

**BEFORE THE
WASHINGTON UTILITIES & TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION,

Complainant,

v.

PacifiCorp, dba Pacific Power & Light Company

Respondent.

DOCKET NO. UE-230172

RESPONSIVE TESTIMONY AND EXHIBITS OF

ANDREW D. TEAGUE

ON BEHALF OF

WALMART INC.

SEPTEMBER 14, 2023

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2024

1 **I. Introduction**

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

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

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

12 A. I received a Master’s of Public Affairs in 2010 from the University of Indiana School
13 of Public and Environmental Affairs. From 2011 to 2019, I was an energy management
14 contractor working with the Army and the Air Force with primary duties in Texas and
15 Oklahoma. My responsibilities included energy conservation projects, on-installation
16 utility billing, management of relationships with utility providers, and other day-to-day
17 energy and utility operations. I joined the energy department at Walmart in February
18 2019 as Senior Manager, Energy Services. The organization later got renamed to
19 Utility Partnerships in 2023. My Witness Qualifications Statement is attached as
20 Exhibit ADT-2.

1 **Q. HAVE YOU PREVIOUSLY SUBMITTED TESTIMONY BEFORE THE**
2 **WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**
3 **(“COMMISSION”)?**

4 A. No, I have not.

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

7 A. Yes, I have submitted testimonies to state regulatory commissions in Colorado,
8 Kentucky, Michigan, Missouri, Montana, New Mexico, Nevada, North Dakota, Texas,
9 Virginia, Wisconsin, and Wyoming. A full list of the dockets I have testified in can be
10 found in Exhibit ADT-2.

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

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

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

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

¹ <https://corporate.walmart.com/about/location-facts/united-states/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 and one distribution center that take electric service from
5 PacifiCorp primarily served under rate Schedule 36 Large General Service – Less than
6 1,000 kW (“Schedule 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 Company’s request for approval to
11 change its base rates as set forth in the Company’s Application filed March 17, 2023,
12 as revised on April 4, 2023. My testimony provides Walmart’s response to the class
13 cost of service and rate design issues in PacifiCorp’s rate case filing and provide
14 recommendations to assist the Commission in its thorough and careful consideration of
15 the customer impact of the Company’s proposed rate increases.

16 **Q. IN SETTING THE REVENUE REQUIREMENT, RETURN ON EQUITY**
17 **(“ROE”), ALLOCATION, AND RATE DESIGN CHANGES FOR THE**
18 **COMPANY, SHOULD THE COMMISSION CONSIDER THE IMPACT OF**
19 **THE PROPOSED RATE INCREASE ON BUSINESS CUSTOMERS?**

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

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

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

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

- 9 1) For the purposes of this docket, Walmart does not take a position on the Company's
10 proposed cost of service study at this time. However, to the extent that alternative
11 cost of service methodologies or modifications to the Company's methodology are
12 proposed by other parties, Walmart reserves the right to address any such changes
13 in accordance with the Commission's procedures in this Docket.
- 14 2) For the purposes of this docket, at the Company's proposed revenue requirement,
15 Walmart does not oppose the Company's proposed revenue allocation. If the
16 Commission awards a lower revenue requirement than what is proposed by the
17 Company, then the Commission should use the revenue reduction to move each
18 class closer to cost of service by allocating the difference between the Company's
19 requested revenue requirement and the awarded revenue requirement
20 proportionately based on the Company's COSS.
- 21 3) For the purposes of this Docket, at the Company's proposed revenue requirement,
22 Walmart does not oppose the Company's proposed Schedule 36 rate designs for
23 2024 and 2025.

1 4) For the purposes of this Docket, if the Commission reduces the Company's
2 proposed revenue requirements for Schedule 36 for 2024 and/or 2025, Walmart
3 recommends the reduction in revenue requirement be taken from the energy
4 component to further move Schedule 36 rates towards cost of service.

