
BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,

Complainant,

v.

AVISTA CORPORATION d/b/a AVISTA
UTILITIES,

Respondent.

Docket Nos. UE-240006 and UG-240007

TESTIMONY AND EXHIBITS OF

LISA V. PERRY

ON BEHALF OF

WALMART INC.

JULY 3, 2024

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Exhibit LVP-5: Reported Authorized Returns on Equity, Gas Utility Rate Cases Completed, 2021 to Present

Exhibit LVP-6: Impact of Avista's Proposed Increase in Return on Equity Vs. Natural Gas National Average for Investor Owned Gas Utilities, 2021 to Present – Rate Year
1

1 **I. Introduction**

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

4 A. My name is Lisa V. Perry. My business address is 2608 SE J Street, Bentonville,
5 AR 72716-0550. I am employed by Walmart Inc. ("Walmart") as Director, Utility
6 Partnerships - Regulatory.

7 **Q. ON WHOSE BEHALF ARE YOU TESTIFYING IN THESE DOCKETS?**

8 A. I am testifying on behalf of Walmart.

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

10 A. I received a J.D. in 1999 and a LL.M. in Taxation in 2000 from the University of
11 Florida Levin College of Law. From 2001 to 2019, I was in private practice with
12 an emphasis from 2007 to 2019 in Energy Law. My practice included representing
13 large commercial clients before the utility regulatory commissions in Colorado,
14 Texas, New Mexico, Arkansas, and Louisiana in matters ranging from general rate
15 cases to renewable energy programs. I joined the Energy Services department at
16 Walmart in September 2019 as Senior Manager, Energy Services. My Witness
17 Qualifications Statement is attached as Exhibit LVP-2.

18 **Q. HAVE YOU PREVIOUSLY SUBMITTED TESTIMONY BEFORE THE**
19 **WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**
20 **("COMMISSION")?**

21 A. No, I have not.

1 **Q. HAVE YOU PREVIOUSLY SUBMITTED TESTIMONY BEFORE OTHER**
2 **STATE REGULATORY COMMISSIONS?**

3 A. Yes, I have submitted testimony with State Regulatory Commissions for Arkansas,
4 Colorado, Connecticut, Florida, Georgia, Iowa, Illinois, Indiana, Kansas,
5 Kentucky, Louisiana, Maryland, Michigan, North Carolina, New York, Ohio,
6 Oklahoma, Pennsylvania, South Carolina, Texas, Virginia, and Wyoming. I have
7 also provided legal representation for customer stakeholders before the State
8 Regulatory Commissions for Colorado, Texas, Arkansas, Louisiana, and New
9 Mexico in the cases listed under "Commission Dockets" in Exhibit LVP-2.

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

11 A. Yes. I am sponsoring the Exhibits listed in the Table of Contents.

12 **Q. PLEASE BRIEFLY DESCRIBE WALMART'S OPERATIONS IN THE**
13 **STATE OF WASHINGTON.**

14 A. As shown on Walmart's website, Walmart operates 64 retail units, two distribution
15 centers, and employs over 23,000 associates within the State of Washington.¹ In
16 fiscal year ending 2024, Walmart purchased \$2.7 billion worth of goods and
17 services from Washington-based suppliers, supporting nearly 35,000 supplier jobs.²

¹ <https://corporate.walmart.com/about/location-facts/united-states/washington>

² *Id.*

1 **Q. PLEASE BRIEFLY DESCRIBE WALMART'S OPERATIONS WITHIN**
2 **THE WASHINGTON ELECTRIC AND NATURAL GAS SERVICE**
3 **TERRITORIES FOR AVISTA CORPORATION ("AVISTA" OR**
4 **"COMPANY").**

5 A. Walmart has approximately seven retail stores and related facilities that take
6 electric and natural gas service in Avista's Washington service territory and one
7 facility that takes only natural gas service from Avista. Primarily, these facilities
8 are served under the Large General Service ("LGS") rate schedule for both electric
9 and natural gas service.

10
11 **II. Purpose of Testimony and Summary of Recommendations**

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

13 A. The purpose of my testimony is to address the Company's filing, in which it seeks
14 approval for a Two-Year Rate Plan that would result in increased rates for both its
15 electric and natural gas services and to provide recommendations to assist the
16 Commission in its thorough and careful consideration of the Company's proposed
17 electric and natural gas rate increases, including the impact on customers.
18 Specifically, my Direct Testimony addresses (i) the return on equity ("ROE")
19 proposed by the Company; (ii) the electric and natural gas cost of service studies
20 ("COSS") and revenue allocation for both electric and natural gas rates proposed
21 by the Company; and (iii) the importance of customer engagement through the
22 Company's key account management team for larger customers.

1 **Q. IN SETTING THE REVENUE REQUIREMENT AND ROE FOR THE**
2 **COMPANY, SHOULD THE COMMISSION CONSIDER THE IMPACT OF**
3 **THE ASSOCIATED ELECTRIC AND NATURAL GAS RATE INCREASES**
4 **ON BUSINESS CUSTOMERS?**

5 A. Yes. Electricity is a significant operating cost for retailers such as Walmart. When
6 electric and natural gas rates increase, the increased cost to retailers can put pressure
7 on consumer prices and on the other expenses required by a business to operate.
8 The Commission should thoroughly and carefully consider the impact on
9 customers, including business customers, in examining the requested revenue
10 requirement and ROE, in addition to all other facets of this case, to ensure that any
11 increase in the Company's rates is the minimum amount necessary to provide safe,
12 adequate, and reliable service, while also providing Avista the opportunity to
13 recover its reasonable and prudent costs and earn a reasonable return on its
14 investment.

