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BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

IN THE MATTER OF THE APPLICATION OF DOMINION ENERGY UTAH TO INCREASE DISTRIBUTION RATES AND CHARGES AND MAKE TARIFF MODIFICATIONS	**Docket No. 19-057-02**

REDACTED PREFILED SURREBUTTAL TESTIMONY OF KEVIN C. HIGGINS

The UAE Intervention Group (UAE) hereby submits the Redacted Prefiled Surrebuttal Testimony of Kevin C. Higgins in Phase I of this docket.

DATED this 5th day of December, 2019.

Respectfully submitted

By: Phillip J Russell

Phillip J. Russell
HATCH, JAMES & DODGE, P.C.

Attorneys for UAE

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was served by email this 5th day of December, 2019, on the following:

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BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

Redacted Phase I Surrebuttal Testimony of Kevin C. Higgins

on behalf of

UAE

Docket No. 19-057-02

December 5, 2019

TABLE OF CONTENTS

EXHIBIT

REDACTED SURREBUTTAL TESTIMONY OF KEVIN C. HIGGINS

INTRODUCTION

Q. Please state your name and business address.

A. My name is Kevin C. Higgins. My business address is 215 South State Street, Suite 200, Salt Lake City, Utah, 84111.

Q. By whom are you employed and in what capacity?

A. I am a Principal in the firm of Energy Strategies, LLC. Energy Strategies is a private consulting firm specializing in economic and policy analysis applicable to energy production, transportation, and consumption.

Q. Are you the same Kevin C. Higgins who prefiled Phase I direct testimony and Phase II direct testimony on behalf of the Utah Association of Energy Users Intervention Group ("UAE") in this proceeding?

A. Yes, I am.

OVERVIEW AND CONCLUSIONS

Q. What is the purpose of your Phase I surrebuttal testimony in this proceeding?

A. My surrebuttal testimony responds to DEU's Phase I rebuttal testimony regarding the adjustments I recommend in my Phase I direct testimony. I also incorporate several new adjustments that are included in DEU's rebuttal testimony. In addition, I address the appropriate cap for the Infrastructure Tracker Pilot Program.

Q. Please summarize the revenue requirement adjustments you are recommending in your surrebuttal testimony.

A. My updated recommended adjustments reduce DEU's revenue requirement by a total of [redacted] relative to DEU's proposed revenue requirement increase of $19,249,740, which is a smaller reduction than I recommended in my direct testimony by approximately $4.2 million. This reduction includes the same illustrative reduction to DEU's requested ROE from 10.50% to 9.70% that I presented in my direct testimony, based on the median ROE approved by state regulators in the United States for natural gas distribution utilities as reported by S&P Global Market Intelligence for the 12-month period ending September 30, 2019.

My revised adjustments are presented in Table KCH-1S below. One of my adjustments concerns the test period expense associated with DEU's proposed liquefied natural gas ("LNG") project – information which DEU deems to be confidential. Excluding this confidential adjustment, my recommended adjustments reduce DEU's revenue requirement by a total of $19,728,646. My recommended adjustments are as follows:

(1) I continue to recommend adjusting DEU's non-labor O&M expense to remove its projected cost escalation increase for the test period. This adjustment reduces the Utah revenue requirement by **$1,934,618**.

(2) I continue to recommend including the pension expense of -$5,448,127, based on projected 2020 Generally Accepted Accounting Principles ("GAAP")

pension cost, in the revenue requirement. This adjustment reduces the Utah revenue requirement by **$5,281,817**. In the alternative, UAE would support adjusting pension expense to zero in this case if DEU were to agree that positive or negative pension expense would be permanently excluded from DEU's revenue requirement on a going-forward basis. In either case, I do not recommend including DEU's prepaid pension asset in rate base.

(3) Based on the updated 2020 O&M budget, I am modifying my recommended O&M efficiency adjustment to be consistent with the adjustment identified by DEU witness Mr. Jordan K. Stephenson. This adjustment reduces the Utah revenue requirement by **$602,310** relative to DEU's direct filing and replaces the $6,515,204 reduction I recommended in my direct testimony.

(4) The Commission should approve the excess deferred income tax ("EDIT")-related recommendations in my direct testimony that DEU has accepted in its rebuttal testimony, including my recommendation to credit customers with the amortization of plant-related EDIT occurring during the January 2019 to February 2020 period through an extension of Tax Reform Surcredit 3. The only remaining difference between DEU and UAE on this issue is the amortization period for non-plant EDIT. DEU is recommending twelve years, while I continue to recommend that non-plant EDIT be amortized over a period not to exceed ten years. My recommended base revenue requirement EDIT adjustment increases the Utah revenue requirement by **$478,027**.

