–BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH–

IN THE MATTER OF THE 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** **Exhibit No. DPU 1.0 R**

FOR THE DIVISION OF PUBLIC UTILITIES

DEPARTMENT OF COMMERCE

STATE OF UTAH

Rebuttal Testimony of

William L Mecham

September 19, 2018

Q. WOULD YOU PLEASE INTRODUCE YOURSELF FOR THE RECORD?

A. My name is Lane Mecham and I'm testifying on behalf of the Division of Public Utilities ("Division").

Q. ARE YOU THE SAME LANE MECHAM THAT FILED DIRECT TESTIMONY IN THIS MATTER?

A. Yes. I filed direct testimony on behalf of the Division on August 28, 2018, in DPU Exhibit 1.0 DIR.

Q. WOULD YOU PLEASE SUMMARIZE THE PURPOSE OF YOUR REBUTTAL TESTIMONY?

A. Yes. In my direct testimony I presented the Division's recommendations for treatment of the tax effects identified in this docket. I also said in that testimony that I would supplement the Division's recommendations once updates were provided by Rocky Mountain Power that were pending at the time.

Q. YOU INDICATED THAT YOU WOULD SUPPLEMENT YOUR RECOMMENDATIONS WITH UPDATED INFORMATION FROM ROCKY MOUNTAIN POWER, ARE YOU PREPARED TO PROVIDED THAT SUPPLEMENTAL INFORMATION?

A. Yes. The Division submitted a request to Rocky Mountain Power ("the Company") asking it to update its response to data request 5.4 from the Office of Consumer Services ("OCS"). The initial response to that request was delivered on July 13, 2018. On August 2, 2018, the Company provided an "Update to its Filing" in this docket,[1] which

[1] Rocky Mountain Power's Update to its Filing on July 10, 2018, Docket No. 17-035-69, August 2, 2018

transferred $16.3 million from the property related non-protected excess deferred income tax (“EDIT”) balance to the property related protected EDIT balance. The Division assumed that this transfer would result in a change to amortization for both balances, however, the Company’s response was that no change in amortization occurred, other than a minor correction in 2018. The Division has requested clarification of why this would be the case. Nevertheless, assuming that this response is correct, the Division is prepared to update its recommendation using the amortization provided by the Company in OCS data request 5.4 and will update its recommendation in subsequent testimony if the Company’s response warrants an update.

The Division is proposing $104 million be refunded annually through Schedule 197 until new rates are in effect at the end of the next rate case. The Division also recommends an additional $4.9 million in 2019, which represents the tax savings not refunded during 2018 through Schedule 197. The $4.9 million should have a carrying charge applied since it relates to the same balance of savings that are currently being passed through Schedule 197 which includes a carrying charge. The following chart summarizes these updated recommendations:

Summary of Schedule 197 Refund Balances					
Non-Protected EDIT		**Utah Allocated EDIT**	**Gross Up Factor**		**Grossed Up EDIT**
Property Related	$	104,934,317	1.333	$	139,893,981
Non-Property	$	22,560,698	1.333	$	30,076,966
Total	**$**	**127,495,015**	**1.333**	**$**	**169,970,947**
Annual Amortization of Non-Protected EDIT (10 Years)				$	16,997,095
Annual Amortization of Protected Property Related (ARAM)*				$	21,331,205
Annual Reduction in Tax Expense				$	65,890,414
Total Annual Credit through Schedule 197**				$	104,218,714

*This amount represents the average amortization between 2018-2021, grossed up using 1.333 to account for the revenue requirement impact.
**2019 will have an additional $4.9 million for the amount not refunded in 2018.

The difference between $98 million recommended in my Direct Testimony and $104 million in this filing is that the average amortization for protected EDIT has been updated with the Company's amortization correction to $16,000,513 and then grossed up to account for the revenue requirement impacts.

Q. ARE THERE ANY OTHER ITEMS YOU'D LIKE TO CLARIFY ABOUT YOUR RECOMMENDATIONS?

A. Yes. Flowing back the average amortization of protected EDIT would leave a remaining amortization balance of $16,000,513 going into the next rate case, assuming that actual ARAM is the same as forecasted ARAM. The Division would clarify that it is proposing to defer any remaining balance of protected EDIT amortization as a regulatory liability and parties can determine the best treatment of the balance at that time. This would ensure that all the benefits of tax reform are captured and passed to ratepayers. This is illustrated in the following table:

Deferral and Flow Back Schedule					
	2018	2019	2020	2021	Average
Allowed Flow Back/ ARAM	$ 13,962,139	$ 18,307,209	$ 15,513,411	$ 16,219,292	$ 16,000,513
Cumulative Allowed Flow Back	$ 13,962,139	$ 32,269,348	$ 47,782,759	$ 64,002,051	
Actual Flow Back	$ -	$ 16,000,513	$ 16,000,513	$ 16,000,513	
Cumulative Actual	$ -	$ 16,000,513	$ 32,001,026	$ 48,001,538	
Remaining Deferal	$ 13,962,139	$ 16,268,835	$ 15,781,734	$ 16,000,513	

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes, it does.