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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

GARY PIERCE, Chairman
BOB STUMP
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AZ CORP COMMISSION
DOCKET CONTROL

IN THE MATTER OF THE
APPLICATION OF ARIZONA PUBLIC
SERVICE COMPANY FOR A HEARING
TO DETERMINE THE FAIR VALUE OF
THE UTILITY PROPERTY OF THE
COMPANY FOR RATEMAKING
PURPOSES, TO FIX A JUST AND
REASONABLE RATE OF RETURN
THEREON, AND TO APPROVE RATE
SCHEDULES DESIGNED TO DEVELOP
SUCH RETURN.

NO. DOCKET NO. E-01345A-11-0224

**WAL-MART STORES, INC. AND
SAM'S WEST, INC.'S NOTICE OF
FILING**

Wal-Mart Stores, Inc. and Sam's West, Inc. (collectively "Wal-Mart"), hereby provides notice of filing the direct testimony (Non-Rate Design Issues) of Steve W. Chriss in the above-referenced matter.

Dated this 18th day of November, 2011.

RIDENOUR, HIENTON, & LEWIS, P.L.L.C.

Arizona Corporation Commission
DOCKETED

NOV 18 2011

DOCKETED BY *[Signature]*

By

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BEFORE THE ARIZONA CORPORATION COMMISSION

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GARY PIERCE, Chairman
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IN THE MATTER OF THE
APPLICATION OF ARIZONA PUBLIC
SERVICE COMPANY FOR A HEARING
TO DETERMINE THE FAIR VALUE OF
THE UTILITY PROPERTY OF THE
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PURPOSES, TO FIX A JUST AND
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SCHEDULES DESIGNED TO DEVELOP
SUCH RETURN.

NO. DOCKET NO. E-01345A-11-0224

DIRECT TESTIMONY (NON-RATE DESIGN) OF

STEVE W. CHRISS

**WAL-MART STORES, INC. AND
SAM'S WEST, INC.**

November 18, 2011

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13 Equity

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Introduction

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

A. My name is Steve W. Chriss. My business address is 2001 SE 10th St., Bentonville, AR 72716-0550. My title is Senior Manager, Energy Regulatory Analysis, for Wal-Mart Stores, Inc.

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

A. I am testifying on behalf of Wal-Mart Inc. and Sam's West, Inc. (collectively "Walmart").

Q. PLEASE DESCRIBE YOUR EDUCATION AND EXPERIENCE.

A. In 2001, I completed a Master of Science in Agricultural Economics at Louisiana State University. From 2001 to 2003, I was an Analyst and later a Senior Analyst at the Houston office of Econ One Research, Inc., a Los Angeles-based consulting firm. My duties included research and analysis on domestic and international energy and regulatory issues. From 2003 to 2007, I was an Economist and later a Senior Utility Analyst at the Public Utility Commission of Oregon in Salem, Oregon. My duties included appearing as a witness for PUC Staff in electric, natural gas, and telecommunications dockets. I joined the energy department at Walmart in July 2007 as Manager, State Rate Proceedings, and was promoted to my current position in June 2011. My

1 Witness Qualifications Statement is found on Exhibit SWC-1.

2 **Q. HAVE YOU PREVIOUSLY SUBMITTED TESTIMONY BEFORE THE**
3 **ARIZONA CORPORATION COMMISSION ("THE COMMISSION")?**

4 A. No.

5
6 **Q. HAVE YOU PREVIOUSLY SUBMITTED TESTIMONY BEFORE**
7 **OTHER STATE REGULATORY COMMISSIONS?**

8 A. Yes. I have submitted testimony in over 50 proceedings before 28 other utility
9 regulatory commissions and a legislative committee in Missouri. My testimony
10 has addressed topics including cost of service and rate design, ratemaking
11 policy, qualifying facility rates, resource certification, energy
12 efficiency/demand side management, fuel cost adjustment mechanisms,
13 decoupling, the collection of cash earnings on construction work in progress,
14 and telecommunications deregulation.

15
16
17 **Q. HAVE YOU PREPARED EXHIBITS?**

18 A. Yes, I have prepared Exhibit SWC-1, consisting of seven pages, Exhibit SWC-
19 2, consisting of one page, Exhibit SWC-3, consisting of one page, and Exhibit
20 SWC-4, consisting of one page.

21
22 **Q. WHAT IMPACT DOES WALMART HAVE ON THE ARIZONA**
23 **ECONOMY?**

24
25 A. Walmart has a significant positive impact on the Arizona economy. As of July,
26

1 2011, Walmart has 111 facilities and over 29,000 associates in Arizona.

2 Additionally, in fiscal year ending 2011, Walmart spent over \$710 million for
3 merchandise and services with 780 suppliers in Arizona, supporting over
4 42,000 supplier jobs in the state.¹
5

6 **Q. DOES WALMART PROVIDE AN EXAMPLE OF HOW A LARGE**
7 **COMMERCIAL ENERGY CUSTOMER CAN MAKE SUBSTANTIAL**
8 **CONTRIBUTIONS TOWARDS THE GOAL OF DISTRIBUTED**
9 **GENERATION IMPLEMENTATION, RENEWABLE ENERGY, AND**
10 **INCREASED EFFICIENCY IN THE USE OF ENERGY?**
11

12 A. Yes. Walmart has made an operational and financial commitment to
13 environmental stewardship in many aspects of its business, including the
14 installation and use of renewable energy and energy efficiency technologies.
15

16 At the time this testimony will be filed, Walmart will have 227
17 renewable energy projects in the United States completed, under construction,
18 or in permitting. In Arizona, Walmart has 24 renewable energy projects
19 completed, under construction, or in permitting.
20

21 On the energy efficiency side, in 2009, Walmart met its global goal
22 to design and open a viable store prototype that is up to 25 to 30 percent more
23 efficient than a store built in 2005 and produces up to 30 percent fewer
24

25
26

¹ See <http://walmartstores.com/pressroom/StateByState/State.aspx?st=AZ>.

1 greenhouse gas emissions. Additionally, Walmart has a corporate goal to
2 reduce greenhouse gases at our existing stores 20 percent by 2012 and expects
3 to reach this goal, in part, by installing energy-efficient technologies.

4 Walmart's investment in energy efficiency is one of the most significant means
5 towards reaching the company's environmental stewardship goals.
6

7 A. Yes. Walmart has deployed a number of technologies, including:

- 8 1) Our own advanced metering system, which we have installed in over 1,355
9 United States and 375 United Kingdom facilities to date;
10
11 2) Daylight harvesting systems, in which lighting intensity automatically adjusts
12 given the amount of incoming daylight from skylights;
13
14 3) Highly efficient HVAC units that exceeds the most stringent energy code in the
15 United States;
16
17 4) White membrane roofs that lower cooling load;
18
19 5) Heat reclamation from our refrigeration equipment to meet approximately
20 seventy percent of the hot water needs of our Supercenters;
21
22 6) T8 and LED lighting;
23
24 7) Active dehumidification that enables stores to operate at higher temperatures
25 and use less electricity; and
26
27 8) Indirect evaporate cooling and radiant flooring.

