

## Reported Authorized Returns on Equity, Electric Utility Rate Cases Completed, 2017 to Present

State	Utility	Docket	Proposed Return on Equity	Decision Date	Vertically Integrated (V)/Distribution (D)	Approved Return on Equity (%)	Reduction from Proposed (BP)
Wyoming	MDU Resources Group Inc.	2004-117-ER-16	10.10%	1/18/2017	V	9.45%	(65)
New York	Consolidated Edison Co. of NY	16-E-0060	9.75%	1/24/2017	D	9.00%	(75)
Michigan	DTE Electric Co.	U-18014	10.50%	1/31/2017	V	10.10%	(40)
Maryland	Delmarva Power & Light Co.	9424	10.60%	2/15/2017	D	9.60%	(100)
New Jersey	Rockland Electric Company	ER-16050428	10.20%	2/22/2017	D	9.60%	(60)
Arizona	Tucson Electric Power Co.	E-01933A-15-0322	10.35%	2/24/2017	V	9.75%	(60)
Michigan	Consumers Energy Co.	U-17990	10.70%	2/28/2017	V	10.10%	(60)
Minnesota	Otter Tail Power Co.	E-017/GR-15-1033	10.05%	3/2/2017	V	9.41%	(64)
Oklahoma	Oklahoma Gas & Electric Co.	PUD 201500273	10.25%	3/20/2017	V	9.50%	(75)
Florida	Gulf Power Co.	160186-EI	11.00%	4/4/2017	V	10.25%	(75)
New Hampshire	Liberty Utilities Granite St	DE-16-383	10.30%	4/12/2017	D	9.40%	(90)
New Hampshire	Unitil Energy Systems Inc.	DE-16-384	10.30%	4/20/2017	D	9.50%	(80)
Missouri	Kansas City Power & Light	ER-2016-0285	9.90%	5/3/2017	V	9.50%	(40)
Minnesota	Northern States Power Co.	E-022/GR-15-826	10.00%	5/11/2017	V	9.20%	(80)
Arkansas	Oklahoma Gas & Electric Co.	16-052-U	10.25%	5/18/2017	V	9.50%	(75)
Delaware	Delmarva Power & Light Co.	16-0649	10.60%	5/23/2017	D	9.70%	(90)
North Dakota	MDU Resources Group Inc.	PU-16-666	10.00%	6/16/2017	V	9.65%	(35)
Kentucky	Kentucky Utilities Co.	2016-00370	10.23%	6/22/2017	V	9.70%	(53)
Kentucky	Louisville Gas & Electric Co.	2016-00371	10.23%	6/22/2017	V	9.70%	(53)
District of Columbia	Potomac Electric Power Co.	FC-1139	10.60%	7/24/2017	D	9.50%	(110)
Arizona	Arizona Public Service Co.	E-01345A-16-0036	10.50%	8/15/2017	V	10.00%	(50)
New Jersey	Atlantic City Electric Co.	ER-17030308	10.10%	9/22/2017	D	9.60%	(50)
Texas	Oncor Electric Delivery Co.	46957	10.25%	9/28/2017	D	9.80%	(45)
Maryland	Potomac Electric Power Co.	9443	10.10%	10/20/2017	D	9.50%	(60)
California	Pacific Gas & Electric Co.	Advice No. 5148-E	10.25%	10/26/2017	V	10.25%	-
California	San Diego Gas & Electric Co.	Advice No. 3120-E	10.20%	10/26/2017	V	10.20%	-
California	Southern California Edison Co.	Advice No. 3665-E	10.30%	10/26/2017	V	10.30%	-
Florida	Tampa Electric Co.	20170210-EI	N/A	11/6/2017	V	10.25%	N/A
Alaska	Alaska Electric Light Power	U-16-086	13.80%	11/15/2017	V	11.95%	(185)

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Massachusetts	NSTAR Electric Co.	17-05	10.50%	11/30/2017	D	10.00%	(50)
Massachusetts	Western Massachusetts Electric	17-05	10.50%	11/30/2017	D	10.00%	(50)
Washington	Puget Sound Energy Inc.	UE-170033	9.80%	12/5/2017	V	9.50%	(30)
Illinois	Ameren Illinois	17-0197	8.40%	12/6/2017	D	8.40%	-
Illinois	Commonwealth Edison Co.	17-0196	8.40%	12/6/2017	D	8.40%	-
Wisconsin	Northern States Power Co. - WI	4220-UR-123	10.00%	12/7/2017	V	9.80%	(20)
Texas	El Paso Electric Co.	46831	10.50%	12/14/2017	V	9.65%	(85)
Texas	Southwestern Electric Power Co.	46449	10.00%	12/14/2017	V	9.60%	(40)
Oregon	Portland General Electric Co.	UE 319	9.75%	12/18/2017	V	9.50%	(25)
New Mexico	Public Service Co. of NM	16-00276-UT	10.13%	12/20/2017	V	9.58%	(55)
Idaho	Avista Corp.	AVU-E-17-01	9.90%	12/28/2017	V	9.50%	(40)
Nevada	Nevada Power Co.	17-06003	10.10%	12/29/2017	V	9.50%	(60)
Vermont	Green Mountain Power Corp	17-3112-INV	9.50%	12/21/2017	V	9.10%	(40)
Kentucky	Kentucky Power Co.	2017-00179	10.31%	1/18/2018	V	9.70%	(61)
Oklahoma	Public Service Co. of OK	PUD 201700151	10.00%	1/31/2018	V	9.30%	(70)
Iowa	Interstate Power & Light Co.	RPU-2017-0001	10.57%	2/2/2018	V	9.98%	(59)
North Carolina	Duke Energy Progress Inc.	E-2, Sub 1142	10.75%	2/23/2018	V	9.90%	(85)
Minnesota	ALLETE (Minnesota Power)	E-015/GR-16-664	10.15%	3/12/2018	V	9.25%	(90)
New York	Niagara Mohawk Power Corp.	17-E-0238	9.79%	3/15/2018	D	9.00%	(79)
Michigan	Consumers Energy Co.	U-18322	10.50%	3/29/2018	V	10.00%	(50)
Michigan	Indiana Michigan Power Co.	U-18370	10.60%	4/12/2018	V	9.90%	(70)
Kentucky	Duke Energy Kentucky Inc.	2017-00321	10.30%	4/13/2018	V	9.73%	(57)
Connecticut	Connecticut Light and Power	17-10-46	10.50%	4/18/2018	D	9.25%	(125)
Michigan	DTE Electric Co.	U-18255	10.50%	4/18/2018	V	10.00%	(50)
Washington	Avista Corp.	UE-170485	9.90%	4/26/2018	V	9.50%	(40)
Indiana	Indiana Michigan Power Co.	44967	10.60%	5/30/2018	V	9.95%	(65)
Maryland	Potomac Electric Power Co.	9472	10.10%	5/31/2018	D	9.50%	(60)
New York	Central Hudson Gas & Electric	17-E-0459	9.50%	6/14/2018	D	8.80%	(70)
Hawaii	Hawaiian Electric Co.	2016-0328	10.60%	6/22/2018	V	9.50%	(110)