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

8 A. No. The fact that an issue is not addressed herein or in related filings should not be
9 construed as an endorsement of, agreement with, or consent to any filed position.
10

11 **III. Cost Allocation and Revenue Allocation**

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

14 A. Walmart advocates for setting rates based on the utility's cost of service for each
15 customer class. This produces equitable rates that reflect cost causation, send proper
16 price signals, and minimize price distortions.
17

18 *A. Production Capacity Cost Allocation*

19 **Q. WHAT IS YOUR UNDERSTANDING OF THE COMPANY'S PROPOSED**
20 **COST OF SERVICE STUDY ("COSS")?**

21 A. The Company presents two different COSSes for the test year of the twelve months
22 ending in June 30, 2022, for the rate year 2024. *See* Direct Testimony of Robert M.
23 Meredith ("Meredith Direct"), p. 2, lines 2-3. One is an embedded class cost of service

1 study that provides a detailed breakdown for each class and function. *See* RMM-2 and
2 RMM-3. The other COSS is consistent with the methodology approved by the
3 Commission in Docket UE-170002 and with Washington Administrative Code Chapter
4 480-85. *See In the Matter of Amending WAC 480-07-510 and Adopting Chapter 480-*
5 *85 WAC Relating to Cost of Service Studies for Electric and Natural Gas Investor-*
6 *owned Utilities*, Washington Utilities and Transportation Commission Dockets UE-
7 170002 and UG-170003 General Order R-599; *see* RMM-4. The Company developed
8 its proposed rates for 2024 based on the Company's COSS presented in RMM-2 and
9 RMM-3 but did not prepare a COSS study covering the rate year 2025, which I will
10 discuss in more detail later in my testimony. *Id.*, p. 5, lines 2-5; *id.*, p. 5 line 23 and p.
11 6, line 1.

12 **Q. WHAT PRODUCTION COST ALLOCATOR DOES THE COMPANY**
13 **PROPOSE?**

14 A. The Company proposes to allocate production costs using the Renewable Future Peak
15 Credit. *Id.*, p. 5, lines 16-19. According to this method, 74% of the costs are classified
16 as demand-related and the remaining costs are energy-related. *Id.*, p. 19-21. The
17 demand portion of the costs are allocated on the system 12 coincident peaks. *Id.*, p. 10,
18 lines 2-3. This method was used in both COSSes.

19 **Q. WHAT IS YOUR UNDERSTANDING OF HOW THE RENEWABLE FUTURE**
20 **PEAK CREDIT IS CALCULATED?**

21 A. It is my understanding that the Renewable Future Peak Credit is calculated based on
22 the lowest cost storage resource and lowest cost renewable energy generation source.
23 *Id.*, p. 6, lines 2-8.

1 **Q. DOES WALMART TAKE A POSITION ON THE COMPANY’S PROPOSED**
2 **COST ALLOCATION METHODOLOGIES AT THIS TIME?**

3 A. No. However, to the extent that alternative cost of service methodologies or
4 modifications to the Company’s methodology are proposed by other parties, Walmart
5 reserves the right to address any such changes in accordance with the Commission’s
6 procedures in this Docket.

7
8 *B. Revenue Allocation*

9 **Q. IS THE COMPANY PROPOSING RATES CONSISTENT WITH THE**
10 **UNDERLYING COST OF SERVICE?**

11 A. Not entirely. As shown in Table 1 below, for the year 2024, the Company is proposing
12 rates based on the COSS represented in RMM-2 and RMM-3 that will bring the
13 customer classes closer to their cost of service levels. Hereafter, the COSS represented
14 in RMM-2 and RMM-3 will simply be referred to as the “COSS.” For the year 2025,
15 however, the Company did not provide a COSS, but instead, derived its 2025 rates by
16 increasing the proposed 2024 rates by a flat 6.5 percent increase to all customer classes.
17 *Id.*, p. 12, lines 21-22.

