BEFORE THE UTAH PUBLIC SERVICE COMMISSION

IN THE MATTER OF THE APPLICATION OF CORIX UTAH CITY HEATING AND COOLING LLC TO ESTABLISH A THERMAL TARIFF WITH RATES AND TERMS OF SERVICE	Docket No. 26-2666-01

DIRECT TESTIMONY OF

JOHAN GRUESO-BARON FOR CORIX

May 1, 2026

EXHIBIT 7.0

TABLE OF CONTENTS

I. INTRODUCTION

Q. Please state your name, business address, and position with Corix.

A. My name is Johan Grueso-Baron, Manager, Financial Planning and Analysis. My business address is 1160-1188 W Georgia St #1160, Vancouver, BC V6E 4A2.

Q. Please describe the responsibilities of your current position.

A. I am responsible for leading the financial planning, forecasting, and performance analysis for Corix's regulated Utilities – West. My role also includes regulatory support, which involves preparing financial information used in regulatory filings, organizing and responding to data and discovery requests, and providing financial and analytical support in rate cases. In connection with this General Rate Case (GRC) Application for the Utah City District Energy Utility (UCDEU), I am responsible for the development and custodianship of the UCDEU GRC Financial Model (Highly Confidential Corix Exhibit 7.1) and the UCDEU ECRA Financial Model (Highly Confidential Corix Exhibit 7.2), which are the primary quantitative tools supporting the revenue requirement, rate base, and rate design calculations presented in this proceeding.

Q. What are your qualifications to testify in this proceeding?

A. I am a financial engineer with a Master of Science in Quantitative Finance from the Christian-Albrecht University of Kiel, Germany. My academic training provided a rigorous foundation in financial modeling, quantitative methods, valuation, and financial risk analysis, which I have applied directly to the construction and review of complex financial models throughout my professional career. In addition, I have over 15 years of progressive experience in financial planning and analysis, including approximately 3.5 years supporting rate-regulated utilities. In my current role at Corix as Manager,

Financial Planning & Analysis, I have been responsible for the development of the financial models supporting the revenue requirement, rate base, and rate design calculations presented in multiple proceedings.

Q. Have you testified in previous regulatory proceedings?

A. No. This is my first regulatory testimony filing.

II. PURPOSE OF TESTIMONY

Q. What is the purpose of your testimony?

A. The purpose of this testimony is to present and explain the financial models underlying the revenue requirement and rate design for the UCDEU in connection with this GRC Application filed with the Utah Public Service Commission ("PSC") in this docket. Specifically, this testimony describes: (1) the structure, architecture, and modeling conventions of the UCDEU GRC Financial Model (Highly Confidential Corix Exhibit 7.1) and the UCDEU ECRA Financial Model (Highly Confidential Corix Exhibit 7.2); (2) the customer forecast, peak load, and energy demand inputs that drive both models; (3) the derivation of each component of the delivery revenue requirement, including capital expenditures, Plant in Service, depreciation, rate base, operating expenses, cost of capital, and taxes; and (4) the resulting test year delivery revenue requirement, proposed Capacity Charge, and projected Revenue Deficiency Deferral Account ("RDDA") recovery profile.

Q. Please summarize your testimony.

A. This testimony is organized into twelve sections. Sections I through III provide introductory and contextual material. Sections IV through XI address the substantive financial model components in the order in which they flow through the revenue

requirement build-up. Section XII provides a conclusion. The sections and their contents are summarized below:

- **Section I —** Introduction: Identifies me and describes my current responsibilities and qualifications.
- **Section II —** Purpose and Summary of Testimony: Describes the purpose of my testimony and its role in the GRC Application, provides this section-by-section roadmap, and summarizes the key findings and recommendations.
- **Section III —** Overview of the UCDEU Financial Models: Describes the purpose, architecture, and modeling conventions of the GRC Financial Model (Highly Confidential Corix Exhibit 7.1) and the ECRA Financial Model (Highly Confidential Corix Exhibit 7.2), including the input tabs, forecast engine tabs, and output schedule tabs; explains the linkage between the two models and the testimony of other witnesses; and presents the exhibit and workpaper index.
- **Section IV —** Customer Forecast, Peak Load, and Energy Demand: Explains the Utah City development project, the customer (Flagborough), the buildout schedule, the undiversified and diversified peak load methodology, the energy use intensity assumptions, and the resulting annual energy demand forecast for the test year and the indicative forecast years.
- **Section V —** Energy Supply Costs and Energy Supply Revenue Requirement: Describes the energy supply cost components modeled in the ECRA Financial Model, the customer thermal consumption forecast, the resulting test year energy supply revenue requirement, and the proposed Energy Charge. It also describes the ECRA mechanism and its relationship with the delivery revenue requirement.

- **Section VI —** Capital Expenditures, Plant in Service, CIAC, Depreciation and Amortization: Describes the capital expenditure program by asset category, the in-service timing methodology, the treatment of Contributions in Aid of Construction ("CIAC"), the regulatory book depreciation methodology and rates, and the AFUDC calculation methodology.
- **Section VII —** Rate Base and Rate Base Methodology: Explains the components of rate base, the mid-year averaging convention applied for years 2027 and beyond, the startup year weighted average methodology applied for 2026, and the treatment of the RDDA as a rate base item earning a carrying charge at the authorized WACC.
- **Section VIII —** Operating Expenses and Working Capital: Describes the operating and maintenance expense categories included in the delivery revenue requirement as well as the working capital methodology.
- **Section IX —** Cost of Capital and Capital-Related Costs: Explains the capital structure, authorized ROE, cost of debt, AFUDC methodology, and the calculation of the authorized return on rate base, consistent with the cost of capital inputs established in the testimonies of Maxwell Wang (Corix Exhibit 4.0) and Josh Figueroa (Corix Exhibit 5.0).
- **Section X —** Taxes: Describes all taxes reflected in the GRC Financial Model, including property tax, franchise fees, energy-related sales taxes, and income taxes. The income tax discussion covers the taxable income bridge, current federal and state income tax payable, the HCITC, temporary differences giving rise to deferred tax assets and liabilities, the normalized tax allowance formula, the equity AFUDC

permanent difference, and Accumulated Deferred Income Taxes ("ADIT") in rate base.

- **Section XI —** Delivery Revenue Requirement: Presents the total delivery revenue requirement for the test year, explains the separation between the delivery and energy supply revenue requirements, describes the ECRA and RDDA mechanisms, and summarizes the projected RDDA recovery profile through 2041.
- **Section XII —** Conclusion: Summarizes the testimony and confirms that the GRC Financial Model accurately reflects the revenue requirement and supports the approvals sought in the GRC Application.

Q. Please summarize your recommendations.

A. As set forth in more detail below, I recommend that the PSC approve UCDEU's proposed rates and related revenue requirement, including the rate stabilization approach, and approve the accounting and tax treatments reflected in the financial modeling that supports this Application.

III. OVERVIEW OF THE UCDEU FINANCIAL MODELS

Q. What financial models support the UCDEU GRC Application?

A. The UCDEU GRC Application is supported by three financial models, each serving a distinct function within the overall revenue requirement and rate design:

- **The GRC Financial Model (Highly Confidential Corix Exhibit 7.1):** an Excel-based financial model that calculates the delivery revenue requirement, rate base, cost of capital return, operating expenses, depreciation, taxes, and the Revenue Deficiency Deferral Account ("RDDA") position across the forecast period. The GRC Financial Model is the primary financial model supporting this testimony and the delivery

revenue requirement presented in GRC Application, Attachment 1. The GRC Financial Model produces the financial schedules included in Appendix A of Attachment 1 of this GRC Application.

- **The ECRA Financial Model (Highly Confidential Corix Exhibit 7.2):** a separate Excel-based model that calculates the energy supply revenue requirement, including the costs of electricity, natural gas, water and wastewater, and chemicals required to produce and deliver thermal energy to customers. The ECRA Financial Model establishes the proposed Energy Charge for the test period and supports the Energy Cost Reconciliation Account ("ECRA") mechanism.
- **The ECRA Financial Model Public (Corix Exhibit 7.3):** Public version of the Exhibit 7.2.

My testimony is organized around the outputs of the GRC Financial Model for Sections IV through XI, with references to the ECRA Financial Model in Sections IV and V, which address the customer forecast, energy demand, and energy supply costs.

Q. What is the overall purpose of the GRC Financial Model?

A. The GRC Financial Model is a financial model supporting the UCDEU revenue requirement and rate application. It combines historical actuals, key input assumptions, and forecasts to produce regulatory schedules, supporting calculations, and charts. The GRC Financial Model translates engineering, operational, and financial inputs into a fully integrated regulatory cost-of-service model that produces the delivery revenue requirement, rate base, and RDDA position for each forecast year from 2026 through 2044.

A. Model Architecture: Inputs, Forecast Engines, and Output Schedules

Q. How is the GRC Financial Model organized?

A. The GRC Financial Model (Highly Confidential Corix Exhibit 7.1) is organized into three functional layers — **input tabs**, **forecast engine tabs**, and **output schedule tabs** — which work together in a structured, sequential flow. Blue font cells are hard-coded inputs (historical data or user-entered assumptions). Black font cells are calculated cells or formulas. This formatting convention allows any reviewer to immediately distinguish modeled assumptions from calculated results at any point in the workbook.

Q. What are the input tabs and what do they contain?

A. The GRC Financial Model contains six input tabs, each serving a specific function:

GRUESO-BARON TABLE 1

Input Sheet	Purpose	Key Contents
General Inputs	Centralized model parameters and global assumptions used across the workbook.	Regulatory dates, financing structure, allowed ROE, conversion factors, and other global inputs referenced broadly by forecast engines and schedules.
O&M Inputs	Driver inputs for operating and maintenance costs.	FTEs, cost categories, escalation assumptions, and mapping to the OPEX forecast.
Capex Inputs	Driver inputs for capital expenditure plans and construction assumptions.	Equipment plan, construction flags, phasing, escalation drivers, and mapping to the Capex forecast.
Customers Inputs	Customer archetype assumptions and demand/consumption intensities.	Building typologies, peak demand, annual consumption, capacity and diversification factors.
Interest_rate	Interest rate assumption curve	Historical and forward interest rate series with derived date components feeding

Input Sheet	Purpose	Key Contents
	used for debt cost and financing calculations.	interest expense and AFUDC interest components.
Actuals	Repository of historical actual operational and financial data used for calibration and starting points.1	Actual period data (Construction Work in progress and accrued AFUDC), mappings, and accumulated actual calculations for comparisons.

Q. What are the forecast engine tabs and how do they function?

A. The forecast engine tabs translate input assumptions into annual and period-level projections across the full forecast horizon. The GRC Financial Model contains the following forecast engine tabs:

GRUESO-BARON TABLE 2

Forecast Sheet	Purpose
Drivers and F&U Fcst	Monthly forecast engine for customer connections, customer demand, peak demand, connected floor area, installed capacity, Energy consumed and energy costs. Feeds the OPEX, Capex, and downstream regulatory schedules.
OPEX Fcst	Monthly forecast engine for Operating expense forecast. Feeds Schedule 2 (Revenue Requirement), Schedules 12 and 13 (O&M and Labor), and the DES Fcst.
Capex Fcst	Monthly capital expenditure forecast engine and roll-forward by asset category and period, including capex timing, escalation, CWIP, AFUDC components, and capitalization rollups. Feeds plant continuity and AFUDC schedules and ultimately rate base.
HCITC Fcst	Forecast of Utah High-Cost Infrastructure Tax Credits and related limitations, including credit eligibility, timing, maximum credit computations, and rollups by phase. Feeds the income tax support schedules.

Forecast Sheet	Purpose
DES Fcst	Forecast engine that aggregates the input tabs and forecast engine tabs to calculate the Revenue Requirements, mid-year rate base, and the regulatory financial statements. The DES forecast outputs (Actuals and Forecast years) used for schedules.
DES Fcst 2026-2027	Detailed period-level DES forecast used for regulatory test-year support.

Q. What are the output schedule tabs and what regulatory information do they present?

A. The output schedule tabs are view-only tabs that pull results from the forecast engine tabs and input tabs and present them in regulatory-ready formats. The GRC Financial Model produces 22 output schedules, each filed as part of GRC Application, Attachment 1, Appendix A.

B. Linkage to the ECRA Model and Other Witness Testimonies

Q. How does the GRC Financial Model relate to the ECRA Financial Model?

A. The GRC Financial Model (Highly Confidential Corix Exhibit 7.1) and the ECRA Financial Model (Highly Confidential Corix Exhibit 7.2) are complementary but operationally distinct models. Their relationship is as follows:

- The **ECRA Financial Model** (Highly Confidential Exhibit 7.2) calculates the energy supply revenue requirement for the test period — the variable costs of purchased energy inputs — and produces the proposed Energy Charge. It is the primary model for Section V of this testimony.
- The **GRC Financial Model** (Highly Confidential Corix Exhibit 7.1) calculates the delivery revenue requirement — the fixed infrastructure, capital recovery, and operating

costs — and produces the proposed Capacity Charge, the RDDA balance, and all other components of the regulated cost of service. It is the primary model for Sections VI through XI of this testimony.

The two models share common demand and customer growth inputs — including connected floor area, diversified peak loads, and energy demand volumes — which originate from the customer and engineering analysis described in Section IV of this testimony and the Ramboll technical memo (Corix Exhibit 6.2). For the indicative years beyond the test period, the GRC Financial Model estimates the indicative energy supply revenue requirement and the corresponding indicative Energy Charge for each forecast year. These indicative values are provided for long-term planning purposes and to illustrate the projected trajectory of energy supply costs as the Utah City development builds out. However, the Energy Charge will be amended on an annual basis when the utility files a pass-through application with the forecast for the upcoming energy supply costs and targets to clear the ECRA balance in the filing's 12-month energy supply test period.

Q. How does this testimony relate to the testimonies of other UCDEU witnesses?

A. My testimony is limited to the financial model inputs, structure, and outputs. The following table identifies the topics addressed by other witnesses in this proceeding and the corresponding cross-references to this testimony:

GRUESO-BARON TABLE 3

Exhibit	Witness	Topic	Relationship with This Testimony
2.0	Errol South	Corporate structure, organizational structure, and cost allocation	Allocation inputs used in the O&M cost build described in Section VIII
3.0	Douglas Chong	Regulatory framework, RDDA mechanism, ECRA, and rate design	Regulatory policy basis for RDDA and ECRA inputs described in Sections VII and XI
4.0	Maxwell Wang	Cost of capital — CFO perspective	Capital structure, ROE, and cost of debt inputs described in Section IX
5.0	Josh Figueroa	Cost of capital — independent expert	Expert opinion on reasonableness of capital structure and ROE inputs described in Section IX
6.0	Derek Nelson	Engineering design, capital expenditures, depreciation, and O&M	Operational and Engineering basis for O&M, capital expenditure and depreciation inputs described in Sections VI and VIII
8.0	Hang Hockley	District Energy Services Agreement (DESA) and customer relationship	Customer and contractual basis for revenue and demand assumptions described in Section IV

Where my testimony relies on inputs established by another witness, I cross-reference that witness's exhibit and confirm that the input is correctly implemented in the GRC Financial Model. I do not independently validate the engineering, legal, or policy conclusions of other witnesses; my scope is limited to the financial model.

