

**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.<sup>1</sup>

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

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<sup>1</sup> <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.



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.**