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North Carolina	Duke Energy Carolinas LLC	E-7, Sub 1146	10.75%	6/22/2018	V	9.90%	(85)
Maine	Emera Maine	2017-00198	9.50%	6/28/2018	D	9.35%	(15)
Hawaii	Hawaii Electric Light Co	2015-0170	10.60%	6/29/2018	V	9.50%	(110)
District of Columbia	Potomac Electric Power Co.	FC-1150	10.10%	8/8/2018	D	9.53%	(57)
Delaware	Delmarva Power & Light Co.	17-0977	10.10%	8/21/2018	D	9.70%	(40)
Rhode Island	Narragansett Electric Co.	4770 (electric)	10.10%	8/24/2018	D	9.28%	(82)
New Mexico	Southwestern Public Service Co	17-00255-UT	10.25%	9/5/2018	V	9.10%	(115)
Wisconsin	Wisconsin Power and Light Co	6680-UR-121 (Elec)	10.00%	9/14/2018	V	10.00%	-
Wisconsin	Madison Gas and Electric Co.	3270-UR-122 (Elec)	9.80%	9/20/2018	V	9.80%	-
North Dakota	Otter Tail Power Co.	PU-17-398	10.30%	9/26/2018	V	9.77%	(53)
Ohio	Dayton Power and Light Co.	15-1830-EL-AIR	10.50%	9/26/2018	D	9.999% *	(50)
Kansas	Westar Energy Inc.	18-WSEE-328-RTS	9.85%	9/27/2018	V	9.30%	(55)
Pennsylvania	UGI Utilities Inc.	R-2017-2640058	11.25%	10/4/2018	D	9.85%	(140)
New Jersey	Public Service Electric Gas	ER18010029	10.30%	10/29/2018	D	9.60%	(70)
Indiana	Indianapolis Power & Light Co.	45029	10.32%	10/31/2018	V	9.99%	(33)
Illinois	Ameren Illinois	18-0807	8.69%	11/1/2018	D	8.69%	-
Illinois	Commonwealth Edison Co.	18-0808	8.69%	12/4/2018	D	8.69%	-
Kansas	Kansas City Power & Light	18-KCPE-480-RTS	9.85%	12/13/2018	V	9.30%	(55)
Oregon	Portland General Electric Co.	UE-335	9.50%	12/14/2018	V	9.50%	-
Ohio	Duke Energy Ohio Inc.	17-0032-EL-AIR	10.40%	12/19/2018	D	9.84%	(56)
Texas	Texas-New Mexico Power Co.	48401	10.50%	12/20/2018	D	9.65%	(85)
Vermont	Green Mountain Power Corp.	18-0974-TF	9.30%	12/21/2018	D	9.30%	-
Michigan	Consumers Energy Co.	U-20134	10.75%	1/9/2019	V	10.00%	(75)
West Virginia	Appalachian Power Co.	18-0646-E-42T	10.22%	2/27/2019	V	9.75%	(47)
New Jersey	Atlantic City Electric Co.	ER18080925	10.10%	3/13/2019	D	9.60%	(50)
New York	Orange & Rockland Utilities Inc.	18-E-0067	9.75%	3/14/2019	D	9.00%	(75)
Oklahoma	Public Service Company of OK	PUD201800097	10.30%	3/14/2019	V	9.40%	(90)
Maryland	Potomac Edison Co.	9490	10.80%	3/22/2019	D	9.65%	(115)
Kentucky	Kentucky Utilities Co.	2018-00294	10.42%	4/30/2019	V	9.73%	(69)

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Kentucky	Louisville Gas & Electric Co.	2018-00295	10.42%	4/30/2019	V	9.73%	(69)
South Carolina	Duke Energy Carolinas LLC	2018-319-E	10.50%	5/1/2019	V	9.50%	(100)
Michigan	DTE Electric Co.	U-20162	10.50%	5/2/2019	V	10.00%	(50)
South Carolina	Duke Energy Progress LLC	2018-318-E	10.50%	5/8/2019	V	9.50%	(100)
South Dakota	Otter Tail Power Co.	EL18-021	10.30%	5/14/2019	V	8.75%	(155)
Hawaii	Maui Electric Company Ltd	2017-0150	10.60%	5/16/2019	V	9.50%	(110)
Michigan	Upper Peninsula Power Co.	U-20276	10.50%	5/23/2019	V	9.90%	(60)
Maryland	Potomac Electric Power Co.	9602	10.30%	8/12/2019	D	9.60%	(70)
Vermont	Green Mountain Power Corp.	19-1932-TF	9.16%	8/29/2019	V	9.06%	(10)
Wisconsin	Northern States Power Co - WI	4220-UR-124	N/A	9/4/2019	V	10.00%	N/A
Massachusetts	Massachusetts Electric Co.	DPU-18-150	10.50%	9/30/2019	D	9.60%	(90)
Montana	Northwestern Corp.	D2018.2.12	10.65%	10/29/2019	V	9.65%	(100)
Wisconsin	Wisconsin Electric Power Co.	05-UR-109	10.35%	10/31/2019	V	10.00%	(35)
Wisconsin	Wisconsin Public Service Corp.	6690-UR-126	10.35%	10/31/2019	V	10.00%	(35)
Louisiana	Entergy New Orleans LLC	UD-18-07	10.50%	11/7/2019	V	9.35%	(115)
Idaho	Avista Corp.	AVU-E-19-04	9.90%	11/29/2019	V	9.50%	(40)
Illinois	Commonwealth Edison Co.	19-0387	8.91%	12/4/2019	D	8.91%	-
Indiana	Northern Indiana Public Service Co.	45159	10.80%	12/4/2019	V	9.75%	(105)
Illinois	Ameren Illinois	19-0436	8.91%	12/16/2019	D	8.91%	-
Georgia	Georgia Power Co.	42516	10.90%	12/17/2019	V	10.50%	(40)
Maryland	Baltimore Gas and Electric Co.	9610	10.30%	12/17/2019	D	9.70%	(60)
California	Pacific Gas & Electric Co.	A-19-04-015	12.00%	12/19/2019	V	10.25%	(175)
California	San Diego Gas & Electric Co.	A-19-04-017	12.38%	12/19/2019	V	10.20%	(218)
California	Southern California Edison Co.	A-19-04-014	11.45%	12/19/2019	V	10.30%	(115)
Arkansas	Southwestern Electric Power Co.	19-008-U	10.50%	12/20/2019	V	9.45%	(105)
Nevada	Sierra Pacific Power Co.	19-06002	10.21%	12/24/2019	V	9.50%	(71)
Iowa	Interstate Power & Light Co.	RPU-2019-0001	10.25%	1/8/2020	V	9.50%	¥ (75)
New York	Consolidated Edison Co. of NY	19-E-0065	9.75%	1/16/2020	D	8.80%	(95)
New Jersey	Rockland Electric Company	ER19050552	9.60%	1/22/2020	D	9.50%	(10)