(5) As in my Phase I direct testimony, I incorporate a 9.70% ROE into UAE's overall revenue requirement recommendations for illustrative purposes. This adjustment reduces the Utah revenue requirement by **$10,575,557**.

(6) I continue to recommend that LNG project outside contractor expenses be removed from the revenue requirement. This adjustment reduces the Utah revenue requirement by [redacted].

(7) I incorporate several new adjustments that are included in DEU's rebuttal testimony. Together, these new adjustments reduce the Utah revenue requirement by **$1,812,370.**

(8) I continue to recommend that the Infrastructure Tracker Pilot Program cap remain at the $72.2 million level for 2020, and that annual expenditures continue to be capped at $72.2 million *without* future adjustments for inflation in order to provide reasonable cost containment for the tracker mechanism.

Table KCH-1S
UAE Surrebuttal Revenue Requirement Adjustments

Adjustment Description	UT Jurisdiction Adjustment Impact	UT Jurisdiction Deficiency
DEU Requested Increase		$19,249,740
Remove Non-Labor Inflation Adjustment	($1,934,618)	$17,315,121
Pension Expense Adjustment	($5,281,817)	$12,033,304
O&M Efficiency Adjustment	($602,310)	$11,430,995
EDIT Adjustment	$478,027	$11,909,022
Cash Working Capital Adjustment	($1,483,717)	$10,425,304
Accrual True-up Adjustment	($295,861)	$10,129,443
Remove Fines Adjustment	($3,630)	$10,125,813
Property Tax Expense Adjustment	($29,162)	$10,096,651
Return on Equity Adjustment	($10,575,557)	($478,906)
Total UAE Adjustments (Non-Conf.)	($19,728,646)	
UAE Recommended Decrease		($478,906)
LNG Expense Adjustment	[redacted]	[redacted]
Total UAE Adjustments w/LNG Adj.	[redacted]	

REVENUE REQUIREMENT ADJUSTMENTS

O&M Cost Escalation

Q. In his rebuttal testimony, Mr. Stephenson disagrees with your adjustment to remove the inflation escalator applied by DEU to its test period non-labor O&M expense.[1] Do you continue to recommend removing the non-labor O&M inflation escalation?

A. Yes. Mr. Stephenson's rebuttal on this topic does not assuage my concerns with DEU's approach. As I explained in my Phase I direct testimony,[2] I have concerns about regulatory pricing formulations that cause or reinforce inflation. This occurs when *projections* of inflation are built into formulas that are used to set administratively-determined prices, such as utility rates. I also oppose building a "cost cushion" into DEU's test period costs. Allowing this type of systemic uplift in rates goes well beyond the basic rationale advanced by advocates for using a projected test period, which is to ameliorate the effect of regulatory lag on the recovery of investment in new plant.

[1] Rebuttal Testimony of Jordan K. Stephenson (DEU Exhibit 3.0R), pp. 7-11.

[2] Phase I Direct Testimony of Kevin C. Higgins (UAE Exhibit 1.0), pp. 7-11.

Q. Mr. Stephenson argues that it is not true that including inflation in a test period can cause inflation to occur, because the costs of labor or material are not dictated by the revenue requirement the Company collects, but rather by supply and demand.[3] Do you wish to comment on this claim?

A. Yes. Mr. Stephenson misconstrues my argument on this point. My concern is that building projected inflation into administratively-determined prices contributes to inflation by *directly increasing the cost to consumers* (i.e., DEU's customers) for that product, regardless of whether the supplier actually experiences inflation in the price of inputs. As a matter of public policy, this is a concern. It is one thing to adjust for inflation after the fact; it is another to help guarantee it. For this reason, I believe that regulators should be very cautious about approving prices that guarantee inflation before it occurs.

Q. What is your recommendation regarding the application of an inflation escalator to the non-labor O&M expense for the projected test year?

A. I continue to recommend adjusting DEU's non-labor O&M expense to remove its projected cost escalation increase for the test period. This adjustment reduces the Utah revenue requirement by **$1,934,618**.

[3] Rebuttal Testimony of Jordan K . Stephenson (DEU Exhibit 3.0R), p. 10.

