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FAX

FILE

# BEFORE
## THE PUBLIC UTILITIES COMMISSION OF OHIO

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| 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 of an Electric Security Plan. | ) | Case No. 11-346-EL-SSO<br>Case No. 11-348-EL-SSO |
| In the Matter of the Application of Columbus Southern Power Company and Ohio Power Company for Approval of Certain Accounting Authority. | ) | Case No. 11-349-EL-AAM<br>Case No. 11-350-EL-AAM |

**DIRECT TESTIMONY OF**

**STEVE W. CHRISS**

**ON BEHALF OF**

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



Dated: July 25, 2011

**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 Stores East, LP and Sam's East, Inc. (collectively "Walmart").

**Q. PLEASE DESCRIBE YOUR EDUCATION AND EXPERIENCE.**

A. In 2001, I completed a Masters 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 Witness Qualifications Statement is found on Exhibit SWC-1.

**Q. HAVE YOU PREVIOUSLY SUBMITTED TESTIMONY BEFORE THE PUBLIC UTILITIES COMMISSION OF OHIO ("PUCO" OR "COMMISSION")?**

A. Yes. I submitted testimony in docket 10-2586-EL-SSO.

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

A. Yes. I have submitted testimony before utility regulatory commissions in Arkansas, Colorado, Connecticut, Delaware, Georgia, Illinois, Indiana, Kentucky, Louisiana, Maryland, Michigan, Minnesota, Mississippi, Missouri, Nevada, New Mexico, Oklahoma, Oregon, South Carolina, Texas, Utah, Washington, and West Virginia and a legislative committee in Missouri. My testimony has addressed topics including cost of service and rate design, qualifying facility rates, telecommunications deregulation, resource certification, energy efficiency/demand side management, fuel cost adjustment mechanisms, decoupling, and the collection of cash earnings on construction work in progress.

**Q. HAVE YOU PREPARED EXHIBITS?**

A. Yes. I have prepared Exhibit SWC-1, consisting of six pages.

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

A. The purpose of my testimony is address issues related to the standard service offer ("SSO") through an electric security plan ("ESP") proposed in the application of Columbus Southern Power Company and Ohio Power Company ("AEP-Ohio" or "the Company"). Specifically, I respond to the testimonies of Joseph Hamrock, Thomas L. Kirkpatrick, Andrea E. Moore, Philip J. Nelson, David M. Roush, and Laura J. Thomas.

**Q. PLEASE SUMMARIZE YOUR RECOMMENDATIONS TO THE COMMISSION.**

A. My recommendations to the Commission are as follows:

1) Generally, it is appropriate for any generation-related riders to be bypassable by customers who take competitive supply service. The price paid to the supplier by customers taking competitive supply includes the cost of power and the cost of procurement for that power, compliance costs, and other underlying operating costs. Charging competitively supplied customers for any part of AEP-Ohio's generation-related costs misaligns cost causation and cost responsibility, results in inequitable rates as those customers will pay a cost for which they will receive no benefit, and can result in double payment of costs, such as compliance costs, that are incurred by AEP-Ohio to serve their SSO customers and likewise incurred by competitive suppliers to serve their respective customers. Additionally, this cost misalignment moves generation rates for the Company's SSO customers and competitively supplied customers away from the respective cost of service for each, and does not provide

for rates that reflect cost causation, send proper price signals, and minimize price distortions.

2) Generally, for any approved ESP component riders that collect revenues related to the Company's fixed costs, the Commission should require the rate design for demand-metered customers reflect the fixed nature of the costs.

3) The Commission should continue to allow competitively supplied customers the option to avoid the Provider of Last Resort ("POLR") charge if they agree to pay the market price of power if they return to Company supply service.