18 **Q. HOW DOES PACIFICORP REPRESENT WHETHER RATES FOR A**
19 **CUSTOMER CLASS ACCURATELY REFLECT THE UNDERLYING COST**
20 **CAUSATION?**

21 A. PacifiCorp reflects the relationship in their cost of service results through the use of
22 class-specific rates of return on rate base. In turn the return on rate base is used to
23 calculate the rate of return index, which is the ratio of the rate of the return of the rate

1 schedule to the rate of return of the whole system. The closer the rate of return index
 2 is to 1, the closer the rate class is to parity and reflecting the costs indicated in the
 3 COSS. When the rate of return is above or below 1, this represents the rate is not
 4 reflecting the cost of service and is either subsidizing or being subsidized, respectively.

5 **Q. HAVE YOU CALCULATED THE RATES OF RETURN INDEXES?**

6 A. Yes, as shown in Table 1 below:

Table 1. Base Rate of Return on Rate Base vs. Proposed Rate of Return, Rate Years 2024

Customer Class	Return on Rate Base	Rate of Return Index	Proposed Rate of Return 2024	Proposed Rate of Return Index 2024
Residential Schedule 16	5.38%	0.93	8.43%	1.02
Small General Service Schedule 24	8.27%	1.43	8.27%	1.00
Large General Service < 1,000 kW Schedule 36	7.28%	1.26	8.67%	1.05
Large General Service > 1,000 kW Schedule 48	4.84%	0.84	8.98%	1.09
Large General Dedicated Facilities Schedule 48	2.41%	0.42	6.20%	0.75
Agricultural Pumping Schedule 40	3.83%	0.66	6.79%	0.82
Street & Area Lighting Sch. 15, 51-54, 57	4.67%	0.81	7.13%	0.87
System	5.77%	1.00	8.23%	1.00

Sources: RMM-3-4-19-23 p 1-2, RMM-6-4-19-23 p 1

7
 8 **Q. IS PACIFICORP PROPOSING TO ELIMINATE THE SUBSIDIES SHOWN IN**
 9 **TABLE 1 THROUGH ITS PROPOSED REVENUE ALLOCATION IN THIS**
 10 **DOCKET?**

11 A. Not entirely. As shown above in Table 1, the Company proposes to move most rate
 12 classes closer to cost of service in rate year 2024 than they are under the present rates
 13 using the following methodology:

1. No change to Schedule 24;
 2. Allocate half the class average increase to Schedule 36; and
 3. Allocate the remaining increase equally among the remaining customer classes.
- See Meredith Direct, p. 9, lines 16-21.*

Q. HOW DOES THE COMPANY PROPOSE TO CHANGE RATES FOR RATE YEAR 2025?

A. As previously stated, PacifiCorp did not perform a COSS for the rates proposed for 2025. Instead, PacifiCorp is proposing a flat 6.5 percent increase to all rate classes. *Id.* p. 12, lines 21-22. As such, PacifiCorp does not depict a rate of return for the rates, although, it does provide the percent of revenue they are proposing relative to the 6.5 percent adjustment to the COSS. *Id.* p. 12, lines 6-7. For example, under the Company’s proposal, Schedule 36 is allocated a revenue percentage of the adjusted COSS equal to 101.1%, indicating that PacifiCorp is proposing to recover 1.1% more revenue from Schedule 36 when compared to the adjusted COSS. *Id.*, p. 10, Table 1.

Q. ARE THESE NUMBERS CONSISTENT WITH THE PROPOSED RATES FOR 2024?

A. Generally yes, as shown in Table 2 below:

Customer Class	(j)	(k)
	Proposed vs COSS 2024	Proposed vs COSS 2025
Residential Schedule 16	100.64%	100.63%
Small General Service Schedule 24	100.18%	100.18%
Large General Service < 1,000 kW Schedule 36	101.10%	101.08%
Large General Service > 1,000 kW Schedule 48	101.78%	101.82%
Large General Dedicated Facilities Schedule 48	95.77%	95.82%