C. Key Assumptions and Modeling Conventions

Q. What is the test period reflected in the GRC Financial Model?

A. The test period for this GRC Application is **August 1, 2026, through July 31, 2027**. The GRC Financial Model reflects this test period in the DES Fcst 2026-2027 tab, which presents period-level calculations for the two sub-periods that together comprise the test year: (i) August 1 – December 31, 2026 (the partial first year of operations) and (ii) January 1 – July 31, 2027. Annual forecast years in the DES Fcst tab run on a calendar-year basis from 2026 through 2044, providing the indicative forecast used for long-term planning and RDDA recovery analysis.

Q. What rate base convention is applied in the GRC Financial Model?

A. The GRC Financial Model applies a **mid-year rate base convention** for all forecast years from 2027 onward. Under the mid-year convention, rate base for each year is calculated as the simple average of the opening and closing Plant in Service, accumulated depreciation, CWIP, working capital, ADIT, and RDDA balances for that year, reflecting the average capital investment held in service throughout the year. For the startup year (2026), the model applies a **weighted average Plant in Service calculation** that reflects the actual timing of when Phase 1 assets are placed in service during the year, assigning each asset a weight proportional to the fraction of the year during which it is actually in service. The rationale for both methodologies is described in detail in Section VII of this testimony.

Q. What other key modeling conventions govern the GRC Financial Model?

A. The following additional conventions are applied consistently throughout the GRC Financial Model:

- **Forecast currency:** All dollar amounts in the model are expressed in nominal (current) dollars, reflecting inflationary escalation of costs across the forecast period using escalation factors derived from macroeconomic analysis or UCDEU internal budget parameters.
- **Depreciation method:** Straight-line depreciation is applied for all regulatory book purposes, with depreciation rates and useful lives derived from the engineering analysis of Derek Nelson (Corix Exhibit 6.0) and described in Section VI of this testimony.
- **Tax depreciation:** MACRS accelerated depreciation is applied for income tax purposes, with bonus depreciation elected off as described in Section X of this testimony.
- **Capital structure:** A 50%/50% debt and equity capital structure is applied as a model input in the General Inputs tab and used consistently across all return and income tax calculations.
- **AFUDC:** AFUDC is accrued on eligible CWIP balances during the construction period at the authorized WACC, comprising both debt and equity components, as described in Section IX of this testimony.
- **Modeling period:** The GRC Financial Model (Corix Exhibit 7.1) covers forecast years 2026 through 2044, encompassing the full RDDA recovery period projected to conclude in 2041 and a post-recovery steady-state period through 2044.

D. Exhibit and Workpaper Index

Q. What exhibits and workpapers support this testimony?

A. The following exhibits and workpapers are filed in support of this testimony and the GRC Application:

GRUESO-BARON TABLE 4

Corix Exhibit No.	Description	GRC Application Reference
7.0	Direct Testimony of Johan Grueso-Baron	GRC Application, Attachment 1, Appendix D
7.1	UCDEU GRC Financial Model — Excel (Highly Confidential)	GRC Application, Attachment 1, Section 24
7.2	UCDEU ECRA Financial Model — Excel (Highly Confidential)	GRC Application, Attachment 1, Section 8
7.3	UCDEU ECRA Financial Model Public — Excel	GRC Application, Attachment 1, Section 8
7.4	Detailed Build-out Schedule — PDF (Highly Confidential)	GRC Application, Attachment 1, Section 7

Corix Exhibits 7.1, 7.2, and 7.4 referenced above are designated Highly Confidential. The Schedules contained in each model are filed publicly as part of GRC Application, Attachment 1, Appendix A, with any confidential data appropriately redacted.

Q. Does your testimony incorporate any Sections of Attachment 1 to the Application?

A. Yes, my testimony incorporates Sections 7, 8, 15-17, 10-22, and 24 of the document labeled Attachment 1: Supplement to the Application. I wrote and am responsible for the materials in these Sections.

IV. CUSTOMER FORECAST, PEAK LOAD, AND ENERGY DEMAND

Q. What is the purpose of this section of your testimony?

A. This section explains the customer build-out, peak load, and energy demand forecast for the test period and the indicative years of the GRC Application, as set forth in Section 6 of Attachment 1 to the Application. Specifically, I describe the development project, the customer, the buildout schedule, the diversified peak load assumptions, and the annual energy demand forecast as reflected in the UCDEU GRC Financial Model (Highly Confidential Corix Exhibit 7.1) and the UCDEU ECRA Financial Model (Highly Confidential Corix Exhibit 7.2). The supporting engineering basis for the load and demand assumptions is documented in the Ramboll workpaper filed as Corix Exhibit 6.2.

A. The Development Project and the Customer

Q. Please describe the Utah City development project.

A. Corix and Utah developer Flagborough have partnered to develop an innovative low-carbon district energy system for Utah City, a groundbreaking urban development positioned to become a leading destination for living, working, entertainment, and exploration. The UCDEU will ultimately serve approximately 20 million square feet of connected floor space at full build-out, with a heating capacity of 64 MW and a cooling capacity of 90 MW.

Q. Who is the customer of the UCDEU?

A. The utility's single customer is Flagborough, the developer and owner of the Utah City development project. Flagborough and Corix are parties to a District Energy Services Agreement ("DESA"), which governs the thermal energy supply and delivery relationship for the development. Flagborough receives thermal energy through the

UCDEU's distribution system and redistributes it to end-users — building tenants and owners — within the development.

B. Buildout Schedule

Q. Please describe the buildout schedule that forms the basis for the demand and revenue requirement forecasts in the financial models.

A. The detailed buildout schedule is set out in Highly Confidential Corix Exhibit 7.4. The schedule identifies each block within the Utah City development area, its development phase, undiversified peak load (heating and cooling, in MW), floor area by building type — including residential, large office, retail, hotel/hospitality, grocery, and pool use — peak demand intensity (W/m^2), and the projected connection year.

Q. What building types are included in the forecast, and what floor area is projected for the test period?

A. The building types modeled in the buildout schedule include Residential, Large Office, Retail, Hotel/Hospitality, Grocery, and Pool. Total connected floor area grows from approximately 425,000 square feet in the first partial year of operations (2026) to approximately 737,366 square feet by the end of the test period, which is predominantly residential floor area. Beyond the test period, the buildout continues through 2044 and into subsequent forecast years as additional blocks are connected, ultimately reaching approximately 17.9 million square feet of total connected floor area.

Q. When does service to the first customer connections begin?

A. Phase 1 of the UCDEU is scheduled to be commissioned in 2026, with the first customer connections expected during that initial period. The test period for this GRC Application

spans August 1, 2026 (date of the expected first customer building connection) through to July 31, 2027.

C. Undiversified and Diversified Peak Load

Q. How are peak loads determined for use in the financial model?

A. Peak loads are determined on a block-by-block basis using per-unit peak demand intensities (in W/m²) applied to the projected gross floor area for each building type within the service area. The peak demand intensities by building typology are set out in GRUESO-BARON TABLE 5 below, as documented in the Ramboll workpaper filed as Corix Exhibit 6.2. These undiversified block-level peak demands are then reduced by a demand diversification factor to reflect the statistical non-coincidence of individual building peaks at the district scale. The resulting diversified peak loads are used to size central plant infrastructure and to establish the capacity charge basis in the GRC Financial Model.

GRUESO-BARON TABLE 5

Building Typology	Peak Heating (W/m²)	Peak Cooling (W/m²)
Residential	50	70
Large Office	50	70
Retail	50	70
Grocery	50	70
Pool	131.2	—
Hotel / Hospitality	50	70

Note: The Pool typology does not have an associated peak cooling demand intensity, as pool facilities do not require district cooling service. The "—" denotes not applicable.

Q. What diversification factor is applied, and what is its technical basis?

A. A demand diversification factor of 70% has been applied uniformly to peak heating and cooling loads for each block in the service area. This factor reflects the statistical non-coincidence of individual building peak demands within a district energy cluster and is used to establish the central plant sizing basis. The 70% factor is consistent with the following published guidance:

- **ASHRAE District Cooling Guide (2013), Chapter 2, Section 2.3.2:** demand diversity factors for mixed-use district energy clusters range from 0.65 to 0.80; 0.70 is recommended for preliminary design of mixed residential-commercial developments in the 200,000 to 500,000 ft² connected load range.
- **IDEA District Cooling Best Practice Guide (2008), Chapter 4, Section 4.2:** coincidence factors for mixed-use urban blocks range from 0.60 to 0.80; 0.70 is recommended for pre-design estimates where metered data are unavailable.
- **Ramboll Internal Benchmark Database:** observed metered coincidence factors from five comparable North American district energy systems range from 0.65 to 0.74 at the block scale, consistent with the 0.70 design assumption.

Q. What are the resulting diversified peak demands for the test year?

A. As set forth in Schedule 16 of GRC Application, Attachment 1, Appendix A, the diversified peak demands for the test year are 2.9 MW for heating and 1.9 MW for cooling, reflecting the phased buildout of connected floor area during the test period.

D. Energy Demand Forecast

Q. How is annual energy consumption estimated in the financial model?

A. Annual energy demand is calculated using Energy Use Intensities (EUI) by building typology, as established by Ramboll and documented in Corix Exhibit 6.2. The EUI values by building typology are set out in GRUESO-BARON TABLE 6 below.

GRUESO-BARON TABLE 6

Building Typology	Heating EUI (kWh/m²/year)	Cooling EUI (kWh/m²/year)
Residential	111.44	73.83
Large Office	111.44	73.83
Retail	111.44	73.83
Grocery	111.44	73.83
Pool	598.25	—
Hotel / Hospitality	111.44	73.83

Note: The Pool typology does not have an associated cooling EUI, as pool facilities do not require district cooling service. The "—" denotes not applicable.

For the test year, the annual energy demand derived from the EUI approach is further refined in the ECRA Financial Model (Highly Confidential Corix Exhibit 7.2) by introducing two additional adjustments:

1. **Residential occupancy ramp-up:** recognizing that residential buildings do not reach full occupancy on the first day of service, the model applies a gradual increase in energy usage during the initial year of operation to reflect the progressive take-up of units within each connected building.

2. **Hourly load refinement:** hourly loads are estimated using a piecewise linear (change-point) regression model to relate outdoor air temperature to hourly heating and cooling demand, consistent with ASHRAE Guideline 14-2023, as documented in Exhibit 6.2. Hourly modeling is utilized to estimate total energy consumption across the year based on typical weather conditions.

For the long-term and indicative years beyond the test period, the annual energy demand calculation does not apply the residential occupancy ramp-up adjustment or the hourly load regression, in order to keep the model parsimonious while capturing the indicative energy demand required for longer-term planning purposes.

Q. What is the total annual energy served projected for the test year?

A. As set forth in Schedule 16 of GRC Application, Attachment 1, Appendix A, the total projected annual energy served for the test year is **6,442.76 MWh**, consisting of **4,170.44 MWh** for heating and **2,272.32 MWh** for cooling. These figures reflect the connected floor area during the test period and the methodology described above.

Q. What is the expected split between heating and cooling demand over the course of the year?

A. The Utah City site is located in Climate Zone 5B (Vineyard, Utah), which is a cold, dry climate. As a result, heating demand is expected to dominate annual energy consumption, with cooling demand concentrated in the summer months. The model captures this seasonal pattern through monthly heating and cooling load distributions, reflecting the distinct seasonality of the Wasatch Front climate. This seasonal asymmetry is reflected in the test-year diversified peak demands of 2.9 MW for heating compared to 1.9 MW for

cooling, and in the annual energy split of 4,170.44 MWh for heating (approximately 65% of total demand) versus 2,272.32 MWh for cooling (approximately 35% of total demand).

E. Link to Revenue Requirement

Q. How does the energy demand forecast translate into the revenue requirement?

A. The annual energy demand forecast serves two distinct functions in the financial models. First, it drives the ECRA Financial Model (Highly Confidential Corix Exhibit 7.2) by establishing the thermal consumption volumes used to calculate energy supply costs and the Energy Charge revenue requirement, as addressed in Section V of this testimony. Second, it provides the diversified peak capacity basis used in the GRC Financial Model (Highly Confidential Corix Exhibit 7.1) to size rate base assets and to calculate the Capacity Charge component of the Delivery Revenue Requirement, as addressed in Section XI of this testimony.

V. ENERGY SUPPLY COSTS AND ENERGY SUPPLY REVENUE REQUIREMENT

Q. What is the purpose of this section of your testimony?

A. This section addresses the energy supply costs for the test period and the indicative years, the customer thermal consumption forecast, the thermal energy supply cost components — including electricity, natural gas, water and wastewater, and chemicals, safety, and testing — as well as the total energy supply costs summary, the test period unit costs, and the proposed Energy Charges for the test period, as set forth in Sections 7 and 8 of Attachment 1 to the Application. My testimony in this section is limited to the financial modeling of these cost inputs as reflected in the UCDEU ECRA Financial Model (Highly Confidential Corix Exhibit 7.2). The regulatory framework governing energy supply cost

recovery and the Energy Cost Reconciliation Account ("ECRA") is addressed by Douglas Chong in Exhibit 3.0.

Q. How do energy supply costs relate to the overall revenue requirement structure of the UCDEU?

A. The proposed two-part rate structure for UCDEU directly relates to the unbundled two parts of the thermal revenue requirements: (a) the delivery revenue requirement and (b) the energy supply revenue requirement. The capacity (fixed) revenues arising from the Capacity Charge are directly and only related to the delivery revenue requirement. The energy (variable) revenues arising from the Energy Charge are directly and only related to the energy supply revenue requirement. The ECRA Financial Model (Highly Confidential Corix Exhibit 7.2) is the tool used to calculate the energy supply revenue requirement, which in turn establishes the proposed Energy Charge for the test period.