4) If the Commission approves the continuation of the Environmental Investment Carrying Cost Rider ("EICCR") rider, it should (a) reject the Company's request for the EICCR to be non-bypassable and continue the rider's current status as bypassable and (b) if the Commission approves the inclusion of O&M costs, continue the rider's current rate design, in which the rate is set as a percentage of the customer's non-fuel generation charges, and if not, it should charge the rider for demand-metered customers on a demand (per kW) basis.

5) If the Commission approves a Generation Resource Rider ("GRR") mechanism, it should determine that the rider be bypassable.

6) The Commission should reject the Market Transition Rider ("MTR"). If the Commission determines implementation of the MTR is appropriate, it should determine that the rider be bypassable.

7) If the Commission approves the Facilities Closure Cost Recovery Rider ("FCRR") rider, it should (a) reject the Company's request for the FCRR to be non-bypassable and determine that the rider be bypassable and (b) charge the rider for demand-metered customers on a demand (per kW) basis.

8) The Commission should reject the Generation NERC Compliance Cost Recovery Rider ("NERCR").

9) The Commission should reject the Company's request for the Carbon Capture and Sequestration Rider ("CCSR") to be non-bypassable and, if the Commission determines it should be approved, determine that the Rider is bypassable.

10)The Commission should remove the DIR from consideration in this case and consider the Company's proposal solely in AEP-Ohio's current distribution rate case.

The fact that an issue is not addressed should not be construed as an endorsement of any filed position.

**Q. WHAT IS YOUR GENERAL UNDERSTANDING OF AEP-OHIO'S ESP PROPOSAL?**

A. My general understanding of AEP-Ohio's ESP proposal is that as of January 1, 2012, through May 31, 2014, for customers who do not take supply from competitive suppliers, the Company's SSO, or the generation portion of rates, will be based on the proposals in the Company's filing pursuant to §§ 4928.141 and 4928.143 of the Ohio Revised Code. While I am not an attorney, my understanding is that § 4928.143 provides for a broad array of utility costs to be considered as part of an ESP proposal.

**Q. WHAT IS YOUR UNDERSTANDING OF THE COMPANY'S PROPOSED "FRAMEWORK" OF RATES IN THIS CASE?**

A. My understanding of the proposed framework of rates is that the Company is proposing to continue or modify the following rate riders:

- Fuel Adjustment Clause ("FAC");
- Provider of Last Resort option ("POLR");
- Environmental Investment Carrying Cost Rider ("EICCR");
- Transmission Cost Recovery Rider ("TCRR");
- Economic Development Rider ("EDR");
- Energy Efficiency and Peak Demand Response Rider ("EE/PDR");
- gridSMART® Rider; and
- Enhanced Service Reliability Rider ("ESRR").

Additionally, the Company proposes the following new rate riders:

- Generation Resource Rider ("GRR");
- Alternative Energy Rider ("AER");
- Standard Offer Generation Service Rider ("GSR");
- Market Transition Rider ("MTR");
- Distribution Investment Rider ("DIR");
- Generation NERC Compliance Cost Recovery Rider ("NERCR");
- Phase-In Recovery Rider ("PIRR");
- Facilities Closure Cost Recovery Rider ("FCRR");
- Green Power Portfolio Rider ("GPPR");
- Carbon Capture and Sequestration Rider ("CCSR");
- Rate Security Rider ("RSR");
- A storm damage recovery mechanism; and
- A plug-in vehicle tariff ("PEV").

Additionally, the Company is proposing a pool termination and modification provision. *See* Direct Testimony of Joseph Hamrock, page 23, line 21 to page 24, line 15.

**Q. DO YOU HAVE A GENERAL COMMENT ABOUT THE COMPANY'S ESP PROPOSAL?**

A. Yes. The Commission should consider that, from a customer perspective, the proposed ESP would require a SSO customer who chooses to determine the basis for its bill to analyze approximately 17 applicable ESP riders in addition to the Company's base rate schedule for that customer. This is an extraordinarily complex rate structure and the Commission should, in the long-term, consider ways to simplify the rate structure.