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Michigan	Indiana Michigan Power Co.	U-20359	10.50%	1/23/2020	V	9.86%	(64)
California	PacifiCorp	A-18-04-002	10.60%	2/6/2020	V	10.00%	(60)
Colorado	Public Service Company of Colorado	19AL-0268E	10.20%	2/11/2020	V	9.30%	(90)
Texas	Centerpoint Energy	49421	10.40%	2/14/2020	D	9.40%	(100)
Maine	Central Maine Power Co.	2018-00194	10.00%	2/19/2020	D	8.25%	(175)
North Carolina	Virginia Electric & Power Co.	E-22 Sub 562	10.75%	2/24/2020	V	9.75%	(100)
Texas	AEP Texas Inc.	49494	10.50%	2/27/2020	D	9.40%	(110)
Indiana	Indiana Michigan Power Co.	45235	10.50%	3/11/2020	V	9.70%	(80)
Washington	Avista Corp.	UE-190334	9.90%	3/25/2020	V	9.40%	(50)
Massachusetts	Fitchburg Gas & Electric Light	DPU 19-130	10.50%	4/17/2020	D	9.70%	(80)
Kentucky	Duke Energy Kentucky Inc.	2019-00271	9.80%	4/27/2020	V	9.25%	(55)
Michigan	DTE Electric Co.	U-20561	10.50%	5/8/2020	V	9.80%	(70)
New Mexico	Southwestern Public Service Co	19-00170-UT	10.10%	5/20/2020	V	9.45%	(65)
<b>Entire Period</b>							
<b># of Decisions</b>		<b>129</b>					
<b>Average (All Utilities)</b>			<b>10.25%</b>			<b>9.60%</b>	<b>(65)</b>
<b>Average (Distribution Only)</b>			<b>10.01%</b>			<b>9.36%</b>	<b>(64)</b>
<b>Average (Vertically Integrated Only)</b>			<b>10.38%</b>			<b>9.73%</b>	<b>(65)</b>
<b>Median</b>			<b>10.30%</b>			<b>9.60%</b>	
<b>Minimum</b>			<b>8.40%</b>			<b>8.25%</b>	
<b>Maximum</b>			<b>13.80%</b>			<b>11.95%</b>	
<b>Oregon</b>		<b>2</b>	<b>9.63%</b>			<b>9.50%</b>	<b>(13)</b>
<b>2017</b>							
<b># of Decisions</b>		<b>42</b>					
<b>Average (All Utilities)</b>			<b>10.22%</b>			<b>9.68%</b>	<b>(54)</b>
<b>Average (Distribution Only)</b>			<b>10.04%</b>			<b>9.43%</b>	<b>(61)</b>
<b>Average (Distribution Only, exc. IL FRP)</b>			<b>10.34%</b>			<b>9.61%</b>	<b>(73)</b>

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Average (Vertically Integrated Only)			10.31%			9.80%	(50)
<b>2018</b>							
# of Decisions		38					
Average (All Utilities)			10.14%			9.55%	(59)
Average (Distribution Only)			9.96%			9.38%	(58)
Average (Distribution Only, exc. IL FRP)			10.14%			9.47%	(66)
Average (Vertically Integrated Only)			10.27%			9.68%	(60)
<b>2019</b>							
# of Decisions		33					
Average (All Utilities)			10.43%			9.64%	(79)
Average (Distribution Only)			9.95%			9.39%	(55)
Average (Distribution Only, exc. IL FRP)			10.29%			9.53%	(77)
Average (Vertically Integrated Only)			10.59%			9.73%	(86)
<b>2020</b>							
# of Decisions		16					
Average (All Utilities)			10.24%			9.44%	(80)
Average (Distribution Only)			10.13%			9.18%	(95)
Average (Vertically Integrated Only)			10.31%			9.69%	(62)

Source: S&P Global Market Intelligence

Last Updated:

6/2/2020

\* Due to Rounding, the ROE Award is reported as 10.00 on the S&P Global Website.

‡ S&P incorrectly reports this value as 9.9%

Ω Utility did not file a full rate case, approved ROE based on a settlement

¥ S&P incorrectly reports this value as 10.02%

**BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON**

**UE 374**

**IN THE MATTER OF )  
 )  
PACIFICORP D/B/A PACIFIC POWER )  
 )  
REQUEST FOR A GENERAL RATE REVISION )**

**DIRECT TESTIMONY AND EXHIBITS OF**

**STEVE W. CHRISS**

**ON BEHALF OF**

**WALMART INC.**

**JUNE 4, 2020**

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## Exhibits

**Walmart/101:** Witness Qualifications Statement

**Walmart/102:** Calculation of Revenue Requirement Impact of Pacific Power's Proposed ROE and Capital Structure vs. Current ROE and Capital Structure

**Walmart/103:** Reported Authorized Returns on Equity, Electric Utility Rate Cases Completed, 2017 to Present

**Walmart/104:** Calculation of Revenue Requirement Impact of Pacific Power's Proposed ROE and Capital Structure vs. National Average ROE for Vertically Integrated Utilities

**Walmart/105:** Walmart Proposed Schedule 200 Energy and Demand Rates for Schedule 30 Secondary



1 **Introduction**

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

3 A. My name is Steve W. Chriss. My business address is 2608 SE J St., Bentonville,  
4 AR 72712. I am employed by Walmart Inc. ("Walmart") as Director, Energy  
5 Services.

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

7 A. I am testifying on behalf of Walmart.

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

9 A. In 2001, I completed a Master of Science in Agricultural Economics at Louisiana State  
10 University. From 2001 to 2003, I was an Analyst and later a Senior Analyst at the  
11 Houston office of Econ One Research, Inc., a Los Angeles-based consulting firm. My  
12 duties included research and analysis on domestic and international energy and  
13 regulatory issues. From 2003 to 2007, I was an Economist and later a Senior Utility  
14 Analyst at the Public Utility Commission of Oregon in Salem, Oregon. My duties  
15 included appearing as a witness for PUC Staff in electric, natural gas, and  
16 telecommunications dockets. I joined the energy department at Walmart in July  
17 2007 as Manager, State Rate Proceedings. I was promoted to Senior Manager,  
18 Energy Regulatory Analysis, in June 2011. I was promoted to my current position in  
19 October, 2016 and the position was re-titled in October, 2018. My Witness  
20 Qualifications Statement is attached as Walmart/101.