15 **Q. PLEASE SUMMARIZE WALMART'S RECOMMENDATIONS TO THE**
16 **COMMISSION.**

17 A. Walmart's recommendations to the Commission are as follows:
18 (1) The Commission should reject the 10.40 percent ROE requested by the
19 Company. When setting the ROE for the Company, the Commission should
20 thoroughly and carefully consider the impact on customers associated with
21 the approved ROE, in addition to all other facets of this case, to ensure that
22 any increase in the Company's rates reflects the minimum amount necessary
23 to compensate the Company for adequate and reliable service, while also

1 providing the Company an opportunity to earn a reasonable return for its
2 shareholders.

3 (2) The Commission should closely examine the Company's proposed electric
4 and natural gas revenue requirement increase and the associated ROE in
5 light of:

6 (a) The customer impact of the resulting revenue requirement increases;
7 and

8 (b) The most recent reported electric and natural gas ROEs approved by
9 this Commission and those approved by other utility regulatory
10 commissions nationwide, which do not support the Company's
11 requested ROE.

12 (3) Walmart does not take a position on the Company's proposed electric or
13 natural gas COSS at this time. However, Walmart reserves the right to
14 address any changes to the Company's electric or natural gas COSS or
15 alternative proposals from other parties, in accordance with the
16 Commission's procedures for this docket.

17 (4) At the Company's proposed electric and natural gas revenue requirement,
18 Walmart does not oppose the Company's proposed electric revenue
19 allocation methodology or its proposed natural gas revenue allocation
20 methodology.

21 (5) If the Commission determines that the appropriate electric revenue
22 requirement is less than the electric revenue requirement proposed by the
23 Company, then Walmart supports the Company's proposal to use this

1 reduced revenue requirement to bring customer classes closer to their cost-
2 based levels.

3 (6) Likewise, if the Commission determines that the appropriate natural gas
4 revenue requirement is less than the natural gas revenue requirement
5 proposed by the Company, then Walmart supports the Company's proposal
6 to use this reduced revenue requirement to bring customer classes closer to
7 their cost-based levels.

8 (7) Walmart appreciates the Company's ongoing commitment to engage with
9 all its customers through continuous evaluation of their relationship and
10 adapting processes as technology and customer needs evolve. In particular,
11 Walmart values the Company's key account program and supports the
12 efforts of this team, as previously discussed. While not a specific
13 recommendation, Walmart highlights this in its testimony to inform the
14 Commission of the valuable service provided by the Company's key account
15 management team.

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

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

21

1 **III. Revenue Requirement and ROE**

2 **(A) Revenue Requirement and Requested ROE**

3 **Q. WHAT IS YOUR UNDERSTANDING OF THE COMPANY'S PROPOSED**
4 **ELECTRIC REVENUE REQUIREMENT INCREASE IN ITS ELECTRIC**
5 **DOCKET?**

6 A. My understanding is that the Company is seeking approval of a Two-Year Rate
7 Plan for both its electric and natural gas services, being Rate Year One (“RY1”)
8 effective December 2024, and Rate Year Two (“RY2”) effective December 2025.³
9 Additionally, based on my understanding, the Company started with an historical
10 test period of 12 months ending June 30, 2023 and then subsequently made certain
11 normalizing, pro forma, and provisional capital adjustments for each rate year.⁴

12 For its electric service, the Company is proposing (i) an increase in RY1 of
13 approximately \$77.1 million (or 13.0 percent over present base tariff rates)⁵ and (ii)
14 an increase of approximately \$78.1 million before removing costs related to
15 Colstrip Schedule 99 (or 11.7 percent over base tariff rates), and \$53.7 million after
16 removing these costs (or 7.8 percent over billing rates).⁶

³ See Direct Testimony of Dennis P. Vermillion (“Vermillion Direct”), p. 3, lines 1-10.

⁴ See Direct Testimony of Kaylene J. Schultz (“Schultz Direct”), p. 7, lines 9-10 and p. 11, lines 14-16.

⁵ See Direct Testimony of Joseph D. Miller (“Miller Direct”), p. 6, line 21 to p. 7, line 2 (including all other rate adjustments yields a 12.6 percent increase over present billing rates).

⁶ See *id.* at p. 9, lines 8-11.

1 **Q. WHAT IS YOUR UNDERSTANDING OF THE COMPANY'S PROPOSED**
2 **NATURAL GAS REVENUE REQUIREMENT INCREASE IN ITS GAS**
3 **DOCKET?**

4 A. For its natural gas service, the Company is proposing (i) an increase in RY1 of
5 approximately \$17.3 million (or 13.6 percent over base margin revenue)⁷ and (ii)
6 an increase of approximately \$4.6 million (or 3.2 percent over base tariff rates).⁸

7 **Q. WHAT IS THE COMPANY'S PROPOSED ROE IN THESE DOCKETS?**

8 A. The Company proposes an ROE of 10.40 percent based on a range of 10.38 percent
9 to 11.38 percent after a flotation cost adjustment was added to the range.⁹ Based on
10 the Company's proposed capital structure of 48.5 percent equity and 51.5 percent
11 debt, with a proposed cost of debt of 4.99 percent, the Company is seeking approval
12 of a weighted average cost of capital equal to 7.61 percent.¹⁰

13 **Q. IS WALMART CONCERNED THAT THE COMPANY'S PROPOSED ROE**
14 **IS EXCESSIVE?**

15 A. Yes. Walmart is concerned that the Company's proposed ROE of 10.40 percent is
16 excessive, especially in light of:

17 (1) The customer impact of the resulting revenue requirement increases, as
18 discussed in more detail below; and

⁷ See *id.* at p. 24, line 20 to p. 25 line 2 (including all other rate adjustments yields a 6.3 percent increase over present billing rates).

⁸ See *id.* at p. 26, lines 19-21 (including all other rate adjustments yields a 1.6 percent increase over present billing rates).

⁹ See Direct Testimony of Adrien M. McKenzie ("McKenzie Direct"), p. 6, lines 1-10 (prior to adding the flotation cost adjustment the proposed range is 10.3 percent to 11.3 percent).

¹⁰ See Direct Testimony of Kevin J. Christie ("Christie Direct"), p. 14, Table No. 2: Proposed Cost of Capital.

1 (2) The most recent reported electric and natural gas ROEs approved by this
2 Commission and those approved by other utility regulatory commissions
3 nationwide, as discussed more fully below, which do not support the
4 Company's requested ROE.
5

6 **(B) Electric ROEs**

7 **(i) Recent Electric ROEs Approved by the Commission**

8 **Q. WHAT IS YOUR UNDERSTANDING OF THE COMPANY'S**
9 **CURRENTLY APPROVED ELECTRIC ROE?**

10 A. According to data from S&P Global Market Intelligence (“S&P Global”), a
11 financial news and reporting company, the Company's last reported electric ROE
12 was 9.40 percent, as listed in its 2020 electric rate case that completed in 2021,
13 Docket No. UE-200900.¹¹ The Company's most recent electric rate case, Docket
14 No. UE-220053, was settled through a black box agreement that did not disclose
15 the specific cost of equity.¹² As a result, the current electric ROE for the Company
16 is unclear.

17 **Q. IS THE COMPANY'S PROPOSED ROE SIGNIFICANTLY HIGHER**
18 **THAN THE REPORTED ELECTRIC ROEs PREVIOUSLY APPROVED**
19 **BY THE COMMISSION FROM 2021 TO PRESENT?**

20 A. Yes. The requested ROE of 10.40 percent exceeds the average reported electric

¹¹ See Exhibit LVP-3.

¹² See *Washington Utilities and Transportation Commission, Complainant, v. Avista Corporation, d/b/a Avista Utilities, Respondent*, Docket Nos. UE-220053, UG-220054, and UE-210854 (Consolidated), Final Order 10/04 (Issued Dec. 12, 2022), p. 57.

1 ROEs of 9.40 percent authorized by the Commission since 2021.¹³

2 **Q. SINCE 2021, IN WHICH ELECTRIC CASES DID THE COMMISSION**
3 **ISSUE AN ORDER WITH A STATED ROE?**

4 A. Since 2021, the Commission has issued orders with stated ROEs in the following
5 electric cases:

6 (1) the Company's earlier electric rate case, Docket No. UE-200900, that
7 completed in 2021 in which the Commission approved an ROE of 9.40
8 percent; and

9 (2) Puget Sound Energy Inc. electric rate case, Docket No. UE-220066, that
10 completed in 2022 in which the Commission approved an ROE of 9.40
11 percent.¹⁴

12 Accordingly, the Company's requested ROE of 10.40 percent is significantly
13 higher than reported ROEs awarded by the Commission in prior electric rate cases
14 from 2021 to present.

15
16 **(ii) National Electric Utility Industry ROE Trends**

17 **Q. IS THE COMPANY'S PROPOSED 10.40 PERCENT ROE**
18 **SIGNIFICANTLY HIGHER THAN THE ELECTRIC ROEs APPROVED**
19 **BY OTHER UTILITY REGULATORY COMMISSIONS IN 2021, 2022,**
20 **2023, AND SO FAR IN 2024?**

21 A. Yes. According to data from S&P Global, the average of the 118 reported electric

¹³ See Exhibit LVP-3.

¹⁴ See *id.*

1 utility rate case ROEs authorized by commissions to investor-owned utilities in
2 2021, 2022, 2023, and so far in 2024, is 9.50 percent.¹⁵ The range of reported
3 authorized ROEs for the period is 7.36 percent to 11.45 percent, and the median
4 authorized ROE is 9.50 percent.¹⁶ The average and median values are significantly
5 below the Company's proposed ROE of 10.40 percent. As such, the Company's
6 proposed 10.40 percent ROE is counter to broader electric industry trends.

7 **Q. SEVERAL OF THE REPORTED AUTHORIZED ROEs ARE FOR**
8 **DISTRIBUTION ONLY UTILITIES. WHAT IS THE AVERAGE**
9 **AUTHORIZED ELECTRIC ROE IN THE REPORTED GROUP FOR**
10 **VERTICALLY INTEGRATED UTILITIES?**

11 A. In the group reported by S&P Global, the average electric ROE for vertically
12 integrated utilities authorized from 2021 through present is 9.62 percent.¹⁷ The
13 average electric ROE authorized for vertically integrated utilities in 2021 was 9.54
14 percent; in 2022, it was 9.60 percent; in 2023, it was 9.71 percent; and thus far in
15 2024, it is 9.72 percent.¹⁸ As such, the Company's proposed 10.40 percent ROE is
16 counter to broader electric industry trends and, in fact, as shown in Figure 1, would
17 be the fourth highest approved electric ROE (out of 86) for a vertically integrated
18 utility from 2021 to present, if approved by the Commission.

¹⁵ See Exhibit LVP-3.

¹⁶ See *id.*

¹⁷ See *id.*

¹⁸ See *id.*

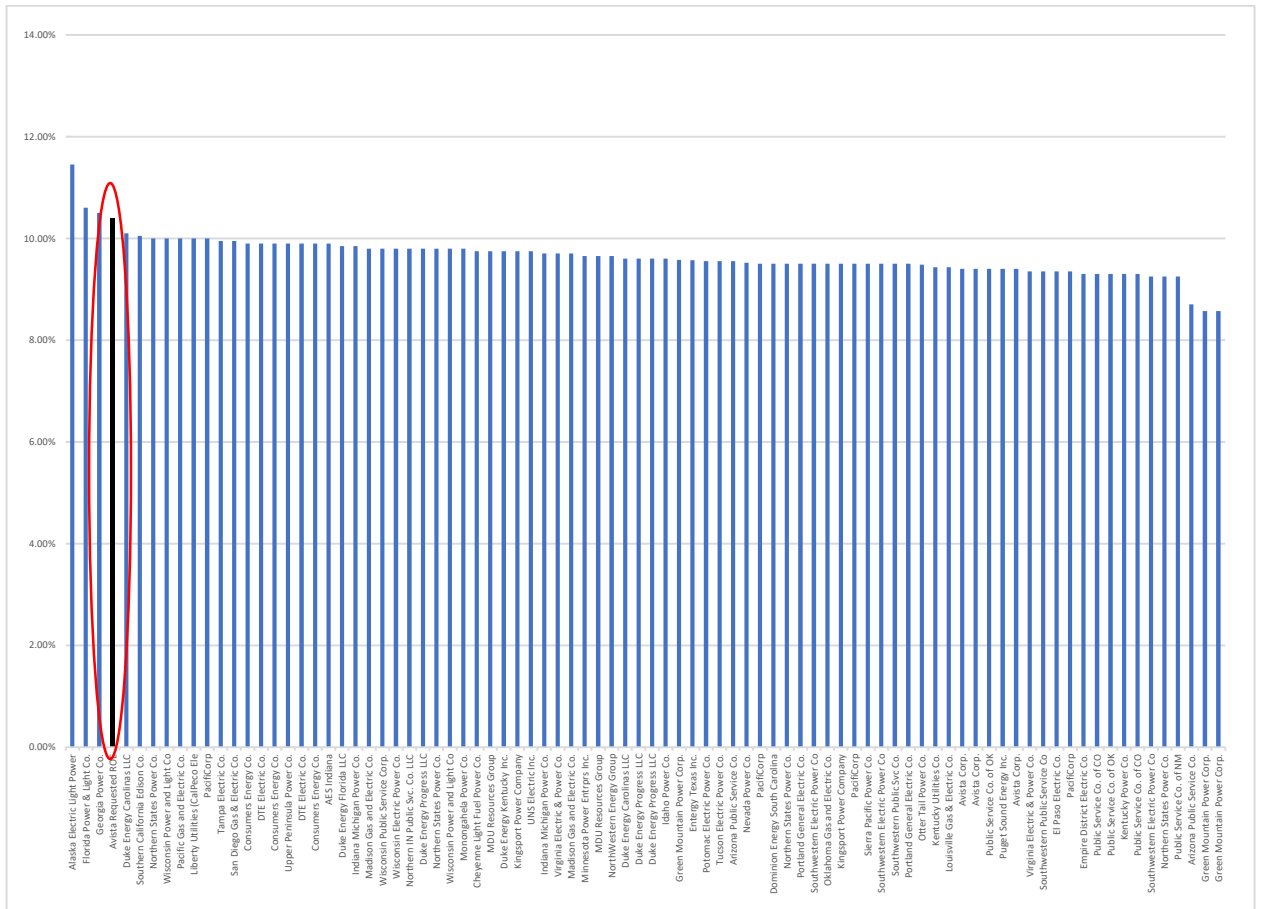


Figure 1. Avista’s Proposed ROE Versus Authorized Electric ROEs for Vertically Integrated Utilities, 2021 to Present. Source: Exhibit LVP-3.

- 1 **Q. WHAT IS THE ELECTRIC REVENUE REQUIREMENT IMPACT FOR**
 2 **RY1 IF THE COMMISSION WERE TO APPROVE AN ROE FOR THE**
 3 **COMPANY EQUIVALENT TO 9.62 PERCENT, THE AVERAGE**
 4 **AUTHORIZED ELECTRIC ROE NATIONWIDE IN 2021, 2022, 2023, AND**
 5 **SO FAR IN 2024 FOR VERTICALLY INTEGRATED UTILITIES?**
- 6 **A. If the Commission were to approve an electric ROE for the Company of 9.62**
 7 **percent, versus the Company's proposal of 10.40 percent, it would result in a**

1 reduction in the Company's proposed electric revenue requirement increase for
2 RY1, inclusive of taxes, of \$11.6 million, or 15.1 percent.¹⁹

3
4 **(C) Natural Gas ROEs**

5 **(i) Recent Natural Gas ROEs Approved by the Commission**

6 **Q. WHAT IS YOUR UNDERSTANDING OF THE COMPANY'S**
7 **CURRENTLY APPROVED NATURAL GAS ROE?**

8 A. According to data from S&P Global, the Company's last reported natural gas ROE
9 was 9.40 percent, as listed in its 2020 natural gas rate case that completed in 2021,
10 Docket No. UG-200901.²⁰ The Company's most recent natural gas rate case, Docket
11 No. UG-220054, was settled through a black box agreement that did not disclose
12 the specific cost of equity.²¹ As a result, the current natural gas ROE for the
13 Company is unclear.

14 **Q. IS THE COMPANY'S PROPOSED ROE SIGNIFICANTLY HIGHER**
15 **THAN THE REPORTED NATURAL GAS ROEs PREVIOUSLY**
16 **APPROVED BY THE COMMISSION FROM 2021 TO PRESENT?**

17 A. Yes. The requested ROE of 10.40 percent exceeds the average reported natural gas
18 ROEs of 9.40 percent authorized by the Commission since 2021.²²

¹⁹ See Exhibit LVP-4.

²⁰ See Exhibit LVP-5.

²¹ See *Washington Utilities and Transportation Commission, Complainant, v. Avista Corporation, d/b/a Avista Utilities, Respondent*, Docket Nos. UE-220053, UG-220054, and UE-210854 (Consolidated), Final Order 10/04 (Issued Dec. 12, 2022), p. 57.

²² See Exhibit LVP-5.

1 **Q. SINCE 2021, IN WHICH NATURAL GAS CASES DID THE COMMISSION**
2 **ISSUE AN ORDER WITH A STATED ROE?**

3 A. Since 2021, the Commission has issued orders with stated ROEs in the following
4 natural gas cases:

5 (1) Cascade Natural Gas Corp. natural gas rate case, Docket No. UG-200568,
6 that completed in 2021 in which the Commission approved an ROE of 9.40
7 percent;

8 (2) the Company's earlier natural gas rate case, Docket No. UG-200901, that
9 completed in 2021 in which the Commission approved an ROE of 9.40
10 percent;

11 (3) Cascade Natural Gas Corp. natural gas rate case, Docket No. UG-210755,
12 that completed in 2022 in which the Commission approved an ROE of 9.40
13 percent; and

14 (4) Puget Sound Energy Inc. natural gas rate case, Docket No. UG-220067, that
15 completed in 2022 in which the Commission approved an ROE of 9.40
16 percent.²³

17 Accordingly, the Company's requested ROE of 10.40 percent is significantly
18 higher than reported ROEs awarded by the Commission in prior natural gas rate
19 cases from 2021 to present.

²³ See *id.*

1 (ii) **National Natural Gas Utility Industry ROE Trends**

2 **Q. IS THE COMPANY'S PROPOSED 10.40 PERCENT ROE**
3 **SIGNIFICANTLY HIGHER THAN THE NATURAL GAS ROES**
4 **APPROVED BY OTHER UTILITY REGULATORY COMMISSIONS IN**
5 **2021, 2022, 2023, AND SO FAR IN 2024?**

6 A. Yes. According to S&P Global, the average of the 118 reported natural gas utility
7 rate case ROEs authorized by commissions to investor-owned gas utilities in 2021,
8 2022, 2023, and so far in 2024, is 9.58 percent.²⁴ The range of reported authorized
9 ROEs for the period is 8.80 percent to 11.88 percent, and the median authorized
10 ROE is 9.59 percent.²⁵ The average and median values are significantly below the
11 Company's proposed ROE of 10.40 percent. As such, the Company's proposed
12 10.40 percent ROE is counter to broader natural gas industry trends.

13 **Q. WHAT IS THE ANNUAL AVERAGE AUTHORIZED NATURAL GAS**
14 **ROE FOR 2021 TO PRESENT?**

15 A. In the group reported by S&P Global, the average natural gas ROE authorized for
16 investor-owned gas utilities in 2021 was 9.56 percent; in 2022, it was 9.53 percent;
17 in 2023, it was 9.58 percent; and thus far in 2024, it is 9.93 percent.²⁶ As such, the
18 Company's proposed 10.40 percent ROE is counter to broader natural gas industry
19 trends and, in fact, as shown in Figure 2, would be the third highest approved natural
20 gas ROE (out of 119) for an investor owned gas utility from 2021 to present, if
21 approved by the Commission.

