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BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

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.	Docket No. 09-035-23 POST-HEARING BRIEF OF WAL-MART STORES, INC. AND SAM'S WEST, INC.
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Wal-Mart Stores, Inc. and Sam's West, Inc. (collectively, "Wal-Mart") hereby offers its post-hearing brief in the above-captioned matter.

I. INTRODUCTION

Wal-Mart is a large retailer with more than 45 facilities in RMP's Utah service territory. These facilities include both store locations and distribution centers. Thus, Wal-Mart is a large retail customer of RMP. Wal-Mart is also a leader in energy efficiency and deployment of demand side management technology. Wal-Mart is an intervenor in the above-captioned case. In the Phase I portion of this case, Wal-Mart sponsored the testimony and exhibits of Steve W. Chriss, Wal-Mart's

Manager of State Rate Proceedings. The following post-hearing brief is organized as follows: First, we provide a summary of the testimony sponsored by Wal-Mart that was admitted into evidence in this proceeding. Second, we highlight Wal-Mart's position on key issues raised in the issue matrix filed in this docket on December 2, 2009.

II. Summary of the Direct and Rebuttal Testimonies of Steve W. Chriss on Behalf of Wal-Mart

On October 8, 2009, Wal-Mart caused to be filed the Direct Testimony of Steve W. Chriss. *See* Wal-Mart Hearing Exhibit No. 1. Wal-Mart Witness Steve Chriss in his Direct Testimony addressed issues related to cost of service and revenue allocation, responding specifically to the testimonies of Rocky Mountain Power ("RMP" or "the Company") witnesses William R. Griffith and C. Craig Paice. *See* Wal-Mart Hearing Exhibit No. 1. In his Direct Testimony, Mr. Chriss did not take a position on the Company's proposed cost of service model but recommended that:

- 1) Revenue should be allocated in accordance with the approved cost of service model in this docket; and
- 2) Any rate mitigation mechanism put in place should attempt to move each customer class closer to rates based on its cost of service. Additionally, the mechanism should ensure that if a cost-based increase for a customer class falls within the banded range of percentage increases approved by the Commission, the increase for that customer class is set no higher than the cost-based increase. *Id* at p. 3, lines 5-16.

According to Mr. Chriss, rates should be set based on the utility's cost of service. This produces equitable rates that reflect cost causation, send proper price signals, and minimize price distortions. *Id* at lines 19-21. Mr. Chriss took issue with the Company's initial rate spread proposal because the "Company has proposed a rate spread that differs significantly from the customer class revenue increases that result from the Company's cost of service study." *Id* at p. 5, lines 7-9. Mr. Chriss concluded that the Commission should reject the Company's initial rate spread proposal

because the proposed rate spread results in significant over- and under-collections of the revenue requirement increase for the major rate classes. *Id* at p. 5, lines 20 to p. 6, line 4. Were the Commission to adopt RMP's initial rate spread proposal, amongst the Residential, General Service, and Irrigation classes, classes from which revenues are over-collected will experience over-collections of approximately \$24 million and classes from which revenues are under-collected will experience under-collections of approximately \$11 million. *Id*.

According to Mr. Chriss, rates should be set such that the utility recovers from each class 100 percent of its cost of service per the approved cost of service model and revenue requirement in this docket. Were the Commission to adopt a rate spread mitigation mechanism, the Commission should focus on the following two principles: 1) to attempt to move each customer class closer to rates based on its cost of service and 2) ensure that if a cost-based increase for a customer class falls within the banded range of percentage increases approved by the Commission the increase for that customer class is set no higher than the cost-based increase. *See id* at p. 6, lines 15-20.

On November 12, 2009, Wal-Mart caused to be filed the Rebuttal Testimony of Steve W. Chriss. *See* Wal-Mart Hearing Exhibit No. 2. Through this testimony, Mr. Chriss requested that the Commission consider two additional points related to special contracts. First, the Commission should require RMP to unbundle the special contract subsidy revenues and collect those revenues on a new rate schedule separate from the existing base rate schedules. Second, the Commission should require RMP to update this new rate schedule as renewed special contracts take effect. Wal-Mart Hearing Exhibit 2, at p. 2, lines 5-9.

More specifically, Mr. Chriss noted that after reviewing the direct testimonies of the other intervenor witnesses, that he had concerns that the treatment of special contract revenues would negatively impact the ability of the Company to set rates based on cost of service. *Id* at p. 3, lines

10-15. Mr. Chriss is concerned that three customers on “special contracts” are currently paying rates lower than their cost of service in the total amount of \$16.3 million dollars and that the Company proposes to recover this shortfall only from the other customer classes, in a manner that is inconsistent with cost causation principles. *Id* at p. 3, line 16 to p. 4, line 5.

Mr. Chriss proposes that the Commission require the Company to unbundle the special contract subsidy revenues and collect those revenues on a new rate schedule separate from the existing base rate schedules that is then updated as renewed special contracts take effect. He enumerates the benefits of such a proposal. *See id* at p. 5, line 14 to p. 6, line 12. First, the cross-subsidy revenues collected from RMP’s customer classes for the special contract revenue shortfall are explicitly and transparently represented in rates. This means that price distortions are minimized, as cross subsidy revenues are no longer mixed in with base rate revenues. *Id*. Second, unbundling the shortfall revenue rates from base rates allows the Company to easily change the shortfall revenue rates as renewed special contracts take effect without having to recalculate base rates or file a full general rate case. *Id*.