Additionally, all of Walmart's United States stores are centrally

1 monitored through an energy management system installed in each facility.

2 Through this system, Walmart has the ability to centrally monitor and control
3 store temperature, lighting, and refrigeration units. This system, in
4 combination with its advanced metering system, also allows Walmart to
5 efficiently implement demand response commands. As a result, Walmart
6 currently participates in at least seventeen utility and ISO/RTO demand
7 response programs nationwide.
8

9
10 **Q. CAN YOU PROVIDE EXAMPLES OF ESTIMATED ENERGY**
11 **SAVINGS FROM SOME OF THE MEASURES LISTED ABOVE?**

12 A. Yes. Each daylight harvesting system is estimated to save an average of
13 800,000 kWh per year and the total energy savings for LED refrigerator case
14 lighting is estimated to be more than 90,000 kWh per year.¹
15

16 In conclusion, based on its experience, Walmart's efforts provide an
17 example of how one large commercial energy customer is already making
18 substantial contributions towards the goals of distributed generation
19 implementation, renewable energy, and increased efficiency in the use of
20 energy.
21

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¹ 2009 Global Sustainability Report, Wal-Mart Stores, Inc., page 33.

Purpose of Testimony

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Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. The purpose of my testimony is to address aspects of the Arizona Public Service Company's ("APS" or "the Company") proposed decoupling and environmental compliance cost mechanisms and return on equity ("ROE"), responding specifically to the testimonies of William E. Avera, Zachary J. Fryer, Charles A. Miessner, Leland R. Snook.

Summary of Recommendations

Q. PLEASE SUMMARIZE YOUR RECOMMENDATIONS.

A. My recommendations to the Commission are as follows:

- 1) At this time, the Commission should, if it approves a decoupling mechanism, exclude the demand-metered General Service schedules from the mechanism due to the equity issues presented by the significant over-collection of revenues from this customer class versus class cost of service per the Company's proposed rates in this docket.
- 2) The Commission should require the Company to explore rate design changes to the demand-metered General Service schedules to improve fixed cost recovery. For example, Walmart supports the Company's proposed changes to Schedule E-32L.

- 1 3) If the Commission determines that demand-metered General Services should
2 be included in the decoupling mechanism, it should:
- 3 a. Require the Company to calculate the mechanism separately for
4 residential and commercial and industrial customers in order to avoid
5 the creation of new shifts in inter-class cost responsibility on top of
6 the shifts already in the rates proposed by APS in this docket.
7
- 8 b. Cap the allowed fixed cost recovery for commercial and industrial
9 customers at the level of fixed cost recovery for those customers
10 were the rates to be set at cost of service, such that the rate of return
11 for those customers would be set at the approved ACC Jurisdictional
12 rate of return. This would protect the Company's earnings up to the
13 level it would have the opportunity to earn per the cost of service
14 study for those customer classes, but not protect any over-earnings.
15
16 Due to the potential rate impacts of an over-recovery credit, the
17
18 Commission could cap the potential credit amount at a modest level.
19
- 20 4) The Commission should reject the ERA as proposed, as the ERA will allow the
21 Company to charge customers for costs, such as those listed in the Company's
22 proposal, that, under traditional ratemaking, the Company would be at risk for
23 until the next general rate case.
24
25
26

1 5) If the Commission determines the proposed EIA and ERA should be approved,
2 it should consider when setting the Company's rate of return the impact of the
3 level of revenue and earnings assurance provided the Company by those
4 mechanisms.

5
6 The fact that an issue is not addressed in this testimony should not be
7 construed as an endorsement of any filed position.

8
9 **Decoupling**

10 **Q. HAS APS PROPOSED A DECOUPLING MECHANISM IN THIS**
11 **DOCKET?**

12
13 A. Yes. APS is proposing to implement the Efficiency and Infrastructure Account
14 ("EIA") mechanism, which is a non-fuel revenue per customer decoupling
15 mechanism. *See* Testimony of Leland R. Snook, page 14, line 1 to line 4.

16 **Q. WHAT IS YOUR UNDERSTANDING OF HOW THE MECHANISM**
17 **WOULD WORK?**

18
19 A. My understanding is that the Company's proposed mechanism will calculate on
20 an *ex-post*, or after the fact, basis, an adjustment based on the comparison of
21 the allowed fixed cost recovery in a given year versus the actual fixed cost
22 recovery in that year. The adjustment would be charged as a percent of total
23 company revenues, and would have an asymmetrical cap, such that the
24 adjustment could result in up to an increase of three percent but would not have
25
26

1 a cap on the amount of resulting decrease. *See* Exhibit LRS-1, page 2 to page
2 3.

3 **Q. WOULD EACH CUSTOMER CLASS BE CHARGED AN**
4 **ADJUSTMENT THAT REFLECTED THE CUSTOMER CLASS-**
5 **SPECIFIC FIXED COST RECOVERY RESULTS?**
6

7 A. No. The annual adjustment would combine the results of all applicable
8 customer classes into a single adjustment. *Id.*, page 7.
9

10 **Q. DO YOU HAVE CONCERNS WITH THE PROPOSED DECOUPLING**
11 **MECHANISM?**

12 A. Yes. I have concerns regarding the structure and applicability of the
13 decoupling mechanism, which I will outline below.
14

15 **Q. WILL YOU ADDRESS THE PROPOSED DECOUPLING MECHANISM**
16 **AS IT IS STRUCTURED AND APPLIED TO ALL RATE CLASSES?**

17 A. No. Walmart takes no position on the structure and applicability of the
18 proposed decoupling mechanism as it relates to the rates of residential or other
19 non-demand-metered customers. I will focus my testimony on the structure
20 and applicability of decoupling for demand-metered General Service
21 customers, specifically customers on demand-metered Schedule E-32 rates.
22

23 **Q. FROM A POLICY PERSPECTIVE, WHAT IS YOUR**
24 **UNDERSTANDING OF THE ROLE OF DECOUPLING**
25
26

1 **MECHANISMS?**

2 A. Decoupling mechanisms are regulatory risk management tools employed to
3 encourage a utility to promote energy efficiency when doing so may have the
4 potential to compromise the utility's ability to earn an authorized rate of return
5 on investments. Utility-implemented measures to improve energy efficiency,
6 mandated through legislation or the regulatory process, if effective, reduce
7 energy consumption and thus reduce energy sales, potentially lowering a
8 utility's revenues and earnings.