Pension Expense and Prepaid Pension Asset

Q. In your Phase I direct testimony, you recommended recognizing DEU's projected 2020 pension expense of -$5,448,127[4] in the revenue requirement and recommended against including the prepaid pension asset in rate base. In his rebuttal testimony, DEU witness Mr. Alan Felsenthal claims your approach is asymmetrical and inequitable.[5] How do you respond this claim?

A. I disagree. It is DEU's proposal to set the revenue requirement for pension expense at zero when pension cost under GAAP is negative, while retaining the option to seek a positive revenue requirement when GAAP pension cost is positive, that is asymmetrical.

The selection of the appropriate pension expense to include in the revenue requirement and the question of whether DEU should earn a return on its prepaid pension asset represent two distinct issues for the Commission's consideration. Turning first to the issue of pension expense, DEU proposes to set pension expense to zero for ratemaking purposes, despite negative current and projected pension costs calculated under GAAP.[6] As I explained in my Phase I direct testimony, DEU proposes an asymmetrical long-term approach whereby pension

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[4] This is the Total System amount. See DEU Exhibit 4.18-Summers-Rate Case Model 7-1-2019, Labor Forecast tab. The Utah-jurisdictional portion of DEU's projected 2020 pension expense is -$5,261,562.

[5] Rebuttal Testimony of Alan Felsenthal (DEU Exhibit 6.0R), p. 9.

[6] DEU reports pension costs of -$5,445,794 for 2018, -$8,386,573 for 2019 and -$10,089,124 for 2020 in MDR_22 B.04, Attachment 1, line 32. According to DEU, a portion of the pension cost is capitalized as labor overhead, leaving pension expenses of -$2,929,280 for 2018, -$4,614,392 for 2019, and -$5,448,127 for 2020. See DEU's response to UAE Data Request No. 4.04, included in UAE Exhibit 1.1S. However, in DEU's response to UAE Data Request 3.01, Attachment 1 (included in UAE Exhibit 1.1S), pension costs are -$4,674,268 for 2019 and -$11,757,014 for 2020. I am currently unable to explain why these 2019 and 2020 pension costs vary from those in MDR_22 B.04, Attachment 1.

expense is set at zero in this case even though GAAP pension cost is negative, while retaining the option to charge customers in the future if pension expense becomes positive again.[7]

By definition, over the life of a pension plan, the cumulative sum of the annual GAAP pension costs (including negative pension costs) will equal the cumulative sum of the Company's funding contributions. This means that setting customer pension cost responsibility in rates equal to GAAP pension cost (as is currently done) ensures that, by and large,[8] customer rates will fully fund the pension plan costs over the life of the plan. Selectively "zeroing out" pension expense in rates when GAAP pension cost is negative as proposed by DEU will cause customers to overpay for pension cost over the life of the pension plan.

If DEU were proposing to eliminate pension expense from ratemaking on a permanent basis, I believe the Company's proposed treatment would be worth serious consideration. However, DEU indicates that the Company is not supportive of such a permanent change. Rather, DEU appears to contemplate a long-term arrangement in which customers would pay for pension expense in rates when GAAP pension costs are positive but would go without a credit in rates when pension costs are negative.

[7] See Phase I Direct Testimony of Kevin C. Higgins (UAE Exhibit 1.0), pp. 12-13. See also DEU Response to UAE Data Request No. 3.02, which is included in UAE Exhibit 1.7, provided with my Phase I Direct Testimony.

[8] Since GAAP pension cost changes annually, and base rates are not reset every year, the cumulative pension cost *in rates* will likely not exactly match the cumulative sum of funding contributions over the life of the plan.

Q. Mr. Felsenthal presents an "alternative position" to DEU's direct proposal, positing that if accrual basis (GAAP) pension expense (whether positive or negative) is included in the cost of service, then the prepaid pension asset should be included in rate base.[9] Do you support including the prepaid pension asset in rate base?

A. No. Including the prepaid pension asset in rate base would result in an unreasonable transfer of risk to customers. As I explained above, Utah ratemaking practice provides for recovery of prudently incurred pension expense calculated in accordance with GAAP. The issue is not whether Utah ratepayers fully fund Utah's share of pension costs. Indeed, under the current approach, Utah customers fully fund these costs.

Rather, the prepaid pension asset exists as a result of timing differences between when the Company makes contributions to its pension trust and when pension costs are recognized under GAAP. The existence and size of a prepaid pension asset can be affected by a number of factors, such as discretionary contributions by the Company, the performance in the market of the Company's pension portfolio, and the introduction and enforcement of government regulations regarding minimum contribution amounts, such as occurred with the Pension Protection Act of 2006. I see no reasonable basis for any of these factors to be a cause for customers to be required to pay DEU a return on any prepaid pension asset.