This sums up the Direct and Rebuttal testimonies of Steve W. Chriss, on behalf of Wal-Mart.

III. Issues Identified by the Parties for Commission Resolution

A. Use of Company Direct vs. Rebuttal Cost of Service Study as a Guide for Rate Spread Purposes

In testimony, Wal-Mart did not take a position on the use of the Company’s update of its cost of service study that it sponsored in its rebuttal case. However, after reviewing the filings and participating in the hearings in this matter, Wal-Mart believes that the Company’s rebuttal cost of service study provides better information than its initial study. More specifically, in the Company’s direct case, the Company selected the load research results for the forecast peak dates. Wal-Mart

agrees that it is more appropriate to utilize load research results for the actual peak day for each month in the historical period and to apply those results to the forecast energy amounts in the test period to project the class monthly peak. This is because the relationships among the classes on the peak day are retained in the forecast test period. Thus, Wal-Mart agrees with the Company that rate spread should be guided by the most recently filed cost of service study.

B. Rate Spread Design and Rate Spread Proposal

Wal-Mart's rate spread proposal in this docket really amounts to following its rate design principle, to allocate revenues according to the Commission-approved cost of service study in this docket. Should a rate mitigation mechanism be employed to avoid imposing a large rate increase to a particular class or classes, Wal-Mart advised that the Commission follow these parameters:

Any rate mitigation mechanism put in place should attempt to move each customer class closer to rates based on its cost of service. Additionally, the mechanism should ensure that if a cost-based increase for a customer class falls within the banded range of percentage increases approved by the Commission, the increase for that customer class is set no higher than the cost-based increase. Wal-Mart Hearing Exhibit 1 at p. 3, lines 5-16.

After participating in the lively hearing, and reviewing the testimony and exhibits of the other participants, Wal-Mart supports the rate spread proposal of UAE witness Kevin Higgins because his proposal is more consistent with the above rate mitigation principle than any other proposal. Witness Higgins proposed a rate spread that recognizes differential rate increases within a modest bandwidth of plus or minus one half a percentage point of either side of the system average rate increase, excluding special contracts. Under rate spread in which schedule 6 and lighting classes would receive an increase that is one half percent below the system average, and schedules 9 and 10 would receive an increase that is one half percent above the system average. All other rate schedules would receive a uniform percentage increase that is approximately in the middle. Witness Higgins

supported this basic approach at whatever overall revenue change is approved in this case.

C. Special Contract Revenues

Wal-Mart has entered unrefuted evidence into the record regarding the treatment of special contract revenues; specifically special contracts negatively impact the ability of the Company to set rates based on cost of service because these contracts cause more than a \$16 million revenue shortfall that is covered by non-special contract customers. Wal-Mart Hearing Exhibit No. 2 at p. 3, lines 10-15. As such, the Commission should require the Company to unbundle the special contract subsidy revenues and collect those revenues on a new rate schedule separate from the existing base rate schedules. This new rate schedule should be updated as renewed special contracts take effect. Under this new rate schedule, cross-subsidy revenues collected from RMP's customer classes for the special contract revenue shortfall would be explicitly and transparently represented in rates. This approach minimizes price distortions because cross subsidy revenues are no longer mixed in with base rate revenues. *See id* at p. 5, line 14 to p. 6, line 12. Second, unbundling the shortfall revenue rates from base rates allows the Company to easily change the shortfall revenue rates as renewed special contracts take effect, without having to recalculate base rates or file a full general rate case. *Id.*

D. Classification and Allocation of Green Tags and Renewable Energy Credits

The Department has asked that in this docket the Commission associate cost and benefits associated with wind, specifically renewable energy credits (REC) and green tag revenues, should be classified and allocated consistently with wind resources. *See* DPU Hearing Exhibit No. 5.0 SR (Mancinelli Surrebuttal) at p. 18-19, lines 344-349. Wal-Mart would like to take this opportunity to remind the Commission of its approval of the *Stipulation in Cost of Service, Rate Spread and Rate Design, Phase II* in Commission Docket 07-35-93 ("07-35-38 Stipulation), which provided that the

issue of acquisition or retaining of renewable energy certificates should “be addressed by a Commission rulemaking docket as prescribed in SB202 or in another appropriate proceeding.” *See Report and Order on Cost of Service and Rate Design*, PSC Docket 07-35-38 (Nov.6, 2008).

The rulemaking or other appropriate docket contemplated in the 07-35-38 Stipulation has not yet commenced. Since parties here have asked the Commission to allocate or specify the classification or allocation of RECs, in fairness to all parties to the 07-35-38 Stipulation, the Commission should consider that there are outstanding requests for determinations concerning RECS. Wal-Mart urges that the Commission expeditiously commence the REC rulemaking referenced in the 07-35-38 Stipulation.

IV. CONCLUSION

Wal-Mart respectfully requests that this Commission carefully consider the testimony that Wal-Mart has sponsored in this proceeding, as well as Wal-Mart’s positions on the issues contained in the party position matrix.

DATED this 11th day of January, 2009.

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CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was served by email this 11th day of January, 2010, to the following:

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