

**BEFORE THE  
WASHINGTON UTILITIES & TRANSPORTATION COMMISSION**

**WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION,**

**Complainant,**

**v.**

**PacifiCorp, dba Pacific Power & Light Company**

**Respondent.**

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**DOCKET NO. UE-230172**

**RESPONSIVE TESTIMONY AND EXHIBITS OF**

**ALEX J. KRONAUER**

**ON BEHALF OF**

**WALMART INC.**

**SEPTEMBER 14, 2023**

**Table of Contents**

I. Introduction ..... 3

II. Purpose of Testimony and Summary of Recommendations ..... 5

III. Revenue Requirement and Cost of Capital ..... 7

    A. *Customer Impact* ..... 8

    B. *Recent ROEs Approved by the Commission* ..... 10

    C. *National Utility Industry ROE and Weighted Equity Cost Trends* ..... 11

        Figure 1. PacifiCorp Proposed ROE of 10.30 Percent Versus Approved ROEs, Vertically  
        Integrated Utilities, 2020 to Present. Source: AJK-5. .... 13

    D. *Conclusion*..... 14

***Exhibits***

***Exhibit AJK-2*** – *Alex J. Kronauer Witness Qualifications Statement*

***Exhibit AJK-3*** – *Impact of PacifiCorp Proposed Return on Equity vs. PacifiCorp Currently  
Authorized ROE, Rate Year 1*

***Exhibit AJK-4*** – *Impact of PacifiCorp Proposed Return on Equity vs. PacifiCorp Currently  
Authorized ROE, Rate Year 2*

***Exhibit AJK-5*** – *Reported Authorized Returns on Equity, Electric Utility Rate Cases Completed,  
2020 to Present*

***Exhibit AJK-6*** – *Impact of PacifiCorp Proposed Return on Equity vs. Average Return on Equity  
Awarded to Vertically Integrated Utilities from 2020-Present, Rate Year 1*

***Exhibit AJK-7*** – *Impact of PacifiCorp Proposed Return on Equity vs. Average Return on Equity  
Awarded to Vertically Integrated Utilities from 2020-Present, Rate Year 2*

1 **I. Introduction**

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

3 A. My name is Alex J. Kronauer. My business address is 2608 SE J Street, Bentonville,  
4 Arkansas 72716. I am employed by Walmart Inc. (“Walmart”) as Senior Manager,  
5 Utility Partnerships.

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

7 A. I am testifying on behalf of Walmart.

8 **Q. IS WALMART SPONSORING ADDITIONAL TESTIMONY IN THIS**  
9 **DOCKET?**

10 A. Yes. Walmart is also sponsoring the testimony of Andrew D. Teague.

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

12 A. In 2011, I earned a Master of Business Administration at the McCombs School of  
13 Business at The University of Texas at Austin with a concentration in Finance and  
14 Investment Management. From 2011 to 2012, I was a Senior Financial Analyst at  
15 TXU Energy, a Texas-based power supplier. My duties included load forecasting  
16 and analysis. From 2012 to 2019, I was a Financial Analyst and later a Senior  
17 Financial Analyst at CyrusOne, a data center provider in Dallas. I was involved in  
18 several power-related areas, including demand response, power procurement, and  
19 power expense forecasting. I joined the Walmart Energy Department in July 2019  
20 as a Senior Manager. The organization later got renamed to Utility Partnerships in  
21 2023. Since joining Walmart, I have joined the Pacific Gas & Electric Cost  
22 Allocation Mechanism Group, I have joined the Arizona Independent Scheduling  
23 Administrator Association (“AZISA”), a trade association that supports open

1 transmission access to support retail electric competition in Arizona, and I have  
2 earned the Certified Rate of Return Analyst (“CRRRA”) designation. My Witness  
3 Qualifications Statement is attached as Exhibit AJK-2.