For years beyond the test period, the GRC Financial Model (Highly Confidential Corix Exhibit 7.1) estimates the indicative energy supply revenue requirement and the corresponding indicative Energy Charge for each forecast year. These indicative values are provided for long-term planning purposes and to illustrate the projected trajectory of energy supply costs as the Utah City development builds out. However, the Energy Charge will be amended on an annual basis when the utility files a pass-through application with the forecast for the upcoming energy supply costs and also targets to clear the ECRA balance in the filing's 12-month energy supply test period. The ECRA balance may be in a debit position (costs to be recovered from ratepayers) or a credit position (funds to be returned to ratepayers). Accordingly, the indicative values shown in the GRC Financial Model for years beyond the test period will be trued up annually

through the ECRA pass-through filing process and do not represent fixed committed charges.

Q. What is the nature of energy supply costs?

A. The energy supply costs are variable costs directly related to the production of thermal energy service for both heating and cooling. If customers have higher thermal consumption the energy supply costs increase. If customers have lower thermal consumption the energy supply costs decrease. They are directly correlated with each other. Because of this direct link between actual consumption and actual energy supply costs, these costs are modeled and recovered separately from the delivery revenue requirement through the ECRA mechanism.

A. Customer Thermal Consumption Forecast

Q. How is the customer thermal consumption forecast used in the ECRA Financial Model?

A. The customer thermal consumption forecast, as described in Section IV of this testimony, provides the foundational input to the ECRA Financial Model (Highly Confidential Corix Exhibit 7.2). The annual energy demand forecast — expressed in MWh of thermal energy delivered for heating and cooling — drives the calculation of each energy supply cost category. Section 7.2 of the GRC Application addresses the customer thermal consumption forecast as the basis for calculating thermal energy supply costs for the test period and the indicative years. As set forth in Schedule 16 of GRC Application, Attachment 1, Appendix A, the total projected thermal energy demand for the test year is 6,442.76 MWh, comprising 4,170.44 MWh for heating and 2,272.32 MWh for cooling.

Q. How are electricity, natural gas, and water consumption estimated in the energy supply cost models?

A. Electricity, natural gas, and water consumption are calculated by working backward from the customer energy demand forecasts described in Section IV of this testimony. The coefficients of performance, equipment efficiencies, parasitic electricity consumption, distribution losses, and water consumption factors used in these calculations are based on independent engineering analysis provided by Ramboll (Corix Exhibit 6.2).

Cooling service is provided using water-cooled chillers with an effective coefficient of performance of 5.86, meaning that one unit of electricity produces 5.86 units of cooling output. In addition to chiller electricity, the model includes electricity required for pumping, estimated at 7 percent of cooling energy, and distribution losses estimated at 3.5 percent. Cooling service also requires water consumption, which is modeled at 0.6 gallons per kilowatt-hour of cooling energy produced.

Heating service is provided using condensing natural gas boilers with an efficiency of 0.92, meaning that one unit of natural gas produces 0.92 units of heating output. Heating service also requires electricity for pumping, estimated at 7 percent of heating energy, includes distribution losses estimated at 7 percent of heating energy delivered, and requires water consumption modeled at 0.1 gallons per kilowatt-hour of heating energy delivered.

These assumptions allow the model to translate customer heating and cooling demand into the corresponding electricity, natural gas, and water consumption required to operate the district energy system.

B. Thermal Energy Supply Cost Components

Q. What are the thermal energy supply cost components modeled in the ECRA Financial Model?

A. The thermal energy supply cost components modeled in the ECRA Financial Model are: (1) Electricity; (2) Natural Gas; (3) Water and Wastewater; and (4) Chemicals, Safety, and Testing. Each component is described in the subsections below. The total energy supply cost for the test period is set out in Schedule 14 of GRC Application, Attachment 1, Appendix A.

Q. Please describe the electricity cost component modeled in the ECRA Financial Model.

A. Electricity is an energy supply cost for both the heating and cooling services provided by the UCDEU. For cooling, the primary electricity cost arises from the operation of water-cooled chillers, with additional electricity required for system pumping, estimated at 7 percent of cooling energy. For heating, electricity is required for system pumping, estimated at 7 percent of heating energy. The ECRA Financial Model calculates total electricity consumption by applying the applicable equipment efficiencies, pumping factors, and distribution losses to the forecast thermal demand described in Section V.B above. The resulting electricity consumption (MWh of electrical input) is then multiplied by the forecast electricity rate to determine the annual electricity cost. The electricity rate used in the ECRA Financial Model is based on Rocky Mountain Power ("RMP") Schedule 6 — General Service, which is the applicable tariff schedule for the UCDEU's service classification.

Q. Please describe the natural gas cost component modeled in the ECRA Financial Model.

A. Natural gas is the primary fuel used to provide heating service at the UCDEU. Heating is produced using condensing natural gas boilers with a thermal efficiency of 0.92. The ECRA Financial Model calculates natural gas consumption by dividing the forecast heating demand by the boiler efficiency of 0.92, and then applying a distribution loss factor of 7 percent of heating energy delivered.

Q. What natural gas rate is used in the ECRA Financial Model for the test period?

A. The natural gas rate used in the ECRA Financial Model reflects the applicable Enbridge Gas Utah tariff schedule for the UCDEU's service classification. For the initial period of operations, the model applies the General Service schedule rate. As the utility's natural gas consumption grows with the buildout of the development, the model transitions to the Firm Service schedule beginning in 2027, reflecting the expected increase in contracted volumes and service requirements at that stage of operations.

Q. Please describe the water and wastewater cost component modeled in the ECRA Financial Model.

A. The district energy system requires water for system make-up and heat rejection processes associated with both cooling and heating operations. As described in Section V.B, the model applies water consumption factors of 0.6 gallons per kilowatt-hour of cooling energy produced and 0.1 gallons per kilowatt-hour of heating energy delivered, as derived from the engineering analysis documented in Corix Exhibit 6.2. The ECRA Financial Model applies the City of Vineyard Commercial Water Usage Rates to the

modeled water and wastewater consumption volumes to derive the annual water and wastewater cost for the test period, which totals $18,842.

Q. Please describe the chemicals, safety, and testing cost component modeled in the ECRA Financial Model.

A. The district energy system requires chemical treatment of the hydronic loops to prevent corrosion, scaling, and biological growth, as well as periodic water quality testing and safety compliance activities. The ECRA Financial Model models these costs as annual amounts based on system size and operating requirements during the test period. The total chemicals, safety, and testing cost for the test period is $7,179.

Q. Was an Electric Demand Response Credit considered in the energy supply cost model?

A. No. An Electric Demand Response Credit was not included in the ECRA Financial Model for the test period. At the time of this filing, insufficient information is available to produce a reliable forecast of demand response savings. The savings from any such program are expected to be very conservative given the early stage of utility operations, and no committed participation arrangements have been finalized. Corix will consider including a demand response credit in future Energy Charge pass-through applications as operational experience accumulates and program parameters become better defined.

C. Total Energy Supply Costs

Q. What is the total energy supply cost for the test period as modeled in the ECRA Financial Model?

A. The total energy supply costs for the test period, as derived from the ECRA Financial Model, are set out in Schedule 14 of GRC Application, Attachment 1, Appendix A, and summarized in GRUESO-BARON TABLE 7 below.

GRUESO-BARON TABLE 7

Line	Energy Supply Cost Component	Test Year ($)
1	Electricity	$97,367
2	Natural Gas	$144,830
3	Water and Wastewater	$18,842
4	Chemicals, Safety & Testing	$7,179
5	**Total Energy Supply Costs**	**$268,218**

D. Energy Supply Revenue Requirement and Proposed Energy Charge

Q. How is the energy supply revenue requirement derived from the ECRA Financial Model?

A. The energy supply revenue requirement for the test period is equal to the total forecast energy supply costs for the test period, as calculated in the ECRA Financial Model. The ECRA is the balancing account to ensure on a dollar-for-dollar basis that the actual purchased thermal energy supply costs are recovered in the actual Energy Charge revenues. Because energy supply costs are treated as pass-through costs, the energy supply revenue requirement is set equal to the forecast costs, with any variance between

forecast and actual costs captured in the ECRA deferral account and cleared in subsequent pass-through filings.

Q. What is the proposed Energy Charge for the test period?

A. The Energy Charge is measured in kilowatt-hours (kWh) and billed monthly. The Energy Charge is a variable charge. The proposed Energy Charge for the test period is derived by dividing the total energy supply revenue requirement by the total forecast thermal energy demand (in kWh), as calculated in the ECRA Financial Model (Highly Confidential Corix Exhibit 7.2) based on the test year unit costs. Specifically, the total energy supply cost of $268,218 and carrying costs $411 (total $268,629) divided by the total test year thermal energy demand of 6,442,762 kWh yields a proposed Energy Charge of $0.0417 per kWh of thermal energy delivered.

Notice, the actual Energy Charge may vary from the forecast due to fluctuations in customers' energy demand. Additionally, energy supply costs may differ from projections in response to changes in energy consumption, energy tariffs, or unanticipated rate schedules changes. The ECRA mechanism is designed to account for all such variances, ensuring that any under or over recoveries of energy supply costs are addressed and passed through to customers in subsequent periods.

The regulatory foundation for the proposed Energy Charge and the ECRA mechanism is outlined in the testimony of Douglas Chong in Exhibit 3.0. The scope of this section is limited to the financial model derivation of the Energy Charge.

Q. When does the proposed Energy Charge take effect, and when will it next be amended?

A. The proposed Energy Charge would be effective from August 1, 2026, and be applicable until the next rate change. Corix proposes filing the pass-through by November 1, 2027, for rates effective January 1, 2028. This means the Energy Charge rates established initially for August 1, 2026, would be applicable from that date to December 31, 2027. When the rates are changed for January 1, 2028, UCDEU will be aligned with the beginning of the calendar year rate changes.

VI. CAPITAL EXPENDITURES, PLANT IN SERVICE, CAPITAL ADDITIONS, CIAC, AND DEPRECIATION & AMORTIZATION

Q. What is the purpose of this section of your testimony?

A. The purpose of this section is to explain how capital expenditures, Plant in Service, Contributions in Aid of Construction (CIAC), depreciation, and amortization are reflected in the UCDEU GRC Financial Model (Highly Confidential Corix Exhibit 7.1) for purposes of developing the delivery revenue requirement. This section is limited to describing the financial model treatment of these components and does not address engineering design, project execution, or the prudence of individual capital investments. Engineering design decisions, asset specifications, technical justifications, and the operational basis for useful life assumptions are addressed in the direct testimony of Derek Nelson (Corix Exhibit 6.0). My testimony covers the inputs to and outputs from the financial model as documented in Schedules 4 through 7 of GRC Application, Attachment 1, Appendix A.

A. Capital Expenditures and Capital Additions

Q. What capital expenditure categories are included in the GRC Financial Model?

A. The GRC Financial Model reflects forecast capital expenditures organized into three macro-categories: (1) Production Assets, comprising the central energy plant facilities that generate and distribute thermal energy; (2) Distribution Assets, comprising the Distribution Piping System (DPS) and Energy Transfer Stations (ETS); and (3) General Plant, comprising vehicles, office equipment, hardware, and other support assets. The total capital additions to the plant in service for the test period are set out in Schedule 5 of GRC Application, Attachment 1, Appendix A.

Q. How are capital expenditure inputs sourced for the financial model?

A. The total cost for each capital asset in the financial model is built up from the following components:

- Direct Costs – Estimated by Ramboll (Corix Exhibit 6.2) or derived from the applicable supply contract for the assets that will be capitalized in 2026.
- Project Management ("PM") Costs – Developed based on Corix's internal PM planning for each asset. More details about the resource planning could be found in Derek Nelson’s testimony (Exhibit 6.0).
- Construction Insurance – Calculated at 0.15% of direct costs or derived from the applicable supply contract for the assets that will be capitalized in 2026.
- Contingency Allowance – Applied at 15% of direct costs to reflect inherent uncertainty in capital project estimates.
- Development, Start-Up, Transaction, Due Diligence, and Regulatory Costs – For assets capitalized in 2026, the model includes all associated costs related to the Certificate of

Public Convenience and Necessity ("CPCN") proceeding, the Company's first General Rate Case ("GRC"), and the development, start-up, transaction, due diligence, and regulatory costs.

Q. How are production asset capital additions staged across the forecast period?

A. Production asset capital additions reflect the staged commissioning of central energy facilities required to meet growing customer demand. Specifically:

- An Interim Energy Center (IEC) is placed in service in 2026, providing initial heating and cooling capacity for early-stage customers.
- The cooling capacity of the initial IEC is expanded in 2027, with the incremental investment placed in service in that year.
- A second TEC is placed in service in 2029 to support continued growth in customer demand.
- Following the interim facilities, three Permanent Energy Centers (PECs) are placed in service in subsequent years as required to meet longer-term demand growth.

This approach ensures that Plant in Service, depreciation, and rate base in the financial model reflect the actual timing of asset utilization, avoids premature inclusion of unused assets, and maintains a direct linkage between capital investment, customer growth, and the provision of regulated utility service.

Q. How are distribution asset capital additions staged across the forecast period?

A. For Distribution assets — specifically Energy Transfer Stations (ETS) and the Distribution Piping System (DPS) — capital costs are timed directly to the customer buildout and connection schedule. These assets are placed in service as individual buildings connect to the utility system. As a result, ETS and DPS investments enter Plant

in Service incrementally, aligned with the timing of customer connections rather than being placed in service in advance of demand.

B. Plant in Service and In-Service Timing

Q. What is Plant in Service and how is it reflected in the GRC Financial Model?

A. Plant in Service represents utility capital assets that have been constructed and placed into service to provide regulated thermal service to customers. In the GRC Financial Model, Plant in Service includes capital investments associated with production facilities, distribution infrastructure, energy transfer stations, and other utility assets once they are available for use. The financial model reflects Plant in Service on a forecast basis consistent with the timing of capital additions and in-service dates. Only assets that are placed into service are included in Plant in Service for purposes of calculating depreciation, amortization, rate base, and the delivery revenue requirement.

Q. How do capital additions flow from Construction Work in Progress to Plant in Service?

A. Prior to an asset being placed in service, capital costs are accumulated in CWIP in the GRC Financial Model. During the construction period, the model accrues an Allowance for Funds Used During Construction (AFUDC) on eligible CWIP balances, which is capitalized and added to the cost of the asset when it is placed in service. AFUDC represents the cost of financing construction-period investments and is addressed in further detail in Section IX of this testimony. Upon completion and commissioning, the accumulated CWIP balance — comprising direct capital costs plus AFUDC — is transferred from CWIP and capitalized into Plant in Service. This approach ensures that Plant in Service, depreciation, and rate base in the financial model reflect the actual

timing of asset utilization, avoids premature inclusion of unused assets, and maintains a direct linkage between capital investment, customer growth, and the provision of regulated utility service.