[9] Rebuttal Testimony of Alan Felsenthal (DEU Exhibit 6.0R), p. 6.

Q. Mr. Felsenthal explains that $75 million of the $112.5 million prepaid pension asset represents a direct contribution to the pension trust as part of the settlement stipulation and the Commission's order approving the merger of Questar and Dominion.[10] Should this circumstance have bearing on the Commission's consideration of whether to include the prepaid pension asset in rate base?

A. Yes. Customers should not be held responsible to pay a return to DEU for any discretionary contributions the Company makes to its pension plan. Otherwise, such contributions could become a source of open-ended rate base growth, unconstrained by the requirements typically applied to rate base items that such assets be used and useful and their costs prudently incurred.

The Settlement Stipulation approved in Docket No. 16-057-01 ("Merger Settlement"), stated the following:

> Dominion, as a shareholders' cost, will contribute, within six months of the Effective Time, a total of $75,000,000 toward the full funding, on a financial accounting basis, of Questar Corporation's (i) ERISA-qualified defined-benefit pension plan in accordance with ERISA minimum funding requirements for ongoing plans, (ii) nonqualified defined-benefit pension plans, and (iii) postretirement medical and life insurance (other post-employment benefit ("OPEB")) plans, subject to any maximum contribution levels or other restrictions under applicable law, thereby reducing pension expenses over time in customer rates.[11]

[10] Rebuttal Testimony of Alan Felsenthal (DEU Exhibit 6.0R), p. 7. The settlement stipulation and merger were approved in Docket No. 16-057-01 (Order memorializing bench ruling issued September 14, 2016). In the merger, Questar Gas Company's parent, Questar Corporation, became a wholly-owned subsidiary of Dominion Resources, Inc. ("Dominion").

[11] Docket No. 16-057-01, Settlement Stipulation, Terms and Conditions 11., p. 6.

Dominion's $75 million contribution resulted in an overfunded pension plan,[12] meaning that, based on current actuarial calculations, the plan's assets exceed the amount needed to cover its obligations. Mr. Felsenthal's "alternative position" to include the prepaid pension asset in rate base would charge customers a return on the Dominion contribution that was represented in the Merger Settlement as a "shareholders' cost."

If, at the time of the Merger Settlement, the Company contemplated including the stipulated Dominion contribution in rate base or making upward adjustments to its GAAP pension expense for ratemaking purposes, it seems to me that those intentions should have been disclosed in the terms of the Merger Settlement. Instead, in this first general rate case following the merger, DEU now proposes to significantly change the method by which pension expense is included in rates. I do not believe that the parties to this case or the Commission are obligated to acquiesce to this change.

Q. Please summarize your recommendations to the Commission regarding pension expense and the prepaid pension asset.

A. I recommend including the pension expense of -$5,448,127, based on projected 2020 GAAP pension cost, in the revenue requirement. This adjustment reduces the Utah revenue requirement by **$5,281,817**. In the alternative, UAE would support adjusting pension expense to zero in this case if DEU were to agree

[12] See DEU Response to UAE Data Request No. 3.01, UAE 3.01 Attachment 1, included in UAE Exhibit 1.1S. See also Rebuttal Testimony of Alan Felsenthal (DEU Exhibit 6.0R), p. 17, lines 435-439.

that positive or negative pension expense would be permanently excluded from DEU's revenue requirement on a going-forward basis. In either case, I do not recommend including DEU's prepaid pension asset in rate base.

O&M Efficiency Adjustment

Q. In your Phase I direct testimony, you recommended an adjustment to reflect a portion of the projected 2020 O&M expense reduction resulting from O&M efficiency gains. Mr. Stephenson explains that DEU has since updated its 2020 O&M budget. Does this update cause you to modify your position?

A. Yes. In Mr. Stephenson's rebuttal testimony, he explains that many of the previously identified third-party savings allocated to DEU overlapped with the Company's own voluntary retirement program, and DEU has since updated its 2020 O&M budget to reflect higher expenses than previously projected.[13] However, Mr. Stephenson's rebuttal testimony identifies an additional $601,333 reduction in the revenue requirement resulting from the third-party O&M cost reduction initiative that was not included in revenue requirement in DEU's direct testimony. This revenue requirement reduction results from DEU's -$600,000 adjustment to Utah-allocated Administrative & General Salaries expense.

