

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

**APPLICATION OF ROCKY MOUNTAIN POWER FOR)
THE AUTHORITY TO INCREASE ITS RETAIL ELECTRIC)
UTILITY RATES IN UTAH AND FOR APPROVAL OF ITS)
PROPOSED ELECTRIC SERVICE SCHEDULES AND)
ELECTRIC SERVICE REGULATIONS)**

DOCKET NO. 20-035-04

PHASE I DIRECT TESTIMONY AND EXHIBITS OF

STEVE W. CHRISS

ON BEHALF OF

WALMART INC.

AUGUST 20, 2020

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Exhibits

Exhibit SWC-1: Witness Qualifications Statement

Exhibit SWC-2: Calculation of Revenue Requirement Impact of Rocky Mountain Power's Proposed ROE vs. Current ROE

Exhibit SWC-3: Reported Authorized Returns on Equity, Electric Utility Rate Cases Completed, 2017 to Present

Exhibit SWC-4: Calculation of Revenue Requirement Impact of Rocky Mountain Power's Proposed ROE vs. National Average ROE for Vertically Integrated Utilities

1 **I. Introduction**

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

3 A. My name is Steve W. Chriss. My business address is 2608 SE J St., Bentonville, AR
4 72716. I am employed by Walmart Inc. (“Walmart”) as Director, Energy Services.

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

6 A. I am testifying on behalf of Walmart.

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

8 A. In 2001, I completed a Master of Science in Agricultural Economics at Louisiana State
9 University. From 2001 to 2003, I was an Analyst and later a Senior Analyst at the
10 Houston office of Econ One Research, Inc., a Los Angeles-based consulting firm. My
11 duties included research and analysis on domestic and international energy and
12 regulatory issues. From 2003 to 2007, I was an Economist and later a Senior Utility
13 Analyst at the Public Utility Commission of Oregon (“PUC”) in Salem, Oregon. My
14 duties included appearing as a witness for PUC Staff in electric, natural gas, and
15 telecommunications dockets. I joined the energy department at Walmart in July 2007
16 as Manager, State Rate Proceedings. I was promoted to Senior Manager, Energy
17 Regulatory Analysis, in June 2011. I was promoted to my current position in October
18 2016 and the position was re-titled in October 2018. My Witness Qualifications
19 Statement is attached as Exhibit SWC-1.

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

22 A. Yes. I submitted testimony in Docket Nos. 07-035-93, 09-035-15, 09-035-23, 10-035-
23 124, 11-035-200, 13-035-184, 14-035-T02, and 16-035-T09.

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

26 A. Yes. I have submitted testimony in over 230 proceedings before 40 other utility
27 regulatory commissions. I have also submitted testimony before legislative
28 committees in Kansas, Missouri, North Carolina, and South Carolina. My testimony
29 has addressed topics including, but not limited to, cost of service and rate design,
30 return on equity (“ROE”), revenue requirements, ratemaking policy, large customer
31 renewable programs, qualifying facility rates, telecommunications deregulation,
32 resource certification, energy efficiency/demand side management, fuel cost
33 adjustment mechanisms, decoupling, and the collection of cash earnings on
34 construction work in progress.

35 **Q. ARE YOU SPONSORING EXHIBITS IN YOUR TESTIMONY?**

36 A. Yes. I am sponsoring the exhibits listed in the Table of Contents.

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

38 A. As shown on Walmart’s website, Walmart operates 59 retail units and three
39 distribution centers and employs over 18,000 associates in Utah. In fiscal year ending

40 2020, Walmart purchased \$1.96 billion worth of goods and services from Utah-based
41 suppliers, supporting over 32,000 supplier jobs.¹

42 **Q. PLEASE BRIEFLY DESCRIBE WALMART'S OPERATIONS WITHIN THE COMPANY'S**
43 **SERVICE TERRITORY.**

44 A. Walmart has 46 stores and three distribution centers that take electric service from
45 PacifiCorp d/b/a Rocky Mountain Power ("RMP" or "Company"), primarily on the
46 Company's Schedule 6, General Service Distribution Voltage ("Schedule 6") rate
47 schedule.

48

49 **II. Purpose of Testimony and Summary of Recommendations**

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

51 A. The purpose of my testimony is to respond to RMP's rate case filing and to provide
52 recommendations to assist the Commission in its thorough and careful consideration
53 of the customer impact of the Company's proposed rate increase.