C. Contributions in Aid of Construction (CIAC)

Q. What are Contributions in Aid of Construction and how are they treated in the GRC Financial Model?

A. Contributions in Aid of Construction (CIAC) represent amounts contributed by third parties to fund utility capital investments. When CIAC is received, it is typically recorded as a reduction to gross Plant in Service for ratemaking purposes, such that the contributed portion of the asset is not included in rate base and is not recovered from customers through rates. The GRC Financial Model is structured to account for CIAC, if applicable, by reducing the Plant in Service balance and associated capital recovery components. The detailed Plant in Service by category, CIAC, and accumulated depreciation and amortization are set out in Schedule 5 of GRC Application, Attachment 1, Appendix A.

Q. Is UCDEU expecting any CIAC during the test period?

A. No. At this time, UCDEU is not expecting to receive any Contributions in Aid of Construction during the test period reflected in the GRC Financial Model. Accordingly, the model does not include any CIAC amounts and reflects Plant in Service on a gross basis. Because no CIAC is currently assumed, all forecast Plant in Service included in the GRC Financial Model is subject to depreciation, amortization, and inclusion in rate base consistent with standard ratemaking principles. There are no reductions to Plant in Service or capital recovery components associated with CIAC in the test period. If CIAC

were to be received in the future, the financial model can be updated in a subsequent General Rate Case to reflect the appropriate ratemaking treatment at that time.

D. Depreciation and Amortization

Q. What depreciation method is applied for regulatory book purposes?

A. For regulatory book purposes, the GRC Financial Model applies the straight-line depreciation method to all Plant in Service asset categories, whereby the depreciable cost of each asset is recovered in equal annual amounts over its assigned useful life. This method is consistent with standard utility ratemaking practice and ensures that depreciation expense is calculated in a systematic, transparent, and repeatable manner. Depreciation categories in the GRC Financial Model group assets with similar characteristics and expected service lives. Each category is associated with a specific depreciation rate that is applied consistently across the forecast period. The technical basis and rationale for useful life assumptions are addressed by Derek Nelson in Corix Exhibit 6.0; my testimony is limited to the financial model inputs and their application in calculating depreciation expense.

Q. What are the depreciation categories, useful lives, and rates applied in the financial model?

A. The GRC Financial Model applies straight-line depreciation rates, useful lives, and asset categories that are detailed in Schedule 7 of the GRC Application, Attachment 1, Appendix A. To ensure accuracy and transparency, UCDEU has established distinct asset categories based on their assigned useful lives, rather than grouping multiple depreciation categories under a single facility type. This approach aligns depreciation expenses with the expected service duration of each asset, providing a clear and consistent framework

for calculating depreciation within the model. The categorization and associated rates are designed to reflect the unique characteristics and longevity of each asset class, supporting reliable cost recovery and compliance with standard regulatory practices.

Q. How does depreciation and amortization expense affect the delivery revenue requirement?

A. Depreciation and amortization expense represents the systematic recovery of invested capital over time and is included as a component of the UCDEU delivery revenue requirement. As Plant in Service grows with new capital additions, depreciation and amortization expense increases correspondingly, reflecting the expanded asset base used to provide service to customers. Depreciation and amortization expense is summarized in Schedule 5 of GRC Application, Attachment 1, Appendix A and the supporting detail is provided in the plant and depreciation schedules (4 to 7) of GRC Application, Attachment 1, Appendix A.

Q. Does this section address the prudence or engineering design of capital assets?

A. No. This section is limited to describing how capital expenditures, Plant in Service, CIAC, depreciation, and amortization are reflected in the UCDEU GRC Financial Model for purposes of developing the delivery revenue requirement. Engineering design decisions, asset specifications, and technical justifications are addressed in the testimony of Derek Nelson (Corix Exhibit 6.0).

VII. RATE BASE AND RATE BASE METHODOLOGY

Q. What is the purpose of this section of your testimony?

A. The purpose of this section is to explain how rate base is calculated and reflected in the UCDEU GRC Financial Model (Highly Confidential Corix Exhibit 7.1) for purposes of

developing the delivery revenue requirement. Specifically, this section describes the components of rate base, the mid-year rate base methodology applied in the model, the startup year weighted average rate base calculation, and the treatment of deferral accounts in rate base.

Rate base is the net capital investment upon which UCDEU is entitled to earn an authorized rate of return. The allowed return on rate base is a component of the delivery revenue requirement and is calculated by applying the weighted average cost of capital — comprised of the authorized return on equity and the cost of debt, as described in Section IX — to the rate base for each period.

Q. What model schedule presents the rate base calculation?

A. Schedule 3 of the GRC Financial Model presents the computation of rate base supporting the allowed return, including gross plant, accumulated depreciation, CWIP, working capital, deferrals as applicable, and net rate base. Schedule 3 is a view-only output schedule that pulls results from the model forecast tabs and input tabs. All rate base assumptions and inputs are updated in the relevant upstream tabs — Capex Inputs, O&M Inputs, General Inputs, and the Capex and OPEX forecast engines.

A. Rate Base Components

Q. What components are included in the rate base calculation in the GRC Financial Model?

A. Rate base in the GRC Financial Model is composed of the following components, each of which is described in the subsections below:

GRUESO-BARON TABLE 8

Component	Description	Model Schedule
Gross Plant in Service	Capital assets placed in service, at cost	Schedules 4 and 5
Less: Accumulated Depreciation & Amortization	Cumulative depreciation and amortization to date	Schedules 4 and 5
Less: CIAC	Contributions in Aid of Construction (if applicable)	Schedules 4 and 5
Plus: Working Capital	1/8 allowance (energy supply + O&M costs)	Schedule 8
Plus: Rate Base Deferrals (RDDA)	Revenue Deficiency Deferral Account balance	Schedule 9
ADIT	Cumulative net balance of all Deferred Tax Assets (DTA) and Liabilities (DTL) recorded to date	Schedule 15
= Net Rate Base	**Basis for computing allowed return**	**Schedule 3**

i. Gross Plant in Service

Q. How is gross Plant in Service reflected in rate base?

A. Plant in Service represents utility capital assets that have been constructed and placed into service to provide regulated thermal service to customers. In the GRC Financial Model, Plant in Service includes capital investments associated with the energy production facilities, the distribution infrastructure, and other utility assets once they are available for use. The GRC Financial Model reflects Plant in Service on a forecast basis consistent with the timing of capital additions and in-service dates. Only assets that are

placed into service are included in Plant in Service for purposes of calculating depreciation, amortization, rate base, and the delivery revenue requirement.

Gross Plant in Service is the starting point for the rate base calculation. It represents the total original cost of utility assets in service and is reflected on a before-depreciation basis. The details of Plant in Service by asset category, opening and closing balances, and additions and retirements is presented in Schedule 5 of GRC Application, Attachment 1, Appendix A, which provides plant categories, opening and closing balances, additions and retirements, accumulated depreciation, and net book value by category.

ii. Accumulated Depreciation and Amortization

Q. How is accumulated depreciation reflected in rate base?

A. Accumulated depreciation and amortization represent the portion of gross Plant in Service that has been recovered through depreciation expense charged to customers in prior and current periods. In the GRC Financial Model, accumulated depreciation is deducted from gross Plant in Service to arrive at net Plant in Service, which forms the primary component of net rate base. The straight-line depreciation method is applied consistently to all Plant in Service asset categories, as described in Section VI of this testimony. Because UCDEU is a new greenfield utility commencing operations in 2026, there is no accumulated depreciation at the start of the test period, as this is the utility's first year of operation and depreciation will begin accruing only once assets are placed in service during the test period.

iii. CIAC

Q. How is CIAC treated in rate base?

A. As noted above, UCDEU is not expecting to receive any CIAC during the test period reflected in the GRC Financial Model. Accordingly, the model does not include any CIAC amounts and reflects Plant in Service on a gross basis. Because no CIAC is currently assumed, all forecast Plant in Service included in the GRC Financial Model is subject to depreciation, amortization, and inclusion in rate base consistent with standard ratemaking principles.

iv. Working Capital

Q. How is working capital included in rate base?

A. Working capital is included as a positive addition to rate base and represents the cash required to bridge the timing difference between when operating expenses are incurred and when revenues are collected from customers. As described in Section VIII of this testimony, working capital is calculated in the GRC Financial Model using the one-eighth (1/8) allowance, applied to the sum of energy supply costs and operating and maintenance costs. The resulting working capital amount is reflected in Schedule 8 of GRC Application, Attachment 1, Appendix A, which presents key expense drivers and working capital allowances by year, and is included in rate base through Schedule 3 of GRC Application, Attachment 1, Appendix A.

v. Deferral Accounts

Q. What deferral accounts are reflected in rate base?

A. The RDDA balance is included in rate base and earns a carrying charge at the authorized weighted average cost of capital. Schedule 9 of GRC Application, Attachment 1,

Appendix A presents the rate base deferral (RDDA) roll-forward, including the opening balance, additions representing the revenue shortfall, amortization or true-up, and ending balance. The regulatory framework governing the RDDA, including its establishment, amortization, and carrying charge mechanic, is addressed in the testimony of Douglas Chong (Corix Exhibit 3.0).

vi. Accumulated Deferred Income Taxes (ADIT)

Q. How are Accumulated Deferred Income Taxes reflected in rate base?

A. ADIT represents the cumulative net balance of all deferred tax assets and liabilities recorded to date. Such temporary differences are explained in detail in this testimony in Section X.

ADIT reflects the total accumulated timing difference between the accounting/regulatory books and tax books as of each forecast period. In the GRC Financial Model, ADIT is calculated as:

ADIT = Cumulative Deferred Tax Assets (DTA) - Cumulative Deferred Tax Liabilities (DTL)

When ADIT is a net liability position (i.e., cumulative DTLs exceed cumulative DTAs — as expected in the early years when MACRS depreciation creates DTLs), the ADIT balance is treated as a reduction to rate base, consistent with standard utility regulatory practice. This treatment reflects the view that accumulated deferred tax balances represent a source of funds provided by customers in advance of the related tax payments, which reduces the utility's net capital investment requiring a return.

Conversely, when ADIT is a net asset position (i.e., cumulative DTAs exceed cumulative DTLs — as may occur in periods when the RDDA deferred revenue DTA or

the Internal Revenue Code (IRC) §163(j) interest carryforward DTA dominates), the ADIT net asset position increases rate base, reflecting the fact that UCDEU has paid more tax in cash than has been recovered through the normalized tax allowance, and is entitled to earn a return on that over-payment until it reverses.

The ADIT balance by forecast year, and the component DTA and DTL balances, are presented in Schedule 15 of the GRC Application, Attachment 1, Appendix A, and the ADIT deduction from (or addition to) rate base is presented in Schedule 3 of the GRC Application, Attachment 1, Appendix A.

Q. What deferral accounts are reflected in rate base?

A. The RDDA balance is included in rate base and earns a carrying charge at the authorized weighted average cost of capital. Schedule 9 of GRC Application, Attachment 1, Appendix A presents the rate base deferral (RDDA) roll-forward, including the opening balance, additions representing the revenue shortfall, amortization or true-up, and ending balance. The regulatory framework governing the RDDA, including its establishment, amortization, and carrying charge mechanic, is addressed in the testimony of Douglas Chong (Corix Exhibit 3.0).

B. Mid-Year Rate Base Methodology

Q. What rate base methodology does the GRC Financial Model apply for years after the startup year?

A. For all years after the startup year, the GRC Financial Model applies a mid-year rate base methodology. Under this approach, rate base for each year is calculated as the average of the opening and closing balances of net Plant in Service, working capital, and applicable

deferral accounts. This is equivalent to assuming that capital additions and retirements occur, on average, at the midpoint of the year.

Q. Why does the financial model use the mid-year methodology rather than a 13-month average?

A. The mid-year methodology is the more appropriate approach for UCDEU given the nature and pace of its capital investment program. UCDEU is a greenfield utility in a period of rapid and continuous capital growth, with significant Plant in Service Additions expected each year throughout the forecast period as new assets are commissioned to serve an expanding customer base. The 13-month average methodology is best suited to mature utilities with relatively stable, flat asset bases where the difference between beginning-of-year and end-of-year balances is modest and the 13-month average approximates the average investment held throughout the year.

Furthermore, the RDDA cannot be computed on a monthly basis; only the beginning and end-of-year balances are available. The actual year-end RDDA balance can only be determined once all year-end figures are finalized. Because the RDDA is included in rate base, this limitation makes the mid-year methodology the most appropriate approach for accurately reflecting the average capital investment during the year.

Finally, for a utility like UCDEU, which is adding substantial capital in each forecast year, the 13-month average would calculate rate base using 13 data points — the end-of-month balances for each month of the year plus the prior year-end balance — which in a high-growth environment does not materially improve accuracy over the simpler mid-year average. The mid-year methodology is transparent, directly traceable in

the financial model, and consistent with regulatory practice for greenfield utilities commencing operations during a rate period. It ensures that rate base reflects the average capital investment held in service during each year without introducing the data complexity of monthly balance tracking.

C. Startup Year Weighted Average Rate Base Methodology

Q. How is rate base calculated for the startup year (2026)?

A. For the startup year (2026), the GRC Financial Model applies a weighted average Rate base calculation that reflects the actual timing of when assets are placed in service during the year. Because the initial assets are expected to be commissioned during 2026, a weighted average approach is applied to capture only the portion of the year during which each asset is actually in service, rather than assuming a full-year balance. This methodology is consistent with standard regulatory practice for a greenfield utility commencing operations during the rate period and ensures that depreciation expense and rate base reflect the actual period of asset utilization.

Q. How does the weighted average approach differ from the mid-year methodology used in subsequent years?

A. The startup year weighted-average approach is a more precise refinement of the mid-year concept, tailored specifically to the 2026 startup year. Rather than simply averaging opening and closing balances as in the standard mid-year approach, the weighted average method assigns each asset a weight proportional to the fraction of the year during which it is actually in service. For example, an asset commissioned on October 1, 2026, would contribute three months out of twelve — or one-quarter — of its full-year value to the 2026 rate base, rather than one-half under a standard mid-year calculation.

This level of precision is warranted for the startup year because Phase 1 commissioning events are expected to occur at specific, identifiable points during 2026, and the financial model has sufficient information to track individual in-service dates. Using actual commissioning timing avoids overstating rate base — by including assets before they are in service — treating all assets as though they were placed in service at the same point in time.

For years 2027 onward, the standard mid-year methodology is applied, as the weighted average calculation would not produce materially different results once the utility is in continuous operation with assets entering service throughout each year.