9
10
11 **Q. WHAT IS YOUR FIRST CONCERN WITH THE PROPOSED EIA?**

12 A. My first concern is that, instead of looking at decoupling through rate design
13 solutions for demand-metered General Service customers, it has chosen to
14 include those customers in the EIA.

15
16 **Q. GENERALLY, FOR DEMAND-METERED CUSTOMERS, IS**
17 **DECOUPLING THROUGH RATE DESIGN PREFERABLE TO**
18 **DECOUPLING THROUGH A RATE ADJUSTMENT MECHANISM?**

19
20 A. Yes. Decoupling through a rate design approach is preferable for demand-
21 metered customers for two primary reasons. First, the rate design approach
22 allows the Company the opportunity to create rates that reflect the Company's
23 cost of service and correctly account for cost causation. Formulating rates that
24 reflect the cost of service will minimize inter-class and intra-class subsidies and
25
26

1 send correct price signals to customers in addition to decoupling the
2 relationship between earnings and energy sales.

3 **Q. WHAT IS THE SECOND REASON WHY DECOUPLING THROUGH A**
4 **RATE DESIGN MECHANISM IS PREFERABLE TO DECOUPLING**
5 **THROUGH A RATE ADJUSTMENT MECHANISM?**
6

7 A. Rate design is an *ex ante* process – that is, the price for service is set in advance
8 of customer's activities. With *ex ante* ratemaking, customers have the benefit
9 of complete information related to the bill impacts of their renewable energy
10 and energy efficiency efforts. A rate adjustment mechanism is an *ex post*
11 adjustment – that is, the price for service is set after the usage is determined.
12 Additionally, all other factors such as weather and economic conditions being
13 equal, as customers implement more energy efficiency and cause more lost
14 energy sales, the *ex post* rate adjustment increases. For customers that
15 conserve energy, the rate adjustment rider may send a counterintuitive price
16 signal due to increased rates and less bill savings even though substantial
17 efforts were undertaken to reduce energy consumption.
18
19
20

21 **Q. WHAT IS THE PRIMARY RATE DESIGN TECHNIQUE USED TO**
22 **DECOUPLE A UTILITY'S EARNINGS AND ENERGY SALES?**
23

24 A. The primary rate design technique used is the elimination of volumetric energy
25 (per kWh) charges for the collection of fixed, or demand-related, costs, which
26

1 decouples the utility's revenues and earnings from its volume of energy sales as
2 no fixed costs will be collected on a volumetric energy charge basis. These
3 costs are instead collected on the customer charge or demand (kW) charge per
4 the utility's cost of service. Additionally, and more importantly, the
5 elimination of recovery of fixed costs on the energy charge creates rates that
6 reflect the Company's cost of service and correctly account for cost causation
7 principles, eliminating the misallocation of demand cost responsibility that
8 often occurs when fixed costs are collected on energy charges.
9

10
11 **Q. HAS THE COMPANY INDICATED HOW MUCH OF THE FIXED**
12 **COSTS INCURRED TO PROVIDE SERVICE TO COMMERCIAL**
13 **CUSTOMERS ARE COLLECTED THROUGH ENERGY CHARGES?**

14
15 A. Yes. The Company has indicated that, for commercial customers, 66 percent of
16 fixed costs are collected through energy charges. *See* Testimony of Leland R.
17 Snook, page 3, line 16 to line 18. As I will discuss in the cost of service and
18 rate design portion of this docket, this is problematic, especially for high load
19 factor customers.
20

21 **Q. DOES DECOUPLING THROUGH RATE DESIGN ALSO ELIMINATE**
22 **INTER-CLASS REVENUE RESPONSIBILITY ISSUES?**

23
24 A. Yes. Decoupling through rate design does not intermingle customer class
25 revenue responsibilities and, as I will discuss further below, does not continue
26

1 or exacerbate inter-class revenue responsibility issues.

2 **Q. HAS THE COMPANY INDICATED THAT RATE DESIGN IS A TOOL**
3 **THAT WOULD ACHIEVE RESULTS SIMILAR TO THE EIA?**

4 A. Yes. APS has indicated that straight fixed-variable rate design would resolve
5 the Company's potential earnings issues. *See* Testimony of Leland R. Snook,
6 page 8, line 9 to line 13. The Company discusses rate design modifications to
7 Schedule E-34 and Schedule E-35 that could be done to bring those classes
8 closer to a straight fixed-variable rate design if the Commission determines that
9 Schedule E-34 and Schedule E-35 customers should not be included in the
10 EIA. However, for Schedule E-32, the Company has not chosen to decouple
11 revenues via rate design due to different impacts to the customers in the class
12 and instead has proposed to include Schedule E-32 in the EIA. *Id.*, page 18,
13 line 11 to page 19, line 6.

14 **Q. THOUGH THE COMPANY HAS NOT SUGGESTED RATE DESIGN**
15 **AS THE SOLUTION FOR SCHEDULE E-32, ARE THEY PROPOSING**
16 **CHANGES TO SCHEDULE E-32L THAT MOVE IN THE DIRECTION**
17 **OF RECOVERY OF FIXED COSTS ON BASIC SERVICE AND**
18 **DEMAND CHARGES?**

19 A. Yes. APS has proposed a number of changes to the Schedule E-32L charges,
20 including eliminating the first tier energy charge and moving the implicit
21
22
23
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25
26

1 demand cost that was collected in that charge to the demand charge. *See*
2 Testimony of Charles A. Miessner, page 18, line 8 to line 19. As I will discuss
3 more in the cost of service and rate design phase of this docket, Walmart
4 supports the Company's proposed Schedule E-32L rate design as it is a step in
5 the right direction for the collection of fixed costs.
6

7 **Q. WHAT IS YOUR SECOND CONCERN REGARDING THE PROPOSED**
8 **EIA?**

9
10 A. My second concern is the equity of the proposed EIA adjustment given that the
11 General Service class as a whole and Schedule E-32 specifically are already
12 paying rates substantially higher than their cost of service. The Company's
13 proposed rates in this docket would continue that practice.
14

15 **Q. WHY IS THIS A CONCERN?**

16 A. For the General Service class as a whole, the Company's proposed rates will
17 produce a rate of return of 12.43 percent, which is approximately 40 percent
18 above the Company's proposed ACC Jurisdiction rate of return of 8.87 percent.
19 *See Exhibit SWC-2.* As a result, the net operating income for the General
20 Service class is approximately \$76.8 million higher than it would be were
21 revenue to be allocated at the Company's cost of service. *See Exhibit SWC-3.*
22

23 **Q. WHAT AMOUNT OF REVENUE REDUCTION WOULD BE**
24 **REQUIRED TO BRING GENERAL SERVICE TO ITS CLASS COST**
25
26

1 **OF SERVICE?**

2 A. General Service would need a revenue reduction of \$127 million (from APS's
3 proposed rates), or 9.5 percent, to be brought to its class cost of service. *Id.*

4 **Q. ARE THE PROPOSED RATES OF RETURN FOR SCHEDULE E-32**
5 **SIMILAR TO THE GENERAL SERVICE CLASS AS A WHOLE?**

6
7 A. Yes. The Company's cost of service results for Schedule E-32 show rates of
8 return from 36 to over 60 percent higher than they would be were revenue to be
9 allocated on a cost of service basis. *See* Attachment ZJF-3, Schedule GE-2,
10 page 1.