54 **Q. IN SETTING THE REVENUE REQUIREMENT, ROE, ALLOCATION, AND RATE DESIGN**
55 **CHANGES FOR THE COMPANY, SHOULD THE COMMISSION CONSIDER THE IMPACT**
56 **OF THE PROPOSED RATE INCREASE ON BUSINESS CUSTOMERS?**

57 A. Yes. Electricity is a significant operating cost for retailers such as Walmart. When
58 electric rates increase, the increased cost to retailers can put pressure on consumer
59 prices and on the other expenses required by a business to operate. The Commission

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

60 should thoroughly and carefully consider the impact on customers in examining the
61 requested revenue requirement and ROE, in addition to all other facets of this case,
62 to ensure that any increase in the Company's rates is the minimum amount necessary
63 to provide safe, adequate, and reliable service, while also providing RMP the
64 opportunity to recover its reasonable and prudent costs and earn a reasonable return
65 on its investment.

66 **Q. PLEASE SUMMARIZE WALMART'S RECOMMENDATIONS TO THE COMMISSION IN**
67 **THIS PHASE OF THE DOCKET.**

68 A. Walmart's recommendations to the Commission are as follows:

69 1) The Commission should closely examine the Company's proposed revenue
70 requirement increase and the associated proposed increase in ROE, especially
71 when viewed in light of:

72 a. The customer impact of the resulting revenue requirement increase as
73 discussed later in my Testimony;

74 b. The use of a future test year, which reduces regulatory lag and, therefore
75 utility risk, by allowing the utility to include projected cost increases in its rates
76 at the time they will be in effect; and

77 c. Recent rate case ROEs approved by commissions nationwide.

78 **Q. DOES THE FACT THAT YOU MAY NOT ADDRESS AN ISSUE OR POSITION ADVOCATED**
79 **BY THE COMPANY INDICATE WALMART'S SUPPORT?**

80 A. No. The fact that an issue is not addressed herein or in related filings should not be
81 construed as an endorsement of, agreement with, or consent to any filed position.

82

83 **III. Revenue Requirement and Return on Equity**

84 **Q. WHAT REVENUE REQUIREMENT INCREASE DOES THE COMPANY PROPOSE IN ITS**
85 **FILING?**

86 A. The Company proposes a total revenue requirement increase for the forecast test
87 year ending December 31, 2021, of approximately \$95.8 million, or 4.8 percent.
88 However, the Company proposes to phase in the increase through the application of
89 a deferred tax savings credit, resulting in a proposed increase of \$51.5 million in 2021,
90 \$73.6 million in 2022, and the full \$95.8 million in 2023. *See* Direct Testimony of Joelle
91 R. Steward, line 46 to line 52 and Direct Testimony of Steven R. McDougal, line 33 to
92 line 34.

93 **Q. WHAT IS THE COMPANY'S PROPOSED ROE IN THIS DOCKET?**

94 A. The Company presents testimony to support a ROE of 10.2 percent, based on a range
95 of 9.75 percent to 10.25 percent. *See* Direct Testimony of Ann E. Bulkley, line 59 to
96 line 66. The requested ROE at the Company's proposed capital structure of 53.52
97 percent equity results in a proposed overall rate of return of 7.7 percent. *See* Direct
98 Testimony of Nikki L. Kobliha, line 41.

99 **Q. WHAT ARE THE CURRENTLY APPROVED ROE AND EQUITY RATIO FOR RMP?**

100 A. The currently effective ROE approved by the Commission for the Company is 9.8
101 percent and the currently effective equity ratio is 51.43 percent. *See* Report and
102 Order, Docket No. 13-035-184, page 8. As such, the proposed ROE represents an

103 increase of 40 basis points from the Company's currently approved ROE and has a
104 significant impact to customers.

105 **Q. IS WALMART CONCERNED THAT THE COMPANY'S PROPOSED ROE IS EXCESSIVE?**

106 A. Walmart is concerned that the Company's proposed ROE of 10.2 percent is excessive,
107 especially in light of:

108 1) The customer impact of the resulting revenue requirement increase as discussed
109 above;

110 2) The use of a future test year, which reduces regulatory lag and, therefore utility
111 risk, by allowing the utility to include projected cost increases in its rates at the
112 time they will be in effect; and

113 3) Recent rate case ROEs approved by commissions nationwide.