D. RDDA Treatment in Rate Base

Q. How does the Revenue Deficiency Deferral Account (RDDA) interact with rate base in the financial model?

A. The RDDA is a rate base deferral mechanism established to address the revenue shortfall that arises during UCDEU's startup and growth period, when the delivery revenue requirement — reflecting full capital costs as assets are placed in service — exceeds the revenues collectable from customers at the approved levelized rate. As described in the testimony of Douglas Chong (Exhibit 3.0), the RDDA captures the annual shortfall and defers it for recovery in future periods as the customer base grows and revenues increase.

In the GRC Financial Model, the RDDA balance is included as a component of rate base in Schedule 3, and Schedule 9 of GRC Application, Attachment 1, Appendix A presents the RDDA roll-forward, including the opening balance, additions reflecting the annual revenue shortfall, amortization or true-up, and ending balance. Because the RDDA is a rate base item, it earns a carrying charge at the authorized weighted average

cost of capital. This carrying charge is included in the revenue requirement and accumulates in the RDDA balance until it is recovered from customers.

Q. Does this section address the regulatory framework or policy basis for the RDDA?

A. No. The regulatory framework governing the RDDA — including its establishment, the carrying charge formula, and the amortization mechanism — is addressed in the testimony of Douglas Chong (Corix Exhibit 3.0). This section is limited to explaining how the RDDA balance is incorporated into rate base and reflected as a model input and output in the GRC Financial Model (Highly Confidential Corix Exhibit 7.1).

VIII. OPERATING EXPENSES AND WORKING CAPITAL

Q. What is the purpose of this section of your testimony?

A. The purpose of this section is to explain how operating expenses and working capital are calculated and reflected in the UCDEU GRC Financial Model for purposes of developing the delivery revenue requirement. This section describes the financial model treatment of operating and maintenance costs and the calculation of working capital, consistent with the structure and schedules of the GRC Financial Model.

A. Operating Expenses

Q. What operating expenses are included in the delivery revenue requirement and where are they presented in the financial model?

A. Operating expenses included in the delivery revenue requirement represent the recurring costs required to operate and administer the utility on a day-to-day basis. These operating expenses are reflected in Schedules 12 and 13 of GRC Application, Attachment 1, Appendix A. They include direct labor costs, maintenance costs, insurance, office-related

expenses, customer billing costs, regulatory costs, allocated Regional and Corporate services costs, and other miscellaneous operating expenses.

This subsection explains how each operating expense category is calculated and reflected in the financial model. Capital recovery costs, including depreciation, amortization, and return on invested capital, are addressed separately in section IX of this testimony.

i. Direct Labor

Q. How are direct labor operating expenses calculated?

A. Direct labor operating expenses are calculated based on forecasted full-time equivalent ("FTE") resources required to operate the utility as system operations scale and additional assets are placed into service. The planning of FTE resources reflects the escalation of operational requirements associated with the growth of Plant in Service, as described in Section VII. The necessity and appropriateness of the FTE resources included in the financial model are assessed in the testimony of Derek Nelson (Corix Exhibit 6.0).

Annual base salaries for each position are established using labor market benchmarks appropriate for the roles required to support utility operations. Benefits and incentive costs are then calculated as a function of the base salary for each position, resulting in a fully loaded annual labor cost for each FTE.

UCDEU does not have its own dedicated employees. Instead, operational personnel are provided by a Corix affiliate and charge labor directly to UCDEU. The financial model reflects this direct labor costs based on the fully loaded cost of the planned FTE resources, which are included as direct labor operating expenses for purposes of calculating the delivery revenue requirement.

ii. Maintenance Costs

Q. How are maintenance costs reflected in operating expenses?

A. Maintenance costs are calculated using a percentage of gross Plant in Service approach that reflects how maintenance requirements evolve as utility assets age. This methodology is implemented in the GRC Financial Model to ensure that forecasted maintenance expenses are reasonable, scalable, and consistent with the maturity of the district energy system.

The calculation is performed in two steps. First, a baseline maintenance factor was developed by estimating the ratio of maintenance services costs to gross Plant in Service for a representative thermal district energy utility operating in a steady-state period (Exhibit 7.5 WP - Maintenance cost estimates %), defined as approximately five to ten years of operation. This analysis establishes a normalized maintenance cost level relative to asset size once the system has reached stable operations.

Second, an adjustment factor is applied to the baseline maintenance percentage to reflect the expected progression of maintenance intensity over the life of the assets. Specifically, the model applies:

- Factor for Year 1(0.0): Newly commissioned assets require minimal maintenance
- Factor for Year 1(0.5): Ramp-up period as operations stabilizes
- Factor for Year 1(1.0): Steady-state maintenance conditions
- Factor beyond year10 (1.5): Increasing maintenance needs as plant and equipment age

By applying this adjusted maintenance percentage to gross Plant in Service, the financial model captures the relationship between asset growth, asset aging, and maintenance costs. This approach incorporates the fact that maintenance expenses increase

over time as assets remain in service longer. Depreciation and amortization are excluded from this calculation and are addressed separately in Section VII.

iii. Insurance

Q. How are insurance costs reflected in operating expenses?

A. Insurance costs are included as operating expenses and represent the cost of maintaining insurance coverage necessary to operate the utility. UCDEU's insurance program includes Property Insurance, Environmental Insurance, General Liability insurance, and other related insurance coverages.

Corix procures Property Insurance, General Liability insurance, and other corporate insurance policies on a group basis for its utilities and affiliated entities. The costs of these group insurance policies are subsequently allocated to individual utilities, including UCDEU, using cost allocation methodologies that reflect cost causation. Property Insurance costs are allocated to UCDEU based on gross Plant in Service, while General Liability and other insurance costs are allocated based on revenue. Environmental insurance is procured directly for UCDEU and is not subject to group allocation.

The GRC Financial Model reflects the projected insurance costs allocated to UCDEU for 2026 as the base year for forecasting. Insurance costs are escalated at 7.5 percent annually from 2026 through 2030, based on analysis provided by Corix's insurance broker regarding expected insurance cost trends. For years after 2030, insurance costs are escalated at 3 percent annually. In the case of Property Insurance, the model also accounts for the growth in Plant in Service over time, which increases the insurance base and corresponding insurance costs.

All insurance costs are expensed in the period incurred and are included as operating expenses for purposes of calculating the delivery revenue requirement. Insurance costs are not capitalized and do not form part of Plant in Service or rate base.

iv. Office Rental

Q. How are office rental costs reflected in the operating expense forecast?

A. Office rental costs represent the cost of office space required to support UCDEU's operations and administration. The office lease contract has been drawn up, and the GRC Financial Model incorporates the contracted monthly lease amount reflected in that agreement.

These costs are included as operating expenses and are expensed in the period incurred. Office rental costs are not capitalized and do not form part of Plant in Service or rate base. The forecast reflects the lease terms executed and provides a stable and supportable basis for office rental expenses included in the delivery revenue requirement.

v. Customer Billing

Q. How are customer billing costs calculated?

A. Customer billing costs included in operating expenses reflect third-party billing system costs only, specifically software license fees and the amortization of billing software. These costs do not include internal labor or departmental costs associated with billing and customer care.

Billing software and related services are procured by Corix on a group basis for its utilities and affiliated entities. The total third-party billing costs are subsequently allocated to individual utilities, including UCDEU, using the number of issued bills per

utility per year as the operational cost allocator. This approach reflects cost causation by aligning billing system costs with billing activity.

The internal costs associated with billing and customer care functions, including labor and other departmental expenses, are not included in this billing cost line item. Those internal costs are allocated to UCDEU through the Regional services cost allocations described in subsection vii below.

All customer billing costs included in this line item (Line 52 of Schedules 12 of GRC Application, Attachment 1, Appendix A) are expensed in the period incurred and are included in operating expenses for purposes of calculating the delivery revenue requirement.

vi. GRC External Consultant Costs

Q. How are GRC external consultant costs treated in the operating expenses?

A. GRC external consultant costs represent the third-party professional services required to support UCDEU's regulatory filings. After its first GRC, UCDEU plans to file a General Rate Case annually beginning in 2028, and the external consultant costs associated with those future GRC filings are reflected as operating expenses in the GRC Financial Model.

All costs related to the CPCN application and the initial GRC filing are not included as operating expenses. Those costs were capitalized and included as part of the utility assets placed into service in 2026. As a result, CPCN-related and first GRC consultant costs are recovered through capital recovery mechanisms rather than through operating expenses.

The operating expense forecast therefore includes only the ongoing external consultant costs associated with subsequent future GRC filings. These costs are expensed

in the period incurred and included in the delivery revenue requirement, while depreciation and amortization associated with capitalized regulatory costs are addressed separately in Section VII.

vii. Regional and Corporate Services

Q. How are Regional and Corporate services costs reflected in operating expenses and recovered in rates?

A. UCDEU receives certain Regional and Corporate support services from Corix affiliates. The cost allocation methodologies used to allocate these services to UCDEU are addressed in the testimony of Errol South (Corix Exhibit 2.0), with supporting cost allocation manuals filed as Corix Exhibit 2.5 (Regional Cost Allocation Manual) and Corix Exhibit 2.6 (Corporate Cost Allocation Manual). This section focuses on how the forecasted costs and recoverable amounts are reflected in the GRC Financial Model.

The forecasted Regional and Corporate services costs included in operating expenses are based on internal Corix budgets for the applicable support functions. These budgeted amounts represent the expected cost of providing support services to UCDEU during the test period and are reflected in the O&M Inputs tab of the GRC Financial Model.

Not all allocated Regional and Corporate service costs are proposed to be recovered from customers. The GRC Financial Model applies explicit recoverability adjustments to distinguish between total allocated costs and the portion included in the delivery revenue requirement. Schedule 12, lines 119 through 122, and Schedule 13, line 19 of GRC Application, Attachment 1, Appendix A reflect the adjustments to operating and maintenance expenses resulting from the non-recoverability of certain direct labor,

Regional services, and Corporate services costs. These schedule-level adjustments ensure that only the recoverable portion of allocated costs is included in operating expenses for ratemaking purposes.

Certain cost components are excluded from recovery at all levels. Costs associated with the Long-Term Incentive Program ("LTIP") are excluded from recovery regardless of whether they arise in direct labor costs, Regional services, or Corporate services costs. In addition, Corporate Development expenses at the corporate level are treated as non-recoverable and are excluded from the delivery revenue requirement.

viii. Miscellaneous Operating Expenses

Q. What miscellaneous operating expenses are included in the model?

A. Miscellaneous operating expenses include operating costs that are necessary to support UCDEU's day-to-day activities but are not captured in other specific operating expense categories. These costs include office utilities, phone and internet services, office expenses and materials, and travel and accommodation expenses for direct labor employees.

These miscellaneous expenses were estimated using operating cost references from other Corix utilities with similar operational characteristics. Given UCDEU's status as a new utility without historical operating data, this benchmarking approach provides a reasonable basis for forecasting these costs in the GRC Financial Model.

The forecast of miscellaneous operating expenses is expected to be refined in future General Rate Cases as UCDEU develops operating history and actual cost experience. All miscellaneous expenses are expensed in the period incurred and are

included in operating expenses for purposes of calculating the delivery revenue requirement.

B. Working Capital

Q. How is working capital reflected in the GRC Financial Model?

A. The GRC Financial Model calculates working capital using the one-eighth (1/8) allowance. Working capital is calculated as one-eighth of the subtotal of energy supply costs (as described in Section V), operating and maintenance costs (as described in subsection A of this section), and other costs, which are currently reflected as zero in the model.

The resulting working capital amount is reflected in Schedule 8 of GRC Application, Attachment 1, Appendix A and is included in the revenue requirement to recognize the cash required to bridge the timing difference between when expenses are incurred and when revenues are collected.

Q. Why does the model use the 1/8 allowance instead of a lead-lag study?

A. The 1/8 allowance provides a practical and proportionate approach to estimating working capital for a new utility such as UCDEU, particularly in the absence of sufficient historical data to support a detailed lead-lag study. UCDEU does not yet have stable billing, collection, and payment experience from which reliable revenue lags and expense leads could be calculated.

Applying the 1/8 allowance enables the model to estimate working capital requirements transparently, as it links directly to forecast cash expenses and does not rely on speculative assumptions. As UCDEU gains operating experience, the working capital methodology can be reassessed and updated in future General Rate Cases if needed.

C. Bad Debt Allowance

Q. Does the GRC Financial Model include a bad debt allowance for the test period?

A. No. There is no bad debt recovery included in the test year. This is appropriate given that UCDEU is a new startup utility commencing operations in 2026 with a single customer — Flagborough — under a contractual arrangement governed by the District Energy Services Agreement ("DESA"). The contractual nature of the customer relationship, combined with the absence of any historical bad debt experience, does not support the inclusion of a bad debt reserve in the test year operating expenses. Corix will evaluate the appropriateness of including a bad debt allowance in future General Rate Case applications as the utility accumulates operating history and as the customer base potentially expands. Corix's bad debts internal policy is presented in Exhibit 7.6 - Corix Bad Debts Policy.

IX. COST OF CAPITAL AND CAPITAL-RELATED COSTS

Q. What is the purpose of this section of your testimony?

A. The purpose of this section is to explain how cost of capital inputs are reflected in the UCDEU GRC Financial Model for purposes of developing the delivery revenue requirement. Specifically, this section describes how the authorized capital structure, the return on equity, the cost of debt, and the AFUDC are incorporated as model inputs and how they flow through the model to produce the capital-related cost components of the delivery revenue requirement.

The determination of the appropriate capital structure, return on equity, and cost of debt for UCDEU is addressed in the testimony of Maxwell Wang, Chief Financial Officer of Corix (Corix Exhibit 4.0), and in the expert testimony of Josh Figueroa of The

Brattle Group (Corix Exhibit 5.0). My testimony is limited to explaining how those cost-of-capital parameters are implemented as inputs in the GRC Financial Model and how they produce the return on rate base and interest expense components of the revenue requirement.

Q. What model schedule presents the cost of capital and return on rate base calculation?

A. Schedule 11 of GRC Application, Attachment 1, Appendix A presents the cost of capital, deemed capital structure, and return on rate base, including debt and equity ratios, the authorized ROE, the cost of debt, the weighted average cost of capital, and the return calculation. Schedule 11 is a view-only output schedule that pulls results from the model forecast tabs and General Inputs tab. All cost of capital assumptions are entered as inputs in the General Inputs tab of the GRC Financial Model, which contains regulatory dates, financing structure, allowed ROE, and other global inputs referenced broadly by forecast engines and schedules.

A. Capital Structure

Q. What capital structure is used in the GRC Financial Model?

A. The GRC Financial Model applies a capital structure of 50% debt and 50% equity as a model input. This capital structure is entered in the General Inputs tab and is applied consistently across the forecast period in Schedule 11 of GRC Application, Attachment 1, Appendix A to calculate the weighted average cost of capital and the resulting return on rate base.