4 **Q. HAVE YOU PREVIOUSLY SUBMITTED TESTIMONY BEFORE THE**  
5 **WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**  
6 **(“COMMISSION”)?**

7 A. Yes, I provided testimony in Dockets UE-191024, UE-220066, and UG-220067.

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

10 A. Yes, I have submitted testimony with state regulatory commissions in 20 states as set  
11 forth in Exhibit AJK-2.

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

13 A. Yes. I am sponsoring the exhibits listed in the table of contents.

14 **Q. PLEASE BRIEFLY DESCRIBE WALMART’S OPERATIONS IN**  
15 **WASHINGTON.**

16 A. As shown on Walmart’s website, Walmart operates 65 retail units, two distribution  
17 centers, and employs over 23,000 associates in the State of Washington. In fiscal year  
18 ending 2023, Walmart purchased \$2.8 billion worth of goods and services from  
19 Washington-based suppliers, supporting over 34,000 supplier jobs.<sup>1</sup>

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<sup>1</sup> <https://corporate.walmart.com/about/washington>

1       **Q.     PLEASE BRIEFLY DESCRIBE WALMART’S OPERATIONS WITHIN THE**  
2           **WASHINGTON SERVICE TERRITORY FOR PACIFIC POWER AND LIGHT**  
3           **COMPANY (“PACIFICORP” OR “COMPANY”).**

4       A.     Walmart has four stores, one distribution center, and related facilities that take electric  
5           service from PacifiCorp primarily served under rate Schedule 36 Large General Service  
6           – Less than 1,000 kW (“Schedule 36” or “36”).

7  
8       **II. Purpose of Testimony and Summary of Recommendations**

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

10      A.     The purpose of my testimony is to respond to the Return on Equity (“ROE”) component  
11           of the Company’s Two Year Rate Plan (“TYRP”) filing and to provide  
12           recommendations to assist the Commission in its thorough and careful consideration of  
13           the customer impact of the Company’s proposed rate increases as set forth in the  
14           Company’s Application filed March 17, 2023 and refiled with revision on April 4,  
15           2023.

16      **Q.     IN SETTING THE ROE FOR THE COMPANY, SHOULD THE COMMISSION**  
17           **CONSIDER THE IMPACT OF THE PROPOSED RATE INCREASE ON**  
18           **BUSINESS CUSTOMERS?**

19      A.     Yes. Electricity is a significant operating cost for retailers such as Walmart. When  
20           electric rates increase, the increased cost to retailers can put pressure on consumer  
21           prices and on the other expenses required by a business to operate. The Commission  
22           should thoroughly and carefully consider the impact on customers in examining the  
23           requested revenue requirement and ROE, in addition to all other facets of this case, to

1 ensure that any increase in the Company's rates is the minimum amount necessary to  
2 provide safe, adequate, and reliable service, while also providing PacifiCorp the  
3 opportunity to recover its reasonable and prudent costs and earn a reasonable return on  
4 its investment.

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

7 A. Walmart's recommendations are as follows:

8 1) The Commission should closely examine the Company's requested ROE in  
9 light of:

10 a. The customer impact of the resulting revenue requirement increase from the  
11 Company's currently approved ROE;

12 b. The proposed use of the TYRP, which reduces regulatory lag by allowing  
13 the utility to include projected costs in its rates at the time they will be in  
14 effect;

15 c. Recent rate case ROEs approved by the Commission; and

16 d. Recent rate case ROEs approved by other commissions nationwide.

17 **Q. DOES THE FACT THAT YOU MAY NOT ADDRESS AN ISSUE OR**  
18 **POSITION ADVOCATED BY THE COMPANY INDICATE WALMART'S**  
19 **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.  
22

1 **III. Revenue Requirement and Cost of Capital**

2 **Q. WHAT IS YOUR UNDERSTANDING OF THE COMPANY'S PROPOSED**  
3 **REVENUE REQUIREMENT INCREASES IN THIS DOCKET?**

4 A. My understanding is that PacifiCorp is requesting a Rate Year 1 revenue increase of  
5 \$26.8 million, or 6.2 percent, and a Rate Year 2 revenue increase of \$27.9 million, or  
6 6.1 percent. *See* Direct Testimony of Sherona L. Cheung, Refiled April 19, 2023, page  
7 3, lines 28 to 30, and page 26, line 15 to 20. The Company proposes a test year ended  
8 June 30, 2022. *See Id*, line 16 to line 18.

