
BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

**Washington Utilities and Transportation
Commission,**
Complainant,

v.

Puget Sound Energy,
Respondent.

Docket Nos. UE-220066 & UG-220067

POST HEARING BRIEF

OF

WALMART INC.

POST HEARING BRIEF

Walmart Inc. (“Walmart”) hereby submits its Post Hearing Brief in the above-captioned matter. The parties met several times over the course of several months to discuss settlement of the many issues in this case. Walmart is a signatory to all three settlement stipulations in this case: Green Direct, Tacoma LNG and Revenue Requirement. Because there were so many issues and numerous parties, the Parties have agreed that certain Parties will address certain issues in their post hearing briefs. Walmart addresses herein the Green Direct Settlement, settlement of the Return on Equity (“ROE”), and settlement of Rate Spread and Rate Design in the electric case. Walmart encourages the Washington Utilities and Transportation Commission (“Commission”) to accept and adopt all three stipulations as filed as being in the public interest.

BACKGROUND

Walmart operates 65 retail units, two distribution centers, and employs over 23,000 associates in Washington. In fiscal year ending 2022, Walmart purchased approximately \$2.9 billion worth of goods and services from suppliers, supporting over 39,000 jobs.¹

Walmart is a large customer of Puget Sound Energy (“PSE” or the “Company”) with 19 stores and other related facilities that take electric service from the Company, primarily on Schedule 26, Large Demand General Service rate schedule. In addition, Walmart has 25 stores and other related facilities that take gas service from the Company, primarily on Schedule 31, Commercial and Industrial General Service rate schedule.

Walmart also has aggressive and significant company-wide renewable energy goals, including (1) to be supplied 100 percent by renewable energy by 2035 and (2) zero carbon emissions in its operations, including its transportation fleet vehicles, without the use of offsets, by 2040.

GREEN DIRECT

In PSE’s 2020 Power Cost Only Rate Case (“PCORC”), all parties to that case entered into, or did not oppose, a settlement stipulation, agreeing, among other things, to pursue a path forward on a durable method for calculation of the energy credit for Green Direct customers and a means to flow any impacts from changing the methodology for calculating the Green Direct credit through to non-Green Direct customers.² However, none of the parties to the PCORC proceeding or resulting settlement were Green Direct customers.

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

² See Docket UE-200980, PCORC Settlement Stipulation, p. 6.

Thereafter, Walmart, who is a Green Direct customer, and others met several times trying to come to an agreement on this issue. The goal has been to avoid ongoing litigation of this issue and to establish more certainty and finality with respect to: (i) the calculation of the Energy Charge for Green Direct customers, (ii) the Energy Charge Credit for Green Direct customers, (iii) PSE's ability to recover the Energy Charge Credit amounts, and (iv) tracking and reporting. Because agreement was not reached by the time PSE filed this rate case, Walmart and other interested parties continued to meet and work toward these goals during this proceeding.

The Green Direct program is an important tool to Walmart and other participating companies in that it helps us to achieve our renewable energy goals. Walmart believes that the settlement reached is fair, well-balanced, and meets the stated goals. Walmart appreciates all of the parties who participated for working collaboratively and efficiently in coming to this result. The fact that all parties interested in this particular issue, both customers within the program and interested stakeholders outside of it, representing widely varied interests, support the Green Direct settlement indicates that a reasonable resolution has been reached, which is in the public interest. It provides a method for calculating the Energy Charge Credit for Green Direct customers and a means for PSE to recover the Energy Charge Credit from non-Green Direct customers, while ensuring there is no cross-subsidization between Green Direct and non-Green Direct customers. The Commission should accept and adopt the Green Direct settlement stipulation as filed because it is in the public interest.

ROE

When electric and gas rates increase, the increased cost to retailers like Walmart can put pressure on consumer prices and on the other expenses required by a business to operate. This can

result in passing through higher prices to consumers. Therefore, the Commission should always thoroughly and carefully consider the impact on customers when examining the Company's requested revenue requirement and ROE, among other things, to ensure that any increase in the Company's rates is the minimum amount necessary to provide safe, adequate and reliable service, while also providing PSE the opportunity to recover its reasonable and prudent costs and earn a reasonable return on its investment.

In this case, PSE requested a 9.9% ROE for its electric service over a three-year rate plan. It also requested a Capital Structure that moved over the three years from debt/equity of 51/49 to 50.5/49.5 to 50/50. A 9.9% ROE was above the Company's currently approved ROE, recent electric rate case ROEs approved by this Commission, recent electric rate case ROEs approved by other state regulatory commissions and did not appear to take into consideration the risk-reducing nature of a proposed multi-year rate plan.

The 9.4 percent ROE that was agreed to by the settling parties is consistent with Walmart's testimony and industry trends. It is the result of arm's length negotiations between many parties of variable interests and is in the public interest. The Commission should accept and adopt the 9.4 percent ROE as being in the public interest.

ELECTRIC RATE SPREAD & RATE DESIGN

With respect to Rate Design and Rate Spread, the goal should always be to reduce the amount of cross-subsidization between the classes and have each customer class pay its cost of service to the extent possible. With these goals in mind, Walmart testified that the Commission should reject the Company's proposed Schedule 141C rate design for demand metered rate classes

and the Commission should reject the Company's proposed \$/kWh energy charge rate design for Schedules 141N and 141R.

As a result of the settlement, the Colstrip Rider (Schedule 141C) will be recovered at 80 percent through demand charges and 20 percent through energy charges. In addition, Schedules 141N and 141R will include both a demand and an energy component proportional with each rate schedule's rate design. These results are consistent with the recommendations from Walmart and are a positive step toward reducing class cross-subsidization. Walmart is also supportive of the settlement term that increases the account limit for the conjunctive demand service option from 5 to 15 accounts per customer and increases the customer's participating load limit to 6 MW of winter demand. These are also positive results that help PSE's retail customers control costs.

The Rate Design and Rate Spread results of the Settlement Stipulation and Agreement on Revenue Requirement and All Other Issues Except Tacoma LNG and PSE's Green Direct Program are the result of arm's length negotiations between many parties of variable interests and are in the public interest. The Commission should accept and adopt this Stipulation as filed as being in the public interest.

CONCLUSION

Based on the foregoing and the record in this case, Walmart requests that the Commission accept and adopt the Green Direct and Revenue Requirement and All Other Issues Stipulations as filed in this case as being in the public interest.

DATED this 31st day of October 2022.

/s/ Vicki M. Baldwin

Vicki M. Baldwin
PARSONS BEHLE & LATIMER
201 South Main Street, Suite 1800
Salt Lake City, Utah 84111
vbaldwin@parsonsbehle.com
Attorneys for Walmart Inc.