Q. What is the basis for the 50%/50% capital structure?

A. The 50% debt and 50% equity capital structure was negotiated between Corix and Flagborough and is reflected in the Infrastructure Agreement — Fee Framework. Those negotiated terms are now included in this GRC, which was contemplated if UCDEU were to become a regulated utility. The basis for and reasonableness of this capital structure is addressed in detail in the testimony of Maxwell Wang (Corix Exhibit 4.0) and the expert testimony of Josh Figueroa of The Brattle Group (Corix Exhibit 5.0). My testimony is limited to confirming how the 50%/50% split is implemented as a model input.

Q. Has an independent expert reviewed the reasonableness of the capital structure?

A. Yes. Corix retained Josh Figueroa from The Brattle Group to provide his opinion on the cost of capital included in the GRC. The Brattle Group reviewed the capital structure of 50% debt and 50% equity, the ROE of 10.5%, and the cost of debt of 7.49%, and concluded all were reasonable for UCDEU.

B. Return on Equity

Q. What return on equity is reflected in the GRC Financial Model?

A. The GRC Financial Model applies an authorized return on equity ("ROE") of 10.50% as a model input. This ROE is entered in the General Inputs tab and is used in Schedule 11 of GRC Application, Attachment 1, Appendix A to calculate the equity return component of the weighted average cost of capital and the resulting equity return dollar amount included in the delivery revenue requirement.

Q. What is the basis for 10.50% ROE?

A. The ROE of 10.50% was negotiated between Corix and Flagborough and is reflected in the Infrastructure Agreement — Fee Framework. The basis for and reasonableness of the

10.50% ROE is addressed in detail by Maxwell Wang (Corix Exhibit 4.0) and Josh Figueroa (Corix Exhibit 5.0). My testimony is limited to confirming that the 10.50% ROE is implemented as a model input in the General Inputs tab and applied consistently across the forecast period.

Q. What is the resulting equity return dollar amount included in the revenue requirement?

A. The equity return dollar amount is calculated in Schedule 11 of the GRC Financial Model by applying the 50% equity weight and the 10.50% authorized ROE to the net rate base for each forecast period. The resulting equity return for the test year (August 1, 2026 – July 31, 2027) is $1,257,173, as reflected in Schedule 11 of the GRC Application, Attachment 1, Appendix A. This amount is included in the delivery revenue requirement as the equity return component of the return on rate base.

C. Cost of Debt and Interest Expense

Q. What cost of debt is reflected in the GRC Financial Model?

A. The GRC Financial Model reflects a test year's cost of debt of 7.49%, based on the rate established under the Intercompany Credit Agreement between UCDEU and its Corix affiliate lender. This rate is calculated in the Interest rate tab of the GRC Financial model and applied to the debt portion of rate base in Schedule 11 of GRC Application, Attachment 1, Appendix A to calculate the interest expense component of the return on rate base and the delivery revenue requirement.

Q. How is the 7.49% test year interest rate derived?

A. In accordance with the Intercompany Credit Agreement, the actual interest rate is variable and based on the market interest rate when the loan is outstanding. The specific

rate formula and its components are confidential and are addressed in the testimony of Maxwell Wang (Corix Exhibit 4.0). The 7.49% test year rate represents the estimated cost of debt for the test year (August 1, 2026 – July 31, 2027) derived by applying the formula set out in the Intercompany Credit Agreement to prevailing market interest rate conditions as of the date of this filing.

Q. What is the resulting interest expense dollar amount included in the delivery revenue requirement?

A. The interest expense dollar amount is calculated in Schedule 11 of GRC Application, Attachment 1, Appendix A by applying the 50% debt weight and the 7.49% test year cost of debt to the net rate base for each forecast period. The resulting interest expense for the test year (August 1, 2026 – July 31, 2027) is $896,783, as reflected in Schedule 11 of the GRC Financial Model. This amount is included in the delivery revenue requirement as the debt return component of the return on rate base.

D. Reconciliation: Regulatory vs. Financial Books

Q. Is there a difference between how interest expense is treated in the regulatory revenue requirement and how it is recorded in UCDEU's financial books?

A. Yes. In the GRC Financial Model, interest expense included in the delivery revenue requirement is calculated on a regulatory basis by applying the authorized cost of debt to the deemed debt component of rate base, consistent with the 50%/50% capital structure. This regulatory interest expense represents the debt return component of the allowed return on rate base included in the revenue requirement for ratemaking purposes.

For financial accounting purposes, the actual interest costs incurred by UCDEU under the Intercompany Credit Agreement may differ from the regulatory interest

expense, reflecting differences between the actual outstanding loan balance and the deemed debt component of rate base, and any variation in the market-based interest rate during the period. The GRC Financial Model does not explicitly track or reconcile the difference between regulatory and financial book interest expense. The regulatory revenue requirement is determined solely on the basis of the authorized cost of capital inputs described in this section, and any difference between regulatory and financial book treatment does not affect the delivery revenue requirement.

E. Allowance for Funds Used During Construction (AFUDC)

Q. What is the Allowance for Funds Used During Construction and why is it included in the GRC Financial Model?

A. AFUDC is a regulatory method of compensating a utility for the financing costs it incurs during construction of new facilities. Since typical utility regulation does not allow the utility to put the cost of a new facility into rates until it is in service, AFUDC offers a way for the utility to recover its pre-operational financing costs. Utilities finance construction of facilities with both borrowed funds (debt) and retained earnings (equity), and the financing costs must account for both the cost of debt and a reasonable return on equity.

UCDEU is a capital-intensive greenfield utility with significant construction activity throughout the forecast period, and AFUDC is a material component of the capitalized cost of assets placed in service. Without AFUDC, the financing costs incurred during construction would not be recovered, resulting in an under-recovery of capital costs and an understatement of Plant in Service.

Q. How is AFUDC calculated in the GRC Financial Model?

A. Prior to an asset being placed in service, capital costs are accumulated in CWIP in the GRC Financial Model. During the construction period, the model accrued AFUDC on eligible CWIP balances, which is capitalized and added to the cost of the asset when it is placed in service. AFUDC is calculated by applying the weighted average cost of capital — comprising both debt and equity components at the authorized rates — to the average eligible CWIP balance during each period. The AFUDC rate reflects both the authorized cost of debt (7.49% test year rate) and the authorized ROE (10.50%), weighted at the 50%/50% capital structure.

Q. What assets are eligible for AFUDC accrual?

A. AFUDC is accrued on eligible CWIP balances during the active construction period — that is, while capital costs are accumulated in CWIP and before the related assets are placed in service. Schedule 6 of GRC Application, Attachment 1, Appendix A presents the capital expenditure and the accrued AFUDC components for both ROE and interest. AFUDC ceases to accrue once an asset is transferred from CWIP to Plant in Service upon commissioning. Assets already placed in service are not eligible for AFUDC accrual.

Q. How is AFUDC treated once an asset is placed in service?

A. Upon completion and commissioning, the accumulated CWIP balance — comprising direct capital costs plus AFUDC — is transferred from CWIP and capitalized into Plant in Service. As a result, AFUDC is embedded in the capitalized cost of the asset, is subject to depreciation over the asset's useful life, and is included in the gross Plant in Service balance that forms the starting point for the rate base calculation. This treatment ensures that the full cost of constructing and financing UCDEU's capital assets is reflected in rate

base and recovered from customers over the life of those assets through depreciation expense and the allowed return on rate base.

Q. What is the total AFUDC amount reflected in the GRC Financial Model?

A. The GRC Financial Model reflects AFUDC accruals across two distinct periods. During the pre-test year construction period — representing the period of active construction prior to the commencement of the test year on August 1, 2026, which is also the date that the utility commences service — total AFUDC accrued on eligible CWIP balances amounts to $ 1,100,175. During the test year (August 1, 2026 – July 31, 2027), AFUDC continues to accrue on eligible CWIP balances associated with ongoing construction of the initial assets and subsequent capital additions. Total AFUDC for the test year amounts to $296,913, as reflected in Schedule 6 of the GRC Financial Model (Exhibit 7.1). Both the pre-test year and test year AFUDC amounts comprise equity and debt components, each calculated by applying the respective weighted cost to the average eligible CWIP balance during the applicable period.

X. TAXES

Q. What is the purpose of this section of your testimony?

A. The purpose of this section is to explain how taxes are reflected in the UCDEU GRC Financial Model for purposes of developing the delivery revenue requirement. This section is organized in two parts: Part A addresses taxes other than income tax, including property tax, franchise fees payable to the City of Vineyard, and energy-related sales taxes on natural gas and electricity; and Part B addresses income tax, including the applicable federal and Utah state tax rates, tax depreciation methodology, bonus depreciation treatment, the Utah High-Cost Infrastructure Tax Credit ("HCITC"), the

treatment of deferred tax balances, and the business interest expense limitation under Internal Revenue Code (IRC) §163(j). My testimony describes how each tax component is modeled and how the resulting tax expense or credit flows through to the delivery revenue requirement. Schedule 15 of GRC Application, Attachment 1, Appendix A presents the taxable income bridge, tax depreciation schedules, deferred taxes, and tax expense. Tax policy determinations and the legal basis for each tax item are outside the scope of my testimony as financial model developer.

A. Taxes Other Than Income Tax

Q. What taxes other than income tax are addressed in this section?

A. Taxes other than income tax considered in the UCDEU GRC Financial Model include property tax, Public Utilities Regulation Fee, franchise fees payable to the City of Utah City, energy-related sales taxes on natural gas and electricity supply costs, and federal payroll-related taxes. Each is addressed in the subsections below.

i. Property Tax

Q. How are property tax expenses calculated?

A. No property tax expense is included for UCDEU in the GRC Financial Model. Based on UCDEU's current circumstances and applicable tax treatment, the utility does not incur property tax obligations on its Plant in Service during the forecast period. As a result, property tax expenses are not reflected in operating expenses and are not included in the delivery revenue requirement.

ii. Public Utilities Regulation Fee (PURF)

Q. How is the Public Utilities Regulation Fee (PURF) reflected in operating expenses?

A. PURF is included as a tax other than income tax and represents the regulatory fee assessed to recover the Public Service Commission's costs of regulating public utilities.

In the GRC Financial Model, the PURF is calculated by applying the average PURF rate over the most recent three-year period to UCDEU's prior year operating revenue. This approach reflects the manner in which the PURF is assessed and provides a reasonable basis for forecasting the fee in the absence of utility-specific historical data.

The PURF is treated as a recurring tax other than income tax and is expensed in the period incurred.

iii. Charges from the City of Vineyard

Q. Are charges from the city of Vineyard reflected in the GRC Financial Model?

A. No. The GRC Financial Model does not currently include any charges from the City of Vineyard. As of the test period, the Company has not been assessed, nor has it agreed to pay, any municipal fees, franchise fees, right-of-way charges, or similar impositions by the City of Vineyard in connection with the operation of the UCDEU System. Should any such charges be established and become effective during or after the test period, the Company would seek appropriate regulatory treatment at that time.

iv. Energy-Related Sales Taxes on Natural Gas and Electricity

Q. Are energy-related sales taxes reflected in the GRC Financial Model?

A. Yes, but these taxes are included as part of energy supply costs rather than as delivery operating expenses, and they are recovered through the energy charge rather than the delivery charge. Specifically, two energy-related taxes are embedded in the natural gas

and electricity commodity costs modeled in the GRC Financial Model: Utah State Sales Tax, applied at a rate of 4.85% on natural gas and electricity purchases; and the Municipal Energy Sales and Use Tax ("MET"), applied at a rate of 6.0% on natural gas and electricity purchases within the applicable municipal jurisdiction. Together, these two taxes are included in the commodity cost of energy supply inputs and are reflected in Schedule 14 of GRC Application, Attachment 1, Appendix A. Because they form part of the energy supply cost, they are recovered through the energy charge component of the tariff and are not included in the delivery revenue requirement. The energy charge recovery mechanism and the treatment of energy supply costs are described in Section V of this testimony.

v. Federal Payroll Taxes

Q. How are federal payroll taxes treated in the GRC Financial Model?

A. Federal payroll taxes, including the employer portion of Social Security and Medicare taxes (FICA), are not reflected as a separate tax line item in the tax section of the GRC Financial Model. Rather, these costs are embedded within the fully loaded labor cost for each FTE position, as described in Section VIII of this testimony. Because payroll taxes are calculated as a function of base salary and are included in the benefits loading applied to each FTE, they are captured within the direct labor operating expense component of the delivery revenue requirement and are not separately reported in Schedules 12 and 13 of GRC Application, Attachment 1, Appendix A.

B. Income Tax

i. Payable Federal Income Tax

Q. How is the current federal income tax payable calculated in the GRC Financial Model?

A. The current federal income tax payable is reported in Schedules 15 of GRC Application, Attachment 1, Appendix A. The computation follows a standard taxable income bridge that begins with regulatory book pre-tax income and applies the following adjustments to arrive at federal taxable income:

a) **Add back regulatory book depreciation and amortization:** Straight-line book depreciation and amortization, as computed under the regulatory depreciation methodology described in Section VI of this testimony, is added back to book income because it is replaced by MACRS tax depreciation in item (ii) below.

b) **Deduct MACRS tax depreciation:** MACRS accelerated tax depreciation on eligible Plant in Service is deducted in place of book depreciation. Because MACRS front-loads depreciation deductions relative to straight-line book depreciation, taxable income is lower than book income in the early years of each asset's life, giving rise to a Deferred Tax Liability (DTL). The MACRS methodology and asset class assignments are described in Section X.iii of this testimony.

c) **Deduct deferred revenues — RDDA mechanism:** Revenues that are recognized for regulatory book purposes under the RDDA mechanism — representing the shortfall between the full delivery revenue requirement and the revenues actually collected at the levelized Capacity Charge — are deducted in the taxable income bridge. Although these deferred revenues are accrued as a regulatory asset on the book balance sheet, they have

not been received in cash from the ratepayer and are not yet fixed or determinable for federal income tax purposes. Accordingly, these amounts are excluded from taxable income in the period of book accrual and will be recognized as taxable income in the future periods when the RDDA balance is drawn down and the corresponding revenues are actually collected from the customer. The deferred revenue temporary difference arising from this treatment is reflected in the deferred tax computation described in Section Section X.iii of this testimony.

d) **Add back expenses not recovered from ratepayers:** Expenses that are not included in approved rates — and are therefore not recovered from the ratepayer — are added back to arrive at taxable income. The rationale for this add-back is a fundamental principle of utility tax accounting: the income tax allowance included in the delivery revenue requirement is designed to compensate UCDEU only for the tax cost associated with revenues collected from, and expenses charged to, ratepayers. Where an expense is not included in approved rates and is not recovered through the revenue requirement, the corresponding tax deduction does not reduce taxable income for purposes of the revenue requirement calculation. Including the tax benefit of a non-rate-recovered expense in the revenue requirement would effectively transfer that benefit to ratepayers who did not bear the underlying cost, which would be inconsistent with the matching principle underpinning the normalized tax method. By adding these expenses back in the taxable income bridge, the model ensures that the income tax allowance in the delivery revenue requirement reflects only the tax cost associated with rate-recovered costs and rate-collected revenues.

e) **Deduct business interest expense — subject to Internal Revenue Code (IRC) §163(j) cap:** Business interest expense is deducted from taxable income, subject to the 30% of Adjusted Taxable Income (ATI) limitation under Internal Revenue Code (IRC) §163(j). Any interest expense disallowed in the current year is carried forward as a Deferred Tax Asset (DTA) and utilized in future years when ATI is sufficient, as described in Section X.iii of this testimony.

f) **Deduct State income tax:** They are deducted in computing federal taxable income as per Internal Revenue Code (IRC) §164.

g) **Deduct Tax Loss carryforwards:** Available tax loss carried forward are applied to reduce taxable income, subject to the 80% taxable income limit applicable to post-2017 Tax losses.

h) **Add back equity component of AFUDC:** The equity component of AFUDC, recognized as book income during the construction period, is added back because it is not taxable at the time of accrual. This item is addressed in Section X.iv of this testimony as a permanent difference.

