

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

IN THE MATTER OF ROCKY MOUNTAIN POWER)	
FOR AUTHORITY TO INCREASE ITS RETAIL)	
ELECTRIC UTILITY SERVICE RATES IN UTAH)	DOCKET No. 20-035-04
AND FOR APPROVAL OF ITS PROPOSED)	Exhibit No. DPU 6.0 DIR
ELECTRIC SERVICE SCHEDULES AND ELECTRIC)	
SERVICE REGULATIONS)	

Redacted

FOR THE DIVISION OF PUBLIC UTILITIES
DEPARTMENT OF COMMERCE
STATE OF UTAH

Redacted Direct Testimony of

JJ Alder

September 2, 2020

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I. INTRODUCTION

Q. PLEASE STATE YOUR NAME, EMPLOYER, AND BUSINESS ADDRESS.

A. My name is JJ Alder. I am employed by the Division of Public Utilities (Division). My business address is 160 East 300 South Salt Lake City, UT 84114.

Q. BRIEFLY OUTLINE YOUR EMPLOYMENT BACKGROUND.

A. I currently work for the Division as a Utility Analyst. Before working for the Division, I worked for the Utah State Tax Commission as a Valuation Analyst in the Property Tax Division for four years.

Q. WHAT IS YOUR EDUCATIONAL BACKGROUND?

A. I received a Bachelor of Science degree in Geophysics from the University of Utah. I am also a Certified General Appraiser in the State of Utah.

Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE COMMISSION?

A. Yes. I testified before the Commission as an expert witness in Dominion Energy Utah's Application for an Adjustment in Rates and Charges for Natural Gas Service in Docket No. 20-057-07.

II. SUMMARY

Q. PLEASE BRIEFLY SUMMARIZE THE WORK AND INVESTIGATIONS YOU HAVE PERFORMED IN THIS MATTER.

A. I performed a review of Rocky Mountain Power's (RMP or the Company) property tax expense. I have also completed an independent estimation based on publically available

21 information, data provided by the Company in their original filing, and subsequent data
22 requests from the Division.

23 **Q. PLEASE SUMMARIZE AND DESCRIBE THE PURPOSE OF YOUR**
24 **TESTIMONY.**

25 A. My testimony addresses and summarizes specific issues and adjustments of concern to
26 the Division regarding the Company's property tax expense for the test year.

27 **Q. PLEASE SUMMARIZE YOUR CONCLUSIONS.**

28 A. The Company's application includes a forecast for property tax expense of \$181.3
29 million for the test year. The estimate for the 2021 property tax amount is derived by
30 adding \$32.5 million to the 2019 base year amount.¹ Based on my analysis, I estimate
31 that the property tax for 2021 to be \$164.0 million. This property tax amount has been
32 loaded into the revenue requirement model which results in a \$7,623,014 decrease to the
33 revenue requirement.

34 **III. ANALYSIS**

35 **Q. PLEASE EXPLAIN YOUR ANALYSIS OF THE PROPERTY TAX EXPENSE,**
36 **CONFIDENTIAL EXHIBIT RMP_(SRM-5).**

37 A. First, the Company's adjustment is based on "Extraordinary Assumptions" in its
38 modeling [REDACTED].² Note that the [REDACTED] is updated

¹ Steven R. McDougal, Exhibit RMP_(SRM-3) Page 7.4.1.

² Confidential Exhibit RMP_(SRM-5); Extraordinary Assumption: an assumption, directly related to a specific assignment, as of the effective date of the assignment results, which, if found to be false, could alter the appraiser's opinions or conclusions. – Uniform Standards of Professional Appraisal Practice, 2018-2019.

39 with [REDACTED] as of January 1, 2019, before modeling
40 [REDACTED]. Each jurisdiction's property tax deadline varies during the calendar
41 year. The Company's base and test years for this docket are based on the 12-month
42 historical period ended December 31, 2019, and December 31, 2021, respectively. There
43 are some jurisdictions where the fiscal years run from July 1st to June 30th. The Company
44 assumes, in these cases, that [REDACTED]

45 [REDACTED]
46 Second, the Company's modeling assumes that [REDACTED]

47 [REDACTED]
48 [REDACTED] The Company assumes that [REDACTED]
49 [REDACTED]
50 [REDACTED]

51 [REDACTED] The Company uses [REDACTED]
52 [REDACTED] to determine the [REDACTED] property tax model.

53 These extraordinary assumptions are applied to the [REDACTED] to arrive at [REDACTED]
54 [REDACTED]. The same assumptions are then applied to arrive at [REDACTED]
55 [REDACTED]. The test year is then compared to the accrued property taxes at the end of
56 the fiscal base year. The difference becomes the total company adjustment of
57 \$32,538,613 and \$14,217,591 Utah allocated.³

³ McDougal Testimony, Exhibit RMP_(SRM-3), 7.4.

