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BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

<p>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, Consisting of a General Rate Increase of Approximately \$161.2 Million Per Year, and for Approval of a New Large Load Surcharge</p>	<p>Docket No. 07-035-93</p>
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PREFILED SURREBUTTAL TESTIMONY OF STEVE W. CHRISS

[COST OF SERVICE / RATE DESIGN]

The UAE Intervention Group (UAE) and Wal-Mart Stores, Inc. (“Wal-Mart”) hereby submit the Prefiled Surrebuttal Testimony of Steve W. Chriss on cost of service/rate design issues.

DATED this 24th day of September, 2008.

Gary A. Dodge,
Attorney for UAE

Holly Rachel Smith
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CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was served by email this

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BEFORE
THE PUBLIC SERVICE COMMISSION OF UTAH

Surrebuttal Testimony of Steve W. Chriss

on behalf of

UAE and Wal-Mart

[Cost of Service / Rate Design]

September 24, 2008

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 Wal-
5 Mart Stores, Inc.

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

7 A. I am testifying on behalf of Wal-Mart Stores, Inc. and the UAE Intervention
8 Group (“UAE and Wal-Mart”).

9 **Q. ARE UAE AND WAL-MART SPONSORING THE TESTIMONY OF ANY**
10 **OTHER WITNESSES IN THIS PHASE OF THE PROCEEDING?**

11 A. Yes. They are also co-sponsoring the testimony of Kevin Higgins.

12 **Q. ARE YOU THE SAME STEVE W. CHRISS THAT SUBMITTED DIRECT**
13 **TESTIMONY IN THIS PROCEEDING?**

14 A. Yes. My Witness Qualifications Statement is found at UAE-WM Exhibit
15 COS/RD 2.1 attached to my previously filed Direct Testimony.

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

17 A. I respond to the rebuttal testimony of Rocky Mountain Power (“RMP”) witness
18 Carol L. Hunter regarding ownership of environmental attributes and the language
19 contained in RMP’s standard contracts for DSM programs that currently require
20 customers to transfer to Rocky Mountain Power all “Environmental Attributes.”

1 **Q. DO YOU AGREE WITH MS. HUNTER’S USE OF RENEWABLE**
2 **ENERGY CREDITS AS ONE EXAMPLE OF AN ENVIRONMENTAL**
3 **ATTRIBUTE (SEE REBUTTAL TESTIMONY OF CAROL L. HUNTER,**
4 **PAGE 5, LINES 93 THROUGH 94)?**

5 A. Yes. In addition, Renewable Energy Certificates (“REC”s), such as those
6 referenced in the *Energy Resource and Carbon Emission Reduction Initiative*, a
7 2008 bill enacted by the legislature of the state of Utah (hereinafter “SB202”), are
8 “Environmental Attributes.”

9 **Q. WOULD YOU SUPPORT A COMMISSION RULEMAKING, AS**
10 **SUGGESTED BY MS. HUNTER (SEE REBUTTAL TESTIMONY OF**
11 **CAROL L. HUNTER, PAGE 2, LINES 13 THROUGH 17)?**

12 A. Yes. It would be appropriate for the Commission to conduct a rulemaking for the
13 purpose of implementing those portions of SB202 that the legislators intended to
14 be delegated to the Commission. Nonetheless, SB202 is clear that in the case of a
15 customer’s installation of a DSM measure, the RECs accrue to the
16 customer/owner of the DSM measure.

17 Recently enacted Section 54-17-603(4)(b) of the Utah Code is clear in
18 its intent and meaning, where it says: “A renewable energy certificate shall be
19 issued for: . . . (b) the activities of an energy user described in Subsections 10-19-
20 102(11)(e) and 54-17-601(10)(e) on and after January 1, 1995.” Provisions of
21 Section 10-19-102(11)(e) and Section 54-17-601(10)(e) provide further

1 clarifications. In fact, contained on the initial page of SB202 under “highlighted
2 provisions,” is a statement that SB202 “provides for the issuance and recognition
3 of a renewable energy certificate for . . . actions by an energy user.” In sum, I
4 would support a rulemaking to ensure proper implementation of those portions of
5 SB202 that delegate responsibility to the Commission; however, I do not believe
6 that any such rulemaking could modify the clear legislative intent that RECs will
7 accrue to the customer/owner of any DSM measure.

8 **Q. IS YOUR READING OF CODE SECTIONS 54-17-601(10)(e)(i) AND 54-17-**
9 **603(4)(b) CONSISTENT WITH MS. HUNTER’S CHARACTERIZATION**
10 **IN HER TESTIMONY (SEE REBUTTAL TESTIMONY OF CAROL L.**
11 **HUNTER, PAGE 5, LINES 88 THROUGH 91)?**

12 A. No. Ms. Hunter claims that these sections do not necessarily contemplate
13 ownership by the customer of RECs stemming from DSM activities. I disagree.

