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

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

Q. ON WHOSE BEHALF ARE YOU TESTIFYING IN THIS DOCKET?

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

Q. PLEASE DESCRIBE YOUR EDUCATION AND EXPERIENCE.

A. In 2001, I completed a Masters of Science in Agricultural Economics at Louisiana State University. From 2001 to 2003, I was an Analyst and later a Senior Analyst at the Houston office of Econ One Research, Inc., a Los Angeles-based consulting firm. My duties included research and analysis on domestic and international energy and regulatory issues. From 2003 to 2007, I was an Economist and later a Senior Utility Analyst at the Public Utility Commission of Oregon in Salem, Oregon. My duties included appearing as a witness for PUC Staff in electric, natural gas, and telecommunications dockets. I joined the energy department at Walmart in July 2007. My Witness Qualifications Statement is found on Exhibit SWC-1.

Q. HAVE YOU PREVIOUSLY SUBMITTED TESTIMONY BEFORE THE UTAH PUBLIC SERVICE COMMISSION ("THE COMMISSION")?

A. Yes. I submitted testimony in dockets 07-035-93, 09-035-15, and 09-035-23.

Q. HAVE YOU PREVIOUSLY SUBMITTED TESTIMONY BEFORE OTHER STATE REGULATORY COMMISSIONS?

A. Yes. I have submitted testimony before utility regulatory commissions in Arkansas, Colorado, Connecticut, Delaware, Georgia, Indiana, Kentucky, Louisiana, Maryland, Michigan, Minnesota, Mississippi, Missouri, Nevada, New Mexico, Ohio, Oklahoma, Oregon, South Carolina, Texas, Virginia, Washington, and West Virginia and a legislative committee in Missouri. My testimony has addressed topics including cost of service and rate design, qualifying facility rates, telecommunications deregulation, resource certification, energy efficiency/demand side management, fuel cost adjustment mechanisms, decoupling, and the collection of cash earnings on construction work in progress.

Q. HAVE YOU PREPARED EXHIBITS?

A. Yes. I have prepared Exhibit SWC-1, consisting of six pages, and Exhibit SWC-2, consisting of two pages.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. The purpose of my testimony is to demonstrate that if Rocky Mountain Power's ("RMP" or "the Company") proposed rate of return is not adjusted to reflect the fact that the Company has been relieved of the significant financial risk associated with net power cost ("NPC") forecast error, customers would be harmed because they would be compensating the Company for risk it no longer faces. Specifically, I respond to the testimonies of Company witnesses Samuel C. Hadaway and Bruce N. Williams.

My recommendation is that the Commission should consider the reduction in the Company's risk from implementation of the Energy Cost Adjustment Mechanism ("ECAM") in Docket 09-035-15 ("the ECAM docket") and the resulting impact of the level of revenue assurance provided on the approved ROE in this docket. The fact that an issue is not addressed should not be construed as an endorsement of any filed position.

Q. ON WHAT DATE DID THE COMPANY FILE ITS DIRECT TESTIMONY IN THE INSTANT DOCKET?

A. The Company filed its direct testimony in the instant docket on January 24, 2011.

Q. TO YOUR KNOWLEDGE, DID EITHER DR. HADAWAY OR MR. WILLIAMS INCORPORATE THE IMPLEMENTATION OF THE ECAM IN TO THEIR COST OF CAPITAL RECOMMENDATIONS?

A. No, as indicated by a lack of discussion of an ECAM in their testimonies. At the time the Company filed its direct testimony, the Commission had not yet issued a final Report and Order in the ECAM docket. The Commission issued its final Report and Order in the ECAM docket on March 2, 2011, and a Corrected Report and Order on March 3, 2011.

Q. WHY IS THE ECAM AN IMPORTANT FACTOR IN THE COST OF CAPITAL PORTION OF THIS RATE CASE?

A. RMP's proposed cost of capital reflects the Company's proposed test year operational circumstances, which includes the risk that the Company will not fully, or in part, collect its actual NPC due to forecast error. With the Commission's approval of the ECAM, which I describe more fully below, if RMP's rate of return is not adjusted to reflect the reduction in NPC cost recovery risk, customers would be harmed because they would be compensating the Company for risk it no longer faces.

The Commission should note that, in the ECAM docket, numerous parties, including Walmart, the Utah Division of Public Utilities, the Utah Office of Consumer Services, Utah Association of Energy Users, Utah Industrial Energy Consumers, Western Resource Advocates, Utah Clean Energy, and Nucor argued that an ECAM reduces Company shareholder risk and/or the Company should receive a lower authorized return on equity ("ROE") than it would otherwise obtain. *See* Corrected Report and Order, Docket No. 09-035-15, March 3, 2011, page 31.