9 **Q. WHAT IS YOUR UNDERSTANDING OF WHY THE COMPANY PROPOSED**  
10 **A TYRP?**

11 A. While I am not an attorney, my understanding is that the Company is filing a TYRP  
12 following RCW 80.28.425.

13 **Q. WHAT IS THE COMPANY'S PROPOSED ROE AND WEIGHTED**  
14 **AVERAGE COST OF CAPITAL ("WACC") IN THIS DOCKET?**

15 A. PacifiCorp is proposing an ROE of 10.30 percent based on a range of 9.90 percent to  
16 11.00 percent. *See* Direct Testimony of Ann E. Bulkley, Refiled April 19, 2023, page  
17 3, line 11 to line 17. The requested ROE at the Company's proposed capital structure  
18 results in a proposed overall cost of capital as set forth in Table 1.

19

1

| Item   | Value  |
|--|--------|
| Long Term Debt Cost  | 4.77%  |
| Long Term Debt Allocation  | 48.72% |
| Preferred Stock Cost   | 6.75%  |
| Preferred Stock Allocation   | 0.01%  |
| Common Equity Cost   | 10.30% |
| Common Equity Allocation   | 51.27% |
| Total Cost of Capital  | 7.60%  |
| Source: Direct Testimony of Nikki L. Koblaha, Refiled April 19, 2023, page 2, Table 1. |        |

2

3 **Q. IS WALMART CONCERNED ABOUT THE REASONABLENESS OF THE**  
4 **COMPANY'S PROPOSED ROE?**

5 A. Yes, especially when viewed in light of:

- 6 1. The customer impact of the resulting revenue requirement increase from the  
7 Company's currently approved ROE;
- 8 2. The proposed use of the TYRP, which reduces regulatory lag by allowing the utility  
9 to include projected costs in its rates at the time they will be in effect;
- 10 3. Recent rate case ROEs approved by the Commission; and
- 11 4. Recent rate case ROEs approved by other commissions nationwide.

12

13 A. *Customer Impact*

14 **Q. WHAT IS YOUR UNDERSTANDING OF THE COMPANY'S CURRENTLY**  
15 **APPROVED ROE?**



1 A. My understanding is that Company's currently approved ROE is 9.50 percent.<sup>2</sup>

2 **Q. HAVE YOU CALCULATED AN ESTIMATE OF THE IMPACT OF THE**  
3 **RETURN ON RATE BASE FROM THE COMPANY'S PROPOSED**  
4 **INCREASE IN ROE FROM 9.50 PERCENT TO 10.30 PERCENT?**

5 A. Yes. For Rate Year 1, holding rate base constant and using the Company's proposed  
6 cost of debt and capital structure, the revenue requirement impact of the difference  
7 between the current ROE of 9.50 percent and the Company's proposed 10.30 percent  
8 ROE is approximately \$6.0 million, or 22.4 percent of the proposed Rate Year 1  
9 revenue requirement increase. *See* Exhibit AJK-3. For Rate Year 2, holding rate base  
10 constant and using the Company's proposed cost of debt and capital structure, the  
11 revenue requirement impact of the difference between the current ROE of 9.50 percent  
12 and the Company's proposed 10.30 percent ROE is approximately \$7.4 million, or 26.5  
13 percent of the proposed Year 2 revenue requirement increase. *See* Exhibit AJK-4.  
14

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<sup>2</sup> *See* Washington Utilities and Transportation Commission, Complainant, v. PacifiCorp, d/b/a Pacific Power & Light Company, Respondent, Dockets UE-191024, UE-190750, UE-190929, UE-190981, and UE-180778 (Consolidated), Final Order 09-07-12 Rejecting Tariff Sheets; Approving and Adopting Settlement Stipulation; Approving and Adopting Settlement Stipulation Subject to Conditions, Authorizing and Requiring Compliance Filing (issued Dec 14, 2020), page 2.