11
12 **Q. ARE YOU CONCERNED THAT THE DECOUPLING CHARGES WILL**
13 **BE INEQUITABLE?**

14
15 A. Yes. The basis for my concern is two-fold.

16 First, the Company's proposed EIA, if adopted, would essentially
17 lock in the over-collection of revenues from customer classes that are paying
18 substantially more than their cost-of-service and potentially expose those
19 customers to additional increases if the Company under-recovers its allowed
20 fixed cost recovery. General Service customers, who as a whole are paying
21 rates 9.5 percent higher than their cost of service, could potentially be exposed
22 to an up-to three percent additional rate increase.

23
24
25 As I will discuss in more detail in the cost of service and rate design
26

1 portion of this docket, this continues the equity issues already included in the
2 Company's proposed rates. Additionally, rates based on cost of service
3 principles would minimize the Company's opportunity to collect earnings from
4 a particular customer class above its ACC Jurisdiction rate of return. Locking-
5 in a level of allowed fixed cost recovery that would result in collection of
6 revenues for a customer class greater than the revenue requirement needed to
7 attain the approved ACC Jurisdiction rate of return would result in unjust and
8 unreasonable rates for that customer class.
9

10
11 Second, because it would charge a single adjustment that would
12 include the under- and over-collection adjustments from all of the customer
13 classes included in the mechanism, the proposed EIA would exacerbate the
14 current equity issues in APS's rates by potentially creating new shifts in inter-
15 class revenue responsibilities, on top of the shifts already in the Company's
16 proposed rates, as revenue collection levels for each customer class differ from
17 the Company's load and revenue forecasts in this docket.
18

19
20 **Q. WHAT ARE YOUR RECOMMENDATIONS TO THE COMMISSION**
21 **ON THE PROPOSED EIA?**

22 A. My recommendations to the Commission on the proposed EIA are:

- 23
24 1) At this time, the Commission should, if it approves a decoupling mechanism,
25 exclude the demand-metered General Service schedules from the mechanism
26

1 due to the equity issues presented by the significant over-collection of revenues
2 from this customer class versus class cost of service per the Company's
3 proposed rates in this docket.

4 2) The Commission should require the Company to explore rate design changes
5 to the demand-metered General Service schedules to improve fixed cost
6 recovery. For example, Walmart supports the Company's proposed changes to
7 E-32L.
8

9 3) If the Commission determines that demand-metered General Services should be
10 included in the decoupling mechanism, it should:
11

12 a. Require the Company to calculate the mechanism separately for
13 residential and commercial and industrial customers in order to avoid
14 the creation of new shifts in inter-class cost responsibility on top of
15 the shifts already in the rates proposed by APS in this docket.
16

17 b. Cap the allowed fixed cost recovery for commercial and industrial
18 customers at the level of fixed cost recovery for those customers
19 were the rates to be set at cost of service, such that the rate of return
20 for those customers would be set at the approved ACC Jurisdictional
21 rate of return. This would protect the Company's earnings up to the
22 level it would have the opportunity to earn per the cost of service
23 study for those customer classes, but not protect any over-earnings.
24
25
26

1 Due to the potential rate impacts of an over-recovery credit, the
2 Commission could cap the potential credit amount at a modest level.
3

4 **Environmental and Reliability Account**

5 **Q. WHAT IS YOUR UNDERSTANDING OF THE COMPANY'S**
6 **PROPOSED ERA?**

7
8 A. My understanding of the Company's proposed ERA is that it would enable the
9 Company to recover via a rider the revenue requirements associated with
10 environmental improvement projects necessary for compliance with current or
11 prospective federal, state, tribal, or local laws and regulations. Additionally,
12 the Company is proposing to include generation plant capacity acquisitions or
13 additions. *See* Testimony of Leland R. Snook, page 24, line 16 to line 20.
14

15 **Q. HOW DOES THE COMPANY PROPOSE TO ALLOCATE AND**
16 **CHARGE THE ERA REVENUE REQUIREMENT THROUGH RATES?**

17
18 A. The Company proposes to allocate and charge the ERA on an equal percentage
19 basis. *Id.*, page 28, line 1 to line 6.

20 **Q. DO YOU HAVE CONCERNS WITH THE PROPOSED ERA?**

21
22 A. Yes. I am concerned that the ERA will allow the Company to charge
23 customers for costs, such as those listed in the Company's proposal, that, under
24 traditional ratemaking, the Company would be at risk for until the next general
25 rate case. Additionally, it is not clear if the Company would be allowed to
26

1 include construction work in progress ("CWIP") for assets not yet used and
2 useful in the mechanism.

3 **Q. WHAT IS YOUR RECOMMENDATION ON THIS ISSUE?**

4 A. The Commission should reject the ERA as proposed. Additionally, as I discuss
5 below, if the Commission does approve the ERA, it should consider the impact
6 of the level of revenue assurance provided the Company by the ERA on the
7 approved ROE in this docket.
8

9
10 **Return on Equity**

11 **Q. DOES APS PROPOSE AN ADJUSTMENT TO ITS ROE IN THIS**
12 **DOCKET TO REFLECT THE IMPACTS OF IMPLEMENTATION OF**
13 **THE PROPOSED EIA AND ERA?**

14
15 A. No. Company witness Avera concludes that the addition of the proposed EIA
16 and ERA, though they "support the Company's financial integrity and credit
17 ratings," does not justify an adjustment to his ROE recommendation. *See*
18 *Testimony of William E. Avera, page 76, line 7 to line 10.*

19
20 **Q. WHAT IS THE COMPANY'S PROPOSED ROE IN THIS DOCKET?**

21 A. The Company has proposed an ROE of 11 percent. *See* Schedule D-4.

22
23 **Q. HAVE COMMISSIONS IN OTHER JURISDICTIONS MADE ROE**
24 **ADJUSTMENTS DUE TO THE IMPLEMENTATION OF**
25 **DECOUPLING MECHANISMS?**
26