14 **Q. PLEASE EXPLAIN.**

15 A. Section 54-17-603(4)(b) states that:

16 A renewable energy certificate shall be issued for: . . . the
17 activities of an energy user described in Subsections 10-19-
18 102(11)(e) and 54-17-601(10)(e) on and after January 1, 1995.

19
20 **Q. WHAT IS STATED BY SECTION 10-19-102(11)(e)?**

21 A. 10-19-102(11) provides “‘Renewable energy source’ means:

22 (e) any of the following located in the state and owned by a
23 user of energy: (i) a demand side management measure, as
24 defined by Subsection 54-7-12.8(1) with the quantity of
25 renewable energy certificates to which the user is entitled
26 determined by the equivalent energy saved by the measure;

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Q. WHAT IS STATED BY SECTION 54-17-601(10)(e)?

A. Section 54-17-601(10) sets out what a ‘renewable energy source’ means. SB202 explicitly includes in the definition of a ‘renewable energy source’ for which renewable energy credits are assigned:

any of the following located in the state and *owned* by a *user* of energy: (i) a demand side management measure, as defined by Subsection 54-7-12.8(1), with the quantity of renewable energy certificates to which the user is entitled determined by the equivalent energy saved by the measure; (*emphasis added*)

Q. IN YOUR READING OF THE ABOVE SECTION, INCLUDING THE INTERNAL REFERENCE TO 54-7-12.8(1), IS THE ISSUING OF RENEWABLE ENERGY CERTIFICATES TO USERS OF DSM MEASURES TIED ONLY TO ENERGY USER OWNERSHIP?

A. Yes, the section explicitly states that ownership of the measure is the qualifying criteria to the issuing of renewable energy certificates for demand side management measures.

Q. DOES SECTION 54-7-12.8(1), REFERENCED ABOVE, INFER THAT UTILITY PROGRAM PARTICIPATION PRECLUDES ISSUING OF CERTIFICATES TO THE ENERGY USER?

A. Section 54-7-12.8(1) states:

As used in this section, ‘demand side management’ means activities or programs that promote electric energy efficiency or conservation or more efficient management of electric energy loads.

1 When read with the above sections in which this section is referenced, it is clear
2 that energy users who implement measures through utility programs are not
3 precluded from receiving renewable energy certificates.

4 **Q. DO YOU AGREE WITH RMP WITNESS HUNTER’S STATEMENT TO**
5 **THE EFFECT THAT THE VALUE OF ENVIRONMENTAL**
6 **ATTRIBUTES IS CURRENTLY REFLECTED IN THE INCENTIVE PAID**
7 **TO PARTICIPATING CUSTOMERS (SEE DIRECT TESTIMONY OF**
8 **CAROL L. HUNTER, PAGE 4, LINES 68 THROUGH 70)?**

9 A. No.

10 **Q. WHAT IS THE BASIS FOR YOUR DETERMINATION THAT THE**
11 **VALUE OF ENVIRONMENTAL ATTRIBUTES IS NOT CURRENTLY**
12 **REFLECTED IN THE INCENTIVE PAID TO PARTICIPATING**
13 **CUSTOMERS.**

14 A. First, the standard contract does not specify an explicit quantity or price of RECs
15 for which the customer would be compensated. In the *Order on Reconsideration*
16 *and Clarification* in Docket No. 03-035-14 dated February 2, 2006, the
17 Commission confirms that it considers the ownership of RECs to be a separable
18 contractual issue, and though the Commission was addressing wind resources at
19 the time, that consideration should extend to DSM measures, which, along with
20 wind resources, are designated as “renewable energy sources” in Code Section 54-
21 17-601(10).

1 Second, the value of environmental attributes, such as the RECs
2 described earlier in my testimony, would not currently be reflected in RMP's
3 DSM incentive payments because RECs and incentive payments are for the most
4 part calculated differently. As mentioned earlier in my testimony, the language of
5 SB202 makes clear that RECs are awarded on a per kWh basis. However,
6 incentive payments through RMP's DSM programs are not always awarded on a
7 per kWh basis. For instance, Schedule 125 incentives are calculated as the lesser
8 of the sum of \$0.12/kWh for annual kWh savings and \$50/kW for average
9 monthly kW savings or 50 percent of the project cost. Especially in the case of
10 the incentive award based on project cost, it would be confusing and difficult to
11 determine what portion of the incentive was tied to the value of the RECs.

12 Finally, Schedule 115 incorporates a series of incentive caps and
13 Schedule 125 limits the incentive to 50 percent of the project cost. As a result, the
14 broader group of customers is not funding the entire project, but the current
15 standard contract transfers the entirety of RECs and other attributes to RMP.

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

17 A. Yes.