Q. DID THE COMPANY STATE IN THE ECAM DOCKET THAT HAVING A MECHANISM FOR FUEL AND PURCHASED POWER COSTS WOULD CONTROL THE COMPANY'S NPC RISK?

A. Yes. As stated by RMP witness Mr. Williams in the ECAM docket, "having the right type of fuel and purchased power adjustment mechanism would go a long way in controlling the risk of volatility in net power costs, earnings and resulting cash flow." *See* Docket 09-035-15, Supplemental Direct Testimony of Bruce N. Williams, page 5, lines 100 through 103.

Q. DID THE COMMISSION DETERMINE WHETHER AN ROE ADJUSTMENT SHOULD RESULT OR HOW MUCH THAT ADJUSTMENT SHOULD BE?

A. No. The Commission stated in its Corrected Report and Order:

> "We do not determine what, if any, adjustment to return on equity should result from the implementation of the EBA. We invite parties to present any recommendations on this issue in the Company's pending rate case." *Id.,* page 64.

Q. HAS THE COMMISSION PREVIOUSLY STATED THAT A REDUCTION IN THE VARIABILITY OF A UTILITY'S REVENUES AFFECTS ITS BUSINESS RISK?

A. Yes. In its June 27, 2008 Report and Order in the 2007 Questar general rate case, the Commission stated:

> "Economic and financial concepts hold a reduction in the variability of a company's revenues affects a company's business risk." *See* Docket No. 07-057-13, Report and Order on Revenue Requirement, June 27, 2008, page 14.

Q. WHAT IS YOUR UNDERSTANDING OF THE ECAM APPROVED BY THE COMMISSION?

A. My understanding of the ECAM approved by the Commission is that, at the conclusion of the instant docket, an energy balancing account shall be implemented in order to accrue 70 percent of the difference between base NPC, set as part of this rate case, and actual NPC. At the end of the twelve month period, the Commission will commence a prudence examination of the actual costs. If actual NPC exceed the revenues collected, the balance will be recovered through a surcharge in rates, and if revenues collected exceed actual NPC, the balance will be credited to customers through a surcredit in rates. *See* Corrected Report and Order, Docket No. 09-035-15, March 3, 2011, pages 74 to 77.

Q. WHY IS ONLY 70 PERCENT OF THE DIFFERENCE ACCOUNTED FOR IN THE BALANCING ACCOUNT?

A. The approved ECAM contains a sharing mechanism, in which 70 percent of the difference between the base and actual NPC is assigned to customers and is either charged or credited in rates depending on whether the balance is positive or negative. The remaining 30 percent of the difference is assigned to the Company's shareholders. *Id.,* page 70. Essentially, the Company is no longer at risk for 70 percent of the difference between base and actual NPC.

Q. DOES THE COMMISSION RECOGNIZE THAT THE ECAM REMOVES A SIGNIFICANT AMOUNT OF NPC RISK FROM THE COMPANY?

A. Yes. In its Corrected Report and Order, the Commission states:

> "Finally, if the ratemaking process can properly assign 100 percent of the risk or benefit of net power cost deviations to the Company between rate cases, as has been the case for decades, it can now also properly assign 30 percent of such risk to the Company." *Id.,* page 71.

Q. CAN YOU PROVIDE AN EXAMPLE OF THE POTENTIAL FINANCIAL IMPACT TO THE COMPANY OF REMOVING 70 PERCENT OF NPC RISK?

A. Yes. I have estimated the year-end balances that would be charged to customers through the ECAM, had it been in place, on a calendar year basis for 2003 through 2008, using data from the ECAM docket and the formulae from the Commission's Corrected Report and Order. *Id.,* page 75 to page 76. Over the six years, the year-end balance ranges from $3.3 million to $68.5 million, with an average balance of $36.7 million. *See* Exhibit SWC-2, page 1.

Essentially, if an ECAM were in place from 2003 through 2008, the Company would have been able to collect, on average, additional revenues of $36.7 million per year. These are revenues that the Company would not have otherwise realized, and as a result of this revenue assurance, the Company's revenue variability, and ultimately its business risk, is reduced, improving their bottom line. The benefit of this risk reduction should be passed on to customers so that customers will not be compensating the Company for risk it no longer faces.

Q. HOW DOES THIS RESULT COMPARE TO THE COMPANY'S PROPOSED TEST YEAR OPERATING REVENUE FOR RETURN?

A. The Company's proposed test year operating revenue for return is $452.9 million, so the estimated annual average ECAM revenues from 2003 to 2008 equal approximately 8 percent of the Company's proposed annual earnings. *Id.*

Q. WHAT IS YOUR RECOMMENDATION TO THE COMMISSION ON THIS ISSUE?

A. The Commission should consider the reduction in the Company's risk from implementation of the ECAM and the resulting impact of the level of revenue assurance provided on the approved ROE in this docket.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes.