

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

2       A.     My name is Steve W. Chriss. My business address is 2001 SE 10th St.,  
3           Bentonville, AR 72716-0550. I am employed by Wal-Mart Stores, Inc. as Senior  
4           Manager, Energy Regulatory Analysis.

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

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

8       **Q.     PLEASE DESCRIBE YOUR EDUCATION AND EXPERIENCE.**

9       A.     In 2001, I completed a Master of Science in Agricultural Economics at Louisiana  
10          State University. From 2001 to 2003, I was an Analyst and later a Senior Analyst  
11          at the Houston office of Econ One Research, Inc., a Los Angeles-based consulting  
12          firm. My duties included research and analysis on domestic and international  
13          energy and regulatory issues. From 2003 to 2007, I was an Economist and later a  
14          Senior Utility Analyst at the Public Utility Commission of Oregon in Salem, Oregon.  
15          My duties included appearing as a witness for PUC Staff in electric, natural gas,  
16          and telecommunications dockets. I joined the energy department at Walmart in  
17          July 2007 as Manager, State Rate Proceedings, and was promoted to my current  
18          position in June 2011. My Witness Qualifications Statement is included herein as  
19          Exhibit SWC-1.

20       **Q.     HAVE YOU PREVIOUSLY SUBMITTED TESTIMONY BEFORE THE UTAH PUBLIC**  
21       **SERVICE COMMISSION (“THE COMMISSION”)?**

22       A.     Yes. I submitted testimony in Docket Nos. 07-035-93, 09-035-15, 09-035-23, 10-  
23       035-124, and 11-035-200.

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

26       A.     Yes. I have submitted testimony in over 90 proceedings before 33 other utility  
27       regulatory commissions and before the Missouri House Committee on Utilities,  
28       the Missouri Senate Veterans' Affairs, Emerging Issues, Pensions, and Urban  
29       Affairs Committee, and the Kansas House Standing Committee on Utilities and  
30       Telecommunications. My testimony has addressed topics including, but not  
31       limited to, cost of service and rate design, ratemaking policy, qualifying facility  
32       rates, telecommunications deregulation, resource certification, energy  
33       efficiency/demand side management, fuel cost adjustment mechanisms,  
34       decoupling, and the collection of cash earnings on construction work in progress.

35       **Q.     ARE YOU SPONSORING ANY EXHIBITS WITH YOUR TESTIMONY?**

36       A.     Yes. I am sponsoring Exhibit SWC-1, consisting of ten pages, Exhibit SWC-2,  
37       consisting of one page, and Exhibit SWC-3, consisting of two pages.

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

39       A.     The purpose of my testimony is to address Rocky Mountain Power's (“RMP” or  
40       “the Company”) rate spread and rate design proposals in this docket and RMP's  
41       proposed Schedule 31 from Docket No. 13-035-196 (“Schedule 31 docket”).

42 Specifically, I respond to the testimonies of Joelle R. Steward from this docket and  
43 the Schedule 31 docket.

44 **Q. PLEASE BRIEFLY DESCRIBE WALMART'S OPERATIONS IN UTAH.**

45 A. Walmart operates 53 retail units and employs 16,422 associates in Utah. In fiscal  
46 year ending 2013, Walmart purchased \$1.5 billion worth of goods and services  
47 from Utah-based suppliers, supporting 25,907 supplier jobs.<sup>1</sup>

48 **Q. PLEASE BRIEFLY DESCRIBE WALMART'S OPERATIONS WITHIN RMP'S SERVICE**  
49 **TERRITORY.**

50 A. Walmart has approximately 46 stores and distribution centers serviced by RMP,  
51 primarily on Schedule 6 and Schedule 8.

52 **Q. PLEASE SUMMARIZE YOUR RECOMMENDATIONS TO THE COMMISSION.**

53 A. My recommendations to the Commission are as follows:

54 1) Walmart does not take a position on the Company's proposed cost of  
55 service model at this time, and to the extent that alternative cost of service  
56 models or modifications to the Company's model are proposed by other  
57 parties, Walmart reserves the right to address any such changes in rebuttal  
58 testimony.

59 2) For the purposes of this docket, Walmart does not object to the Company's  
60 proposed rate spread.

61 3) If the Commission determines that the appropriate level of revenue  
62 requirement is lower than the level proposed by the Company, the

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<sup>1</sup> <http://corporate.walmart.com/our-story/locations/united-states#/united-states/utah>

63 approved rate spread should, at a minimum, maintain the Company's  
64 proposed movement towards cost of service. Additionally, the  
65 Commission should determine the extent to which rates can move further  
66 towards the respective costs of service for each class.

67 4) The Commission should require RMP to unbundle the General Service  
68 tariffs by the generation, distribution, and transmission functions.

69 5) Walmart does not oppose RMP's proposed changes and clarifications to  
70 Schedule 31 and specifically supports the exclusion of customers with on-  
71 site generation smaller than 1,000 kW from Schedule 31 applicability.

72 The fact that an issue is not addressed herein or in related filings should  
73 not be construed as an endorsement of any filed position. Additionally, for issues  
74 not addressed in this testimony, Walmart specifically reserves the right to address  
75 these issues in rebuttal if they are brought up by other parties.

76

77 ***Cost of Service and Revenue Allocation***

78 **Q. GENERALLY, WHAT IS WALMART'S POSITION ON SETTING RATES BASED ON THE**  
79 **UTILITY'S COST OF SERVICE?**

80 A. Walmart advocates that rates be set based on the utility's cost of service. This  
81 produces equitable rates that reflect cost causation, sends proper price signals,  
82 and minimizes price distortions.

83 **Q. DOES WALMART TAKE A POSITION ON THE COMPANY'S PROPOSED COST OF**  
84 **SERVICE MODEL AT THIS TIME?**

85 A. No. However, to the extent that alternative cost of service models or  
86 modifications to the Company's model are proposed by other parties, Walmart  
87 reserves the right to address any such changes in rebuttal testimony.

88 **Q. WHAT METRIC DOES RMP USE TO DETERMINE IF RATES ACCURATELY REFLECT**  
89 **THE UNDERLYING COST CAUSATION?**

90 A. The Company employs the rate of return index ("RRI"), which is a measure of the  
91 relationship of the rate of return for an individual rate class to the total system  
92 rate of return. See Exhibit JRS-1, page 2. A RRI greater than 1.0 means that the  
93 rate class is paying rates in excess of the costs incurred to serve that class, and a  
94 RRI less than 1.0 means that the rate class is paying rates less than the costs  
95 incurred to serve that class. As such, those rate classes with a RRI greater than  
96 1.0 shoulder some of the revenue responsibility burden for the classes with a RRI  
97 less than 1.0.

98 **Q. DO THE RATES FOR SCHEDULE 6 AND SCHEDULE 8 PROVIDE A RATE OF RETURN**  
99 **FOR THE COMPANY ABOVE THEIR COST OF SERVICE LEVELS?**

100 A. Yes. RMP's cost of service model results show that both Schedule 6, with a RRI of  
101 1.23, and Schedule 8, with a RRI of 1.04, provide a rate of return above the cost of  
102 service level for each class. *Id.*

103 **Q. HAS THE COMPANY PRESENTED PROPOSED CUSTOMER CLASS REVENUE**  
104 **INCREASES BASED UPON ITS COST OF SERVICE MODEL?**

105 A. Yes. The proposed customer class revenue increases are put forth in the Exhibits  
106 of Ms. Steward. For the General Service rate classes, the proposed cost of service  
107 revenue changes, at the Company's proposed revenue requirement, range from a  
108 *reduction* of 3.94 percent for Schedule 6 to an increase of 12.5 percent for  
109 Schedule 9. *Id.*

110 **Q. WHAT IS THE COMPANY'S RATE SPREAD PROPOSAL FOR THE GENERAL SERVICE**  
111 **CUSTOMERS IN THIS DOCKET?**

112 A. The Company proposes a rate spread in which the proposed rate increases are  
113 generally assigned to each General Service class in relation to the cost of service-  
114 based revenue change at the Company's proposed revenue requirement. *See*  
115 Direct Testimony of Joelle R. Steward, page 10, line 215 to 222. However, the  
116 Company does propose revenue increases for Schedule 6 and Schedule 23, which,  
117 per the cost of service results, should receive revenue decreases. Table 1  
118 compares the cost of service-based revenue changes for each General Service  
119 class and the Company's proposed revenue changes.

120

**Table 1: Comparison of Cost of Service-Based Revenue Changes and the Company's Proposed Revenue Changes for the General Service Classes.**

Customer Class	Cost of Service-Based Revenue Change	Company's Proposed Revenue Change
Schedule 23	-0.66%	3.1%
Schedule 6	-3.94%	2.1%
Schedule 8	2.76%	4.1%
Schedule 9	12.5%	6.1%

Sources: Direct Testimony of Joelle R. Steward, page 10, and Exhibit JRS-1, page 2.

121

122 **Q. DOES THE COMPANY'S PROPOSED RATE SPREAD PROVIDE MOVEMENT TO COST**  
123 **OF SERVICE FOR THE GENERAL SERVICE CLASSES?**

124 A. Yes. The Company proposes to move all of the General Service classes between  
125 14 and 25 percent to their respective costs of service. See Exhibit SWC-2.

126 **Q. DOES THE COMPANY PROVIDE A REASON FOR NOT MOVING EACH CLASS TO**  
127 **THEIR RESPECTIVE COST OF SERVICE?**

128 A. Generally, yes. The Company states that the proposed rate spread is "designed to  
129 reflect cost of service while balancing the impact of the rate change across  
130 customer classes." See Direct Testimony of Joelle R. Steward, page 10, line 215 to  
131 line 216.

132 **Q. FOR THE PURPOSES OF THIS DOCKET, DO YOU OBJECT TO THE COMPANY'S**  
133 **PROPOSED RATE SPREAD?**

134 A. No. Given the level of the Company's proposed revenue requirement increase,  
135 for the purposes of this docket I do not object to the Company's proposed rate  
136 spread.

137 **Q. WHAT IS YOUR RECOMMENDATION TO THE COMMISSION IF IT DETERMINES**  
138 **THAT A LOWER REVENUE REQUIREMENT IS APPROPRIATE?**

139 A. If the Commission determines that the appropriate level of revenue requirement  
140 is lower than the level proposed by the Company, the approved rate spread  
141 should, at a minimum, maintain the Company's proposed movement towards cost  
142 of service. Additionally, the Commission should determine the extent to which  
143 rates can move further towards the respective costs of service for each class.

144

145 ***Rate Design***

146 **Q. DOES THE COMPANY PROPOSE ANY STRUCTURAL CHANGES TO THEIR RATE**  
147 **DESIGN AT THIS TIME?**

148 A. No. See Direct Testimony of Joelle R. Steward, page 18, line 385 to line 389.

149 **Q. DO YOU BELIEVE CHANGES SHOULD BE MADE TO THE STRUCTURE OF THE**  
150 **COMPANY'S GENERAL SERVICE RATES?**

151 A. Yes. While RMP has not included consideration of its proposed Schedule 32,  
152 service from renewable energy facilities, in this docket,<sup>2</sup> the structure of general  
153 service rates impact both the ultimate structure of the proposed Schedule 32 and  
154 a customer's ability to determine the economics of taking service under that  
155 proposed schedule. As such, the costs of the generation, transmission, and  
156 distribution functions need to be unbundled and transparently communicated  
157 through the Company's General Service rate structures.

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<sup>2</sup> Schedule 32 is being considered in Docket No. 14-035-T02.



158 **Q. DOES RMP CURRENTLY UNBUNDLE ITS TARIFF RATES BY FUNCTION?**

159 A. No. Currently, RMP's tariff rates are not unbundled by function. For example, the  
160 current and proposed Schedule 6 tariffs reflect only a Customer Service Charge,  
161 seasonal Power Charges, seasonal Energy Charges, and a Voltage Discount. See  
162 P.S.C.U. No. 49 and Exhibit JRS-5, page 1 to page 2. While the underlying  
163 functional costs may drive what costs are recovered, and through which rates  
164 those costs are recovered, there is no way for a customer to derive those  
165 relationships through analysis of the tariff itself.

166 **Q. WHAT IS THE GENERAL BENEFIT OF UNBUNDLING TARIFF RATES?**

167 A. Generally, unbundling tariff rates by function allows customers to determine the  
168 costs of each of the generation, transmission, and distribution functions, compare  
169 those functional costs across utilities or jurisdictions where they have other  
170 facilities, and communicate cost drivers, such as environmental compliance for  
171 generation plants, to non-technical audiences. Additionally, it ensures that  
172 functions for which costs are fixed, such as generation capacity, distribution, and  
173 transmission can be appropriately and transparently collected through the  
174 Company's base tariff rates.

175       **Q.     IS IT IMPERATIVE WHEN ANALYZING PROPOSED SCHEDULE 32 TO BREAK OUT**  
176                   **TARIFF RATES BY FUNCTION IN THE GENERAL SERVICE TARIFFS?**

177       A.     Yes, because proposed Schedule 32 includes both Delivery Facilities Charges  
178                   ("DFC") and Generation Backup Facilities Charges ("GBFC").<sup>3</sup> See Sheet No. 32.5  
179                   and Sheet No. 32.6, filed April 25, 2014, Docket No. 14-035-T02. As the General  
180                   Service tariffs are currently structured, proposed Schedule 32 is not directly  
181                   comparable with the General Service tariffs.

182       **Q.     PLEASE PROVIDE AN EXAMPLE.**

183       A.     The renewable energy that would be supplied to a customer under proposed  
184                   Schedule 32 would replace some of the Company's base generation service. As  
185                   such, the costs of both should be directly comparable on an "apples to apples"  
186                   basis. However, because the General Service tariffs include only Power Charges,  
187                   which appear to include demand-related costs for generation, transmission, and  
188                   distribution functions, and Energy Charges, which appear to include energy-  
189                   related costs for generation and transmission functions, this analysis is not  
190                   possible. See Exhibit JRS-2, page 9.

191                   Additionally, because of potential differences in the timing of the  
192                   renewable energy's output relative to the monthly peak demand for the sites that  
193                   would take service under proposed Schedule 32, some of the costs intended to be  
194                   recovered through proposed Schedule 32, such as delivery facilities costs, could

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<sup>3</sup> It should be noted that the proposed Schedule 32 rates, terms, and charges will be contested in Docket No. 14-035-T02 and any reference herein does not constitute an endorsement by Walmart of those rates, terms, and charges or agreement that they constitute just and reasonable rates.

195 already be collected through the base tariff rates. Though the structure and  
196 application of proposed Schedule 32 is not an issue in this docket, the ultimate  
197 structure and application of the tariff will necessarily rely on unbundled General  
198 Service rates in order to be successfully implemented.

199 **Q. PLEASE PROVIDE AN ILLUSTRATION OF THE PEAK TIMING ISSUE.**

200 A. To illustrate the peak timing issue, I have graphed the peak day hourly load profile  
201 of an actual store served by RMP against its potential assignment of solar power  
202 under Schedule 32. See Exhibit SWC-3, page 1. For the purposes of this  
203 illustration, I have made the following simplifying assumptions:

- 204 a) The output of the solar facility follows the average of solar insolation data  
205 from the Salt Lake City International Airport measuring site from 2006  
206 through 2010 for June 28<sup>th</sup>; and  
207 b) The solar facility is sized such that it is only meeting the needs of this  
208 particular store.

209 An examination of the graph shows that there are three key hours of  
210 the day in this illustration.

211 **Q. WHAT IS THE FIRST KEY HOUR?**

212 A. The first key hour is Hour Ending ("HE") 14, which is the peak hour for the  
213 renewable portion of the store's service. In HE14, the store consumes 836 kW  
214 from the renewable facility. My understanding of proposed Schedule 32 is that  
215 the store would then be required to pay the DFC and GBFC for those 836 kW to  
216 cover delivery facilities costs, which ostensibly includes transmission and

217 distribution costs, and backup generation or generation availability costs. See  
218 Sheet No. 32.5 and Sheet No. 32.6, filed April 25, 2014, Docket No. 14-035-T02.  
219 The total costs from the proposed Schedule 32 portion would be \$6,495.

220 **Q. WHAT IS THE SECOND KEY HOUR?**

221 A. The second key hour is HE20, which is the peak hour for supplemental power  
222 service. In HE20, the store requires 851 kW of supplemental power, for which the  
223 store would be required to pay the otherwise applicable tariff (Schedule 6 in this  
224 instance) Power Charges. The proposed summer Power Charge for Schedule 6 is  
225 \$18.50/kW, and this includes generation capacity, and ostensibly generation  
226 availability, transmission, and distribution costs. The cost to the store for the  
227 supplemental portion would be \$15,743, in addition to the \$6,495 in costs from  
228 the proposed Schedule 32 charges.

229 **Q. WHAT IS THE THIRD KEY HOUR?**

230 A. The third key hour is HE19, which is the store's peak load for the month of 916  
231 kW. Under the structure of proposed Schedule 32, it does not appear that the  
232 peak load in this hour factors into the rate calculation. See Sheet No. 32.5 and  
233 Sheet No. 32.6, filed April 25, 2014, Docket No. 14-035-T02.

234 **Q. CAN YOU PROVIDE AN EXAMPLE HOW, UNDER PROPOSED SCHEDULE 32 AND**  
235 **THE CURRENT BASE TARIFF SCHEDULE, THE STORE COULD DOUBLE PAY OR**  
236 **UNDER PAY FOR A SERVICE FUNCTION?**

237 A. Yes. The store would pay for 836 kW of delivery facilities charges under Schedule  
238 32 and for 851 kW of delivery facilities costs built into the Schedule 6 Power

239 Charges, for 1,687 kW of total billed demand for delivery facilities costs and  
240 charges. This would occur even though the store is only using the system once  
241 and its actual peak demand is 916 kW. Assuming the portion of the Schedule 6  
242 Power Charges attributable to delivery facilities would result in an unbundled  
243 charge similar to the secondary DFC in proposed Schedule 32, the customer would  
244 be charged \$11,218 (1,687 kW x \$6.65/kW) for delivery services when the cost-  
245 based level is approximately \$6,091 (916 kW x \$6.65/kW). However, if the store  
246 were only billed for delivery costs through the supplemental portion of the bill, it  
247 would only pay for 851 kW of the 916 kW actually used by the store, for 65 kW of  
248 "missing delivery facilities kW."

249 **Q. HOW WOULD UNBUNDLING RMP'S RATES IMPROVE THIS ISSUE?**

250 A. Unbundling RMP's General Service rates, in addition to changes to proposed  
251 Schedule 32 that are more appropriately discussed in 14-035-T02, would allow the  
252 Company to specifically and separately bill the store for 916 kW of demand for  
253 delivery services, which is (1) the actual level of delivery service demand the store  
254 had for the month in the illustration and (2) different from the maximum level of  
255 renewable service of 836 kW and the maximum supplemental generation demand  
256 of 851 kW. This is a benefit to both the customer and the Company, as the store  
257 would only pay for the costs incurred by the Company for delivery service, and the  
258 Company would receive enough revenues to cover its cost of delivery service for  
259 the store.

260 **Q. WHAT IS YOUR RECOMMENDATION TO THE COMMISSION?**

261 A. The Commission should require RMP to unbundle the General Service tariffs by  
262 the generation, distribution, and transmission functions.

263 **Q. CAN YOU PROVIDE AN EXAMPLE OF YOUR RECOMMENDATION?**

264 A. Yes. For example, using the structure of the Company's cost of service model  
265 results as a guide, the rates included could be:

- 266 a) Customer Service Charge;
- 267 b) Seasonal Generation Demand Charges and Generation Energy Charges;
- 268 c) A Transmission Demand Charge and Transmission Energy Charge; and
- 269 d) A Distribution Demand Charge. See Exhibit JRS-2, page 9.

270

271 **Schedule 31**

272 **Q. WHAT IS YOUR UNDERSTANDING OF THE SCHEDULE 31 AS IT IS CURRENTLY**  
273 **AVAILABLE?**

274 A. Schedule 31 is currently available, but not required, for customers with on-site  
275 generators of 10,000 kW or less who need back-up, maintenance, or supplemental  
276 power. See Direct Testimony of Joelle R. Steward, Schedule 31 docket, page 6, line  
277 128 to line 131.

278 **Q. DOES THE COMPANY PROPOSE CHANGES AND CLARIFICATIONS TO THE**  
279 **AVAILABILITY AND APPLICABILITY OF SCHEDULE 31?**

280 A. Yes. The Company proposes the following changes and clarifications to Schedule  
281 31:

- 282 a) Customers would be required to take service from Schedule 31 if the on-  
283 site generation is 1,000 kW or larger, up to 15,000 kW;
- 284 b) Customers would be required to take service from Schedule 31 if the on-  
285 site generation is larger than 15,000 kW and meets Qualifying Facilities  
286 criteria under the Public Utility Regulatory Policy Act of 1978;
- 287 c) Customers with on-site generation smaller than 1,000 kW will be served  
288 under the applicable General Service schedule;
- 289 d) Schedule 31 would not be applied to customers with on-site generation  
290 used solely for emergency purposes or for Schedule 135 net metering  
291 customers; and
- 292 e) Schedule 31 would not be available for customers that economically  
293 dispatch their on-site generation. *Id.*, page 6, line 131 to page 7, line 149.

294 **Q. DOES WALMART OPPOSE RMP'S PROPOSED CHANGES AND CLARIFICATIONS TO**  
295 **SCHEDULE 31?**

296 A. No, and Walmart specifically supports the exclusion of generators smaller than  
297 1,000 kW from Schedule 31 applicability.

298 **Q. WHY DOES WALMART SPECIFICALLY SUPPORT THE EXCLUSION OF GENERATORS**  
299 **SMALLER THAN 1,000 KW FROM SCHEDULE 31 APPLICABILITY?**

300 A. The application of standby rates to projects smaller than 1,000 kW can add a  
301 significant amount of cost to the economics of an on-site generation project and  
302 as a result can present a significant barrier to customer installation of those  
303 projects. Additionally, because of potential differences in the timing of the

304 generator's peak output relative to the monthly peak demand for the site, much  
305 or all of the costs intended to be recovered through the standby rates could  
306 already be collected through the base tariff rates.

307 **Q. PLEASE PROVIDE AN EXAMPLE OF THE DIFFERENCES IN THE TIMING OF THE**  
308 **GENERATOR'S PEAK OUTPUT RELATIVE TO THE MONTHLY PEAK DEMAND FOR**  
309 **THE SITE.**

310 A. For example, assume a customer without a generator has a monthly peak demand  
311 of 1,000 kW that occurs at 7 P.M. The customer adds a 600 kW solar generator  
312 that, for the purposes of this example, has a peak output of 600 kW at noon on  
313 the peak day, when the sun is brightest, an output of 50 kW at 7 P.M., and no  
314 output at 8:45 P.M.

315 The customer's new monthly billing peak demand will be 950 kW,  
316 reflecting the offsetting on-site generation output coincident with its monthly  
317 peak demand. As such, this customer, in this month, would only need 50 kW of  
318 standby service. Meanwhile, the customer would also be paying through base  
319 rates for 950 kW of the fixed costs incurred to serve that customer. Alternatively,  
320 suppose the customer's monthly peak demand occurred at 8:45 P.M., when the  
321 solar generator produced no output. The customer would need no standby  
322 service because all of the fixed costs incurred are paid for through base tariff rates.

323 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

324 A. Yes.