114

115 **A. Customer Impact of the Proposed Increase in ROE**

116 **Q. WHAT IS THE REVENUE REQUIREMENT IMPACT OF THE COMPANY'S PROPOSED**
117 **INCREASE IN ROE?**

118 A. Using the Company's proposed capital structure, the revenue requirement impact of
119 the Company's proposed increase in ROE from that approved in the Company's last
120 rate case is approximately \$23.3 million, or 24 percent of the Company's proposed
121 unmitigated revenue requirement increase. See Exhibit SWC-2.

122

123 **B. National Utility Industry ROE Trends**

124 **Q. IS THE COMPANY'S PROPOSED ROE SIGNIFICANTLY HIGHER THAN THE ROES**

125 **APPROVED BY OTHER UTILITY REGULATORY COMMISSIONS IN 2017, 2018, 2019,**
126 **AND SO FAR IN 2020?**

127 A. Yes. According to data from S&P Global Market Intelligence, a financial news and
128 reporting company, the average of the 133 reported electric utility rate case ROEs
129 authorized by commissions to investor-owned utilities in 2017, 2018, 2019, and so far
130 in 2020, is 9.6 percent. The range of reported authorized ROEs for the period is 8.25
131 percent to 11.95 percent, and the median authorized ROE is 9.6 percent. The average
132 and median values are significantly below the Company's proposed ROE of 10.2
133 percent. See Exhibit SWC-3. As such, the Company's proposed 10.2 percent ROE is
134 counter to broader electric industry trends.

135 **Q. SEVERAL OF THE REPORTED AUTHORIZED ROES ARE FOR DISTRIBUTION-ONLY**
136 **UTILITIES OR FOR ONLY A UTILITY'S DISTRIBUTION SERVICE RATES. WHAT IS THE**
137 **AVERAGE AUTHORIZED ROE IN THE REPORTED GROUP FOR VERTICALLY**
138 **INTEGRATED UTILITIES?**

139 A. In the group reported by S&P Global, the average ROE for vertically integrated utilities
140 authorized from 2017 through present is 9.73 percent, and the trend in these
141 averages has been relatively stable. The average ROE authorized for vertically
142 integrated utilities in 2017 was 9.80 percent; in 2018 it was 9.68 percent; in 2019 it
143 was 9.73 percent; and thus far in 2020 it was 9.64 percent. *Id.* As such, the Company's
144 proposed 10.2 percent ROE is counter to broader electric industry trends and, in fact,
145 as shown in Figure 1, would be equal to the fifth highest approved ROE for a vertically
146 integrated utility from 2017 to present if approved by the Commission.