**Q. HAS THE COMPANY PROPOSED THAT ALL GENERATION-RELATED RIDERS TO BE BYPASSABLE?**

A. No, and I will comment on several proposed riders in more detail below.

**Q. IS IT GENERALLY APPROPRIATE FOR GENERATION-RELATED RIDERS TO BE BYPASSABLE BY CUSTOMERS TAKING SUPPLY FROM A COMPETITIVE SUPPLIER?**

A. Yes. The price paid to the supplier by customers taking competitive supply includes the cost of power and the cost of procurement for that power, compliance costs, and other underlying operating costs. Charging competitively supplied customers for any part of AEP-Ohio's generation-related costs misaligns cost causation and cost responsibility, results in inequitable rates as those customers will pay a cost for which they will receive no benefit, and can result in double payment of costs, such as compliance costs, that are incurred by AEP-Ohio to serve their SSO customers and likewise incurred by competitive suppliers to serve their respective customers. Additionally, this cost misalignment moves generation rates for the Company's SSO customers and competitively supplied customers away from the respective cost of service for each, and does not provide for rates that reflect cost causation, send proper price signals, and minimize price distortions.

**Q. WHAT IS YOUR UNDERSTANDING OF WHICH RIDERS ARE PROPOSED TO BE BYPASSABLE?**

A. My understanding is that riders FAC, TCRR, GSR, AER, and the pool termination or modification provision are proposed to be bypassable. *See* Exhibit DMR-4.

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

A. Walmart advocates that rates be set based on the cost of service. This produces equitable rates that reflect cost causation, send proper price signals, and minimize price distortions.

**Q. HAS AEP-OHIO PROPOSED A GENERAL SHIFT IN RATE DESIGN PHILOSOPHY THAT GOES AGAINST COST CAUSATION PRINCIPLES?**

A. Yes. The Company has "opted" for a rate design for demand-metered customers – that is, customers with both demand and energy metering – that collects ESP component rider revenue requirements on variable energy (kWh) charges instead of demand (kW) charges. See Direct Testimony of Joseph Hamrock, page 24, line 23, to page 25, line 3.

Collecting revenues related to fixed costs, which are customer-related or demand-related, on a variable energy charge violates cost causation principles and fails to produce rates that send proper price signals and minimize price distortions. Additionally, the shift of these costs from per kW demand charges to per kWh variable energy charges results in a shift in demand cost responsibility from lower load factor customers to higher load factor customers. This results in misallocation of cost responsibility as higher load factor customers overpay for the demand-related costs incurred by the Company to serve them.

**Q. IS THERE AN ADDITIONAL FACTOR THE COMMISSION SHOULD CONSIDER?**

A. Yes. A benefit of collecting demand-related revenues through demand charges is that those revenues are in theory more stable than revenues collected through energy charges.

**Q. GENERALLY, WHAT IS YOUR RECOMMENDATION TO THE COMMISSION REGARDING ANY APPROVED ESP COMPONENT RIDERS THAT COLLECT REVENUES RELATED TO THE COMPANY'S FIXED COSTS?**

A. Generally, for any approved ESP component riders that collect revenues related to the Company's fixed costs, the Commission should require the rate design for demand-metered customers reflect the fixed nature of the costs.

***Provider of Last Resort***

**Q. UNDER THE 2009-2011 ESP CURRENTLY IN PLACE FOR AEP-OHIO, DOES A CUSTOMER WHO SELECTS TO TAKE COMPETITIVE SUPPLY HAVE AN OPTION TO AVOID THE POLR CHARGE?**

A. Yes. Customers who select to take supply from a competitive supplier have the option to avoid the POLR charge if they agree to pay the market price of power if they return to supply service from the Company. *See* Direct Testimony of Laura J. Thomas, page 14, line 21 to page 15, line 1. The Commission approved this option in the March 18, 2009 Order in the 2009-2011 ESP Cases, stating that:

> "...the risk of returning customers may be mitigated, not eliminated, by requiring customers that switch to an alternative supplier (either through a governmental aggregation or individual CRES providers) to agree to return to market price, and pay market price, if they return to the electric utility after taking service from a CRES provider, for the remaining period of the ESP term or until the customer switches to another alternative supplier. In exchange for this commitment, those customers shall avoid paying the POLR charge." *See* March 18, 2009, Opinion and Order, Case No. 08-917-EL-SSO and 08-918-EL-SSO, page 40.

**Q. IS IT YOUR UNDERSTANDING THAT THE COMPANY PROPOSES TO CONTINUE THIS OPTION FOR COMPETITIVELY SUPPLIED CUSTOMERS?**

A. Yes. It appears from the Company's discussion of the valuation of its POLR obligation that it intends to continue to offer customers the option to avoid the POLR charge if they agree to pay the market price of power if they return to Company supply service. *Id.*, page 19, line 15 to page 20, line 22.

**Q. WHAT IS YOUR RECOMMENDATION TO THE COMMISSION ON THIS OPTION?**

A. The Commission should continue to allow competitively supplied customers the option to avoid the POLR charge if they agree to pay the market price of power if they return to Company supply service.

***Environmental Investment Carrying Cost Rider***

**Q. WHAT IS YOUR UNDERSTANDING OF THE COMPANY'S PROPOSED CHANGES TO THE EICCR?**

A. The Company has proposed four primary changes to the EICCR. First, the Company has proposed to change how the rider's revenue requirement is set by being permitted to forecast, with a subsequent periodic true-up, the costs to be collected by the rider. Second, the

Company has proposed to include operating and maintenance ("O&M") expenses associated with environmental equipment in the rider. Third, the Company has proposed to make the EICCR non-bypassable. *See* Direct Testimony of Philip J. Nelson, page 16, line 11 to line 23. Finally, the Company is proposing to change the rate design of the rider from an overall percentage of base generation charge to a per kWh charge by class. *See* Direct Testimony of Andrea E. Moore, page 8, line 4 to line 6.

**Q. IS THE EICCR IN ITS CURRENT FORM BYPASSABLE?**

A. Yes. The current Environmental Carrying Cost Rider is not applied to the bills of customers who take service from AEP-Ohio on their Open Access Distribution Tariff. As an example, *See* Original Sheet No. 23-3D, Columbus Southern Power Company Open Access Distribution Tariff.

**Q. SHOULD THE COMMISSION APPROVE THE COMPANY'S REQUEST TO MAKE THE EICCR NON-BYPASSABLE?**

A. No. As I stated earlier in my testimony, it is not appropriate to charge customers taking competitive generation supply for generation-related costs incurred for serving the Company's SSO customers, as it misaligns cost causation and cost responsibility and results in inequitable rates as those customers will pay a cost for which they will receive no benefit.

**Q. IS THE COMPANY'S PROPOSED RATE DESIGN FOR THE EICCR APPROPRIATE?**

A. No. Notwithstanding the Company's request to include some O&M expenses in the EICCR, the capital carrying costs included in the EICCR are related to fixed costs and should not be recovered through a variable per kWh energy charge, as this violates cost causation principles. The shift of recovery of fixed costs to per kWh energy charges results in a shift in demand cost responsibility from lower load factor customers to higher load factor customers. This results in misallocation of cost responsibility as higher load factor customers overpay for the fixed costs.

Even if the Commission approves the addition of O&M costs to the rider, a wholesale shift in rate design to a per kWh rate is inappropriate because it ignores the fixed costs included in the rider.

**Q. WHAT RATE DESIGN DO YOU PROPOSE FOR THE RIDER IF THE COMMISSION APPROVES THE INCLUSION OF O&M COSTS?**

A. Ideally, the rate design would reflect the split between fixed and variable costs to be collected. However, because of the complexity of AEP-Ohio's proposed ESP rate structure, if the Commission approves the inclusion of O&M costs, the Commission should continue the rider's current rate design, in which the rate is set as a percentage of the customer's non-fuel generation charges. If not, it should charge the rider for demand-metered customers on a demand (per kW) basis.