Agricultural Pumping Schedule 40	96.17%	96.23%
Street & Area Lighting Sch. 15, 51-54, 57	96.51%	96.57%
System	100.09%	100.09%

Sources: RMM-3-4-19-23 p 1-2, RMM-6-4-19-23 p 1, 230172-PAC-RMM-6-
Pricing Wkpps Cost of Service and Proposed \$, row 128

1

2 **Q. ARE THESE NUMBERS INDICATIVE OF MOVMENT TOWARDS COST OF**
3 **SERVICE?**

4 A. A COSS was not performed for rate year 2025, so it is not possible to determine what
5 changes may occur and how that would affect revenues, expenses, and rate bases
6 relative to the individual rates. However, it is unlikely that the underlying values would
7 change substantially. Given this information, the numbers are moving towards cost of
8 service.

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

11 A. For the purposes of this docket, at the Company's proposed revenue requirement,
12 Walmart does not oppose the Company's proposed revenue allocation. If the
13 Commission awards a lower revenue requirement than what is proposed by the
14 Company, then the Commission should use the revenue reduction to move each class
15 closer to cost of service by allocating the difference between the Company's requested
16 revenue requirement and the awarded revenue requirement proportionately based on
17 the Company's COSS, RMM-2, p. 17, Column M, which is reproduced below.

Schedule No.	Description	Annual Revenue	Total Cost of Service	Percentage Change from Current Revenues
16	Residential	\$176,071,754.90	\$190,953,061.55	8.45%
24	Small General Service	\$58,004,210.24	\$57,904,393.33	-0.17%
36	Large General Service <1,000 kW	\$84,757,248.95	\$86,623,045.51	2.20%
48T	Large General Service >1,000 kW	\$31,760,598.39	\$34,413,417.95	8.35%
48T	Dedicated Facilities	\$38,671,305.32	\$44,071,776.85	13.97%
40	Agricultural Pumping Service	\$14,475,016.40	\$16,421,769.52	13.45%
15,52,54,57	Street Lighting	\$888,616.74	\$1,004,485.36	13.04%
	Total Washington Jurisdiction	\$404,628,750.95	\$431,391,950.07	6.61%

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2 **V. Schedule 36 Rate Design**

3 **Q. WHAT IS YOUR UNDERSTANDING OF THE CHARGES INCLUDED IN**
4 **THE CURRENT SCHEDULE 36 RATE DESIGN?**

5 A. My understanding is that the current Schedule 36 rate design is composed of the
6 following charges:

7 1) A tiered Basic Charge based on load size:

8 i. A \$/Month Charge with three tiers based on load size;

9 ii. A \$/kW two tiered load size charge for loads greater than
10 101 kW and for loads greater than 300 kW;

11 2) A \$/kW Billing Demand Charge; and

12 3) A \$/kWh Energy Charge with two tiers for the first 40,000 kWh and all
13 electricity after that.

1 PacifiCorp defines “load size” as the average of the greatest two non-zero monthly
2 demands established in the past twelve months. *See* PacifiCorp Rate Schedule 36 Large
3 General Service – Less Than 1,000 kW, Original Sheet Nos. 36.1-36.3.²

4 **Q. DOES THE COMPANY PROPOSE ANY STRUCTURAL CHANGES TO**
5 **SCHEDULE 36?**

6 A. Yes, PacifiCorp is recommending that tiered structure of the energy charge be
7 eliminated. *See* Meredith Direct, p. 32, lines 21-22.

8 **Q. IS THIS RATE STRUCTURE CHANGE APPROPRIATE?**

9 A. Fundamentally, yes. While a single \$/kWh energy charge does not track energy cost
10 on a temporal basis, it does remove some of the arbitrary judgement used to attempt to
11 capture assumed economies of scale across the spectrum of hourly energy cost in a
12 month – the premise being that the higher a customer’s usage in a month the more
13 likely it is to have consumed energy in lower cost hours. However, there is no precise
14 way to indicate that a customer uses energy across a broader number of hours, versus
15 higher usage during more expensive hours or that a kilowatt-hour comes from a more
16 expensive resource than another other than through time differentiation. The Company
17 has submitted testimony to this extent, stating that, for the residential customer cases,
18 “There is no reason why after using 600 kWh in a given month that the next kilowatt
19 hour consumed by a customer should cost more.” *Id.* p. 21, lines 2-3.