1       **Q.     HAVE YOU PREVIOUSLY SUBMITTED TESTIMONY BEFORE THE PUBLIC UTILITY**  
2       **COMMISSION OF OREGON (“COMMISSION”)?**

3       A.     Yes. I submitted testimony on behalf of Walmart in Docket Nos. UE 217, UE 262, UE  
4       263, UE 264, UE 267, UE 319, UE 335, and UM 1953 and on behalf of Staff in Docket  
5       Nos. UE 179, UE 180, UG 173, UM 1129, and UX 29.

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

8       A.     Yes. I have submitted testimony in over 220 proceedings before 40 other utility  
9       regulatory commissions. I have also submitted testimony before legislative  
10      committees in Kansas, Missouri, North Carolina, and South Carolina. My testimony  
11      has addressed topics including, but not limited to, cost of service and rate design,  
12      return on equity (“ROE”), revenue requirements, ratemaking policy, large customer  
13      renewable programs, qualifying facility rates, telecommunications deregulation,  
14      resource certification, energy efficiency/demand side management, fuel cost  
15      adjustment mechanisms, decoupling, and the collection of cash earnings on  
16      construction work in progress.

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

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

19      **Q.     PLEASE BRIEFLY DESCRIBE WALMART'S OPERATIONS IN OREGON.**

20      A.     As shown on Walmart’s website, Walmart operates 45 retail units and employs over  
21      11,000 associates in Oregon. In fiscal year ending 2020, Walmart purchased \$860

1 million worth of goods and services from Oregon-based suppliers, supporting over  
2 20,000 supplier jobs.<sup>1</sup>

3 **Q. PLEASE BRIEFLY DESCRIBE WALMART'S OPERATIONS WITHIN THE COMPANY'S**  
4 **SERVICE TERRITORY.**

5 A. Walmart has 17 stores that take electric service from PacifiCorp d/b/a Pacific Power  
6 ("Pacific Power" or "Company"), primarily on the Company's Schedule 30, General  
7 Service Large Nonresidential 201 kW to 999 kW ("Schedule 30") rate schedule.

8

9 **Purpose of Testimony and Summary of Recommendations**

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

11 A. The purpose of my testimony is to respond to Pacific Power's rate case filing and to  
12 provide recommendations to assist the Commission in its thorough and careful  
13 consideration of the customer impact of the Company's proposed rate increase.

14 **Q. IN SETTING THE REVENUE REQUIREMENT, ROE, ALLOCATION, AND RATE DESIGN**  
15 **CHANGES FOR THE COMPANY, SHOULD THE COMMISSION CONSIDER THE IMPACT**  
16 **OF THE PROPOSED RATE INCREASE ON BUSINESS CUSTOMERS?**

17 A. Yes. Electricity is a significant operating cost for retailers such as Walmart. When  
18 electric rates increase, the increased cost to retailers can put pressure on consumer  
19 prices and on the other expenses required by a business to operate. The  
20 Commission should thoroughly and carefully consider the impact on customers in

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<sup>1</sup> <http://corporate.walmart.com/our-story/locations/united-states#/united-states/oregon>

1 examining the requested revenue requirement and ROE, in addition to all other  
2 facets of this case, to ensure that any increase in the Company's rates is the  
3 minimum amount necessary to provide safe, adequate, and reliable service, while  
4 also providing Pacific Power the opportunity to recover its reasonable and prudent  
5 costs and earn a reasonable return on its investment.

6 **Q. PLEASE SUMMARIZE WALMART'S RECOMMENDATIONS TO THE COMMISSION.**

7 A. Walmart's recommendations to the Commission are as follows:

- 8 1) The Commission should closely examine the Company's proposed revenue  
9 requirement increase and the associated proposed increase in ROE,  
10 especially when viewed in light of: (1) the customer impact of the resulting  
11 revenue requirement increase; (2) recent rate case ROEs approved by the  
12 Commission; and (3) recent rate case ROEs approved by commissions  
13 nationwide.
- 14 2) Walmart does not take a position on the Company's proposed cost of service  
15 model at this time. However, to the extent that alternative cost of service  
16 methodologies or modifications to the Company's methodology are  
17 proposed by other parties, Walmart reserves the right to address any such  
18 changes in accordance with the Commission's procedures in this docket.
- 19 3) For the purposes of this docket, and because the Company has proposed to  
20 reduce the number of customer classes subject to Rate Mitigation  
21 Adjustment ("RMA") charges and credits, Walmart does not oppose the

1 Company's proposed rate spread and application of the RMA at the  
2 Company's proposed revenue requirement.

3 4) If the Commission determines that the appropriate revenue requirement is  
4 less than that proposed by the Company, the Commission should use the first  
5 \$3.8 million of reduction in revenue from that proposed by the Company to  
6 reduce the Company's proposed RMA charges for Schedules 28 and 30 to  
7 their current levels.

8 5) Walmart does not oppose the Company's proposal to eliminate the declining  
9 block energy charge structure from Schedule 30's basic supply service rates.

10 6) For the purposes of this docket, Walmart proposes that the Commission set  
11 the Schedule 200 basic supply service flat energy charge for Schedule 30 at  
12 the 2021 energy only marginal cost per the Company's cost of service study  
13 results, and assign the remaining Schedule 200 revenue requirement for  
14 Schedule 30 as approved by the Commission to the demand charge.

15 7) The Commission, if it approves the proposed Generation Plant Removal  
16 Adjustment ("Schedule 197"), should require the Company to charge  
17 demand metered customers using a \$/kW demand charge.

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

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

1 **Revenue Requirement and Return on Equity**

2 **Q. WHAT REVENUE REQUIREMENT INCREASE DOES THE COMPANY PROPOSE IN ITS**  
3 **FILING?**

4 A. The Company proposes a total revenue requirement increase for the forecast test  
5 year ending December 31, 2021, of approximately \$70.8 million, which is comprised  
6 of (1) a non-net power cost (“non-NPC”) increase in rates of \$78 million, (2) an  
7 increase of \$17.3 million for recovery of early retirement costs for Cholla Unit 4, and  
8 (3) a decrease of approximately \$24.9 million from deferred tax benefits associated  
9 with the Tax Cuts and Jobs Act. See PAC/200/Lockey/3/12-19 and  
10 PAC/1300/McCoy/2/14-15. The Company states that they have also proposed a  
11 contemporaneous change in their Transition Adjustment Mechanism (“TAM”) that  
12 will reduce total retail rates by approximately \$49.2 million, for a total proposed  
13 impact across both matters of approximately \$21.6 million. See  
14 PAC/200/Lockey/2/3-15.