**Q. WHAT IS YOUR RECOMMENDATION TO THE COMMISSION ON THE COMPANY'S PROPOSED EICCR?**

A. If the Commission approves the continuation of the EICCR rider, it should (a) reject the Company's request for the EICCR to be non-bypassable and continue the rider's current status as bypassable and (b) if the Commission approves the inclusion of O&M costs, continue the rider's current rate design, in which the rate is set as a percentage of the customer's non-fuel generation charges, and if not, it should charge the rider for demand-metered customers on a demand (per kW) basis..

***Generation Resource Rider***

**Q. WHAT IS YOUR UNDERSTANDING OF THE COMPANY'S PROPOSED GRR?**

A. My understanding is that the Company has proposed the GRR as a method to recover their costs related to new generation resources that the Company owns or operates. *See* Direct Testimony of Philip J. Nelson, page 21, line 8 to line 12. The rider is proposed to recover O&M, capital carrying costs, and lease payments associated with the Company's investment in facilities dedicated to serving their Ohio retail customers. *Id.*, page 22, line 6 to line 9.

**Q. HAS THE COMPANY PROPOSED THAT THE GRR BE NON-BYPASSABLE?**

A. Yes. *Id.*, page 21, line 10.

**Q. SHOULD THE COMMISSION APPROVE THE COMPANY'S REQUEST TO MAKE THE GRR NON-BYPASSABLE?**

A. No. As I stated earlier in my testimony, it is not appropriate to charge customers taking competitive generation supply for generation-related costs incurred for serving the Company's SSO customers, as it misaligns cost causation and cost responsibility and results in inequitable rates as those customers will pay a cost for which they will receive no benefit. Competitively supplied customers will not receive power from the plants the Company owns and operates that are dedicated to its Ohio retail load and as such should not be required to pay any portion of those plants' cost.

**Q. WHAT IS YOUR RECOMMENDATION TO THE COMMISSION ON THE COMPANY'S PROPOSED GRR?**

A. If the Commission approves a GRR, it should determine that the rider be bypassable.

***Market Transition Rider***

**Q. WHAT IS YOUR UNDERSTANDING OF THE COMPANY'S PROPOSED MTR?**

A. My understanding is that the Company is proposing the MTR in order to rebalance generation rates on a revenue neutral basis and limit the first and second year rate changes imposed upon the various customer classes. *See* Direct Testimony of David M. Roush, page 11, line 10 to line 16.

**Q. HAS THE COMPANY PROPOSED THAT THE MTR BE NON-BYPASSABLE?**

A. Yes. *Id.*

**Q. SHOULD THE COMMISSION APPROVE THE RIDER AS PROPOSED?**

A. No. There are two primary issues with the MTR. First, the MTR appears to move the Company's generation rates away from cost of service levels by introducing inter-class revenue allocations. *See* Exhibit DMR-1. As I stated earlier in my testimony, setting rates at cost of service produces equitable rates that reflect cost causation, send proper price signals, and minimize price distortions.

Second, AEP-Ohio proposes that its MTR be non-bypassable as applied to competitively supplied customers. By making MTR non-bypassable, the Company would have competitively supplied customers providing SSO rate impact mitigation for the Company's SSO customers. As I stated earlier in my testimony, it is not appropriate to charge customers taking competitive generation supply for generation-related costs incurred for serving the Company's SSO customers, as it misaligns cost causation and cost responsibility and results in inequitable rates as those customers will pay a cost for which they will receive no benefit.

**Q. WHAT IS YOUR RECOMMENDATION TO THE COMMISSION?**

A. The Commission should reject the MTR. If the Commission determines implementation of the MTR is appropriate, it should determine that the rider be bypassable.