² Available at: https://www.pacificpower.net/content/dam/pcorp/documents/en/pacificpower/rates-regulation/washington/rates/036_Large_General_Service_Less_Than_1000_kW.pdf.

1 **Q. DOES THE COMPANY PROPOSE ANY CHANGES TO THE BASIC AND**
2 **LOAD SIZE CHARGES?**

3 A. No, PacifiCorp does not propose any changes to the tiered structure that joins the basic
4 and the load size charges, it only proposes to change the monthly charge and the load
5 size per kilowatt charge in addition to language changes to the description of the load
6 size calculation.

7 **Q. PER THE COMPANY'S COST OF SERVICE STUDIES, ARE THE**
8 **MAJORITY OF THE COSTS INCURRED TO SERVE SCHEDULE 36**
9 **CUSTOMERS ENERGY RELATED?**

10 A. No, they are not. Exhibit ADT-5 shows a complete breakdown of the cost of service
11 by function for PacifiCorp and Schedule 36 as identified in the RMM-6. More
12 specifically, detailed functional and component breakdowns from the RMM-6
13 workpapers were used. The proposed and current rates do not specify allocation to
14 each function on the same granular level as do the cost of service studies, so the data is
15 simplified in Exhibit ADT-6. As designed in the COSS, 43.0% of the costs incurred
16 are demand related and 55.5% are energy related, as shown in Table 3, below. These
17 numbers are inclusive of secondary and primary customers.

Table 3. Schedule 36 Cost of Service Study Results, COSS versus Proposed, Rate Year 2024

Function	Cost of Service by Function		Schedule 36 COSS		Schedule 36 Proposed	
			Revenue by Function		Revenue by Function	
			Schedule 36 Requirement		Schedule 36 Requirement	
Customer	\$18,522,352	4.3%	\$651,882	0.8%	\$ 1,546,401	1.79%
Demand	\$197,450,028	45.7%	\$ 37,900,791	43.8%	\$ 24,193,437	28.03%
Energy	\$215,751,410	50.0%	\$ 48,062,653	55.5%	\$ 60,586,510	70.18%
Total Revenue	\$431,723,790	100.0%	\$ 86,615,326	100.0%	\$ 86,326,347	100.0%

Source: Exhibit ADT-5

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

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

Q. PLEASE EXPLAIN.

A. The shift in demand-related costs from per kW demand charges to per kWh energy charges results in a shift in demand cost responsibility from lower load factor customers to higher load factor customers. Two customers can have the same level of demand and cause the utility to incur the same amount of fixed costs, but because one customer uses more kWh than the other, that customer will pay more of the demand cost than the customer that uses fewer kWh. This results in a misallocation of cost responsibility as higher load factor customers overpay for the demand-related costs incurred by the Company to serve them. In other words, higher load factor customers are subsidizing a portion of the demand-related costs that are incurred to serve lower load factor

1 customers simply because of the manner in which the Company collects those costs in
2 rates.

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

5 A. Yes. Assume the following:

6 1) A utility has only two customers (Customer 1 and Customer 2), with individual
7 peak demands of 20 kW for a total system load of 40 kW.

8 2) The annual revenue requirement or cost to the utility associated with the investment
9 to serve these customers is \$2,000, which will be collected each year. Each
10 customer is responsible for one-half of the cost, or \$1,000 of demand-related or
11 fixed costs per customer.

12 3) Customer 1 has a monthly demand of 20 kW and a load factor of 60 percent and
13 consumes 105,120 kWh/year (20 kW * 60% * 8760 hours).