15 **Q. WHAT IS THE COMPANY’S PROPOSED ROE IN THIS DOCKET?**

16 A. The Company presents testimony to support a ROE of 10.2 percent, based on a  
17 range of 9.75 percent to 10.25 percent. See PAC/400/Bulkley/4/3-5. The requested  
18 ROE at the Company’s proposed capital structure of 53.52 percent equity results in a  
19 proposed overall rate of return of 7.68 percent. See PAC/300/Kobliha/3/1.

1       **Q.     WHAT ARE THE CURRENTLY APPROVED ROE AND EQUITY RATIO FOR PACIFIC**  
2       **POWER?**

3       A.     The currently effective ROE approved by the Commission for the Company is 9.8  
4       percent and the currently effective equity ratio is 52.1 percent. *See* Order 13-474,  
5       Appendix A, page 4. As such, the proposed ROE represents an increase of 40 basis  
6       points from the Company's currently approved ROE and has a significant impact to  
7       customers.

8       **Q.     IS WALMART CONCERNED THAT THE COMPANY'S PROPOSED ROE IS EXCESSIVE?**

9       A.     Walmart is concerned that the Company's proposed ROE of 10.2 percent is  
10      excessive, especially in light of: (1) the customer impact of the resulting revenue  
11      requirement increase as discussed above; (2) recent rate case ROEs approved by the  
12      Commission; and (3) recent rate case ROEs approved by commissions nationwide.

13

14      ***Customer Impact of the Proposed Increase in ROE***

15      **Q.     WHAT IS THE REVENUE REQUIREMENT IMPACT OF THE COMPANY'S PROPOSED**  
16      **INCREASE IN ROE AND EQUITY RATIO?**

17      A.     Using the Company's proposed cost of debt and preferred stock, the revenue  
18      requirement impact of the Company's proposed increases in ROE and equity ratio  
19      from those approved in UE 263 is approximately \$16 million, or approximately 20.6  
20      percent of the Company's non-NPC proposed revenue requirement increase. *See*  
21      Walmart/102.

1 ***Recent ROEs Approved by the Commission***

2 **Q. IS THE COMPANY'S PROPOSED ROE SIGNIFICANTLY HIGHER THAN THE ROES**  
3 **APPROVED BY THE COMMISSION FROM 2017 TO PRESENT?**

4 A. Yes. During this time period the Commission has issued orders with stated ROEs in  
5 two dockets, with the average of the ROEs approved equal to 9.5 percent. See  
6 Walmart/103.

7 **Q. IN WHICH OTHER DOCKETS DID THE COMMISSION ISSUE ORDERS WITH STATED**  
8 **ROES?**

9 A. The Commission issued orders with stated ROEs in the following dockets:

- 10 • Docket No. UE 319, the 2017 Portland General Electric general rate case decided  
11 in December, 2017, in which the Commission approved an ROE of 9.5 percent.  
12 See Order 17-511, page 6.
- 13 • Docket No. UE 335, the 2018 Portland General Electric general rate case decided  
14 in December, 2018, in which the Commission approved an ROE of 9.5 percent.  
15 See Order 18-464, page 4.

16 As such, the Company's proposed 10.2 percent ROE is counter to recent Commission  
17 actions regarding ROE.



1 **National Utility Industry ROE Trends**

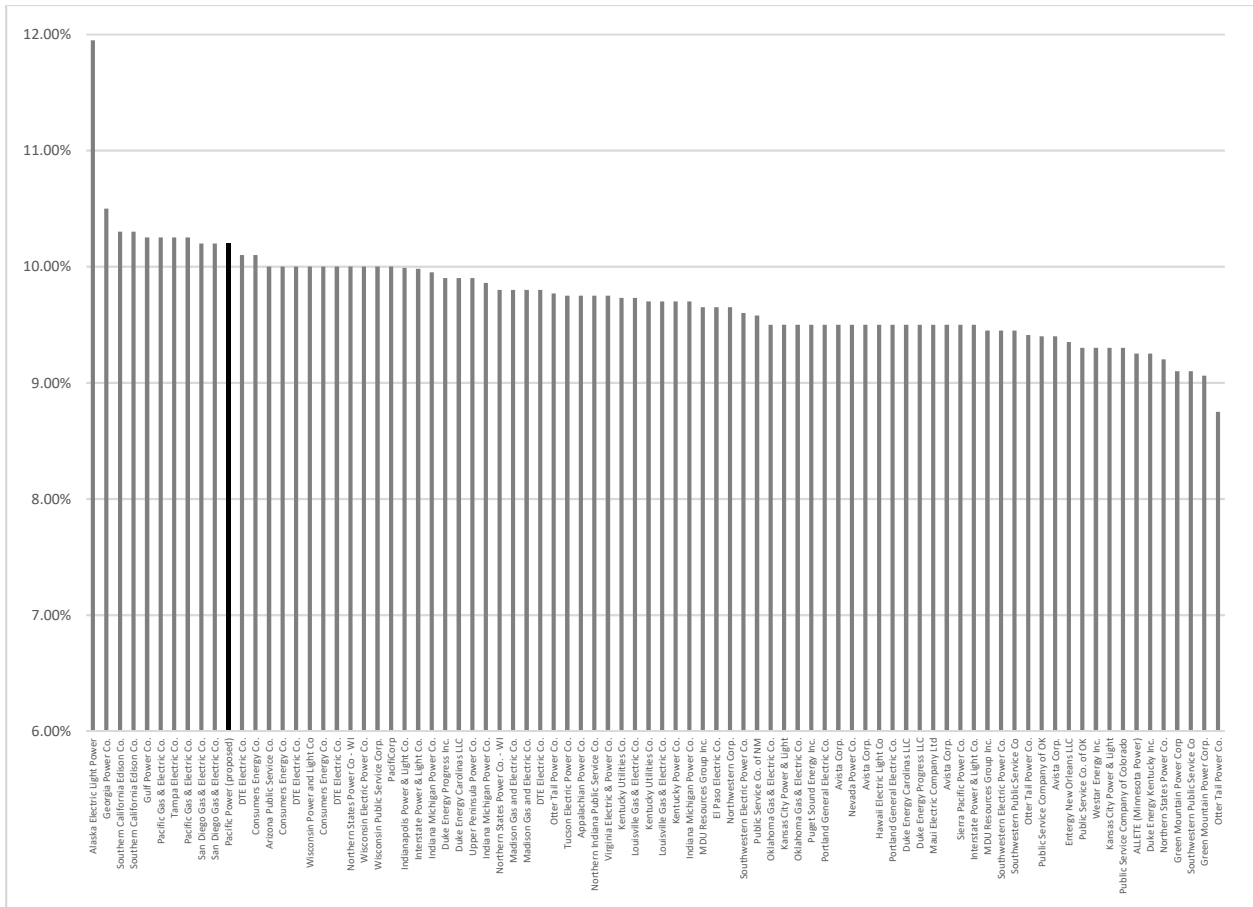
2 **Q. IS THE COMPANY'S PROPOSED ROE SIGNIFICANTLY HIGHER THAN THE ROES**  
3 **APPROVED BY OTHER UTILITY REGULATORY COMMISSIONS IN 2017, 2018, 2019,**  
4 **AND SO FAR IN 2020?**