Based on the updated 2020 O&M budget, I am modifying my recommended O&M efficiency adjustment to be consistent with the adjustment identified by Mr. Stephenson. This adjustment reduces the Utah revenue

[13] Rebuttal Testimony of Jordan K. Stephenson (DEU Exhibit 3.0R), p. 9.

requirement by **$602,310** relative to DEU's direct filing.[14] It replaces the $6,515,204 reduction I recommended in my direct testimony.

Excess Deferred Income Tax

Q. Please explain DEU's response to your EDIT recommendations.

A. DEU has largely accepted my EDIT recommendations with one exception. I made several recommendations with regard to EDIT in my Phase I direct testimony: (a) updating the 2020 plant-related amortization to DEU's latest estimate, (b) changing the going-forward amortization of non-plant EDIT to ten years, (c) restating rate base to reflect EDIT amortization starting January 1, 2018, and (d) adopting a new Tax Reform Surcredit to credit customers for plant-related EDIT amortization occurring during the January 2019 to February 2020 period.[15] In his rebuttal testimony, Mr. Stephenson largely accepts my EDIT recommendations, except he proposes a twelve-year amortization period for non-plant EDIT, rather than the ten years that I recommend.[16]

Q. Do you continue to recommend a ten-year amortization period for non-plant EDIT?

A. Yes. I recommend that the amortization period for non-plant EDIT be set at no longer than ten years, in order to promptly credit customers with these past

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[14] This impact differs slightly from that stated by Mr. Stephenson because of the order of DEU's adjustments compared to mine, specifically relative to the Cash Working Capital adjustment.

[15] Phase I Direct Testimony of Kevin C. Higgins (UAE Exhibit 1.0), pp. 17-22.

[16] Rebuttal Testimony of Jordan K. Stephenson (DEU Exhibit 3.0R), pp. 5-7.

income tax overpayments. My recommended base revenue requirement EDIT adjustment increases the Utah revenue requirement by **$478,027.** I am also not opposed to adopting a shorter amortization period for non-plant EDIT, such as five years, as recommended by Utah Office of Consumer Services ("OCS") witness Ms. Donna Ramas in her direct testimony.[17]

In my view, the normalization provisions governing the return of protected EDIT to ratepayers under the Tax Cuts and Jobs Act create a significant intergenerational burden on ratepayers to the advantage of utilities; that is, past overpayments of federal income taxes by ratepayers associated with the accelerated depreciation of public utility plant can only be returned over a very extended time period. This intergenerational burden required by statute should not be exacerbated by unduly delaying the return of past customer overpayments that are not constrained by the normalization requirements in the law.

Q. DEU has agreed to your recommendation to credit customers with the amortization of plant-related EDIT occurring during the January 2019 to February 2020 period through an extension of Tax Reform Surcredit 3. Please explain this recommendation.

A. Tax Reform Surcredit 3 went into effect June 1, 2019 and is providing a credit to customers for the average rate assumption method ("ARAM") amortization of plant-related EDIT that was projected to occur over the January 1 to December 31, 2018 period. In my Phase I Direct Testimony, I recommend that

[17] Direct Testimony of Donna Ramas, OCS-2D, pp. 57-58.

upon its expiration on June 1, 2020, Tax Reform Surcredit 3 be replaced by a new Tax Reform Surcredit 4 to provide a credit for ARAM amortization occurring during the January 1, 2019 to February 29, 2020 period, as well as correct for the overstatement of 2018 ARAM amortization. I estimate that Tax Reform Surcredit 4 would provide a credit of approximately $3.6 million over the 12-month period beginning June 1, 2020.

DEU agrees to implement this $3.6 million credit through an extension of Tax Reform Surcredit 3. I support this approach. I wish to clarify that Tax Reform Surcredit 3 is currently designed to provide a $4,958,251[18] credit to customers, not $4,027,240 as stated in Mr. Stephenson's rebuttal testimony.[19] The reduction effective June 1, 2020 is due to the true-up for actual 2018 ARAM amortization and the reduction in projected 2019 ARAM amortization.

Return on Equity

Q. In your Phase I direct testimony, you include an adjustment to reflect the revenue requirement impact if DEU's ROE were set at the national median of 9.70%. Does DEU's rebuttal testimony cause you to modify this adjustment?

A. No. As explained in my Phase I direct testimony, my discussion of national trends is not intended to supplant the Commission's consideration of

[18] Docket No. 17-057-26, April 23, 2019 EDIT Settlement Stipulation, DEU Attachment 1, page 3, approved May 9, 2019.

