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 Senior Manager, Energy Regulatory Analysis, 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 Master 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 as Manager, State Rate Proceedings, and was promoted to my current position in June 2011. 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, 09-035-23, and 10-035-124.

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

A. Yes. I have submitted testimony in over 60 proceedings before 30 other utility regulatory commissions and before the Missouri House Committee on Utilities and the Missouri Senate Veterans' Affairs, Emerging Issues, Pensions, and Urban Affairs Committee. My testimony has addressed topics including cost of service and rate design, ratemaking policy, 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 eight pages, and Exhibit SWC-2, consisting of one page.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. The purpose of my testimony is to address the concern that Rocky Mountain Power's ("RMP" or "the Company") proposed rate of return does not appear to be adjusted to reflect the fact that, at the time the approved rates in this docket go into effect in October, 2012, the Company will have been relieved of a significant portion of the financial risk associated with net power cost ("NPC") forecast error due to the approval of an energy balancing account mechanism ("EBA") in Docket 12-035-67 ("the EBA docket"). As such, 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, Bruce N. Williams, and A. Richard Walje.

My recommendation is that in deciding cost of capital issues in this proceeding, specifically the appropriate return on equity ("ROE") for RMP, the Commission should consider that implementation of the EBA increases RMP's revenue assurance. Thus, the Company's revenue variability, and ultimately its business risk, is reduced, improving their bottom line. As a result, the Commission should make a downward adjustment for that component in determining the appropriate ROE for the Company.

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 February 15, 2012.

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

A. No, as indicated by a lack of discussion of an EBA in their testimonies. At the time the Company filed their testimony in this docket, the Company had not yet filed its application in the EBA docket. At present, the Commission has not yet issued a final Report and Order in the EBA docket.

Q. WHAT ROE IS THE COMPANY PROPOSING IN THIS DOCKET?

A. The Company is proposing an ROE of 10.2 percent. *See* Direct Testimony of Samuel C. Hadaway, page 31, line 627.

Q. DOES THE COMPANY'S PROPOSED ROE CONTRIBUTE TO THE COMPANY'S PROPOSED REVENUE REQUIREMENT INCREASE?

A. Yes. Increasing the Company's ROE from their current approved ROE of 10.0 percent to the proposed 10.2 percent would result in a revenue requirement increase of $9.7 million. *See* Direct Testimony of A. Richard Walje, page 5, line 107 to line 110.

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

A. Assuming the Company did not factor in the implementation of the EBA in to their proposed cost of capital, the proposed increase in the ROE 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. If the Commission approves the EBA as proposed in the EBA docket, failure to adjust RMP's ROE – or approving an increase in their approved ROE as the Company has proposed – harms customers as they would be compensating the Company for risk it no longer faces.

The Commission should note that, in Docket 09-035-15 ("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 the Energy Cost Adjustment Mechanism ("ECAM") – the predecessor to the EBA – reduces Company shareholder risk and/or the Company should receive a lower authorized ROE than would otherwise be approved by the Commission. *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 in the ECAM docket:

> "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." See Corrected Report and Order, Docket No. 09-035-15, March 3, 2011, 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. HAS THE COMMISSION RECOGNIZED THAT THE ECAM, AND NOW OSTENSIBLY THE EBA, REMOVES A SIGNIFICANT AMOUNT OF NPC RISK FROM THE COMPANY?

A. Yes. In its Corrected Report and Order in the ECAM docket, the Commission stated:

> "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." *See* Corrected Report and Order, Docket No. 09-035-15, March 3, 2011, page 71.

Q. CAN YOU PROVIDE AN EXAMPLE OF THE POTENTIAL FINANCIAL IMPACT TO THE COMPANY OF THE EBA PROPOSED IN DOCKET 12-035-67?

A. Yes. The Company's application in the EBA docket proposes to collect a total of $29.286 million from customers. This amount includes approximately $9.3 million of deferred costs from October 1, 2011, through December 31, 2011, and $20 million of previously deferred NPC. *See* Docket 12-035-67, Application and Exhibit F. These are revenues that the Company would not have otherwise realized but for the EBA, 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 $454.8 million, so the EBA revenues of $29.286 million equal approximately 6.4

percent of the Company's proposed annual earnings, or approximately 51 basis points of return on rate base. *See* Exhibit SWC-2.

Q. DID YOU PERFORM A SIMILAR ANALYSIS ON THE POTENTIAL FINANCIAL IMPACT TO THE COMPANY IN THE LAST RMP RATE CASE?

A. Yes. In Docket 10-035-124, I performed a similar analysis and found that, had the ECAM proposed in the ECAM docket been in place from 2003 to 2008, the Company would have been able to collect, on average, additional revenues of $36.7 million per year. *See* Docket 10-035-124, Direct Testimony of Steve W. Chriss, page 7, line 19 to line 21 and Exhibit SWC-2. In total, when looking at the current EBA or historical estimates of the financial impact to the Company from the proposed ECAM, it is clear that the ability to recover previously unrecoverable NPC provides revenue assurance and risk reduction to the Company.

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

A. In deciding cost of capital issues in this proceeding, specifically the appropriate ROE for RMP, the Commission should consider that implementation of the EBA increases RMP's revenue assurance. Thus, the Company's revenue variability, and ultimately its business risk, is reduced, improving their bottom line. As a result, the Commission should make a downward adjustment for that component in determining the appropriate ROE for the Company.

Q. ARE YOU PROPOSING A SPECIFIC ADJUSTMENT TO THE COMPANY'S PROPOSED ROE IN THIS DOCKET?

A. Not at this time.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes.