Washington Utilities and Transportation Commission
DOCKET U-210590

COMMENTS OF WALMART INC. ON APRIL 19, 2022 WORKSHOP AND DISCUSSION QUESTIONS

On April 7, 2022, the Washington Utilities and Transportation Commission ("UTC") noticed a workshop in the instant proceeding to be held on April 19th, 2022, to discuss issues related to Phase 1 of the instant proceeding. The Commission included five discussion questions in the notice. Walmart hereby submits the following comments in response to the UTC's notice and incorporates answers to the Commission's questions in the overall response.

INTRODUCTION

As shown on Walmart's website, Walmart operates 66 retail units and two distribution centers and employs over 23,000 associates in Washington. In fiscal year ending 2021, Walmart purchased $2.8 billion worth of goods and services from Washington-based suppliers, supporting over 38,000 supplier jobs.[1] The majority of these sites take electric service from the state's three investor-owned electric utilities, Puget Sound Energy, Avista Utilities, and Pacific Power.

Walmart has long had aggressive and significant company-wide renewable energy goals, and on September 21, 2020, Walmart announced new targets, including: (1) to be supplied 100 percent by renewable energy by 2035; and (2) zero carbon emissions in its operations, including transportation fleet vehicles, without the use of offsets, by 2040. Walmart has also set a goal to

[1] https://corporate.walmart.com/about/washington?multi=false

transition to low-impact refrigerants for cooling and electric equipment for heating by 2040.[2] To date, Walmart has contracted for or currently takes electricity from one or more renewable resources in at least 29 states, including California, and Puerto Rico.

Finally, Walmart's transition to zero carbon operations requires a reliable and resilient electric grid that not only supplies sufficient power quantity, but also excellent power quality to allow its stores to serve their communities and support the advanced equipment that will be deployed at its facilities to deliver carbon savings. An examination of Walmart's power outages at Washington sites for 2021 showed that, for the three investor-owned utilities, 26 sites experienced a combined 58 outages with an average duration of 133 minutes. The shortest recorded outage was less than a minute and the longest was 14 hours. One site experienced four outages during the year, the shortest of which was 2.5 hours and the longest of which was 12.6 hours, for a total of 1,758 total minutes of outage during the year. These experiences inform Walmart's position on the Commission's questions discussed below.

COMMENTS

In general, Walmart supports traditional cost of service-based regulation and ratemaking because it aligns a utility's costs with rates that customers are required to pay. It also requires the utility to detail and support its costs through a well-established process that allows for scrutiny by the Commission and interested parties. This style of ratemaking should lead to a stable utility that provides affordable, safe, and reliable service to its customers, while providing

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2 https://corporate.walmart.com/newsroom/2020/09/21/walmart-sets-goal-to-become-a-regenerative-company

its shareholders an opportunity to earn the return allowed by the Commission. As such, any departures from this process must be carefully considered by the Commission.

Goals or outcomes pursued by the Commission per this examination of performance-based ratemaking ("PBR") should not reward utilities for meeting goals that are inherent in the utility's current responsibility to provide safe and reliable service to its customers. Instead, any incentives beyond those that are already included in cost-of-service ratemaking should be limited to expectations or mandates that are above and beyond a utility's current legal responsibilities, are shown to provide a benefit to customers, are clearly identifiable, and can be quantitatively measured in order to track their success. It is also important that costs associated with any such incentive is borne by the customers who benefit from the underlying utility action and not subsidized by other non-benefitting customers.

Walmart notes that in the Notice the Commission used the example of "Improve Utility Performance" as a conversation-starter for the workshop discussion. Walmart generally supports the discussion around structures that will improve utility system performance, particularly for reliability and resilience, but cautions that goals and outcomes must be set in a way that eschews system averages for more granular examination of utility systems and specific customer outcomes.

As an example, issues on problem circuits can be easily masked by metrics applied on a system-wide basis such as SAIDI or SAIFI. Walmart's general understanding is that the Commission has set reliability metric baselines for the electric utilities to be reported against in their service quality reports. However, success against the baselines does not mean that there are not customers who are repeatedly and severely impacted by power outages – such as the

Walmart site that experienced over 1,700 minutes of power outage in 2021 – and the reasonableness of charging those impacted customers for performance incentives could certainly be challenged.

Similarly, Walmart notes that Avista, in comments submitted April 22nd, proposed an expanded list of regulatory goals based on the workshop discussion. With the exception of the proposed Affordability and Wildfire Resiliency regulatory goals, Avista defines the goal areas as core functions of the utility (and Walmart would define affordability and wildfire resiliency as core functions of the utility as well). As such, the Commission needs to ask the question for each proposed regulatory goal –what outcomes clearly exceed a utility's current legal responsibilities, are shown to provide a benefit to customers, are clearly identifiable, and can be quantitatively measured in order to track their success?

Finally, goals and outcomes need not only incentivize improvement over time but also disincentivize practices that may result in reduced performance, even if that reduction is perceived as minor – resting on laurels should not be an acceptable operational paradigm for Washington's electric utilities.

DATED this 27th day of April 2022.

Respectfully submitted,

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