58 **Q. WHAT DATA DID THE COMPANY USE IN ITS ANALYSIS TO DERIVE A**
59 **NET PROPERTY TAX EXPENSE FOR THE TEST YEAR?**

60 A. In the Company's analysis, both the [REDACTED] for the test year and [REDACTED]
61 [REDACTED] in the base year are [REDACTED] by several factors such as
62 [REDACTED]
63 [REDACTED].⁴

64 **Q. DO YOU BELIEVE THESE ADJUSTMENTS ARE SIGNIFICANT?**

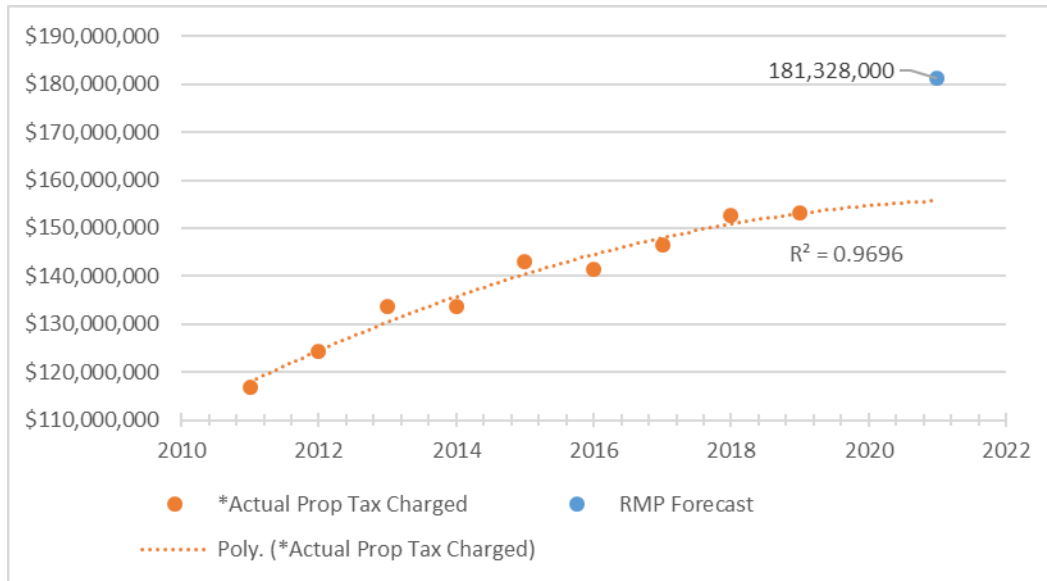
65 A. No. Acting under the extraordinary assumption that all other things are equal, the
66 adjustments previously discussed would not have a significant impact on the Division's
67 estimate of the property tax expense for the test year.

68 **Q. WHAT METHOD DID YOU EMPLOY TO DETERMINE THE**
69 **REASONABLENESS OF RMP'S PROPERTY TAX EXPENSE?**

70 A. On behalf of the Division, I analyzed past actual property tax charged from the filed
71 FERC forms since 2011. Figure 1 summarizes the simple trend analysis and compares it
72 to the Company's forecasted test year expense of \$181,328,000.

⁴ Master Property Tax Estimation Worksheet, Confidential Exhibit RMP_(SRM-5).

Figure 1 – Actual Property Tax Charged and RMP Forecast



*Annual FERC Form No. 1

73 The results do not support the Company’s forecast and are therefore not reasonable. An
74 adjustment is warranted.

75 **Q. DID YOU EMPLOY ADDITIONAL METHODS TO DETERMINE THE**
76 **REASONABLENESS OF RMP’S PROPERTY TAX EXPENSE?**

77 A. Yes. Utilizing the actual property tax charged from the filed FERC forms, dating back
78 to year-end 2011, the Division calculated an average year-over-year percent change.
79 The Company’s proposed adjustment outlined in Steven McDougal’s testimony results
80 in an annual increase of approximately 8.34%. The Division notes that the largest
81 percent change seen in the analyzed data was a 7.46% increase from the years 2012 to
82 2013. The average percent change from the years 2011 to 2019 is 3.50%.