5 A. Yes. According to data from S&P Global Market Intelligence, a financial news and  
6 reporting company, the average of the [1279](#) reported electric utility rate case ROEs  
7 authorized by commissions to investor-owned utilities in 2017, 2018, 2019, and so  
8 far in 2020, is 9.6 percent. The range of reported authorized ROEs for the period is  
9 8.25 percent to 11.95 percent, and the median authorized ROE is 9.6 percent. The  
10 average and median values are significantly below the Company's proposed ROE of  
11 10.2 percent. See Walmart/103. As such, the Company's proposed 10.2 percent  
12 ROE is counter to broader electric industry trends.

13 **Q. SEVERAL OF THE REPORTED AUTHORIZED ROES ARE FOR DISTRIBUTION-ONLY**  
14 **UTILITIES OR FOR ONLY A UTILITY'S DISTRIBUTION SERVICE RATES. WHAT IS THE**  
15 **AVERAGE AUTHORIZED ROE IN THE REPORTED GROUP FOR VERTICALLY**  
16 **INTEGRATED UTILITIES?**

17 A. In the group reported by S&P Global, the average ROE for vertically integrated  
18 utilities authorized from 2017 through present is 9.73 percent, and the trend in  
19 these averages has been relatively stable. The average ROE authorized for vertically  
20 integrated utilities in 2017 was 9.80 percent; in 2018 it was 9.68 percent; in 2019 it  
21 was 9.73 percent; and thus far in 2020 it was 9.69 percent. *Id.* As such, the

1 Company's proposed 10.2 percent ROE is counter to broader electric industry trends  
 2 and, in fact, as shown in Figure 1, would be equal to the fifth highest approved ROE  
 3 for a vertically integrated utility from 2017 to present if approved by the  
 4 Commission.



5 **Figure 1. Pacific Power Proposed ROE Versus Authorized ROEs for Vertically Integrated Utilities, 2017 to**  
 6 **present. Source: Walmart/103.**

7 **Q. WHAT IS THE REVENUE REQUIREMENT IMPACT IF THE COMMISSION WERE TO**  
 8 **AWARD AN ROE OF 9.73 PERCENT, THE AVERAGE ROE AWARDED FOR VERTICALLY**  
 9 **INTEGRATED UTILITIES FROM 2016 TO PRESENT?**

10 **A. Assuming Company's proposed cost of debt, preferred stock, and equity ratio,**  
 11 **authorizing Pacific Power a ROE of 9.73 percent instead of the requested 10.2**  
 12

1 percent would result in a reduction to the requested revenue requirement increase  
2 of about \$14.4 million. This represents about an 18.6 percent reduction of the  
3 Company's requested revenue requirement increase. See Walmart/104.

4 **Q. IS WALMART RECOMMENDING THAT THE COMMISSION BE BOUND BY ROEs**  
5 **AUTHORIZED BY OTHER STATE REGULATORY AGENCIES?**

6 A. No. Decisions of other state regulatory commissions are not binding on the  
7 Commission. Additionally, each commission considers the specific circumstances in  
8 each case in its determination of the proper ROE. Walmart is providing this  
9 information to illustrate a national customer perspective on industry trends in  
10 authorized ROE.

11

12 **Conclusion**

13 **Q. WHAT IS YOUR RECOMMENDATION TO THE COMMISSION IN REGARDS TO THE**  
14 **COMPANY'S PROPOSED ROE?**

15 A. The Commission should closely examine the Company's proposed revenue  
16 requirement increase and the associated proposed increase in ROE, especially when  
17 viewed in light of: (1) the customer impact of the resulting revenue requirement  
18 increase as discussed above; (2) recent rate case ROEs approved by the Commission;  
19 and (3) recent rate case ROEs approved by commissions nationwide.

20

1 **Cost of Service and Rate Spread**

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

4 A. Walmart advocates that rates be set based on the utility's cost of service for each  
5 rate class. This produces equitable rates that reflect cost causation, send proper  
6 price signals, and minimize price distortions.

7 **Q. DOES WALMART TAKE A POSITION ON THE COMPANY'S PROPOSED COST OF**  
8 **SERVICE METHODOLOGY AT THIS TIME?**

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

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

15 A. The Company does not represent this relationship through a metric per se, but  
16 instead employs Schedule 299, the Rate Mitigation Adjustment ("RMA"), to assign  
17 receipt or payment of a subsidy to a particular customer class. An RMA charge for a  
18 customer class means that the class is paying a subsidy to other classes, and thus  
19 paying rates in excess of the costs incurred to serve that class. An RMA credit for a  
20 customer class means that the class is receiving a subsidy, and as a result, paying

1 rates less than the costs incurred to serve that class. In total, those customer classes  
2 with an RMA charge are subsidizing the classes that receive an RMA credit.

3 **Q. WHAT IS YOUR UNDERSTANDING OF THE COMPANY'S PROPOSED RATE SPREAD?**

4 A. My understanding is that the Company proposes a "base" rate spread that is  
5 consistent with their proposed cost of service study, but that they also propose to  
6 utilize the RMA to limit the rate increase to any class to 10 percent. See  
7 PAC/1400/Meredith/2/4-10. In total, the Company proposes to reduce the pot of  
8 subsidy dollars allocated through the RMA from approximately \$11.7 million to  
9 approximately \$6.65 million. See PAC/1410/Meredith/3.

10 **Q. HAVE YOU EXAMINED THE PROPOSED RMA CHARGE FOR SCHEDULES 30?**

11 A. Yes. The Company proposes an RMA revenue requirement of \$899,000 and charge  
12 of 0.066 cents/kWh for Schedule 30. See PAC/1401/Meredith/63 and  
13 PAC/1410/Meredith/3.

14 **Q. WHAT IS THE CURRENT RMA CHARGE FOR SCHEDULE 30?**

15 A. The current RMA charge is 0.039 cents/kWh for Schedule 30. See P.U.C. OR No. 36,  
16 Second Revision of Sheet 299. The current revenue requirement for the Schedule 30  
17 RMA charge is \$531,000. See PAC/1410/Meredith/3. As such, the Company has  
18 proposed to move Schedule 30 customers away from rates that reflect cost of  
19 service.