***Facilities Closure Cost Recovery Rider***

**Q. WHAT IS YOUR UNDERSTANDING OF THE COMPANY'S PROPOSED FCRR?**

A. My understanding is that the Company is proposing the FCRR recover actual closure costs for any generation-related facility closed during the period of the ESP. *See* Direct Testimony of Laura J. Thomas, page 25, line 5 to line 7.

**Q. WHAT RATE DESIGN HAS THE COMPANY PROPOSED FOR THIS RIDER?**

A. The Company has proposed recovering on a non-bypassable per kWh rider. *See* Direct Testimony of Andrea E. Moore, page 13, line 18.

**Q. SHOULD THE COMMISSION APPROVE THE COMPANY'S REQUEST TO MAKE THE FCRR NON-BYPASSABLE?**

A. No. As I stated earlier in my testimony, it is not appropriate to charge customers taking competitive generation supply for generation-related costs incurred for serving the Company's SSO customers, as it misaligns cost causation and cost responsibility and results in inequitable rates as those customers will pay a cost for which they will receive no benefit.

**Q. IS THE COMPANY'S PROPOSED RATE DESIGN FOR THE FCRR APPROPRIATE?**

A. No. The generation-related costs included in the FCRR are related to fixed costs and should not be recovered through a variable per kWh energy charge, which violates cost causation principles. The shift of recovery of fixed costs to per kWh energy charges results in a shift in demand cost responsibility from lower load factor customers to higher load factor customers. This results in misallocation of cost responsibility as higher load factor customers overpay for the fixed costs. Additionally, the Company proposes to allocate the revenue requirement for this rider on class percentage of base generation revenue, so the per kWh charge does not match the allocation of the costs. *Id.*, line 18 to line 21.

**Q. WHAT IS YOUR RECOMMENDATION TO THE COMMISSION ON THE COMPANY'S PROPOSED FCRR?**

A. If the Commission approves the FCRR rider, it should (a) reject the Company's request for the FCRR to be non-bypassable and determine that the rider be bypassable and (b) charge the rider for demand-metered customers on a demand (per kW) basis.

***Generation NERC Compliance Cost Recovery Rider***

**Q. WHAT IS YOUR UNDERSTANDING OF THE COMPANY'S PROPOSED NERCR?**

A. My understanding is that the Company is proposing the NERCR as a non-bypassable rider to recover incremental North American Electric Reliability Corporation ("NERC") generation-related compliance costs. The Company states in its proposal that the costs proposed to be recovered through the rider are not a function of the Company's load or the customers they serve, but a function of their ownership of physical generation facilities. *See* Direct Testimony of Laura J. Thomas, page 26, line 6 to page 27, line 6.

**Q. SHOULD THE COMMISSION REJECT THIS RIDER?**

A. Yes, the Commission should reject the NERCR. Implementation of this rider would be problematic for several reasons.

**Q. PLEASE EXPLAIN.**

A. First, the NERCR, as proposed, appears to recover wholesale-level generation compliance costs related to AEP-Ohio's ownership of generation, so it is unclear whether those compliance costs are incurred solely on behalf of the Company's SSO customers or whether SSO and competitively supplied customers are being asked to pay for compliance costs incurred on behalf of AEP-Ohio's wholesale-level generation customers as well.

Second, because these are generation compliance costs, it is not appropriate to charge customers taking competitive generation supply for generation-related costs as it misaligns cost causation and cost responsibility and results in inequitable rates as those customers will pay a cost for which they will receive no benefit.

Finally, competitively supplied customers would potentially double pay for NERC compliance costs, as the NERC compliance costs paid by the generation owners and operators from whom the competitive suppliers purchase power would be built into the price of that power.

***Carbon Capture and Sequestration Rider***

**Q. WHAT IS YOUR UNDERSTANDING OF THE COMPANY'S PROPOSED CCSR?**

A. My understanding is that the Company is proposing the CCSR as a method to recover their costs related to the carbon capture and sequestration project at the Mountaineer generation plant. *See* Direct Testimony of Philip J. Nelson, page 18, line 9 to line 13.

