

**EXHIBIT NO. ____ (KCH-1T)
DOCKET NO. UE-161123
SCHEDULE 451 FILING
WITNESS: KEVIN C. HIGGINS**

**BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

**WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,**

Complainant,

v.

PUGET SOUND ENERGY, INC.,

Respondent.

Docket No. UE-161123

**PREFILED SUPPORTING TESTIMONY
IN SUPPORT OF SETTLEMENT STIPULATION AND AGREEMENT
OF
KEVIN C. HIGGINS**

ON BEHALF OF THE KROGER CO.

April 11, 2017

Table of Contents

1
2
3
4

I. INTRODUCTION..... 1

II. RECOMMENDATION 3

1 economics. I joined Energy Strategies in 1995, where I assist private and public
2 sector clients in the areas of energy-related economic and policy analysis,
3 including evaluation of electric and gas utility rate matters.

4 Prior to joining Energy Strategies, I held policy positions in state and local
5 government. From 1983 to 1990, I was economist, then assistant director, for the
6 Utah Energy Office, where I helped develop and implement state energy policy.
7 From 1991 to 1994, I was chief of staff to the chairman of the Salt Lake County
8 Commission, where I was responsible for development and implementation of a
9 broad spectrum of public policy at the local government level.

10 **Q. Have you previously appeared as an expert witness?**

11 A. Yes. I have testified in six PSE general rate cases before this
12 Commission, as well as PSE's 2013 decoupling proceeding and the 2009
13 proceeding that addressed the treatment of revenues from PSE's sales of
14 Renewable Energy Credits. In addition, I have testified in approximately 200
15 other proceedings on the subjects of utility rates and regulatory policy before state
16 utility regulators in Alaska, Arizona, Arkansas, Colorado, Georgia, Idaho, Illinois,
17 Indiana, Kansas, Kentucky, Michigan, Minnesota, Missouri, Montana, Nevada,
18 New Mexico, New York, North Carolina, Ohio, Oklahoma, Oregon,
19 Pennsylvania, South Carolina, Texas, Utah, Virginia, West Virginia, and
20 Wyoming.

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1 **II. RECOMMENDATION**

2 **Q. Please explain why Kroger supports the Settlement.**

3 A. Kroger supports providing customers the opportunity to migrate to retail wheeling
4 service while holding remaining customers harmless. The Settlement achieves
5 this outcome by providing an equitable means for Microsoft to migrate to retail
6 wheeling service, while producing net benefits for the remaining customers. The
7 net benefits include the payment of a stranded cost charge that is significantly
8 greater than the long-term net increase in revenue requirement that remaining
9 customers are likely to experience from Microsoft's departure from fully bundled
10 service. I believe the Settlement is clearly in the public interest.

11 **Q. Does Kroger support having a broader discussion of retail wheeling and**
12 **direct access?**

13 A. Yes. As discussed in the Joint Memorandum in Support of the Full Settlement
14 Agreement, Staff has committed to initiate a broader discussion of retail wheeling
15 and direct access. Kroger is fully supportive of having this discussion.

16 Kroger is a sophisticated energy user and participates in retail wheeling
17 and direct access throughout the United States in those jurisdictions in which it is
18 allowed. By participating in the competitive market, market-oriented customers
19 can improve their economic health by actively managing their power supply, risk,
20 and costs.

21 Kroger commends PSE for its demonstrated willingness to work with
22 customers to establish its current successful retail wheeling program and for its
23 willingness to expand access to retail wheeling by means of the Settlement.

1 PSE's existing retail wheeling service, Schedules 448/449, allows Washington
2 businesses access to competitive power markets, enhancing their competitiveness
3 for the betterment of the Washington economy. However, participation in that
4 program was limited to customers taking service under special contract or under
5 Schedules 48 or 49 at the time Schedules 448/448 were created. This restriction
6 blocked the ability of Kroger to participate, despite Kroger's significant aggregate
7 load and active energy management activities. It is eminently reasonable for the
8 Commission to conduct a broader discussion of retail wheeling and direct access
9 to determine which customers going forward may be allowed to purchase
10 electricity from the competitive market and under what terms and conditions.

11 The timing of this proposed investigation is especially important, given
12 the upcoming retirement of PSE's Colstrip 1 and 2 units, which is scheduled to
13 occur no later than July 2022. If an additional portion of PSE's load is permitted
14 to migrate to retail wheeling service, it is likely to reduce the generation capacity
15 the Company would need to replace the Colstrip units, potentially providing net
16 benefits for PSE's remaining customers, as is occurring with the Settlement. It is
17 in the public interest for a retail wheeling investigation to be conducted and
18 completed with enough time to allow PSE to take the findings of the investigation
19 into account in the Company's planning for replacing its Colstrip generation.

20 **Q. Does this conclude your Supporting Testimony?**

21 A. Yes, it does.