1       **Q.     DOES THE COMPANY PROPOSE THAT ANY OTHER CUSTOMER CLASSES BEAR**  
2       **SUBSIDY BURDEN THROUGH THE RMA?**

3       A.     Yes. The Company proposes that the RMA subsidy burden for Schedule 28 increase  
4       from \$2.3 million to \$5.75 million. *Id.*

5       **Q.     HAS PACIFIC POWER PROPOSED TO REDUCE THE NUMBER OF CUSTOMER CLASSES**  
6       **SUBJECT TO RMA CHARGES OR CREDITS?**

7       A.     Yes. Pacific Power proposes to limit the RMA to commercial and industrial classes  
8       and has proposed no charge or credit for Schedules 4, 5, 15, 23/723, 51/751,  
9       53/753, and 54/754. *See* PAC/1401/Meredith/63 and PAC/1410/Meredith/3.

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

12      A.     For the purposes of this docket, and because the Company has proposed to reduce  
13      the number of customer classes subject to RMA charges and credits, at the  
14      Company's proposed revenue requirement, Walmart does not oppose the  
15      Company's proposed rate spread and application of the RMA.

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

18      A.     If the Commission determines that the appropriate revenue requirement is less than  
19      that proposed by the Company, the Commission should use the first \$3.8 million of  
20      reduction in revenue from that proposed by the Company to reduce the Company's  
21      proposed RMA charges for Schedules 28 and 30 to their current levels.

1 **Schedule 30 Generation Rate Design**

2 **Q. WHAT IS YOUR UNDERSTANDING OF THE CURRENT STRUCTURE OF THE BASE**  
3 **SUPPLY SERVICE CHARGES FOR SCHEDULE 30?**

4 A. My understanding of the current structure of the base supply service (Schedule 200)  
5 charges for Schedule 30 is that the Company charges a demand charge and a  
6 declining two-block energy charge, using a step point of 20,000 kWh in the billing  
7 period to move from block one to block two. See P.U.C. Oregon No. 36, Fourth  
8 Revision of Sheet No. 200-1.

9 **Q. DOES PACIFIC POWER PROPOSE CHANGES TO THE BASIC SUPPLY SERVICE RATE**  
10 **STRUCTURE FOR SCHEDULE 30 SECONDARY SERVICE?**

11 A. Yes. The Company proposes to eliminate the declining block energy charge  
12 structure and charge a flat rate for all usage. See PAC/1400/Meredith/48/11-16.  
13 Additionally, the Company proposes to set the new flat energy charge at 2.631  
14 cents/kWh, approximately equidistant from the current first block charge of 2.86  
15 cents/kWh and the current second block charge of 2.48 cents/kWh. Additionally,  
16 the Company proposes to increase the demand charge from \$1.88/kW to \$1.95/kW.  
17 See PAC/1409/Meredith/6.

18 **Q. DOES WALMART HAVE ANY COMMENTS REGARDING THE COMPANY'S PROPOSED**  
19 **SCHEDULE 200 RATE DESIGN AS IT IS APPLIED TO SCHEDULE 30?**

20 A. Yes. First, Walmart does not oppose the Company's proposal to eliminate the  
21 declining block structure of the energy charge.

1       **Q.       WHAT IS WALMART’S SECOND COMMENT?**

2       A.       Walmart is concerned that the Company’s proposed basic supply service rates for  
3       Schedule 30 do not reflect the underlying cost of service and shift cost responsibility  
4       within the customer class in that it charges customers for demand-related costs on  
5       energy charges.  Additionally, the proposed rates under-recover demand-related  
6       costs through Schedule 200 and diminish the short-term and long-term capacity  
7       price signals that the Schedule 200 demand charge can provide.  In the short-term,  
8       better capacity price signals can inform customer demand management and  
9       technology deployment decisions, as recognition can be brought to bear of the  
10      economic benefits of reducing kW loads on the system in addition to reducing kWh  
11      used.  In the long-term, better capacity price signals can help drive customer  
12      decisions regarding facility and equipment sizing and potentially avoid future  
13      capacity needs on the system.

14      **Q.       WHAT IS YOUR UNDERSTANDING OF THE COST OF SERVICE STUDY RESULTS FOR**  
15      **SCHEDULE 30 SECONDARY CUSTOMERS?**

16      A.       As shown in Table 1 below, my understanding is that the combined rate case and  
17      TAM marginal cost of service study results show that approximately 34 percent of  
18      the generation costs incurred by Pacific Power to serve Schedule 30 Secondary  
19      customers are demand-related while 66 percent are energy-related.



**Table 1. Schedule 30 Secondary Marginal Cost of Service Study Results vs. Proposed Basic Supply Service and Schedule 201 Revenue Requirements.**

Component	MCOSS Results		Schedule 30 Secondary Revenue Requirement	
	(\$000)	(% of Total)	(\$000)	(% of Total)
Demand	\$23,482	34.0	\$6,796	9.5
Energy	\$45,596	66.0	\$64,961	90.5
<b>Total</b>	<b>\$69,078</b>	<b>100</b>	<b>\$71,758</b>	<b>100</b>

Sources: OR GRC MC Study Dec 2021, Tbl3 and Meredith OR CY2021 GRC Pricing Model, 1409 3+ Exhibit Blocking

1

2 **Q. HAS THE COMPANY CALCULATED A DEMAND CHARGE BASED ON THE MARGINAL**  
3 **COST OF SERVICE STUDY RESULTS?**

4 A. Yes. An examination of the Company's marginal cost of service study results suggest  
5 that a demand charge based on 20-year marginal demand costs would be  
6 approximately \$5.89/kW<sup>2</sup>, versus the \$1.95/kW proposed by the Company. See  
7 PAC/ 1408/Meredith/21.

8 **Q. IS THE RECOVERY OF DEMAND-RELATED COSTS THROUGH ENERGY CHARGES**  
9 **APPROPRIATE?**

10 A. No. The recovery of demand-related costs through energy charges is inappropriate  
11 and violates cost causation principles.

12 **Q. PLEASE EXPLAIN.**

13 A. The shift in demand-related costs from per kW demand charges to per kWh energy  
14 charges results in a shift in demand cost responsibility from lower load factor  
15 customers to higher load factor customers. This results in a misallocation of cost

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<sup>2</sup> \$5.89/kW = \$19,633,000 revenue requirement / 277,617 average billing kW / 12.

1 responsibility as higher load factor customers overpay for the demand-related costs  
2 incurred by the Company to serve them. In other words, higher load factor  
3 customers are paying for a portion of the demand-related costs that are incurred to  
4 serve lower load factor customers simply because of the manner in which the  
5 Company recovers those costs in rates.