[19] Rebuttal Testimony of Jordan K. Stephenson (DEU Exhibit 3.0R), p. 7, line 156.

traditional cost-of-capital analysis. The median ROE approved by state regulators in the United States as reported by S&P Global Market Intelligence for the 12-month period ending September 30, 2019 is 9.70%. In his rebuttal testimony, DEU witness Mr. Robert B. Hevert agrees with my calculation of the median.[20] I note that the underlying data supporting my ROE calculation was provided in UAE Exhibit 1.5, page 2, contrary to Mr. Hevert's assertion that I did not provide the underlying data.

I incorporated an ROE of 9.70% into UAE's overall revenue requirement recommendations for illustrative purposes. I continue to reflect this adjustment in Table KCH-1S. This adjustment reduces the Utah revenue requirement by **$10,575,557**.

Liquefied Natural Gas Project Expenses

Q. Do you continue to recommend that LNG outside contractor costs be removed from the revenue requirement?

A. Yes. As the Company's proposed LNG project is related to supply service, I do not believe it is reasonable to include these expenses in the Distribution Non-Gas revenue requirement. Therefore, I continue to recommend that these costs be removed from the revenue requirement. This adjustment reduces the Utah revenue requirement by [redacted]. Because DEU considers the

[20] Rebuttal Testimony of Robert B. Hevert (DEU Exhibit 2.0R), p. 103.

LNG outside contractor expenses to be confidential, I have placed this adjustment at the end of Table KCH-1S as a standalone item.

Other Adjustments

Q. Do you include any additional adjustments in Table KCH-1S that were not included in your Phase I direct testimony?

A. Yes. In its rebuttal filing, DEU has included several other adjustments in response to recommendations of other parties. I have incorporated those adjustments into Table KCH-1S. These adjustments are as follows:

- Cash Working Capital – DEU accepts the -0.898 lead-lag factor recommended by Division of Public Utilities witness Mr. David Thomson.[21]
- Accrual True-up – DEU agrees with Ms. Ramas that the accrued audit expense should be reduced based on the amount actually invoiced and DEU has also updated other accruals based on amounts actually invoiced.[22]

[21] Rebuttal Testimony of Jordan K. Stephenson (DEU Exhibit 3.0R), p. 5. The impact of this adjustment shown in Table KCH-1S is slightly lower than the impact of DEU's adjustment due to the suite of other adjustments I recommend.

[22] Rebuttal Testimony of Jordan K. Stephenson (DEU Exhibit 3.0R), p. 11. The impact of this adjustment shown in Table KCH-1S is slightly lower than the impact of DEU's adjustment, because I have excluded inflation from this adjustment.

- Fines – DEU accepts Ms. Ramas' adjustment to remove fines from the revenue requirement.[23]
- Property Tax Expense – DEU proposes to update its property tax expense to reflect its detailed estimate of 2020 property tax. [24]

Together, these adjustments reduce the Utah revenue requirement by **$1,812,370.**

INFRASTRUCTURE TRACKER PILOT PROGRAM

Q. Please explain your position on the Infrastructure Tracker generally.

A. UAE agreed to the Infrastructure Tracker Pilot Program as part of a settlement stipulation in Docket No. 09-057-16 and agreed to its continuation in the partial settlement stipulation in Docket No. 13-057-05. While UAE is not challenging the continuation of the Infrastructure Tracker in the current case, I am concerned with DEU's proposal to further increase the program cap, exposing customers to ever-greater annual costs.

Q. What is your recommendation with regard to the program cap?

A. I oppose DEU's proposal to increase spending in this program in 2020 to approximately $80 million. I recommend that the program cap remain at the $72.2 million level for 2020 using the calculation approach in the partial

[23] Rebuttal Testimony of Jordan K. Stephenson (DEU Exhibit 3.0R), p. 12. The impact of this adjustment shown in Table KCH-1S is slightly lower than the impact of DEU's adjustment, because I have excluded inflation from this adjustment.

[24] Rebuttal Testimony of Jordan K. Stephenson (DEU Exhibit 3.0R), p. 12.

settlement stipulation in Docket No. 13-057-05 that was approved by the Commission. Further, I recommend that annual expenditures continue to be capped at $72.2 million *without* future adjustments for inflation in order to provide reasonable cost containment for the tracker mechanism.

Q. Does this conclude your Phase I surrebuttal testimony?

A. Yes, it does.