1 *B. Recent ROEs Approved by the Commission*

2 **Q. IS THE COMPANY’S PROPOSED ROE SIGNIFICANTLY HIGHER THAN**  
3 **THE ELECTRIC ROEs APPROVED BY THIS COMMISSION FROM 2020 TO**  
4 **PRESENT?**

5 A. Yes. Since 2020, this Commission has issued orders with stated ROEs in five dockets.  
6 The average of these approved ROEs is 9.42 percent.<sup>3</sup>

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

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

- 10 • Docket No. UE-190334, the Avista Corporation (“Avista”) general rate case that  
11 completed in 2020, in which the Commission approved an ROE of 9.40 percent.<sup>4</sup>
- 12 • Docket No. UE-190529, the Puget Sound Energy, Inc. (“PSE”) general rate case  
13 that completed in 2020, in which the Commission approved an ROE of 9.40  
14 percent.<sup>5</sup>
- 15 • Docket No. UE-191024, the Company’s previous general rate case that completed

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<sup>3</sup> Exhibit AJK-5.

<sup>4</sup> See Washington Utilities and Transportation Commission, Complainant, v. Avista Corporation, d/b/a Avista Utilities, Respondent, Dockets UE-190334, UG-190335, and UE-190222 (Consolidated), Final Order 09 Rejecting Tariff Sheets; Approving and Adopting Partial Multiparty Settlement Stipulation; Resolving Contested Issues; Authorizing and Requiring Compliance Filing (issued Mar 25, 2020), page 13, ¶ 34.

<sup>5</sup> See Washington Utilities and Transportation Commission, Complainant, v. Puget Sound Energy, Respondent, Dockets UE-190529 and UG-190530 (consolidated), Final Order 08, Rejecting Tariff Sheets; Authorizing and Requiring Compliance Filing (issued Jul 8, 2020), page 2.

1 in 2020, in which the Commission approved an ROE of 9.50 percent.<sup>6</sup>

- 2 • Docket No. UE-200900, the Avista general rate case that completed in 2021, in  
3 which the Commission approved an ROE of 9.40 percent.<sup>7</sup>
- 4 • Docket No. UE-220066, PSE’s general rate case that completed in 2022, in which  
5 the Commission approved an ROE of 9.40 percent.<sup>8</sup>

6 As such, the Company’s proposed 10.30 percent ROE is counter to recent Commission  
7 actions regarding electric ROEs.

8  
9 *C. National Utility Industry ROE and Weighted Equity Cost Trends*

10 **Q. IS THE COMPANY’S TOTAL PROPOSED ROE SIGNIFICANTLY HIGHER**  
11 **THAN THE ROEs APPROVED BY OTHER UTILITY REGULATORY**  
12 **COMMISSIONS IN 2020, 2021, 2022, AND SO FAR IN 2023?**

13 A. Yes. According to data from S&P Global Market Intelligence (“S&P Global”), a  
14 financial news and reporting company, the average of the 127 reported electric utility

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<sup>6</sup> See Washington Utilities and Transportation Commission, Complainant, v. PacifiCorp, d/b/a Pacific Power & Light Company, Respondent, Dockets UE-191024, UE-190750, UE-190929, UE-190981, and UE-180778 (Consolidated), Final Order 09-07-12 Rejecting Tariff Sheets; Approving and Adopting Settlement Stipulation; Approving and Adopting Settlement Stipulation Subject to Conditions, Authorizing and Requiring Compliance Filing (issued Dec 14, 2020), page 2.

<sup>7</sup> See Washington Utilities and Transportation Commission, Complainant, v. Avista Corporation, d/b/a Avista Utilities, Respondent, Dockets UE-200900, UG-200901, and UE-200894 (Consolidated), Final Order 08-05 Rejecting Tariff Sheets; Granting Petition; Approving and Adopting Partial Multiparty Settlement Stipulation; Resolving Contested Issues; Authorizing and Requiring Compliance Filing (issued Sep 27, 2021), page 2.