**Q. HAS THE COMPANY PROPOSED THAT THE CCSR BE NON-BYPASSABLE?**

A. Yes. *Id.*, page 21, line 3.

**Q. SHOULD THE COMMISSION APPROVE THE COMPANY'S REQUEST TO MAKE THE CCSR NON-BYPASSABLE?**

A. No. As I stated earlier in my testimony, it is not appropriate to charge customers taking competitive generation supply for generation-related costs incurred for serving the Company's SSO customers, as it misaligns cost causation and cost responsibility and results in inequitable rates as those customers will pay a cost for which they will receive no benefit. Competitively supplied customers will not receive power from the Mountaineer plant and as such should not be required to pay any portion of the plant's cost.

**Q. WHAT IS YOUR RECOMMENDATION TO THE COMMISSION ON THE COMPANY'S PROPOSED CCSR?**

A. The Commission should reject the Company's request for the CCSR to be non-bypassable and, if the Commission determines the rider should be approved, determine that the Rider is bypassable.

***Distribution Investment Rider***

**Q. WHAT IS YOUR UNDERSTANDING OF THE PROPOSED DIR?**

A. My understanding of the proposed DIR is that the rider would provide capital funding for distribution assets, including the Company's distribution asset management programs, such as overhead circuit inspection and maintenance and underground cable, capacity and infrastructure additions, and the gridSMART® program. *See* Direct Testimony of Thomas L. Kirkpatrick, page 4, line 8 to page 5, line 21 and page 10, line 7 to line 15.

**Q. WHY HAS THE COMPANY PROPOSED THE DIR?**

A. The Company is concerned about the regulatory lag associated with capital investment. *Id.*, page 11, line 4 to line 6.

**Q. DID THE COMMISSION ADDRESS THE RECOVERY OF DISTRIBUTION COSTS IN THE LAST ESP CASE?**

A. Yes. In the last ESP case, the Commission, in its Opinion and Order, stated:

> "As for the recovery of any costs associated with the Companies' remaining initiatives (i.e., enhanced underground cable initiative, distribution automation initiative, and enhanced overhead inspection and mitigation initiative), the ESRP rider will not include costs for any of these programs until such time as the Commission has reviewed the programs, and associated costs, in conjunction with the current distribution system in the context of a distribution rate case..." *See* March 18, 2009, Opinion and Order, Case No. 08-917-EL-SSO and 08-918-EL-SSO, page 34.

**Q. HAS AEP-OHIO FILED A DISTRIBUTION RATE CASE THAT IS RUNNING CONTEMPORANEOUSLY WITH THIS ESP CASE?**

A. Yes. In fact, the Company has proposed the DIR in that docket as well. *See* Case No. 11-351-EL-AIR, Direct Testimony of Andrea E. Moore, page 10.

**Q. WHAT IS YOUR RECOMMENDATION TO THE COMMISSION?**

A. The Commission should remove the DIR from consideration in this case and consider the Company's proposal solely in AEP-Ohio's current distribution rate case. That way, all costs, benefits, and risks, including any change in the Company's approved rate of return due to the implementation of a mechanism to reduce regulatory lag, can be systematically considered.

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

A. Yes.

# Steve W. Chriss

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**Wal-Mart Stores, Inc.**
**Business Address: 2001 SE 10th Street, Bentonville, AR, 72716-0550**
**Business Phone: (479) 204-1594**

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**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<br>B.S., Horticulture |

**TESTIMONY**

*2011*

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.

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.

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.

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.

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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.

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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.

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.

**CERTIFICATE OF SERVICE**

I hereby certify that a copy of the Direct Testimony of Steve W. Chriss was served by sending a true and correct copy via electronic mail to all parties on this 25th day of July, 2011.

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