6 **Q. CAN YOU PROVIDE A GENERAL ILLUSTRATION OF THIS SHIFT IN DEMAND COST**  
7 **RESPONSIBILITY?**

8 A. Yes. Assume the following:

- 9 1) A utility has only two customers (Customer 1 and Customer 2), with individual  
10 peak demands of 20 kW for a total system load of 40 kW.
- 11 2) The annual revenue requirement or cost to the utility associated with the  
12 investment to serve these customers is \$2,000, which will be recovered each  
13 year. Each customer is responsible for one-half of the cost, or \$1,000 of  
14 demand-related or fixed costs per customer.
- 15 3) Customer 1 has a monthly demand of 20 kW and a load factor of 60 percent and  
16 consumes 105,120 kWh/year ( $20 \text{ kW} * 60\% * 8760 \text{ hours}$ ).
- 17 4) Customer 2 has a monthly demand of 20 kW and a load factor of 30 percent and  
18 consumes 52,560 kWh/year ( $20 \text{ kW} * 30\% * 8760 \text{ hours}$ ).

19

1       **Q.    IF THE DEMAND-RELATED COSTS WERE RECOVERED THROUGH A DEMAND**  
2       **CHARGE ON A PER KW BASIS, WHAT WOULD THE PER KW CHARGE BE?**

3       A.    The charge would be \$4.17 per kW-month ( $\$2,000 / 40 \text{ kW} / 12 \text{ months}$ ). Each  
4       customer would then pay \$1,000 for the demand-related cost they impose on the  
5       system ( $20 \text{ kW} * \$4.17/\text{kW} * 12$ ).

6       **Q.    IF THE DEMAND-RELATED COSTS WERE RECOVERED ON AN ENERGY BASIS, WHAT**  
7       **WOULD THE PER KWH CHARGE BE?**

8       A.    If customers were charged on a per kWh basis, the energy charge would be 1.27  
9       cents per kWh ( $\$2,000 / 157,860 \text{ kWh}$ ), where the \$2,000 is the total cost and  
10       157,860 kWh represents the total annual energy sales.

11       **Q.    WHAT WOULD EACH CUSTOMER PAY UNDER THE PER KWH CHARGE OF 1.27**  
12       **CENTS PER KWH?**

13       A.    Customer 1, the customer with the higher load factor of 60 percent, would pay  
14       \$1,333 ( $\$0.0127/\text{kWh} * 105,120 \text{ kWh}$ ). Customer 2, the customer that has the lower  
15       load factor would pay \$667 ( $\$0.0127/\text{kWh} * 52,560 \text{ kWh}$ ).

16       **Q.    ARE THE RESULTING ENERGY BASED CHARGES REPRESENTATIVE OF THE**  
17       **UNDERLYING COSTS?**

18       A.    No. As the example makes clear, if a utility recovers its demand-related costs  
19       through energy-based charges, it will over-collect from one customer and under-  
20       collect from the other. The fixed costs are equally incurred by Customer 1 and  
21       Customer 2, however, under the per kWh scenario, the utility would recover \$333

1 more from Customer 1 (a higher load factor customer) than its cost responsibility  
2 and \$333 less from Customer 2 (a lower load factor customer) than its cost  
3 responsibility. In other words, Customer 1, would be subsidizing one-third of  
4 Customer 2's cost responsibility.

5 **Q. WOULD THE PROPER RECOVERY OF DEMAND-RELATED COSTS THROUGH A**  
6 **DEMAND CHARGE PROVIDE BENEFITS TO THE COMPANY?**

7 A. Yes. By collecting more demand-related costs through the energy charge, the  
8 Company could be more susceptible to weather-related and other fluctuations in  
9 usage than it would be were those costs recovered through a demand charge. A  
10 rate design that properly collects fixed costs through a \$/kW demand charge and  
11 energy-related costs through \$/kWh variable charges should provide greater  
12 revenue certainty and more stable utility earnings.

13 **Q. WHAT IS WALMART'S RECOMMENDATION ON THIS ISSUE?**

14 A. For the purposes of this docket, Walmart proposes that the Commission set the  
15 Schedule 200 basic supply service flat energy charge for Schedule 30 at the 2021  
16 energy only marginal cost per the Company's cost of service study result, and assign  
17 the remaining Schedule 200 revenue requirement as approved by the Commission  
18 to the demand charge.

1       **Q.     HAVE YOU CALCULATED ILLUSTRATIVE RATES OF THIS RATE DESIGN AT THE**  
2       **COMPANY’S PROPOSED REVENUE REQUIREMENT?**

3       A.     Yes. Using the Company’s proposed flat energy rate design for Schedule 200, this  
4       would result in an energy charge of \$0.02072/kWh and a demand charge of  
5       \$3.98/kW. See Walmart/105. This would result in the demand charge being set at  
6       approximately 68 percent of its cost-based level.

7

8       **Schedule 197 Rate Design**

9       **Q.     WHAT IS YOUR UNDERSTANDING OF THE COMPANY’S PROPOSED SCHEDULE 197?**

10      A.     My understanding is that the Company proposes Schedule 197 to recover  
11      retirement costs of Cholla Unit 4, and includes regulatory assets and estimated  
12      decommissioning costs not already recovered in depreciation rates. See  
13      PAC/1300/McCoy/33/18-20.

14      **Q.     HOW DOES THE COMPANY PROPOSE TO SPREAD THE SURCHARGE TO**  
15      **CUSTOMERS?**

16      A.     The Company proposes to spread the surcharge to customers on the basis of base  
17      generation revenue requirement. See PAC/1400/Meredith/24/11-13.

18      **Q.     HOW DOES THE COMPANY PROPOSE TO CHARGE DEMAND-METERED CUSTOMERS**  
19      **FOR SCHEDULE 197?**

20      A.     The Company proposes to charge demand-metered customers using a \$/kWh  
21      energy charge. See PAC/1410/Meredith/6.

1       **Q.       DOES WALMART HAVE A CONCERN WITH THE COMPANY’S PROPOSED SCHEDULE**  
2       **197 RATE DESIGN?**

3       A.       Yes. While the Cholla Unit 4 costs would no longer be incurred for the provision of  
4       service to customers, retirement and decommissioning activities are related to the  
5       fixed generation asset, not the variable costs related to the production of electrons.  
6       As such, it is more appropriate to charge customers for these costs on a demand  
7       basis, as it is more reflective of the fixed nature of the costs and how those costs  
8       would traditionally be classified within a cost of service study.

9       **Q.       WHAT IS WALMART’S RECOMMENDATION TO THE COMMISSION ON THIS ISSUE?**

10      A.       The Commission, if it approves Schedule 197, should require the Company to charge  
11      demand metered customers using a \$/kW demand charge.

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

13      A.       Yes.