²⁴ See *id.*

²⁵ See *id.*

²⁶ See *id.*

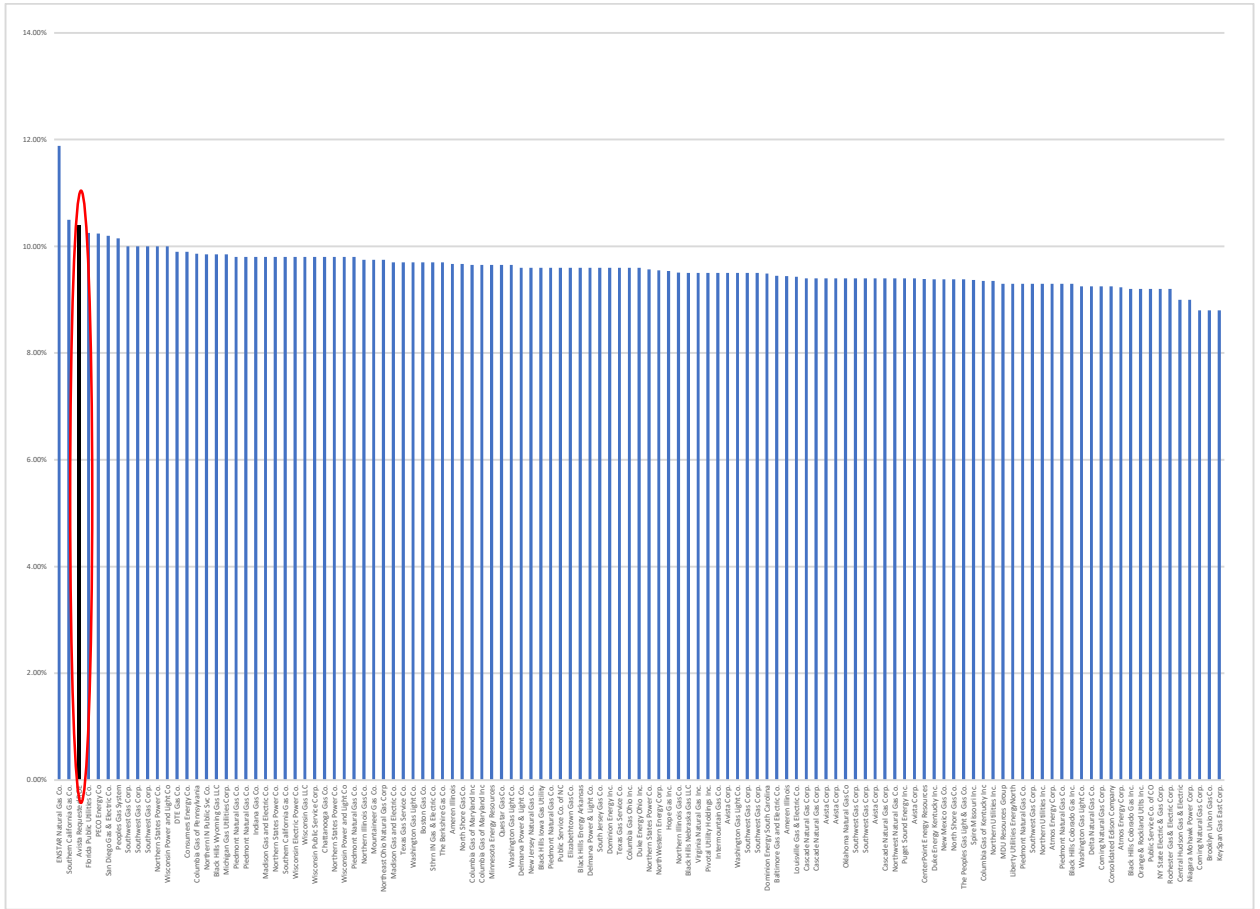


Figure 2. Avista's Proposed ROE Versus Authorized Natural Gas ROEs for Investor Owned Gas Utilities, 2021 to Present. Source: Exhibit LVP-5.

- 1 **Q. WHAT IS THE NATURAL GAS REVENUE REQUIREMENT IMPACT**
2 **FOR RY1 IF THE COMMISSION WERE TO APPROVE AN ROE FOR**
3 **THE COMPANY EQUIVALENT TO 9.58 PERCENT, THE AVERAGE**
4 **AUTHORIZED NATURAL GAS ROE NATIONWIDE IN 2021, 2022, 2023,**
5 **AND SO FAR IN 2024 FOR INVESTOR OWNED GAS UTILITIES?**
- 6 **A. If the Commission were to approve a natural gas ROE for the Company of 9.58**
7 **percent, versus the Company's proposal of 10.40 percent, it would result in a**

1 reduction in the Company's proposed natural gas revenue requirement increase for
2 RY1, inclusive of taxes, of \$3.1 million, or 17.9 percent.²⁷

3
4 **(D) Walmart's Recommendation**

5 **Q. IS WALMART RECOMMENDING THAT THE COMMISSION BE**
6 **BOUND BY ROEs AUTHORIZED BY OTHER STATE REGULATORY**
7 **COMMISSIONS?**

8 A. No. Decisions of other state regulatory commissions are not binding on the
9 Commission. Additionally, each state regulatory commission considers the specific
10 circumstances in each case in its determination of the proper ROE. Walmart is
11 providing this information as discussed above to illustrate a national customer
12 perspective on both electric and natural gas industry trends in authorized ROEs.

13 **Q. WHAT IS YOUR RECOMMENDATION TO THE COMMISSION IN**
14 **REGARD TO THE COMPANY'S PROPOSED ROE?**

15 A. The Commission should thoroughly and carefully consider the impact on customers
16 in setting the ROE, in addition to all other facets of this case, to ensure that any
17 increase in the Company's rates reflects the minimum amount necessary to
18 compensate the Company for adequate and reliable service, while also providing
19 Avista an opportunity to earn a reasonable return for its shareholders.

20 Specifically, the Commission should closely examine the Company's
21 proposed electric and natural gas revenue requirement increase and the associated
22 ROE in light of:

²⁷ See Exhibit LVP-6.

- 1 1) The customer impact of the resulting revenue requirement increases; and
- 2 2) The most recent reported electric and natural gas ROEs approved by this
- 3 Commission and those approved by other utility regulatory commissions
- 4 nationwide, which do not support the Company's requested ROE.
- 5

6 **IV. Cost of Service and Revenue Allocation**

7 ***(A) Cost of Service***

8 **Q. GENERALLY, WHAT IS WALMART'S POSITION ON SETTING RATES**

9 **BASED ON THE UTILITY'S COST OF SERVICE?**

10 A. Walmart advocates that rates be set based on the utility's cost of service for each

11 rate class. This produces equitable rates that reflect cost causation, sends proper

12 price signals, and minimizes price distortions.

13 **Q. DOES WALMART TAKE A POSITION ON THE COMPANY'S**

14 **PROPOSED ELECTRIC OR NATURAL GAS COST OF SERVICE**

15 **METHODOLOGIES AT THIS TIME?**

16 A. No. However, to the extent that alternative electric or natural gas cost of service

17 methodologies or modifications to the Company's methodologies are proposed by

18 other parties, Walmart reserves the right to address any such changes in accordance

19 with the Commission's procedures in this docket.

20

1 **(B) Revenue Allocation**

2 **Q. HOW DOES THE COMPANY REPRESENT IF RATES FOR A**
3 **CUSTOMER CLASS ACCURATELY REFLECT THE UNDERLYING**
4 **COST CAUSATION?**

5 A. The Company reflects this relationship in their cost-of-service results through the
6 use of class-specific rates of return. These rates of return can be converted into a
7 what the Company terms a "Return Ratio," which is a class's rate of return divided
8 by the overall system rate of return.²⁸ A Return Ratio greater than 1.0 means that
9 the customer class is paying rates in excess of costs incurred by the Company to
10 serve that class. Conversely, a Return Ratio less than 1.0 means that the customer
11 class is paying rates less than the costs incurred by the Company to serve that class.
12 As such, those rate classes with a Return Ratio greater than 1.0 are subsidizing the
13 classes with a Return Ratio less than 1.0.

14

15 **(i) Electric Revenue Allocation**

16 **Q. HAS THE COMPANY CALCULATED ELECTRIC CLASS RETURN**
17 **RATIOS FOR RY1 BASED ON ITS PROPOSED ELECTRIC COST OF**
18 **SERVICE RESULTS AT PRESENT AND PROPOSED ELECTRIC RATES?**

19 A. Yes, as shown in Table 1 below.

²⁸ See Miller Direct, p. 8, lines 3-5.

Table 1. Electric Class Return Ratios for RY1, Current and Proposed Electric Rates, Avista's Proposed Electric Cost of Service Results.

Customer Class	Return Ratio – Current	Return Ratio-Proposed
Residential Sch. 1	0.43	0.59
General Svc. Sch. 11/12	1.74	1.52
Transportation – General Svc. 13	-1.50	-0.85
Large General Svc. Sch. 21/22	1.85	1.61
Transportation – Large General Svc. 23	-1.87	-1.12
Extra Large General Svc. Sch. 25	1.86	1.69
Pumping Svc. Sch. 31/32	1.20	1.13
Street & Area Lights	1.36	1.12
Overall	1.00	1.00

Source: Miller Direct, p. 8, Table No. 5: Present & Proposed Ratios (Electric)

- 1
- 2 **Q. DOES THE COMPANY'S PROPOSED ELECTRIC REVENUE**
- 3 **ALLOCATION BRING CUSTOMER CLASSES TO THEIR COST BASED**
- 4 **LEVELS?**
- 5 A. No, it does not. As shown in Table 1 above, although the Company's proposed
- 6 electric revenue allocation brings each class closer to its cost of service level, all
- 7 classes remain in either a subsidized or subsidizing position.
- 8 **Q. DOES THE COMPANY PRESENT A PROPOSAL IN THIS DOCKET**
- 9 **THAT WOULD ALIGN ELECTRIC CUSTOMER CLASSES MORE**
- 10 **CLOSELY WITH THEIR COST BASED LEVELS?**
- 11 A. Yes, it does. If the Commission orders a lower revenue requirement, the Company
- 12 proposes to maintain the initial increase allocated to Residential Service Schedule
- 13 1.²⁹ Additionally, the Company suggests that both Large and Extra Large
- 14 Transportation General Service Schedules 13 and 23, as well as Pumping Service

²⁹ See *id.* at p. 8, lines 17-19.

1 Schedules 31/32 and the Street and Area Light Schedules, should continue to
2 receive an equal percentage increase in revenue.³⁰ Any remaining revenue should
3 be distributed equally among Schedules 11/12, Schedule 21/22, and Schedule 25,
4 as these schedules are currently contributing significantly more than their relative
5 cost of service, as shown in Table 1 above.³¹

6 **Q. WHAT IS WALMART'S ELECTRIC REVENUE ALLOCATION**
7 **RECOMMENDATION TO THE COMMISSION AT THE COMPANY'S**
8 **PROPOSED REVENUE REQUIREMENT?**

9 A. At the Company's proposed electric revenue requirement, Walmart does not oppose
10 the Company's proposed electric revenue allocation.

11 **Q. WHAT IS WALMART'S RECOMMENDATION TO THE COMMISSION**
12 **IF THE COMMISSION DETERMINES THAT A LOWER ELECTRIC**
13 **REVENUE REQUIREMENT IS APPROPRIATE?**

14 A. If the Commission determines that the appropriate electric revenue requirement is
15 less than the electric revenue requirement proposed by the Company, then Walmart
16 supports the Company's proposal to use this reduced revenue requirement to bring
17 customer classes closer to their cost-based levels.

³⁰ See *id.* at p. 8, line 19 to p. 9, line 3.

³¹ See *id.* at p. 9, lines 3-5.

1
2 **(ii) Natural Gas Revenue Allocation**
3 **Q. HAS THE COMPANY CALCULATED NATURAL GAS CLASS RETURN**
4 **RATIOS FOR RY1 BASED ON ITS PROPOSED NATURAL GAS COST OF**
5 **SERVICE RESULTS AT PRESENT AND PROPOSED NATURAL GAS**
6 **RATES?**

7 A. Yes, as shown in Table 2 below.

**Table 2. Natural Gas Class Return Ratios for RY1, Current and Proposed
Natural Gas Rates, Avista’s Proposed Natural Gas Cost of Service Results.**

Customer Class	Return Ratio – Current	Return Ratio- Proposed
General Svc. Sch. 101	0.89	0.93
Large General Svc. Sch. 111/112	1.58	1.38
Interruptible Sales Svc. Sch. 131/132	1.90	1.61
Transportation Svc. Sch. 16	0.41	0.49
Overall	1.00	1.00

Source: Miller Direct, p. 26, Table No. 9: Present & Proposed Ratios

8
9 **Q. DOES THE COMPANY'S PROPOSED NATURAL GAS REVENUE**
10 **ALLOCATION BRING CUSTOMER CLASSES TO THEIR COST BASED**
11 **LEVELS?**

12 A. No, it does not. As shown in Table 2 above, although the Company's proposed
13 natural gas revenue allocation brings each class closer to its cost of service level,
14 all classes remain in either a subsidized or subsidizing position.

15 **Q. DOES THE COMPANY PRESENT A PROPOSAL IN THIS DOCKET**
16 **THAT WOULD ALIGN NATURAL GAS CUSTOMER CLASSES MORE**
17 **CLOSELY WITH THEIR COST BASED LEVELS?**

1 A. Yes, it does. If the Commission orders a lower revenue requirement, the Company
2 proposes to maintain the initial increase allocated to General Service Schedules 101
3 and Transportation Service Schedule 146.³² Any remaining revenue should be
4 distributed equally among Schedules 111/112/116 and 131/132, as these schedules
5 are currently contributing significantly more than their relative cost of service, as
6 shown in Table 2 above.³³

7 **Q. WHAT IS WALMART'S NATURAL GAS REVENUE ALLOCATION**
8 **RECOMMENDATION TO THE COMMISSION AT THE COMPANY'S**
9 **PROPOSED REVENUE REQUIREMENT?**

10 A. At the Company's proposed natural gas revenue requirement, Walmart does not
11 oppose the Company's proposed natural gas revenue allocation.

12 **Q. WHAT IS WALMART'S RECOMMENDATION TO THE COMMISSION**
13 **IF THE COMMISSION DETERMINES THAT A LOWER NATURAL GAS**
14 **REVENUE REQUIREMENT IS APPROPRIATE?**

15 A. If the Commission determines that the appropriate natural gas revenue requirement
16 is less than the natural gas revenue requirement proposed by the Company, then
17 Walmart supports the Company's proposal to use this reduced revenue requirement
18 to bring customer classes closer to their cost-based levels.

19

³² See *id.* at p. 26, lines 11-14.

³³ See *id.* at p. 26, lines 14-16.

1 **V. Avista’s Customer Engagement – Key Account Management Team**

2 **Q. DOES THE COMPANY PROVIDE TESTIMONY ON ITS VIEW OF**
3 **CUSTOMER SERVICE AND ENGAGEMENT?**

4 A. Yes, it does. Company witness Hydzik discusses extensively how the Company
5 tracks its customer performance, implementation of recent customer service
6 enhancements over the past few years, and additional steps the Company is taking
7 to improve its customers' experience.³⁴

8 **Q. DOES THE COMPANY PROVIDE A CUSTOMER REPRESENTATIVE**
9 **TO ENGAGE WITH ITS LARGER CUSTOMERS?**

10 A. Yes, it does. The Company has a key account management team dedicated to
11 engaging with and addressing the unique needs of its larger customers.

12 **Q. WHAT BENEFITS TO LARGE CUSTOMERS COME FROM HAVING A**
13 **DEDICATED ACCOUNT REPRESENTATIVE?**

14 A. The account representative plays a vital role in the customer-utility relationship by
15 providing a single point of contact at the utility for day-to-day operational and
16 technical support, updates on rates and utility programs, support during
17 emergencies such as hurricanes and winter storm events, and a conduit for
18 customer-utility communications on broader strategic opportunities. For Walmart,
19 in particular, which generally maintains multiple sites within a utility's service
20 territory, it also ensures a single, consistent message applicable to all of its
21 operations. A top-notch account representative is practically a member of the

³⁴ See generally Direct Testimony of Nicole L. Hydzik (“Hydzik Direct”), pp. 11-43.

1 customer's energy management team and an advocate for the customer within the
2 utility organization.

3 **Q. ARE THERE BENEFITS TO OTHER UTILITY CUSTOMERS AND THE**
4 **BROADER COMMUNITY?**

5 A. Yes. Account representatives for large customers help those customers serve their
6 communities, particularly during storms and other emergency events. For example,
7 in the event of a power outage during a storm, customers need a knowledgeable and
8 efficient point of contact to coordinate power restoration, advocate and direct action
9 within the utility, and work to ensure business continuity. If one of our stores loses
10 power, knowing the estimated duration of the outage in a timely manner can help
11 determine whether a mobile generator is needed to operate the entire facility or
12 refrigerated trailers are needed to refrigerate perishables and how soon we can
13 return to serving the community. Additionally, the process of installing a mobile
14 generator requires utility engagement – utility crews are required to pull fuses on
15 the distribution system in order to allow the generator to interconnect – and to
16 execute on this process efficiently requires the attention and expertise of an account
17 representative. Repeatedly calling a call center, providing identifying info (account
18 number, service address, etc.), reviewing information already provided, and not
19 knowing when and how the issue will be resolved is inefficient and frustrating for
20 customers.

21 **Q. WHAT IS WALMART'S RECOMMENDATION TO THE COMMISSION?**

22 A. Walmart appreciates the Company's ongoing commitment to engaging with all its
23 customers through continuous evaluation of their relationship and adapting

1 processes as technology and customer needs evolve. In particular, Walmart values
2 the Company's key account management program and supports the efforts of this
3 team, as previously discussed. While not a specific recommendation, Walmart
4 highlights this in its testimony to inform the Commission of the valuable service
5 provided by the Company's key account management team.

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

7 **A. Yes.**