

BEFORE THE PUBLIC SERVICE COMMISSION OF THE STATE OF UTAH

**In the Matter of the Application of Rocky)
Mountain Power for Authority To)
Increase its Retail Electric Utility)
Service Rates in Utah and for Approval)
of Its Proposed Electric Service)
Schedules and Electric Service)
Regulations.**

Docket No. 09-035-23

PHASE I REBUTTAL TESTIMONY

AND EXHIBIT

OF

STEVE W. CHRISS

ON BEHALF OF

WAL-MART STORES, INC. AND SAM'S WEST INC.

November 12, 2009

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

3 A. My name is Steve W. Chriss. My business address is 2001 SE 10th St.,
4 Bentonville, AR 72716-0550. I am Manager, State Rate Proceedings, for
5 Wal-Mart Stores, Inc.

6 **Q. ON WHOSE BEHALF ARE YOU TESTIFYING IN THIS CAUSE?**

7 A. I am testifying on behalf of Wal-Mart Stores, Inc. and Sam's West, Inc.
8 (collectively "Wal-Mart").

9 **Q. ARE YOU THE SAME STEVE W. CHRISS WHO TESTIFIED EARLIER**
10 **IN THIS DOCKET?**

11 A. Yes. My Witness Qualifications Statement is found on Exhibit SWC-1 in
12 my initial direct testimony.

13 **Q. HAVE YOU PREPARED EXHIBITS?**

14 A. Yes, and note that I have continued the exhibit numbering from my initial
15 direct testimony in this docket. I have prepared Exhibit SWC-3, consisting
16 of one page.

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

18 A. The purpose of my testimony is to address the issues related to cost of
19 service and revenue allocation, responding specifically to the testimony of
20 Division of Public Utilities ("the Division") witness Joseph Mancinelli. The
21 fact that an issue is not addressed should not be construed as an

1 endorsement of Rocky Mountain Power's ("RMP") position or the position
2 of any other party.

3 **Q. PLEASE SUMMARIZE YOUR RECOMMENDATIONS.**

4 A. My recommendations are as follows:

- 5 1) The Commission should require RMP to unbundle the special contract
6 subsidy revenues and collect those revenues on a new rate schedule
7 separate from the existing base rate schedules; and
8 2) The Commission should require RMP to update this new rate schedule as
9 renewed special contracts take effect.

10 **Q. DID YOU TESTIFY TO WAL-MART'S GENERAL POSITION ON**
11 **SETTING RATES BASED ON THE UTILITY'S COST OF SERVICE?**

12 A. Yes. I stated that Wal-Mart advocates that rates be set based on the
13 utility's cost of service. This produces equitable rates that reflect cost
14 causation, send proper price signals, and minimize price distortions.

15 **Q. IN YOUR DIRECT TESTIMONY, DID YOU TAKE A POSITION ON THE**
16 **COMPANY'S PROPOSED COST OF SERVICE MODEL IN THIS**
17 **DOCKET?**

18 A. No. Additionally, I stated that Wal-Mart reserved the right to address any
19 alternative cost of service models in rebuttal testimony. See Direct
20 Testimony of Steve W. Chriss, page 3, lines 5 through 8. After reviewing
21 other parties' direct testimonies, Wal-Mart does not take a position on the
22 cost of service models presented in this docket and for the purposes of

1 setting rates based on the final order in this docket, will accept the
2 Commission approved cost of service model.

3 **Q. HAVE YOU CHANGED YOUR RECOMMENDATION FROM YOUR**
4 **DIRECT TESTIMONY REGARDING HOW REVENUE SHOULD BE**
5 **SPREAD IN THIS DOCKET?**

6 A. No. Revenue should be allocated in accordance with the approved cost
7 of service model in this docket, and any rate mitigation mechanism put in
8 place should attempt to move each customer class closer to rates based
9 on cost of service. *Id.*, page 3, lines 9 through 16.

10 **Q. DID ANOTHER WITNESS IN THIS DOCKET ADDRESS AN ISSUE**
11 **THAT IMPACTS THE ABILITY OF THE COMPANY TO SET RATES**
12 **BASED ON THEIR COST OF SERVICE?**

13 A. Yes. Joseph Mancinelli submitted testimony on behalf of the Division in
14 which he expressed concern regarding the treatment of special contract
15 revenues in RMP'S rates.