<sup>8</sup> See Washington Utilities and Transportation Commission, Complainant, v. Puget Sound Energy, Respondent, Dockets UE-220066 and UG-220067 (consolidated), Final Order 24, Rejecting Tariff Sheets; Approving Settlements, with Conditions; Authorizing and Requiring Compliance Filing (issued Dec 22, 2022), page 1.

1 rate case ROEs authorized by nationwide commissions to investor-owned utilities in  
2 2020, 2021, 2022, and so far in 2023, is 9.44 percent. The range of reported authorized  
3 electric ROEs for the period is 7.36 percent to 11.45 percent, and the median authorized  
4 electric ROE is 9.5 percent. *See* Exhibit AJK-5.

5 The average and median authorized ROEs are significantly below the Company's  
6 proposed ROE of 10.30 percent. As such, the Company's proposed ROE is counter to  
7 broader electric industry trends.

8 **Q. SEVERAL OF THE REPORTED ELECTRIC AUTHORIZED ROEs ARE FOR**  
9 **DISTRIBUTION-ONLY UTILITIES OR FOR ONLY A UTILITY'S**  
10 **DISTRIBUTION SERVICE RATES. WHAT IS THE AVERAGE**  
11 **AUTHORIZED ROE IN THE REPORTED GROUP FOR VERTICALLY**  
12 **INTEGRATED UTILITIES?**

13 A. In the group reported by S&P Global, the average ROE for vertically integrated utilities  
14 authorized over the same time period is 9.60 percent. *See* Id. The average ROE  
15 authorized for vertically integrated utilities in 2020 was 9.55 percent, in 2021 it was  
16 9.54 percent, in 2022 it was 9.60 percent, and so far in 2023 it is 9.75 percent. *See* Id.  
17 As such, PacifiCorp's proposed ROE of 10.30 percent is counter to broader electric  
18 industry trends and as shown in Figure 1, if approved, would be the fourth highest  
19 approved ROE (out of 89) for a vertically integrated utility from 2020 to present.

