

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) DOCKET NO. 20-035-04
PROPOSED ELECTRIC SERVICE SCHEDULES AND)
ELECTRIC SERVICE REGULATIONS)**

COST OF SERVICE PHASE DIRECT TESTIMONY AND EXHIBITS OF

STEVE W. CHRISS

ON BEHALF OF

WALMART INC.

SEPTEMBER 15, 2020

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Exhibit SWC-5: Rocky Mountain Power's Proposed Movement Towards Cost of Service for
General Service Schedules at the Company's Proposed Revenue Requirement

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. ARE YOU THE SAME STEVE W. CHRISS WHO SUBMITTED TESTIMONY EARLIER IN**
8 **THIS DOCKET?**

9 A. Yes.

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

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

12

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

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

15 A. The purpose of my testimony is to respond to Rocky Mountain Power’s (“RMP” or
16 “Company”) rate spread and rate design proposals in this docket.

17 **Q. PLEASE SUMMARIZE WALMART’S RECOMMENDATIONS TO THE COMMISSION IN**
18 **THIS PHASE OF THE DOCKET.**

19 A. Walmart’s recommendations to the Commission are as follows:

20 1) Walmart does not take a position on the Company’s proposed cost of service study
21 model at this time. However, to the extent that alternative cost of service
22 methodologies or modifications to the Company’s methodology are proposed by

23 other parties, Walmart reserves the right to address any such changes in
24 accordance with the Commission's procedures in this docket.

25 2) For the purposes of this docket, at the Company's proposed revenue requirement,
26 Walmart does not oppose the Company's proposed revenue allocation
27 methodology.

28 3) If the Commission determines that the appropriate level of revenue requirement
29 is lower than that proposed by the Company, the Commission should take larger
30 steps to address the significant interclass subsidies in RMP's rates. Specifically,
31 the Commission should:

32 a. Start with the revenue allocation proposed by the Company at its proposed
33 revenue requirement increase;

34 b. Allocate, on a revenue basis, 50 percent of the reduction in revenue
35 requirement from the Company's proposed revenue increase of \$95.7 million
36 to Schedules 6, 8, 23, and 15 – Traffic and Other Signal Systems, that are
37 currently paying a subsidy per the Company's cost of service study results,
38 subject to a limit such that no class becomes subsidized as a result; and

39 c. Allocate the remaining 50 percent of the reduction on an equal percentage
40 basis to all classes.

41 4) Walmart supports the Company's proposal to functionally unbundle rates.

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

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

46

47 **III. Cost of Service and Revenue Allocation**

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

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

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

55 A. No. However, to the extent that alternative cost of service methodologies or
56 modifications to the Company's methodology are proposed by other parties, Walmart
57 reserves the right to address any such changes in accordance with the Commission's
58 procedures in this docket.

59 **Q. HOW DOES THE COMPANY REPRESENT WHETHER RATES FOR A CUSTOMER CLASS**
60 **ACCURATELY REFLECT THE UNDERLYING COST CAUSATION?**

61 A. The Company reflects this relationship in their cost of service results using class-
62 specific rates of return. These rates of return can be converted into a rate of return
63 index ("RRI"), which is an indexed measure of the relationship of the rate of return for
64 an individual customer class to the total system rate of return. An RRI greater than
65 1.0 means that the customer class is paying rates in excess of costs incurred to serve

66 that class, and an RRI less than 1.0 means that the customer class is paying rates less
 67 than the costs incurred to serve that class. As such, those rate classes with an RRI
 68 greater than 1.0 are subsidizing the classes with an RRI less than 1.0.

69 **Q. HAS THE COMPANY CALCULATED CLASS RRIs BASED ON THE COMPANY’S COST OF**
 70 **SERVICE RESULTS?**

71 A. Yes, as shown in Table 1 below:

Table 1. Customer Class Rates of Return and Rate of Return Index, Current Rates, RMP Proposed Cost of Service Study Results.

Customer Class	Rate of Return, Current (%)	RRI, Current
1 - Residential	5.64	0.83
6 – General Service – Large	8.20	1.21
8 – General Service – Over 1 MW	7.82	1.15
7, 11, 12 – Street & Area Lighting	14.80	2.18
9 – General Service – High Voltage	6.26	0.92
10 – Irrigation	6.73	0.99
15 – Traffic Signals	8.75	1.29
15 – Outdoor Lighting	18.73	2.76
23 – General Service – Small	8.61	1.27
SpC – Customer 1	4.81	0.71
SpC – Customer 2	7.65	1.13
Jurisdiction	6.78	1.00

Source: Exhibit RMP___(RMM-1), page 1

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

74 A. Yes. RMP’s cost of service model results show that both Schedule 6, with a RRI of
 75 1.21, and Schedule 8, with a RRI of 1.15, provide a rate of return above the cost of
 76 service level for each class. See Exhibit RMP___(RMM-1), page 1.