The resulting federal taxable income is multiplied by the 21% federal corporate income tax rate to produce the current federal income tax payable for each forecast year.

Q. Does UCDEU expect to generate Net Operating Losses in the early years of operation?

A. Yes. As a startup utility commencing operations in 2026 with significant upfront capital investment and a customer base in the initial build-out phase, UCDEU is expected to generate federal tax losses in the early years of the forecast period. These tax losses arise because MACRS accelerated tax depreciation deductions in the early years of asset life

exceed book depreciation, and because revenues during the early build-out phase are not yet sufficient to absorb all deductible costs. Tax loss carryforwards generated after 2017 may be carried forward indefinitely but are limited to offsetting 80% of taxable income in any carryforward year under the Tax Cuts and Jobs Act of 2017.

ii. Payable Utah State Income Tax and High-Cost Infrastructure Tax Credit (HCITC)

Q. How is the current Utah state income tax payable calculated in the GRC Financial Model?

A. The current Utah state income tax payable is reported in Schedules 15 of GRC Application, Attachment 1, Appendix A. The Utah taxable income base follows a similar structure to the federal computation described in Section X.i, subject to Utah-specific conformity rules. The GRC Financial Model applies a 4.5% Utah state corporate income tax rate to the taxable income to produce the gross current state income tax liability for each forecast year.

Q. How is the Utah High-Cost Infrastructure Tax Credit (HCITC) reflected in the state income tax calculation?

A. The HCITC supports significant infrastructure investments in the state. Qualifying infrastructure investment that is certified by the Utah Office of Energy Development ("OED") and approved by the Utah Energy Infrastructure Authority ("UEIA") Board will generally receive a non-refundable tax credit of 30% of qualifying infrastructure-related state revenue generated during a qualifying tax period. The total tax credit authorized for a project will be 50% of the cost of the infrastructure investment. As a district energy

utility making substantial infrastructure investments in Utah City, UCDEU is a qualifying entity for the HCITC, subject to OED certification and UEIA Board approval.

The HCITC is computed in the HCITC Fcst tab of the GRC Financial Model (Highly Confidential Exhibit 7.1), reducing the payable state income tax in the year the credit is utilized. To the extent that the annual HCITC credit exceeds UCDEU's Utah state income tax liability in a given year, the excess is carried forward for up to seven years.

iii. Deferred Income Tax — Temporary Differences

Q. What are temporary differences and how do they arise in the GRC Financial Model?

A. Temporary differences arise when the timing of income or expense recognition for regulatory book purposes differs from their recognition for income tax purposes. These differences are temporary because they reverse over time — what is recognized earlier for tax purposes will be recognized later for book purposes, or vice versa. The tax effect of temporary differences is recorded as Deferred Tax Assets ("DTAs") or Deferred Tax Liabilities ("DTLs") in the GRC Financial Model.

A Deferred Tax Liability (DTL) arises when tax deductions are taken earlier than the corresponding book expense — meaning UCDEU pays less tax today but will owe more in the future. A Deferred Tax Asset (DTA) arises when book deductions precede tax deductions — meaning UCDEU pays more tax today but will benefit from a future deduction.

The GRC Financial Model identifies three categories of temporary differences for UCDEU:

(a) Tax Accelerated Depreciation — MACRS vs. Straight-Line Book Depreciation

Q. How does MACRS depreciation create a temporary difference in the GRC Financial Model?

A. For income tax purposes, the GRC Financial Model applies the Modified Accelerated Cost Recovery System ("MACRS") to eligible Plant in Service, as prescribed under the Internal Revenue Code (IRC). MACRS assigns each asset category to a prescribed recovery period and applies accelerated depreciation methods, resulting in larger tax depreciation deductions in the early years of an asset's life compared to the straight-line book depreciation used for regulatory purposes.

Because MACRS front-loads tax depreciation deductions relative to book depreciation, UCDEU's taxable income is lower than book income in the early years of each asset's life — creating a **DTL** (a future tax obligation). As assets age and MACRS depreciation fall below book depreciation in later years, the DTL begins to reverse, increasing taxable income relative to book income.

Q. Does the GRC Financial Model apply bonus depreciation under IRC §168(k)?

A. No. The GRC Financial Model's General Inputs tab reflects that bonus depreciation is set to "Off" as a deliberate modeling decision. UCDEU has elected not to claim the additional first-year depreciation allowance under IRC §168(k) for any eligible asset class placed in service during the forecast period. This election is both permissible and strategically appropriate for UCDEU ratepayers for the following reasons:

1. **Smaller RDDA balance and lower total cost to ratepayers:** A smaller RDDA balance means lower accumulated carrying charges, a shorter recovery timeline, and a lower total cost to ratepayers over the life of the rate stabilization period.
2. **Tax losses limitation reduces the near-term tax value of bonus depreciation:** As a startup utility with limited early-year taxable income, UCDEU would generate substantial Tax Losses if bonus depreciation were applied. Tax Losses generated after 2017 are limited to 80% of taxable income in any carryforward year, reducing the present value benefit of bonus depreciation for a startup utility with growing but initially modest revenues.
3. **HCITC utilization is protected:** UCDEU is eligible for the Utah High-Cost Infrastructure Tax Credit ("HCITC"), a nonrefundable credit applied against Utah state income tax liability. If bonus depreciation generated large Tax Losses, UCDEU would have no Utah taxable income against which to apply the HCITC, forcing the credit into carryforward for up to seven years and reducing its present value. By maintaining a more moderate tax depreciation profile, taxable income is sufficient to absorb the HCITC credit in earlier periods, maximizing its benefit to ratepayers.

(b) Deferred Revenues — Capacity Charge Levelization and the RDDA Mechanism

Q. How do deferred revenues give rise to a temporary difference in the GRC Financial Model?

A. A second source of temporary differences arises from the treatment of deferred revenues associated with the levelization of the Capacity Charge and the RDDA mechanism. For regulatory book purposes, revenues that are deferred into the RDDA — representing the

shortfall between the delivery revenue requirement and the revenues collected at the levelized Capacity Charge — are recognized as a regulatory asset on the regulatory balance sheet but are not recognized as taxable revenue until collected. For tax purposes, revenues are generally recognized when received or when the right to receive them is fixed and determinable, which does not coincide with the regulatory book accrual of RDDA deferred revenues.

This timing difference between book and tax revenue recognition creates a **DTA** in the early years of the RDDA build-up phase — UCDEU's book income reflects the full revenue requirement including the RDDA accrual, while taxable income excludes the deferred portion not yet collected. As the RDDA balance is drawn down and the deferred revenues are collected in cash through rates in future periods, the DTA reverses and taxable income increases accordingly.

(c) Business Interest Expense Deductibility Cap — Internal Revenue Code §163(j)

Q. How does the Internal Revenue Code (IRC) §163(j) interest deductibility cap give rise to a temporary difference in the GRC Financial Model?

A. The GRC Financial Model reflects the business interest expense limitation under IRC §163(j), which restricts the deductibility of business interest expense to 30% of a taxpayer's Adjusted Taxable Income ("ATI") in a given taxable year. When UCDEU's current-year interest expense exceeds that cap, the disallowed portion is not deductible in the current period; instead, it is carried forward to future tax years. This carry forward is recorded as a Deferred Tax Asset ("DTA") in the model, representing a future tax benefit

that will be realized when the carry forward is utilized in a year in which Adjusted Taxable Income (ATI) is sufficient to absorb the previously disallowed expense.

UCDEU does not qualify for the regulated public utility exception to Internal Revenue Code (IRC) §163(j) under §168(i)(10) because the utility provides thermal energy service through a district energy system, which does not fall within the enumerated categories of property to which that exception applies. Accordingly, the §163(j) limitation applies to UCDEU in full, and the model's treatment reflects that position consistently.

For tax years beginning after December 31, 2024, the One Big Beautiful Bill Act ("OBBBA") restores the ATI computation to an EBITDA basis — adding back depreciation and amortization — which increases the effective cap amount and allows a greater portion of UCDEU's interest expense to be deducted in any given year. This change is reflected in the GRC Financial Model for the applicable test period years and reduces, but does not eliminate, the magnitude of §163(j) carry forwards projected in the forecast.

The model's treatment of §163(j) carry forwards ensures that disallowed interest expense is not permanently excluded from the tax computation but is instead matched to the period in which the corresponding tax benefit is expected to be realized, consistent with the deferred tax accounting principles applicable to regulated utilities.

(d) Net Operating Losses

Q. Please explain how Net Operating Losses are reflected in the GRC Financial Model?

A. The federal income tax reflects the use of Net Operating Losses (“NOLs”) in computing current federal income tax expense, consistent with normalization requirements. While

NOLs may reduce federal income taxes payable in a given period, they represent a temporary difference rather than a permanent reduction in tax expense. Accordingly, the tax allowance includes both (1) a reduction to current federal income tax expense from NOL utilization and (2) the establishment or reversal of deferred income taxes associated with those NOLs.

Q. Why does the use of Net Operating Losses give rise to a temporary difference rather than a permanent difference?

A. NOLs arise when tax-deductible expenses exceed taxable revenues in a given period. Under federal tax law, those losses may be carried forward and used to offset taxable income in future years. As a result, NOLs defer the payment of federal income taxes to future periods rather than permanently eliminating them. This timing difference between when income and expenses are recognized for ratemaking purposes versus when they affect taxable income creates a temporary difference that must be normalized for ratemaking purposes.

Q. How are these NOL-related temporary differences treated under normalization principles?

A. Under normalization, the tax effects of temporary differences are recognized over the period in which the underlying differences reverse. When NOLs are generated, the Company records a deferred tax asset reflecting future tax benefits associated with the carryforward of those losses. When the NOLs are later utilized to offset taxable income, that deferred tax asset is reversed. The tax allowance in this GRC reflects both the current tax impact of NOL utilization and the appropriate deferred tax entries to ensure that customers neither overpay nor underpay income taxes over time.

Q. Is UCDEU's treatment of NOL-related tax effects consistent with regulatory and accounting standards?

A. Yes. The Company's treatment of NOL-related temporary differences is consistent with federal normalization requirements, generally accepted accounting principles, and long-standing regulatory practice. The approach ensures that income tax expense included in rates reflects both current and deferred federal income tax impacts, providing a fair, accurate, and symmetric treatment of tax costs for customers across time.

iv. Tax Allowance Included in the Delivery Revenue Requirement

Q. How is the income tax allowance included in the delivery revenue requirement calculated?

A. The income tax allowance included in the delivery revenue requirement represents the total regulatory income tax cost that UCDEU is entitled to recover from its customers in each forecast year. It is calculated in the GRC Financial Model as follows:

Tax Allowance = Current Payable Federal Income Tax + Current Payable State Income Tax (net of utilized HCITC) + Increase in Deferred Tax Liabilities (DTL) − Increase in Deferred Tax Assets (DTA)

This formulation ensures that the tax component of the revenue requirement reflects both the cash taxes payable in the current period and the net change in deferred tax balances attributable to regulatory temporary differences. Including the change in deferred taxes ensures that ratepayers are charged on a normalized basis — consistent with standard utility ratemaking practice under the normalized tax method — rather than on a flow-through basis that would produce volatile year-to-year tax expense.

When DTLs increase (i.e., book income exceeds taxable income due to accelerated MACRS tax depreciation), the tax allowance includes an amount above current cash taxes payable, building up the ADIT balance that is returned to ratepayers through a rate base reduction in future periods. When DTAs increase (i.e., taxable income exceeds book income, such as during the RDDA revenue deferral period or when §163(j) carryforwards accumulate), the tax allowance is reduced below cash taxes payable, reflecting the future tax benefit that ratepayers will receive when the DTA reverses.

v. Permanent Differences — Equity Portion of AFUDC

Q. Why is the equity component of AFUDC treated as a permanent difference?

A. During the construction period, UCDEU accrues AFUDC on eligible CWIP balances. AFUDC comprises two components: a debt component and an equity component. The equity component of AFUDC is recognized as book income during the construction period, increasing regulatory book net income in the years the asset is under construction. However, the equity component of AFUDC is not taxable when accrued — it is permanently excluded from taxable income at the time of accrual and is instead recovered through the depreciation deductions taken on the capitalized AFUDC amount embedded in the cost of the Plant in Service once the asset is placed in service.

This creates a permanent difference: the equity AFUDC income recognized for book purposes in the construction period has no corresponding taxable income in that period, and the difference does not reverse in the same way a temporary difference does. Rather, the tax recovery occurs through MACRS depreciation on the full capitalized cost of the asset — including the equity AFUDC component — over the applicable MACRS recovery period. Because the equity AFUDC income is permanently excluded from

taxable income at the time of accrual, it is added back in the taxable income bridge and is not tracked in the income tax schedule.

XI. DELIVERY REVENUE REQUIREMENT

Q. What is the purpose of this section of your testimony?

A. The purpose of this section is to present the delivery revenue requirement for UCDEU as calculated in the GRC Financial Model (Corix Exhibit 7.1) and to explain how its components combine to produce the total amount that UCDEU is entitled to recover through its Capacity Charge. Specifically, this section: (1) summarizes the revenue requirement build-up across all cost components; (2) explains the separation between the delivery revenue requirement and the energy supply revenue requirement; (3) describes the ECRA forecasting and accounting assumptions embedded in the financial model; and (4) explains how the Revenue Deficiency Deferral Account ("RDDA") links to the delivery revenue requirement during UCDEU's startup and growth period. The regulatory framework governing the RDDA mechanism, the ECRA, and the rate design are addressed in the testimony of Douglas Chong (Corix Exhibit 3.0); my testimony is limited to the financial model derivation, structure, and quantification of the delivery revenue requirement.