83

84 Q. PLEASE SUMMARIZE THE DIVISION’S PROPOSED PROPERTY TAX
 85 ADJUSTMENT.

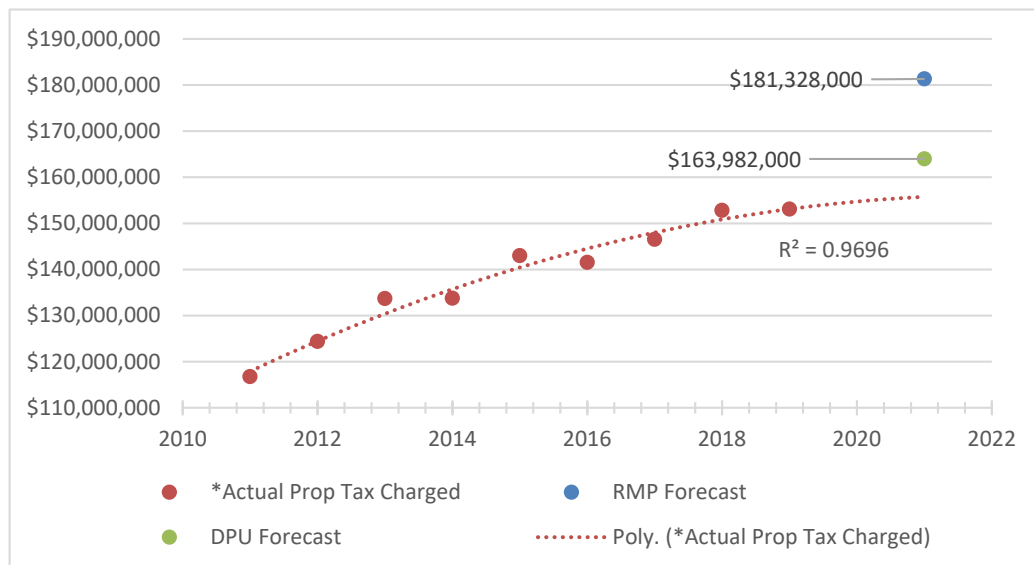
86 A. The Division proposes increasing the base year and subsequent year by 3.50%. Figure 2
 87 outlines the Division’s estimate of property tax charged for the test year.

Figure 2 –Division’s Forecast, Actual Property Tax Charged, & Average Percent Change

	<u>Year End</u>	<u>*Actual Prop Tax Charged</u>	<u>Yr/Yr Δ</u>		
	2011	\$116,761,882			
	2012	\$124,387,412	6.53%		
	2013	\$133,662,385	7.46%		
	2014	\$133,744,266	0.06%		
	2015	\$142,978,554	6.90%		
	2016	\$141,504,570	-1.03%		
	2017	\$146,516,254	3.54%		
	2018	\$152,778,918	4.27%		
	2019	\$153,079,003	0.20%		
<i>Forecasted</i>	2020	\$158,437,000	3.50%	3.49%	Average Yr/Yr Δ
	2021	\$163,982,000	3.50%	3.50%	Rounded

*FERC Form No. 1

Figure 3 – Actual Property Tax Charged with RMP and Division Forecast



88 Based on a rounded, average percent change, the Division recommends a property tax
89 expense for the test year of \$163,982,000. The test year is then compared to the accrued
90 property taxes at the end of the base year. While the Division’s adjustment estimates a
91 lower value for property taxes in the test year, the lower amount represents an increase
92 of \$15,192,613 from the 2019 base year actual amount as shown in Figure 4. Similarly,
93 the company’s adjustment is demonstrated in Figure 5 and a comparison of both
94 adjustments is shown in Figure 6.

Figure 4 – Division Adjustment Calculation using RMP’s Base Year Accrual

RMP 2019 Base Year Accrual	\$148,789,387
Division Test Year Forecast	\$163,982,000
Total Adjustment	\$15,192,613

Figure 5 – RMP Adjustment Calculation using RMP’s Base Year Accrual

RMP 2019 Base Year Accrual	\$148,789,387
RMP Test Year Forecast	\$181,328,000
Total Adjustment	\$32,538,613

Figure 6 – Adjustment Comparison

RMP's Adjustment to Model	\$32,538,613
*Division Suggested Adjustment	\$15,192,613
Amount Changed in RMP Model	-\$17,346,000

*Based on higher FERC numbers

95 It should also be noted that the property tax amount reported to FERC for 2019 is
96 \$4,289,616 higher than the property tax amount identified in Mr. McDougal’s exhibit
97 SRM-3 for the 2019 base year. The Division’s adjustment is based on the higher FERC
98 amount.

99 **IV. CONCLUSIONS & RECOMMENDATION**

100 **Q. CAN YOU SUMMARIZE YOUR FINAL CONCLUSIONS AND**
101 **RECOMMENDATIONS?**

102 A. Based on my analysis, the Division recommends that the Company's forecasted property
103 tax expense for the twelve months ending December 31, 2021, as outlined in Mr.
104 McDougal's testimony, Exhibit RMP_(SRM-3) 7.4.1, should be decreased by
105 \$17,346,000 for an estimated property tax amount of \$163,982,000 for 2021. When the
106 property tax adjustment is loaded into the Company model, the result is a reduction in the
107 revenue requirement of \$7,623,014. The combined impact of this adjustment, along with
108 the other Division adjustments, will be discussed further by Division witness Brenda
109 Salter.

110 **Q. DO YOU BELIEVE YOUR CONCLUSIONS AND RECOMMENDATIONS**
111 **ARRIVE AT JUST AND REASONABLE RESULTS THAT ARE IN THE PUBLIC**
112 **INTEREST?**

113 A. Yes.

114 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

115 A. Yes, it does.