16 **Q. WHAT IS YOUR UNDERSTANDING OF MR. MANCINELLI'S**
17 **TESTIMONY REGARDING THE TREATMENT OF SPECIAL CONTRACT**
18 **REVENUES IN RMP'S RATES?**

19 A. My understanding of Mr. Mancinelli's testimony is that three customers,
20 termed "Customers A, B, and C," are currently paying rates lower than
21 their cost of service in the total amount of \$16.3 million dollars. Because
22 these customers are served under special contracts and not tariffs, their

1 rates cannot be immediately adjusted to meet their cost of service per this
2 docket. The Company is proposing that the resulting revenue shortfall be
3 subsidized only by the remaining customer classes, with no shareholder
4 cost responsibility. See Direct Testimony of Joseph Mancinelli, page 25,
5 lines 414 through 422.

6 **Q. WHAT ARE MR. MANCINELLI'S RECOMMENDATIONS REGARDING**
7 **THE TREATMENT OF THE REVENUE SHORTFALL?**

8 A. Mr. Mancinelli makes four recommendations:

- 9 1) That all subsidies associated with the three special contracts be
10 eliminated within five years;
- 11 2) That the revenue impacts of any subsidy reductions be made in this case
12 for the "Customer B" contract currently in the renewal process;
- 13 3) If RMP cannot eliminate the subsidies for the special contract customers,
14 the Company's shareholders should share the responsibility of the
15 revenue shortfall with ratepayers; and
- 16 4) The collection of subsidy-related revenues from other customer classes
17 should be based on the proportional cost of service responsibility of each
18 class compared to the total RMP cost of service, resulting in an equal
19 percentage increase to all classes for these revenues. *Id.*, pages 26
20 through 27.

21

1 **Q. DO YOU AGREE WITH MR. MANCINELLI'S RECOMMENDATIONS?**

2 A. Generally, yes. Eliminating cross-subsidies from RMP's rates is a worthy
3 goal overall as well as in this specific situation.

4 **Q. DO YOU HAVE ANY ADDITIONAL RECOMMENDATIONS TO THE**
5 **COMMISSION REGARDING THE TREATMENT OF THESE**
6 **REVENUES?**

7 A. Yes. The Commission should require RMP to unbundle the special
8 contract subsidy revenues from base rate revenues and collect those
9 revenues on a new rate schedule separate from the existing base rate
10 schedules. Additionally, the Commission should require RMP to update
11 this new rate schedule as renewed special contracts take effect, so that
12 the revenues collected to cover the special contract revenue shortfall
13 match the actual revenue requirement as closely as possible.

14 **Q. WHAT ARE THE BENEFITS OF COLLECTING SPECIAL CONTRACT**
15 **SUBSIDY REVENUES THROUGH A SCHEDULE SEPARATE FROM**
16 **THE EXISTING BASE RATE SCHEDULES?**

17 A. There are two benefits to this method of collection. First, the cross-
18 subsidy revenues collected from RMP's customer classes for the special
19 contract revenue shortfall are explicitly and transparently represented in
20 rates. This means that price distortions are minimized, as cross subsidy
21 revenues are no longer mixed in with base rate revenues. Because of the
22 bill impacts to RMP's customers – Mr. Mancinelli, using RMP's cost of

1 service study, calculates that the impact would be 1.14 percent for every
2 rate class – it is important that the subsidies stay at “front of mind” for the
3 Commission, the Company, and its customers and shareholders. See
4 DPU Exhibit 5.8.

5 The second benefit is that unbundling the shortfall revenue rates from
6 base rates allows the Company to easily change the shortfall revenue
7 rates as renewed special contracts take effect without having to
8 recalculate base rates or file a full general rate case. This will protect
9 RMP’s customers from overpaying due to the potential lag between a
10 renewed contract taking effect and the subsequent RMP general rate
11 case in which the base rate revenue adjustment would be made to
12 account for the reduction in revenue shortfall impact of the contract.

13 **Q. DO ANY OF RMP’S AFFILIATES CURRENTLY USE A SEPARATE**
14 **SCHEDULE TO EXPLICITLY APPLY SUBSIDY-RELATED**
15 **SURCHARGES OR SURCREDITS TO INDIVIDUAL RATE CLASSES?**

16 A. Yes. Pacific Power & Light in Oregon currently employs Schedule 299,
17 the Rate Mitigation Adjustment, to explicitly apply cross-subsidy
18 surcharges and surcredits to individual rate classes. See Exhibit SWC-3.

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

20 A. Yes.