14 4) Customer 2 has a monthly demand of 20 kW and a load factor of 30 percent and
15 consumes 52,560 kWh/year (20 kW * 30% * 8760 hours).

16 **Q. IF THE DEMAND-RELATED COSTS WERE COLLECTED THROUGH A**
17 **DEMAND CHARGE ON A PER KW BASIS, WHAT WOULD THE PER KW**
18 **CHARGE BE?**

19 A. The charge would be \$4.17 per kW-month ($\$2,000 / 40 \text{ kW} / 12 \text{ months}$). Each
20 customer would then pay \$1,000 for the demand-related cost they impose on the system
21 ($20 \text{ kW} * \$4.17/\text{kW} * 12$).

22 **Q. IF THE DEMAND-RELATED COSTS WERE COLLECTED ON AN ENERGY**
23 **BASIS, WHAT WOULD THE PER KWH CHARGE BE?**

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

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

6 A. Customer 1, the customer with the higher load factor of 60 percent, would pay \$1,333
7 ($\$0.0127/\text{kWh} * 105,120 \text{ kWh}$). Customer 2, the customer that has the lower load
8 factor would pay \$667 ($\$0.0127/\text{kWh} * 52,560 \text{ kWh}$).

9 **Q. ARE THE RESULTING ENERGY-BASED CHARGES REPRESENTATIVE**
10 **OF THE UNDERLYING COSTS?**

11 A. No. As the example makes clear, if the Company collects its demand-related costs
12 through energy-based charges, it will over-collect from one customer and under-collect
13 from the other. The fixed costs are equally incurred by Customer 1 and Customer 2,
14 however, under the per kWh scenario, the utility would recover \$333 more from
15 Customer 1 (a higher load factor customer) than its cost responsibility and \$333 less
16 from Customer 2 (a lower load factor customer) than its cost responsibility. In other
17 words, Customer 1 would be subsidizing one-third of Customer 2's cost responsibility.

18 **Q. WOULD THE COLLECTION OF A GREATER PERCENTAGE OF THE GS**
19 **REVENUE REQUIREMENT THROUGH THE DEMAND CHARGE BE**
20 **BENEFICIAL TO THE COMPANY?**

21 A. Yes. By collecting a large percentage of class revenue requirement through energy
22 charges, the Company subjects itself to under and overcollection of its revenue
23 requirement due to fluctuations in customer usage. As such, issues such as weather

1 and the economy will have a greater impact on the utility versus a rate design in which
2 an appropriate amount of revenue requirement is collected through the demand charge.

3 **Q. HAS PACIFICORP MADE EFFORTS TO MOVE COSTS TO DEMAND**
4 **FROM 2023 TO 2024?**

5 A. Yes, PacifiCorp made efforts to move demand costs back to demand charges for 2024
6 relative to 2023 which, directionally, moves towards cost-based rates in accordance
7 with the COSS.

8 **Q. WHAT IS WALMART'S RECOMMENDATION TO THE COMMISSION AT**
9 **THE COMPANY'S PROPOSED REVENUE REQUIREMENTS FOR**
10 **SCHEDULE 36?**

11 A. For the purposes of this Docket, at the Company's proposed revenue requirement,
12 Walmart does not oppose the Company's proposed Schedule 36 rate designs for 2024
13 and 2025 for the proposed energy or demand charges.

14 **Q. WHAT IS WALMART'S RECOMMENDATION TO THE COMMISSION IF**
15 **THEY PROPOSE TO REDUCE THE REVENUE REQUIREMENTS FOR**
16 **SCHEDULE 36?**

17 A. For the purposes of this Docket, if the Commission reduces the Company's proposed
18 revenue requirements for Schedule 36 for 2024 and/or 2025, Walmart additionally
19 recommends the reduction in revenue requirement be taken from the energy component
20 to further move Schedule 36 rates towards cost of service.

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

22 A. Yes, it does.