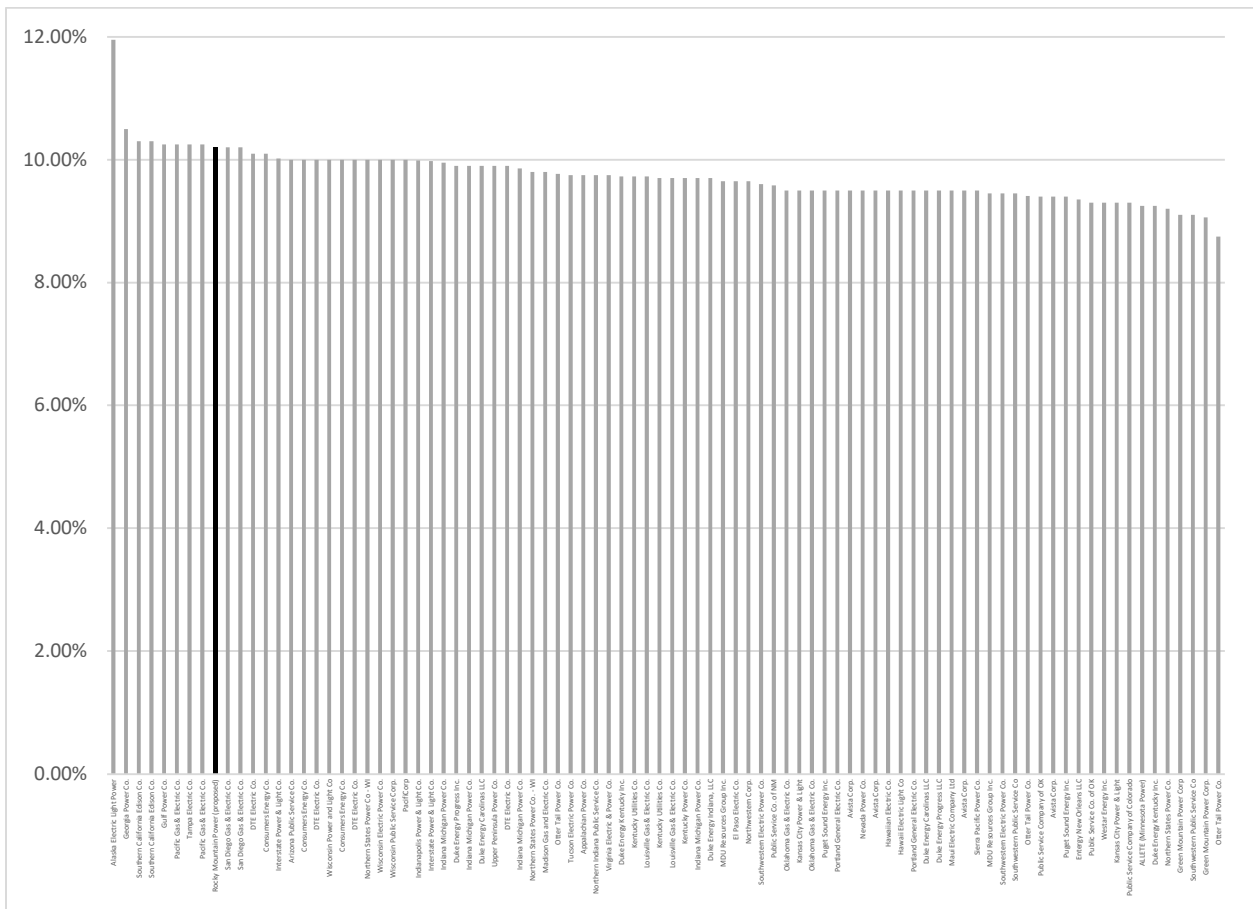


Figure 1. Rocky Mountain Power Proposed ROE Versus Authorized ROEs for Vertically Integrated Utilities, 2017 to present. Source: Exhibit SWC-3.

Q. WHAT IS THE REVENUE REQUIREMENT IMPACT IF THE COMMISSION WERE TO AWARD AN ROE OF 9.73 PERCENT, THE AVERAGE ROE AWARDED FOR VERTICALLY INTEGRATED UTILITIES FROM 2017 TO PRESENT?

A. Assuming Company's proposed cost of debt, preferred stock, and equity ratio, authorizing RMP an ROE of 9.73 percent instead of the requested 10.2 percent would result in a reduction to the requested revenue requirement increase of about \$27.3 million, or 28 percent. See Exhibit SWC-4.

Q. IS WALMART RECOMMENDING THAT THE COMMISSION BE BOUND BY ROES AUTHORIZED BY OTHER STATE REGULATORY AGENCIES?

159 A. No. Decisions of other state regulatory commissions are not binding on the
160 Commission. Additionally, each commission considers the specific circumstances in
161 each case in its determination of the proper ROE. Walmart is providing this
162 information to illustrate a national customer perspective on industry trends in
163 authorized ROE.

164

165 ***E. Conclusion***

166 **Q. WHAT IS YOUR RECOMMENDATION TO THE COMMISSION IN REGARDS TO THE**
167 **COMPANY'S PROPOSED ROE?**

168 A. The Commission should closely examine the Company's proposed revenue
169 requirement increase and the associated proposed increase in ROE, especially when
170 viewed in light of:

- 171 1) The customer impact of the resulting revenue requirement increase as discussed
172 above;
- 173 2) The use of a future test year, which reduces regulatory lag and, therefore utility
174 risk, by allowing the utility to include projected cost increases in its rates at the
175 time they will be in effect; and
- 176 3) Recent rate case ROEs approved by commissions nationwide.

177 In summary, unless the Commission determines that RMP has sufficiently and
178 substantially demonstrated that the Company requires an ROE greater than its
179 currently approved ROE of 9.5 percent, which is generally consistent with recent

180 Commission decisions and national trends, the Commission should approve an ROE
181 no higher than 9.5 percent in this docket.

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

183 **A.** Yes.