1 A. Yes. Other jurisdictions have made specific ROE adjustments due to the
2 implementation of decoupling mechanisms:

- 3
- 4 • The Public Utility Commission of Oregon, in approving a decoupling
5 mechanism for Portland General Electric, reduced the utility's
6 authorized ROE by 10 basis points to "reflect the reduction in the
7 Company's risk."¹
 - 8 • The Montana Public Service Commission stated that adoption of
9 NorthWestern Energy's mechanism will shift risk from the utility to its
10 customers, and reduced the utility's ROE by 25 basis points.²
 - 11 • The Maryland Public Service Commission, in approving a Bill
12 Stabilization Adjustment mechanism for Potomac Edison, recognized
13 that the mechanism "reduces risk and therefore reduces the Company's
14 cost of capital," and, therefore, reduced the utility's ROE by 50 basis
15 points.³

16
17
18
19 Additionally, Commissions in other jurisdictions have accounted for
20 decoupling mechanisms in setting the utility's ROE but did not provide a
21

22
23 ¹ See *In the Matter of PORTLAND GENERAL ELECTRIC COMPANY, Request for a general rate revision*, Public
Utility Commission of Oregon Order 09-020, January 22, 2009, Docket UE 197, page 29.

24 ² See *In the Matter of NorthWestern Energy's Application for Approval for Authority to Establish Increased Natural
Gas and Electric Delivery Service Rates*, Montana Public Service Commission Order No. 7046h, December 9, 2010,
Docket No. D2009.9.129, page 60.

25 ³ See *In the Matter of the Application of Potomac Electric Power Company to Revise its Rates and Charges for
Electric Service and for Certain Rate Design Changes*, Maryland Public Service Commission Order No. 81517, July
26 19, 2007, Case No. 9092, page 81.

1 specific adjustment in their orders:

- 2
- 3 • The Hawaii Public Utilities took into account the approval of a
4 decoupling mechanism in their setting of the ROE for Hawaiian Electric
5 Company.¹
 - 6 • For Western Massachusetts Electric Company, the Massachusetts
7 Department of Public Utilities found that “the revenue decoupling
8 mechanism that we have approved in this case will reduce the variability
9 of the Company’s revenues and, accordingly, reduce its risks and its
10 investors’ return requirement” and would “examine the specific risk
11 profile of the Company and the specific features of the revenue
12 decoupling proposal we are approving today to arrive at the appropriate
13 determination of the effect on risk on WMECo’s required ROE.”²
 - 14 • The Connecticut Department of Public Utility Control stated in its final
15 order for the 2008 United Illuminating general rate case that “The
16 implementation of a decoupling mechanism further mitigates the
17
18
19
20
21
22

23
24 ¹ See *In the Matter of the Application of Hawaiian Electric Company, Inc. for Approval of Rate Increases and*
25 *Revised Rate Schedules and Rules*, Hawaii Public Utilities Commission December 29, 2010, Final Decision and
26 Order, Docket No. 2008-0083, page 42.

² See *Petition of Western Massachusetts Electric Company, pursuant to G.L.c. 164, § 94 and 220 C.M.R. §§ 5.00 et*
seq. for Approval of a General Increase in Electric Distribution Rates and a Revenue Decoupling Mechanism,
Massachusetts Department of Public Utilities January 31, 2011, Order, D.P.U. 10-70, page 283 to 284.

1 earnings pressure of the Company having the impact of reducing the
2 overall risk profile of UI.”¹

3 **Q. DOES THE COMPANY STATE THAT THERE ARE MULTIPLE**
4 **UTILITIES IN WITNESS AVERA’S PEER GROUP THAT HAVE**
5 **BOTH DECOUPLING AND AN ROE IN EXCESS OF THE PROPOSED**
6 **ROE IN THIS DOCKET?**

7
8 A. Yes. The Company states that Witness Avera has found that there are multiple
9 utilities in the peer group that have both decoupling and an ROE higher than
10 that proposed by APS in this docket. *See* Testimony of Leland R. Snook, page
11 23, line 2 to line 5 and Attachment WEA-11. However, an examination of the
12 most recent approved ROEs for retail utility companies owned by the proxy
13 group companies identified as having decoupling mechanisms shows that
14 “multiple utilities” is an overstatement.
15

16
17 **Q. WHAT DID YOU FIND IN YOUR EXAMINATION OF THE PROXY**
18 **GROUP COMPANY-OWNED RETAIL UTILITIES?**

19
20 A. I examined twelve retail utilities owned by the proxy group companies that
21 were identified as having decoupling mechanisms. Of the twelve utilities, ten
22 have an approved ROE less than the Company’s proposed ROE, with a range
23 of 9.83 percent to 10.7 percent. The only exceptions are the two California
24

25
26 ¹ *See Application of the United Illuminating Company to Increase its Rates and Charges, Connecticut Department of*

1 utilities included in the examination. The average ROE of the twelve utilities is
2 10.38, 62 basis points lower than the Company's proposed ROE in this docket.
3 *See* Exhibit SWC-4.

4 **Q. DO YOU HAVE A SPECIFIC RECOMMENDATION AS TO AN**
5 **APPROPRIATE ROE ADJUSTMENT IF THE COMMISSION**
6 **DETERMINES THE EIA AND ERA SHOULD BE APPROVED?**

7
8 A. No. I recommend that, if the Commission determines the proposed EIA and
9 ERA should be approved, it should consider when setting the Company's rate
10 of return the impact of the level of revenue and earnings assurance provided the
11 Company by those mechanisms.
12

13 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

14
15 A. Yes.
16
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18
19
20
21
22
23
24
25
26

Steve W. Chriss

Senior Manager, Energy Regulatory Analysis

Wal-Mart Stores, Inc.

Business Address: 2001 SE 10th Street, Bentonville, AR, 72716-0550

Business Phone: (479) 204-1594

EXPERIENCE

July 2007 – Present

Wal-Mart Stores, Inc., Bentonville, AR

Senior Manager, Energy Regulatory Analysis (June 2011 – Present)

Manager, State Rate Proceedings (July 2007 – June 2011)

June 2003 – July 2007

Public Utility Commission of Oregon, Salem, OR

Senior Utility Analyst (February 2006 – July 2007)

Economist (June 2003 – February 2006)

January 2003 - May 2003

North Harris College, Houston, TX

Adjunct Instructor, Microeconomics

June 2001 - March 2003

Econ One Research, Inc., Houston, TX

Senior Analyst (October 2002 – March 2003)

Analyst (June 2001 – October 2002)

EDUCATION

2001

Louisiana State University

M.S., Agricultural Economics

1997-1998

University of Florida

Graduate Coursework, Agricultural Education and Communication

1997

Texas A&M University

B.S., Agricultural Development

B.S., Horticulture

TESTIMONY

2011

Oklahoma Corporation Commission Cause No. PUD 201100087: In the Matter of the Application of Oklahoma Gas and Electric Company for an Order of the Commission Authorizing Applicant to Modify its Rates, Charges, and Tariffs for Retail Electric Service in Oklahoma.