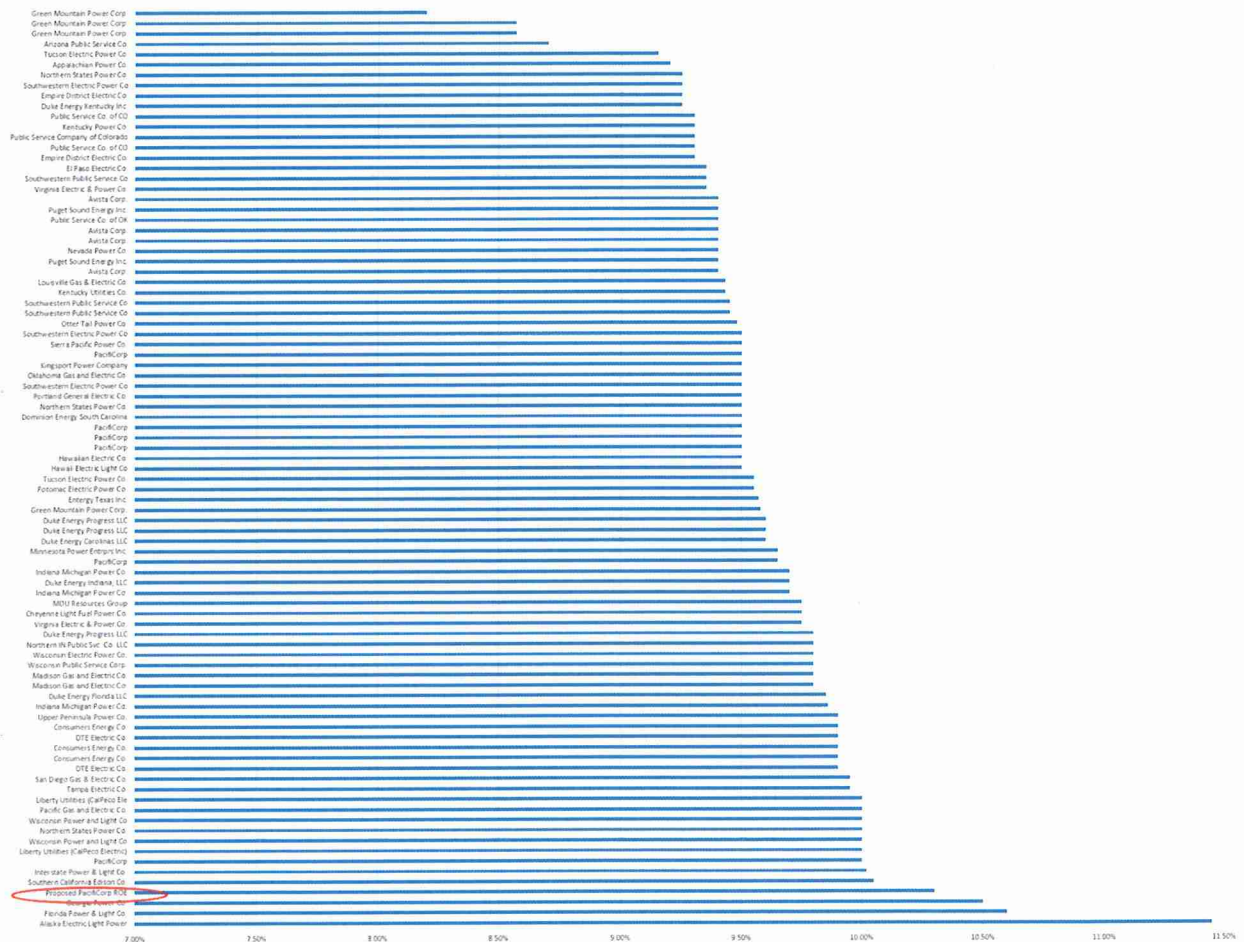


Figure 1. PacifiCorp Proposed ROE of 10.30 Percent Versus Approved ROEs, Vertically Integrated Utilities, 2020 to Present. Source: AJK-5.

**Q. WHAT IS THE DIFFERENCE IN REVENUE REQUIREMENT BETWEEN PACIFICORP'S PROPOSED 10.30 PERCENT ROE AND 9.60 PERCENT, WHICH IS THE AVERAGE AUTHORIZED ROE FOR VERTICALLY INTEGRATED UTILITIES FROM 2020 TO PRESENT?**

**A.** For Rate Year 1, the difference in return on rate base for this difference in ROE is a difference in revenue requirement of approximately \$5.3 million, or 19.7 percent of the Company's proposed Rate Year 1 revenue deficiency. See Exhibit AJK-6. For Rate Year 2, the difference in return on rate base for this difference in ROE is a difference

1 in revenue requirement of approximately \$6.5 million, or 23.3 percent of the  
2 Company's proposed Rate Year 2 revenue deficiency. *See* Exhibit AJK-7.

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

5 A. No. Decisions of other state regulatory commissions are not binding on this  
6 Commission. Each commission considers the specific circumstances in each case in  
7 its determination of the proper ROE and capital structure. Walmart is providing this  
8 information on industry trends on ROE from its perspective as a customer with  
9 operations that are nationwide as it believes that recently authorized ROEs in other  
10 jurisdictions provides a general gauge of reasonableness for the various cost of equity  
11 analyses presented in this case. Moreover, Walmart believes that it is appropriate for  
12 the Commission to consider how any ROE authorized in this case impacts existing and  
13 prospective customers relative to other jurisdictions.

14  
15 *D. Conclusion*

16 **Q. WHAT IS YOUR RECOMMENDATION TO THE COMMISSION**  
17 **REGARDING THE COMPANY'S PROPOSED ROE?**

18 A. The Commission should closely examine the Company's proposed revenue  
19 requirement increases and the associated proposed increases in ROE, especially when  
20 viewed in light of:

- 21 1. The customer impact of the resulting revenue requirement increase from the  
22 Company's currently approved ROE;

- 1           2. The proposed use of the TYRP, which reduces regulatory lag by allowing the utility
- 2           to include projected costs in its rates at the time they will be in effect;
- 3           3. Recent rate case ROEs approved by the Commission; and
- 4           4. Recent rate case ROEs approved by other commissions nationwide.

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

6       A. Yes.