A. Revenue Requirement Build-Up — All Components

Q. How is the delivery revenue requirement structured in the GRC Financial Model?

A. The delivery revenue requirement is calculated in the GRC Financial Model using the standard utility cost-of-service framework. The revenue requirement is the sum of all prudently incurred costs necessary for UCDEU to provide regulated thermal delivery

service, plus an authorized return on invested capital. It is presented in Schedules 1 and 2 of GRC Application, Attachment 1, Appendix A.

Q. What are the components of the delivery revenue requirement?

A. The delivery revenue requirement is composed of the following components, each of which is addressed in detail in the referenced sections of this testimony:

GRUESO-BARON TABLE 9

Line	Component	Description	Section Reference
1	Operating & Maintenance Expense	Direct labor, maintenance, insurance, allocations, and other O&M	Section VIII
2	Depreciation & Amortization	Straight-line book depreciation on Plant in Service	Section VI
3	Taxes Other Than Income Tax	Property tax, franchise fee, and PURF fee	Section X.A
4	Income Tax Allowance	Normalized income tax expense (current payable + change in deferred taxes)	Section X.B
5	Return on Rate Base — Debt	Interest expense on the 50% debt component of rate base	Section IX
6	Return on Rate Base — Equity	Authorized ROE (10.50%) on the 50% equity component of rate base	Section IX
7	**Total Delivery Revenue Requirement**	Sum of Lines 1 through 6	Schedule 1, Schedule 2

Each component is calculated in the relevant forecast tabs of the GRC Financial Model and flows into Schedule 2 and Schedule 1 as view-only outputs.

Q. What is the total delivery revenue requirement for the test year?

A. The total delivery revenue requirement for the test year (August 1, 2026, through July 31, 2027), as calculated in the GRC Financial Model, is $4,639,486. This represents the full cost of regulated thermal delivery service — including operating expenses, depreciation, taxes, and the authorized return on rate base — that UCDEU is entitled to recover during the test period. The delivery revenue requirement compares to billed revenues at proposed rates of $1,126,119 for the test year, resulting in $3,513,368 of annual revenue deficiency that is deferred into the RDDA, as described in Section XI.D of this testimony.

B. Separation of Energy Supply vs. Delivery Revenue Requirement

Q. How is the total UCDEU revenue requirement divided between delivery and energy supply?

A. The total UCDEU revenue requirement is divided into two distinct and separately recoverable components:

- The Delivery Revenue Requirement, which covers all costs associated with owning, operating, and maintaining the distribution infrastructure and central energy facilities — including rate base return, O&M, depreciation, and taxes. The delivery revenue requirement is recovered through the Capacity Charge, a fixed monthly charge measured in $/kilowatts ($/kW).
- The Energy Supply Revenue Requirement, which covers the variable costs of purchased thermal energy inputs — electricity, natural gas, water and wastewater, and chemicals — required to produce and deliver heating and cooling to customers. The energy supply revenue requirement is recovered through the Energy Charge, a variable monthly charge measured in $/kilowatt-hours ($/kWh).

The Capacity Charge revenues recover the delivery revenue requirement. The Energy Charge revenues recover the energy supply revenue requirement. This two-part structure ensures that fixed infrastructure costs and variable energy supply costs are recovered through appropriately matched charge components, consistent with the nature of each cost category.

Q. Why are energy supply costs separated from the delivery revenue requirement?

A. The proposed regulatory framework for energy supply costs decouples the energy supply costs from test year ratemaking. The energy supply costs are variable costs directly related to the production of thermal energy service for both heating and cooling. If customers have higher thermal consumption the energy supply costs increase. If the customers have lower thermal consumption the energy supply costs decrease. They are directly correlated with each other. Given the linkage between actual consumption and actual energy supply costs, it would be practical and reasonable to unbundle these costs from the delivery revenue requirement and also decouple the recovery of these energy supply costs and consider them as pass-through costs. The financial model implements this separation by maintaining two distinct models: the GRC Financial Model (Highly Confidential Corix Exhibit 7.1) for the delivery revenue requirement and Capacity Charge, and the ECRA Financial Model (Highly Confidential Corix Exhibit 7.2) for the energy supply revenue requirement and Energy Charge.

Q. What is the energy supply revenue requirement for the test year?

A. As described in Section V of this testimony, the total energy supply revenue requirement for the test year is $268,663, consisting of electricity costs; natural gas costs; water and sewer costs; chemicals, safety, and testing costs as derived from the ECRA Financial

Model (Highly Confidential Corix Exhibit 7.2). The proposed Energy Charge for the test year is $0.0417 per kWh of thermal energy delivered, as described in Section V.

C. *ECRA Forecasting and Accounting Assumptions*

Q. What is the ECRA and how is it reflected in the financial models?

A. The Energy Cost Reconciliation Account ("ECRA") is a deferral account that captures the cumulative actual costs of energy supply and the cumulative actual energy charge revenues received. The ECRA is the balancing account to ensure on a dollar-for-dollar basis that the actual purchased thermal energy supply costs are recovered in the actual Energy Charge revenues. Because energy supply costs are pass-through costs subject to the ECRA, they are not included in the delivery revenue requirement computed in the GRC Financial Model and are not recovered through the Capacity Charge.

Q. How is the ECRA forecast modeled in the financial models?

A. The ECRA forecast is modeled in the ECRA Financial Model, which is a separate model from the GRC Financial Model. The ECRA Financial Model establishes the test year energy supply cost forecast — using unit commodity costs applied to forecast thermal energy volumes — and derives the proposed Energy Charge for the test period. The key modeling assumptions underlying the ECRA forecast, including the energy use intensity assumptions, occupancy ramp-up adjustments, and commodity price inputs, are described in Sections IV and V of this testimony. In the GRC Financial Model, the ECRA balance is tracked as a non-rate-base deferral account in Schedule 10 of GRC Application, Attachment 1, Appendix A.

Q. When will the ECRA first be cleared after the initial test year rates are established?

A. Corix proposes that the Energy Charge be amended on an annual basis when the utility files a pass-through application with the forecast for the upcoming energy supply costs, targeting clearing the ECRA balance in the filing's 12-month energy supply test period. Corix proposes to file the pass-through by November 1, 2027, for rates effective January 1, 2028. This means the Energy Charge rates established initially for August 1, 2026, would be applicable from that date to December 31, 2027. When the rates are changed for January 1, 2028, UCDEU will be aligned with the beginning of the calendar year rate changes.

D. RDDA Linkage to the Delivery Revenue Requirement

Q. How does the RDDA arise from the delivery revenue requirement?

A. The Revenue Deficiency Deferral Account ("RDDA") arises because the delivery revenue requirement — which reflects the full cost of service including a return on the rate base of assets placed in service — exceeds the revenues collectable from customers at the approved levelized Capacity Charge rate during UCDEU's startup and growth period. UCDEU is a greenfield utility with a single customer whose premises are connected progressively over a multi-year build-out. As a result, in the early years, the rate base and associated revenue requirement are large relative to the limited customer load on the system, and the levelized Capacity Charge established to protect ratepayers from rate shock does not fully recover the annual revenue requirement. The annual revenue deficiency — the excess of the delivery revenue requirement over billed revenues at the levelized Capacity Charge — is deferred into the RDDA rather than being

recovered immediately and is collected from the customer in future periods as the system grows and revenues increase.

Q. How is the relationship between the delivery revenue requirement, billed revenues, and the RDDA reflected in the GRC Financial Model?

A. Schedule 1 of GRC Application, Attachment 1, Appendix A presents the high-level summary of the delivery revenue requirement, revenue at proposed rates, the resulting shortfall or surplus, and the RDDA deferral roll-forward. The relationship is captured as follows in each forecast year:

Revenue Deficiency (Surplus) = Delivery Revenue Requirement − Billed Revenues at Levelized Capacity Charge

For the test year, this relationship produces a revenue deficiency of $3,513,368 ($4,639,486 delivery revenue requirement less $1,126,119 billed revenues), which is posted to the RDDA as an addition to the opening balance. Because the RDDA is a rate base item, it earns a carrying charge at the authorized weighted average cost of capital. This carrying charge is included in the revenue requirement and accumulates in the RDDA balance until it is recovered from customers. Schedule 9 of GRC Application, Attachment 1, Appendix A presents the RDDA roll-forward, including the opening balance, annual additions reflecting the revenue shortfall, and the ending RDDA balance by forecast year.

Q. When is the RDDA balance projected to be fully recovered?

A. The RDDA balance is projected to be fully recovered by 2041, as presented in Schedule 9 and Schedule 1 of GRC Application, Attachment 1, Appendix A. The RDDA balance builds progressively from $996,786 at the end of 2026 through a peak of $34,093,158 in

2034, as capital additions place significant assets in service ahead of the full customer build-out. Beginning in 2035, as the Utah City development continues to mature and connected load approaches full build-out capacity, billed revenues begin to exceed the annual delivery revenue requirement, generating annual surpluses that draw down the accumulated RDDA balance. By 2041, the RDDA balance is fully extinguished. The regulatory framework governing the RDDA recovery timeline, carrying charge formula, and amortization schedule is addressed in the testimony of Douglas Chong (Corix Exhibit 3.0); this testimony is limited to confirming how the RDDA balance, carrying charge, and recovery are reflected in the GRC Financial Model.

Q. How does the RDDA balance affect the delivery revenue requirement in future years?

A. The RDDA balance included in rate base earns a carrying charge at the authorized WACC. This carrying charge is itself a component of the delivery revenue requirement in each year — it increases the revenue requirement in the years when the RDDA is building up, reflecting the cost of deferring revenue recovery to future periods. As the RDDA balance is drawn down in later years when revenues exceed the revenue requirement, the carrying charge component of the revenue requirement declines.

XII. CONCLUSION

Q. Please summarize your testimony.

A. In this testimony I have addressed the financial modeling basis for the revenue requirement and rate design of the UCDEU in connection with this GRC Application filed in Docket No. 26-2666-01. Specifically, I have addressed the following matters:

- Financial Models. I described the purpose, architecture, and modeling conventions of the UCDEU GRC Financial Model and the UCDEU ECRA Financial Model, including their input tabs, forecast engine tabs, and output schedule tabs; the linkage between the two models; and their relationship to the testimony of other witnesses in this proceeding.
- Customer Forecast, Peak Load, and Energy Demand. I described the Utah City development project, the buildout schedule, the customer (Flagborough), the undiversified and diversified peak load methodology, the energy use intensity assumptions by building typology, and the resulting annual energy demand forecast. For the test year, diversified peak demands are 2.9 MW for heating and 1.9 MW for cooling, with total annual energy demand of 6,442.76 MWh.
- Energy Supply Costs and Energy Supply Revenue Requirement. I described the energy supply cost components and the derivation of the total test year energy supply revenue requirement which supports the proposed Energy Charge of $0.0417 per kWh. I also described the ECRA mechanism for decoupled, pass-through recovery of actual energy supply costs.
- Capital Expenditures, Plant in Service, CIAC, and Depreciation. I described the capital expenditure program by asset category, the in-service timing methodology, the treatment of Contributions in Aid of Construction, and the straight-line depreciation methodology applied to regulated book assets. Total capital additions for the test period are $31,789,958, comprising Production assets of $21,797,971 and Distribution assets of $9,909,538 and General Plant assets of $82,449.
- Rate Base and Rate Base Methodology. I explained the components of rate base, the mid-year averaging convention applied for years 2027 and beyond, and the startup year

weighted average methodology applied for 2026 reflecting the actual in-service timing of Phase 1 assets. I also described the treatment of the RDDA as a rate base item earning a carrying charge at the authorized WACC.

- Operating Expenses and Working Capital. I described the operating and maintenance expense categories included in the delivery revenue requirement — including direct labor, maintenance, insurance, allocations of Regional and Corporate services costs, and other O&M — and the working capital methodology.
- Cost of Capital. I described the capital structure (50% debt / 50% equity), the authorized ROE of 10.50%, the cost of debt of 7.49%, the AFUDC methodology, and the resulting WACC of 8.995%, consistent with the cost of capital inputs established by Maxwell Wang (Corix Exhibit 4.0) and Josh Figueroa of The Brattle Group (Corix Exhibit 5.0).
- Taxes. I described all taxes reflected in the GRC Financial Model, including the combined statutory income tax rate of 25.5% (21.0% federal and 4.5% Utah state), the election out of bonus depreciation under Internal Revenue Code (IRC) §168(k), the Utah High-Cost Infrastructure Tax Credit ("HCITC"), the Internal Revenue Code (IRC) §163(j) interest limitation, and the treatment of Accumulated Deferred Income Taxes ("ADIT") as a reduction to rate base.
- Delivery Revenue Requirement and RDDA. I presented the total delivery revenue requirement for the test year of $4,639,539, explained the separation of the delivery and energy supply revenue requirements, and described the linkage between the delivery revenue requirement, billed revenues of $1,126,119, and the resulting annual revenue deficiency of $3,513,420 posted to the RDDA. I confirmed that the RDDA balance is projected to peak at $34,093,307 in 2034 and to be fully recovered by 2041.

Q. What actions do you recommend the PSC take in connection with your testimony?

A. Based on my testimony and the outputs of the GRC Financial Model and the ECRA Financial Model, as well as the remainder of the testimony and exhibits submitted by Corix in this docket, I recommend that the PSC approve the following:

1. The test year delivery revenue requirement of $4,639,486 as the basis for the proposed Capacity Charge, as presented in Schedule 1 and Schedule 2 of GRC Application, Attachment 1, Appendix A.
2. The test year energy supply revenue requirement of $268,218 and the proposed Energy Charge of $0.0417 per kWh, as presented in the ECRA Financial Model and Schedule 14 of GRC Application, Attachment 1, Appendix A.
3. The RDDA mechanism as a rate base item earning a carrying charge at the authorized WACC, with the RDDA balance projected to be fully recovered by 2041, as presented in Schedule 9 and Schedule 1 of GRC Application, Attachment 1, Appendix A.
4. The ECRA mechanism for annual pass-through recovery of energy supply costs on a decoupled basis, with the first pass-through filing targeted for November 1, 2027, for rates effective January 1, 2028.
5. Acceptance of the GRC Financial Model and the ECRA Financial Model as the evidentiary basis for the revenue requirement, rate base, and rate design calculations presented in this GRC Application.

Q. Does this conclude your testimony?

A. Yes.