South Carolina Public Service Commission Docket No. 2011-271-E: Application of Duke Energy Carolinas, LLC for Authority to Adjust and Increase its Electric Rates and Charges.

Pennsylvania Public Utility Commission Docket No. P-2011-2256365: Petition of PPL Electric Utilities Corporation for Approval to Implement Reconciliation Rider for Default Supply Service.

North Carolina Utilities Commission Docket No. E-7, Sub 989: In the Matter of Application of Duke Energy Carolinas, LLC for Adjustment of Rates and Charges Applicable to Electric Service in North Carolina.

Florida Public Service Commission Docket No. 110138: In Re: Petition for Increase in Rates by Gulf Power Company.

Wal-Mart Stores, Inc. and Sam's West, Inc.
Exhibit SWC-1
Arizona Docket E-01345A-11-0224

Public Utilities Commission of Nevada Docket No. 11-06006: In the Matter of the Application of Nevada Power Company, filed pursuant to NRS 704.110(3) for authority to increase its annual revenue requirement for general rates charged to all classes of customers to recover the costs of constructing the Harry Allen Combined Cycle plant and other generating, transmission, and distribution plant additions, to reflect changes in the cost of capital, depreciation rates and cost of service, and for relief properly related thereto.

North Carolina Utilities Commission Docket Nos. E-2, Sub 998 and E-7, Sub 986: In the Matter of the Application of Duke Energy Corporation and Progress Energy, Inc., to Engage in a Business Combination Transaction and to Address Regulatory Conditions and Codes of Conduct.

Public Utilities Commission of Ohio Case Nos. 11-346-EL-SSO, 11-348-EL-SSO, 11-349-EL-AAM, and 11-350-EL-AAM: In the Matter of the Application of Columbus Southern Power Company and Ohio Power Company for Authority to Establish a Standard Service Offer Pursuant to Section 4928.143, Revised Code, in the Form on an Electric Security Plan and In the Matter of the Application of Columbus Southern Power Company and Ohio Power Company for Approval of Certain Accounting Authority.

Virginia State Corporation Commission Case No. PUE-2011-00037: In the Matter of Appalachian Power Company for a 2011 Biennial Review of the Rates, Terms, and Conditions for the Provision of Generation, Distribution, and Transmission Services Pursuant to § 56-585.1 A of the Code of Virginia.

Illinois Commerce Commission Docket No. 11-0279 and 11-0282 (cons.): Ameren Illinois Company Proposed General Increase in Electric Delivery Service and Ameren Illinois Company Proposed General Increase in Gas Delivery Service.

Virginia State Corporation Commission Case No. PUE-2011-00045: Application of Virginia Electric and Power Company to Revise its Fuel Factor Pursuant to § 56-249.6 of the Code of Virginia.

Utah Public Service Commission Docket No. 10-035-124: 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.

Maryland Public Utilities Commission Case No. 9249: In the Matter of the Application of Delmarva Power & Light for an Increase in its Retail Rates for the Distribution of Electric Energy.

Minnesota Public Utilities Commission Docket No. E002/GR-10-971: In the Matter of the Application of Northern States Power Company d/b/a Xcel Energy for Authority to Increase Rates for Electric Service in Minnesota.

Michigan Public Service Commission Case No. U-16472: In the Matter of the Detroit Edison Company for Authority to Increase its Rates, Amend its Rate Schedules and Rules Governing the Distribution and Supply of Electric Energy, and for Miscellaneous Accounting Authority.

Regarding Missouri Senate Bills 50, 321, 359, and 406: Testimony Before the Missouri Senate Veterans' Affairs, Emerging Issues, Pensions, and Urban Affairs Committee, March 9, 2011.

2010

Public Utilities Commission of Ohio Docket No. 10-2586-EL-SSO: In the Matter of the Application of Duke Energy Ohio for Approval of a Market Rate Offer to Conduct a Competitive Bidding Process for Standard Service Offer Electric Generation Supply, Accounting Modifications, and Tariffs for Generation Service.

Wal-Mart Stores, Inc. and Sam's West, Inc.
Exhibit SWC-1
Arizona Docket E-01345A-11-0224

Colorado Public Utilities Commission Docket No. 10A-554EG: In the Matter of the Application of Public Service Company of Colorado for Approval of a Number of Strategic Issues Relating to its DSM Plan, Including Long-Term Electric Energy Savings Goals, and Incentives.

Public Service Commission of West Virginia Case No. 10-0699-E-42T: Appalachian Power Company and Wheeling Power Company Rule 42T Application to Increase Electric Rates.

Oklahoma Corporation Commission Cause No. PUD 201000050: Application of Public Service Company of Oklahoma, an Oklahoma Corporation, for an Adjustment in its Rates and Charges and Terms and Conditions of Service for Electric Service in the State of Oklahoma.

Georgia Public Service Commission Docket No. 31958-U: In Re: Georgia Power Company's 2010 Rate Case.

Washington Utilities and Transportation Commission Docket No. 100749: 2010 Pacific Power & Light Company General Rate Case.

Colorado Public Utilities Commission Docket No. 10M-254E: In the Matter of Commission Consideration of Black Hills Energy's Plan in Compliance with House Bill 10-1365, "Clean Air-Clean Jobs Act."

Colorado Public Utilities Commission Docket No. 10M-245E: In the Matter of Commission Consideration of Public Service Company of Colorado Plan in Compliance with House Bill 10-1365, "Clean Air-Clean Jobs Act."

Public Service Commission of Utah Docket No. 09-035-15 *Phase II*: In the Matter of the Application of Rocky Mountain Power for Approval of its Proposed Energy Cost Adjustment Mechanism.

Public Utility Commission of Oregon Docket No. UE 217: In the Matter of PACIFICORP, dba PACIFIC POWER Request for a General Rate Revision.

Mississippi Public Service Commission Docket No. 2010-AD-57: In Re: Proposal of the Mississippi Public Service Commission to Possibly Amend Certain Rules of Practice and Procedure.

