
BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,

Complainant,

v.

PUGET SOUND ENERGY,

Respondent.

Docket Nos. UE-240004 and UG-240005

POST HEARING BRIEF

ON BEHALF OF

WALMART INC.

December 4, 2024

TABLE OF CONTENTS

I. INTRODUCTION..... 1

II. LEGAL STANDARD 1

III. ARGUMENT..... 2

IV. CONCLUSION 3

I. INTRODUCTION

Pursuant to Order No. 7 issued on June 6, 2024, Walmart Inc. (“Walmart”) hereby files its post hearing brief. Walmart operates 64 retail units, two distribution centers, and employs over 23,000 associates in Washington. In the fiscal year ending 2024, Walmart purchased \$2.7 billion worth of goods and services from Washington-based suppliers, supporting over 34,000 supplier jobs. Walmart is a large customer of Puget Sound Energy (“PSE”) with 19 retail facilities and other related facilities that take electric service primarily on the Company’s Large Demand General Service (“Schedule 26”), General Service (“Schedule 24”) and Small Demand General Service (“Schedule 25”) rate schedules. Additionally, Walmart operates 31 locations on the Schedule 31 and 41 gas schedules.

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 PSE’s requested revenue requirement and ROE, among other things, to ensure that any increase in the PSE’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.

II. LEGAL STANDARD

Under RCW 80.28.010, the Commission has the duty to ensure that PSE’s customers are only charged just, reasonable and sufficient rates. These rates must be “fair to customer and to the Company’s owners; just in the sense of being based solely on the record developed in the proceeding following principles of due process of law; reasonable in light of the range of possible

outcomes supported by the evidence and; sufficient to meet the needs of the Company to cover its expenses and attract necessary capital on reasonable terms.”¹

III. ARGUMENT

In this case, PSE requested an increase from its currently approved Return on Equity (“ROE”) of 9.4 to 9.95 percent in 2025 and 10.5 percent in 2026.² Additionally, PSE requested to increase the equity share “for ratemaking purposes” to 50 percent in Year 1 and 51 percent in Year 2 of the Multi-Year Plan (“MYP”).³ However, PSE provided testimony that it expects to maintain an actual capital structure in alignment with its currently approved capital structure, consisting of 49 percent equity and 51 percent debt.⁴

Commission Staff, Public Counsel, the Alliance of Western Energy Consumers (“AWEC”) and Walmart recommended lower ROEs. Commission Staff recommended that the Commission set an ROE of 9.50 percent;⁵ Public Counsel recommended 9.375 percent;⁶ AWEC recommended 9.20 percent;⁷ and Walmart recommended that the Commission maintain the current 9.40 percent.⁸ Likewise Commission Staff, Public Counsel, AWEC and Walmart all recommend denying the request for this hypothetical capital structure, and requested the Commission grant a capital structure that aligns more closely with the 49 percent equity and 51 percent debt that PSE anticipates.⁹

PSE’s requested increase to its ROE and its request to use a hypothetical capital structure is not just and reasonable. As provided in its testimony, Walmart demonstrated that the average

1 Docket UE-090704, Final Order, Order 11 (April 2, 2010), at 18.

2 Peterman, Ex. CGP-1CT pg. 11-11

3 Peterman, Ex. CGP-1CT pg. 7-8 of 55

4 *Id.*

5 Parcell, Ex. DCP-1T at 5:9.

6 Woolridge, Ex. JRW-1CT at 7:3.

7 Kaufman Exhibit LDK-1T at 37:10

8 McGovern, Ex. JLM-1T at 17:12

9 Parcell, Ex. DCP-1T, pg. 2-4; Kaufman, Ex. LDK-1T, pg. 37; McGovern, Ex. JLM-1T, pg. 9:15.

ROE nationwide is 9.5 percent¹⁰ and the average ROE for vertically integrated utilities authorized from 2021 through the present is 9.69 percent¹¹, well below PSE's proposed ROE of 9.95 percent and 10.5 percent. The impact of the proposed increase in authorized ROE, alone is an increase to revenue requirement of approximately \$42 million in Year 1, or approximately 11 percent of the rate increase requested by the Company.¹² And an additional increase of incremental \$77.5 million or approximately 11 percent of the overall \$699 million increase in Year 2, just for the requested ROE.¹³ Likewise, the impact of PSE's requested hypothetical capital structure increases rate base by approximately \$4.4 million in Year 1 and another \$10.6 million in Year 2.¹⁴

The Commission should thoroughly and carefully consider the impact on customers in examining the requested ROE and the capital structure, to ensure that any increase in the Company's rates reflects the minimum amount necessary to compensate the Company for adequate and reliable service, while also providing PSE an opportunity to earn a reasonable return for its shareholders.

IV. CONCLUSION

PSE bears the burden of proving that the rates they are seeking in this docket are just and reasonable. However, PSE's requested increases to its ROE and its use of a hypothetical capital structure are not just and reasonable. Walmart requests that the Commission maintain PSE's current ROE of 9.4 percent and approve its actual capital structure of 49 percent equity and 51 percent debt.

. . .

10 McGovern, Ex. JLM-1T at 12:13.

11 PSE Ex. CGP-1CT pg. 17 of 55.

12 McGovern, Ex. JLM-103.

13 *Id.*

14 McGovern, Ex. JLM-1T at 9:7-8.

DATED this 4th day of December, 2024.

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CERTIFICATE OF SERVICE

I hereby certify that on this 4th day of December, 2024, I caused a true and correct copy of the foregoing document, **POST HEARING BRIEF ON BEHALF OF WALMART INC.**, to be served via electronic mail, to the following:

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