue to be deferred. (This amount is the difference between the current \$61M rate reduction approved by the Commission and \$65.89M calculated by the Company as the impact on Utah revenue requirement prior to consideration of the EDIT balances).

3) The amortization of the protected property related EDIT under the Average Rate Assumption Method (ARAM) required under the IRS normalization rules should be deferred as a regulatory liability. As Ms. Ramas explains in her testimony, the amount of amortization or flow-back of the protected property related EDIT fluctuates each year; thus, the amount deferred as a regulatory liability should be based on the actual annual ARAM amortization amounts until the next rate case. At that time the resulting amount could be amortized or used to offset regulatory assets. The Company and parties could present their recommendations for appropriate treatment as part of the rate case.

Ms. Ramas' testimony more fully describes these recommendations and explains her analysis, which is the basis for the Office's recommendations.

Q. DO YOU HAVE ANY ADDITIONAL COMMENTS?

68 A. Yes. While the Office has presented specific recommendations for the return to
69 customers of the full impact of the Tax Reform Act, we have been informed of
70 potentially significant additional costs that customers may be required to bear in the
71 near future, such as impacts from the Company's new depreciation study. If we are
72 provided with credible, verifiable information related to these potential costs prior to
73 submission of our rebuttal testimony in this docket we may modify our
74 recommendation.

75 As we noted in our April 9, 2018 comments in an earlier phase of this docket:

76 "Ultimately, the Commission must evaluate the relative value of competing
77 goals. Returning as much of the refund as soon as possible best matches the benefit to
78 the appropriate set of ratepayers. However, depending on the nature of future costs, it
79 may be appropriate to consider competing goals of rate stability and mitigation of a
80 potential future rate shock."

81
82 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

83 A. Yes.