Indiana Utility Regulatory Commission Cause No. 43374: Verified Petition of Duke Energy Indiana, Inc. Requesting the Indiana Utility Regulatory Commission to Approve an Alternative Regulatory Plan Pursuant to Ind. Code § 8-1-2.5-1, *ET SEQ.*, for the Offering of Energy Efficiency Conservation, Demand Response, and Demand-Side Management Programs and Associated Rate Treatment Including Incentives Pursuant to a Revised Standard Contract Rider No. 66 in Accordance with Ind. Code §§ 8-1-2.5-1 *ET SEQ.* and 8-1-2-42 (a); Authority to Defer Program Costs Associated with its Energy Efficiency Portfolio of Programs; Authority to Implement New and Enhanced Energy Efficiency Programs, Including the Powershare® Program in its Energy Efficiency Portfolio of Programs; and Approval of a Modification of the Fuel Adjustment Clause Earnings and Expense Tests.

Public Utility Commission of Texas Docket No. 37744: Application of Entergy Texas, Inc. for Authority to Change Rates and to Reconcile Fuel Costs.

South Carolina Public Service Commission Docket No. 2009-489-E: Application of South Carolina Electric & Gas Company for Adjustments and Increases in Electric Rate Schedules and Tariffs.

Wal-Mart Stores, Inc. and Sam's West, Inc.
Exhibit SWC-1
Arizona Docket E-01345A-11-0224

Kentucky Public Service Commission Case No. 2009-00459: In the Matter of General Adjustments in Electric Rates of Kentucky Power Company.

Virginia State Corporation Commission Case No. PUE-2009-00125: For acquisition of natural gas facilities Pursuant to § 56-265.4:5 B of the Virginia Code.

Arkansas Public Service Commission Docket No. 10-010-U: In the Matter of a Notice of Inquiry Into Energy Efficiency.

Connecticut Department of Public Utility Control Docket No. 09-12-05: Application of the Connecticut Light and Power Company to Amend its Rate Schedules.

Arkansas Public Service Commission Docket No. 09-084-U: In the Matter of the Application of Entergy Arkansas, Inc. For Approval of Changes in Rates for Retail Electric Service.

Missouri Public Service Commission Docket No. ER-2010-0036: In the Matter of Union Electric Company d/b/a AmerenUE for Authority to File Tariffs Increasing Rates for Electric Service Provided to Customers in the Company's Missouri Service Area.

Public Service Commission of Delaware Docket No. 09-414: In the Matter of the Application of Delmarva Power & Light Company for an Increase in Electric Base Rates and Miscellaneous Tariff Charges.

2009

Virginia State Corporation Commission Case No. PUE-2009-00030: In the Matter of Appalachian Power Company for a Statutory Review of the Rates, Terms, and Conditions for the Provision of Generation, Distribution, and Transmission Services Pursuant to § 56-585.1 A of the Code of Virginia.

Public Service Commission of Utah Docket No. 09-035-15 *Phase I*: In the Matter of the Application of Rocky Mountain Power for Approval of its Proposed Energy Cost Adjustment Mechanism.

Public Service Commission of Utah Docket No. 09-035-23: 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.

Colorado Public Utilities Commission Docket No. 09AL-299E: Re: The Tariff Sheets Filed by Public Service Company of Colorado with Advice Letter No. 1535 – Electric.

Arkansas Public Service Commission Docket No. 09-008-U: In the Matter of the Application of Southwestern Electric Power Company for Approval of a General Change in Rates and Tariffs.

Oklahoma Corporation Commission Docket No. PUD 200800398: In the Matter of the Application of Oklahoma Gas and Electric Company for an Order of the Commission Authorizing Applicant to Modify its Rates, Charges, and Tariffs for Retail Electric Service in Oklahoma.

Public Utilities Commission of Nevada Docket No. 08-12002: In the Matter of the Application by Nevada Power Company d/b/a NV Energy, filed pursuant to NRS §704.110(3) and NRS §704.110(4) for authority to increase its annual revenue requirement for general rates charged to all classes of customers, begin to recover the costs of acquiring the Bighorn Power Plant, constructing the Clark Peakers, Environmental Retrofits and other generating, transmission and distribution plant additions, to reflect changes in cost of service and for relief properly related thereto.

Wal-Mart Stores, Inc. and Sam's West, Inc.
Exhibit SWC-1
Arizona Docket E-01345A-11-0224

New Mexico Public Regulation Commission Case No. 08-00024-UT: In the Matter of a Rulemaking to Revise NMPRC Rule 17.7.2 NMAC to Implement the Efficient Use of Energy Act.

Indiana Utility Regulatory Commission Cause No. 43580: Investigation by the Indiana Utility Regulatory Commission, of Smart Grid Investments and Smart Grid Information Issues Contained in 111(d) of the Public Utility Regulatory Policies Act of 1978 (16 U.S.C. § 2621(d)), as Amended by the Energy Independence and Security Act of 2007.

Louisiana Public Service Commission Docket No. U-30192 *Phase II (February 2009)*: Ex Parte, Application of Entergy Louisiana, LLC for Approval to Repower Little Gypsy Unit 3 Electric Generating Facility and for Authority to Commence Construction and for Certain Cost Protection and Cost Recovery.

South Carolina Public Service Commission Docket No. 2008-251-E: In the Matter of Progress Energy Carolinas, Inc.'s Application For the Establishment of Procedures to Encourage Investment in Energy Efficient Technologies; Energy Conservation Programs; And Incentives and Cost Recovery for Such Programs.

2008

Colorado Public Utilities Commission Docket No. 08A-366EG: In the Matter of the Application of Public Service Company of Colorado for approval of its electric and natural gas demand-side management (DSM) plan for calendar years 2009 and 2010 and to change its electric and gas DSM cost adjustment rates effective January 1, 2009, and for related waivers and authorizations.

Public Service Commission of Utah Docket No. 07-035-93: 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.

Indiana Utility Regulatory Commission Cause No. 43374: Petition of Duke Energy Indiana, Inc. Requesting the Indiana Utility Regulatory Commission Approve an Alternative Regulatory Plan for the Offering of Energy Efficiency, Conservation, Demand Response, and Demand-Side Management.

Public Utilities Commission of Nevada Docket No. 07-12001: In the Matter of the Application of Sierra Pacific Power Company for authority to increase its general rates charged to all classes of electric customers to reflect an increase in annual revenue requirement and for relief properly related thereto.

Louisiana Public Service Commission Docket No. U-30192 *Phase II*: Ex Parte, Application of Entergy Louisiana, LLC for Approval to Repower Little Gypsy Unit 3 Electric Generating Facility and for Authority to Commence Construction and for Certain Cost Protection and Cost Recovery.

Colorado Public Utilities Commission Docket No. 07A-420E: In the Matter of the Application of Public Service Company of Colorado For Authority to Implement and Enhanced Demand Side Management Cost Adjustment Mechanism to Include Current Cost Recovery and Incentives.