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

79 A. Yes. The proposed customer class revenue increases are put forth in Exhibit
 80 RMP___(RMM-1), page 2. For the General Service classes, at the Company’s proposed

81 revenue requirement increase, the cost-based revenue changes would range from a
82 *reduction* of 4.53 percent for Schedule 23 to an increase of 7.16 percent for Schedule
83 9. For Schedule 6, the cost based revenue change would be a *reduction* of 2.57
84 percent, and for Schedule 8, the cost based revenue change would be a *reduction* of
85 0.59 percent.

86 **Q. WHAT IS YOUR UNDERSTANDING OF THE COMPANY'S REVENUE ALLOCATION**
87 **PROPOSAL?**

88 A. My understanding is that the Company proposes a revenue allocation in which the
89 rate increases are assigned to each customer class in relation to, but not equal to, the
90 cost of service-based revenue change at the Company's proposed revenue
91 requirement. This includes assigned rate increases to Schedules 6, 8, and 23, that, per
92 the cost of service study results, should receive revenue decreases. The Company
93 does propose to move the street and area lighting schedules and Schedule 15 –
94 Metered Outdoor Nighttime Lighting, to cost of service. The Company states that its
95 proposal is designed to balance the impact of the rate change across customer classes.
96 See Direct Testimony of Robert M. Meredith, line 233 to line 265. Table 2 compares
97 the cost of service-based revenue changes for each General Service class and the
98 Company's proposed revenue changes.

99

Table 2. Comparison of Cost of Service-Based Revenue Changes at the Company's proposed revenue requirement 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 (%)	Movement Towards Cost of Service (%)
6 – General Service – Large	-2.57	3.9	6.3
8 – General Service – Over 1 MW	-0.59	3.9	16.0
9 – General Service – High Voltage	7.16	4.9	5.8
23 – General Service – Small	-4.53	1.9	30.7

Source: Exhibit RMP___(RMM-1), page 2, Direct Testimony of Robert M. Meredith, line 226 to line 230, and Exhibit SWC-5.

100

101 **Q. DOES THE COMPANY'S PROPOSED REVENUE ALLOCATION PROVIDE MOVEMENT**
102 **TOWARDS COST OF SERVICE FOR THE GENERAL SERVICE CLASSES?**

103 A. Yes, as shown in Table 2. However, for Schedules 6, 8, and 9 this movement is quite
104 modest.

105 **Q. WHAT IS WALMART'S RECOMMENDATION TO THE COMMISSION ON THIS ISSUE AT**
106 **THE COMPANY'S PROPOSED REVENUE REQUIREMENT?**

107 A. For the purposes of this docket, at the Company's proposed revenue requirement,
108 Walmart does not oppose the Company's proposed revenue allocation methodology.

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

111 A. If the Commission determines that the appropriate level of revenue requirement is
112 lower than that proposed by the Company, the Commission should take larger steps
113 to address the significant interclass subsidies in RMP's rates. Specifically, the
114 Commission should:

115 1) Start with the revenue allocation proposed by the Company at its proposed
116 revenue requirement increase;

- 117 2) Allocate, on a revenue basis, 50 percent of the reduction in revenue
118 requirement from the Company’s proposed revenue increase of \$95.7 million
119 to Schedules 6, 8, 23, and 15 – Traffic and Other Signal Systems, that are
120 currently paying a subsidy per the Company’s cost of service study results,
121 subject to a limit such that no class becomes subsidized as a result; and
122 3) Allocate the remaining 50 percent of the reduction on an equal percentage
123 basis to all classes.

124 **IV. Rate Design**

125 **Q. DOES THE COMPANY PROPOSE TO CHANGE HOW THEY PRICE ELECTRIC SERVICE?**

126 A. Yes. The Company proposes to unbundle its rates, which breaks out the prices by
127 functional component. The Company proposes to unbundle the rates into the
128 following components:

- 129 • Delivery, including distribution, retail, miscellaneous, and most of the
130 transmission function.
- 131 • Fixed supply, including the production function with the exception of net variable
132 power costs.
- 133 • Variable supply, including net variable power costs and production tax credits. *See*
134 Direct Testimony of Robert M. Meredith, line 350 to line 370.

135 **Q. HAS WALMART ADVOCATED FOR THE COMPANY TO UNBUNDLE ITS RATES IN PAST**
136 **RATE CASES?**

137 A. Yes. Walmart advocated for unbundling of rates in Docket No. 13-035-084, RMP’s
138 2013 rate case. In that docket we stated that generally, unbundling tariff rates by

139 function allows customers to determine the costs of each of the generation,
140 transmission, and distribution functions, compare those functional costs across
141 utilities or jurisdictions where they have other facilities, and communicate cost
142 drivers, such as environmental compliance for generation plants, to non-technical
143 audiences. Additionally, it ensures that functions for which costs are fixed, such as
144 generation capacity, distribution, and transmission can be appropriately and
145 transparently collected through the Company's base tariff rates.

146 **Q. DOES WALMART CONTINUE TO SEE THE NEED FOR AND VALUE OF UNBUNDLING**
147 **RATES?**

148 A. Yes. As such, Walmart appreciates the Company's efforts in this regard and supports
149 the Company's proposal.

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

151 A. Yes.