2007

Louisiana Public Service Commission Docket No. U-30192: Ex Parte, Application of Entergy Louisiana, LLC for Approval to Repower Little Gypsy Unit 3 Electric Generating Facility and for Authority to Commence Construction and for Certain Cost Protection and Cost Recovery.

Public Utility Commission of Oregon Docket No. UG 173: In the Matter of PUBLIC UTILITY COMMISSION OF OREGON Staff Request to Open an Investigation into the Earnings of Cascade Natural Gas.

2006

Public Utility Commission of Oregon Docket No. UE 180/UE 181/UE 184: In the Matter of PORTLAND GENERAL ELECTRIC COMPANY Request for a General Rate Revision.

Public Utility Commission of Oregon Docket No. UE 179: In the Matter of PACIFICORP, dba PACIFIC POWER AND LIGHT COMPANY Request for a general rate increase in the company's Oregon annual revenues.

Public Utility Commission of Oregon Docket No. UM 1129 *Phase II*: Investigation Related to Electric Utility Purchases From Qualifying Facilities.

2005

Public Utility Commission of Oregon Docket No. UM 1129 *Phase I Compliance*: Investigation Related to Electric Utility Purchases From Qualifying Facilities.

Public Utility Commission of Oregon Docket No. UX 29: In the Matter of QWEST CORPORATION Petition to Exempt from Regulation Qwest's Switched Business Services.

2004

Public Utility Commission of Oregon Docket No. UM 1129 *Phase I*: Investigation Related to Electric Utility Purchases From Qualifying Facilities.

ENERGY INDUSTRY PUBLICATIONS AND PRESENTATIONS

Panelist, Customer Panel, Virginia State Bar 29th National Regulatory Conference, Williamsburg, Virginia, May 19, 2011.

Chriss, S. (2006). "Regulatory Incentives and Natural Gas Purchasing – Lessons from the Oregon Natural Gas Procurement Study." Presented at the 19th Annual Western Conference, Center for Research in Regulated Industries Advanced Workshop in Regulation and Competition, Monterey, California, June 29, 2006.

Chriss, S. (2005). "Public Utility Commission of Oregon Natural Gas Procurement Study." Public Utility Commission of Oregon, Salem, OR. Report published in June, 2005. Presented to the Public Utility Commission of Oregon at a special public meeting on August 1, 2005.

Chriss, S. and M. Radler (2003). "Report from Houston: Conference on Energy Deregulation and Restructuring." USAEE Dialogue, Vol. 11, No. 1, March, 2003.

Chriss, S., M. Dwyer, and B. Pulliam (2002). "Impacts of Lifting the Ban on ANS Exports on West Coast Crude Oil Prices: A Reconsideration of the Evidence." Presented at the 22nd USAEE/IAEE North American Conference, Vancouver, BC, Canada, October 6-8, 2002.

Contributed to chapter on power marketing: "Power System Operations and Electricity Markets," Fred I. Denny and David E. Dismukes, authors. Published by CRC Press, June 2002.

Contributed to "Moving to the Front Lines: The Economic Impact of the Independent Power Plant Development in Louisiana," David E. Dismukes, author. Published by the Louisiana State University Center for Energy Studies, October 2001.

Wal-Mart Stores, Inc. and Sam's West, Inc.

Exhibit SWC-1

Arizona Docket E-01345A-11-0224

Dismukes, D.E., D.V. Mesyanzhinov, E.A. Downer, S. Chriss, and J.M. Burke (2001). "Alaska Natural Gas In-State Demand Study." Anchorage: Alaska Department of Natural Resources.

(1)	Proposed General Service Rate of Return	12.43%
(2)	Proposed Total ACC Jurisdiction Rate of Return	8.87%
(3)	(1) / (2) Relative Rate of Return	1.40

Source: Schedule G-2, page 1

		Total ACC Jurisdiction		
(1)	(%)	Proposed Rate of Return		8.87%
 General Service <hr/>				
<i>Proposed</i>				
(2)	(\$000)	Rate Base	\$	2,159,417
(3)	(%)	Rate of Return		12.43%
(4)	(\$000)	(2) * (3) Net Operating Income	\$	268,416
 <i>At Proposed Total ACC Jurisdiction</i>				
(5)	(%)	= (1) Rate of Return		8.87%
(6)	(\$000)	(2) * (5) Net Operating Income	\$	191,540
(7)	(\$000)	(6) - (4) Difference	\$	(76,875)
(8)		Revenue Conversion Factor		1.6532
(9)	(\$000)	(7) * (8) Over-collection Revenue Requirement	\$	(127,090)
(10)	(\$000)	Revenues from Present Rates	\$	1,342,599
(11)	(%)	(9) / (10) Revenue Neutral Rate Change Required For Cost of Service		-9.5%

Wal-Mart Stores, Inc. and Sam's West, Inc.
 Exhibit SWC-4
 Arizona Docket E-01345A-11-0224

Proxy Group Company	Regulated Utility	Most Recent Approved ROE	Docket	Final Order Date
CenterPoint Energy	CenterPoint Electric Delivery Company	10.00	TX 38339	May 12, 2011
CMS Energy	Consumers Energy Company	10.70	MI U-16191	November 4, 2010
Constellation Energy	Baltimore Gas and Electric Company	9.86	MD 9230	December 6, 2010
DTE Energy Co.	The Detroit Edison Company	10.50	MI U-16472	October 20, 2011
Edison International	Southern California Edison Company	11.50	CA 07-05-003	December 21, 2007
Hawaiian Electric	Hawaiian Electric Company, Inc.	10.00	HI 2008-0083	December 29, 2010
IDACORP, Inc.	Idaho Power Company	10.50	ID IPC-E-08-10	January 30, 2009
Integrus Energy Group	Wisconsin Public Service Corporation	10.30	WI 6690-UR-120	January 13, 2011
Pepco Holdings ¹	Delmarva Power & Light Company	10.00	MD 9192 ²	December 30, 2009
	Potomac Edison Power Company	9.83	MD 9217	August 6, 2010
PG&E Corp.	Pacific Gas and Electric Company	11.35	CA 07-05-003	December 21, 2007
Portland General Electric	Portland General Electric Company	10.00	OR UE 215	December 17, 2010
Average		10.38		

Footnotes:

1) Pepco Holdings has two regulated utilities that have revenue decoupling mechanisms, Delmarva Power & Light Company and Potomac Electric Power Company in Maryland, and two that do not, Delmarva Power & Light Company in Delaware and Atlantic City Electric in New Jersey

2) The most recent Delmarva Power & Light Company rate case (MD 9249) was settled and the stipulation continued the use of the ROE approved in MD 9192