

**BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION**

In re: Petition for rate increase by Florida : **Docket No. 160021-EI**
Power & Light Company : **Filed: August 5, 2016**

**PREHEARING STATEMENT OF
WAL-MART STORES EAST, LP AND SAM'S EAST, INC.**

Pursuant to Florida Public Service Commission's ("Commission") Order No. PSC-16-0125-PCO-EI, filed March 25, 2016, Wal-Mart Stores East, LP and Sam's East, Inc. (collectively, "Walmart") files its Prehearing Statement.

I. WITNESSES

<u>Witness</u>	<u>Subject</u>	<u>Issues</u>
Steve W. Chriss	Mr. Chriss' testimony addresses: the need to balance the Florida Power and Light Company's ("FPL" or "Company") requested revenue increase and return on equity ("ROE"); the Company's proposal to allocate production capacity cost using a 12 coincident peak and 25 percent energy methodology and offers alternative approaches; rate design for select rate schedules; and, rate design for the 2019 Okeechobee Limited Scope Adjustment ("LSA").	84, 85, 136, 146, 147, 148, 156

II. EXHIBITS (All sponsored by Steve W. Chriss)

<u>Exhibit</u>	<u>Description</u>
SWC-1	Qualifications Statement
SWC-2	Estimated Impact of FPL's Proposed Increase in ROE from 10.5 Percent to 11.5 Percent
SWC-3	Calculation of Proposed Test Year Jurisdictional Revenues Collected Through Base Rates
SWC-4	Reported Authorized Returns on Equity, Electric Utility Rate Cases

Completed, 2013 to Present

- SWC-5 Calculation of Production Capacity Cost Allocators
- SWC-6 Comparison of Cost Recovery, FPL 12 CP and 25% Cost of Service Study, Present and Proposed Rates for GSLDT-1, GSLD-1, GSDT-1, and GSD-1
- SWC-7 Calculation of Proposed Rates, GSLD-1 and GSLDT-1
- SWC-8 Calculation of Proposed Rates, GSD-1 and GSDT-1

III. WALMART'S STATEMENT OF BASIC POSITION

The Commission should authorize an increase in revenue requirement that is minimal and only the amount necessary for the utility to provide reliable service, while still having the opportunity to earn a reasonable return. When examining the Company's proposed revenue requirement and associated ROE increase, Walmart recommends that the Commission consider: (1) the impact of the resulting revenue increase on customers; (2) the use of a future test year, which reduces the risk due to regulatory lag; (3) the percentage of the Company's total jurisdictional revenues recover through base rates that are at risk due to regulatory lag versus the amount of revenues collected through cost recovery clause charges; and (4) the trend of rate case ROEs that have been approved by state regulatory agencies nationwide. Walmart's Direct Testimony of Steve W. Chriss, pp. 4, 6-14.

The Commission should reject the Company's proposal to allocate production capacity cost using a 12 coincident peak and 25 percent energy ("12 CP and 25%") methodology. If the Commission determines it is appropriate to move away from the Company's currently approved 12 CP and 1/13th methodology and to discontinue the practice of allocating a portion of production capacity on an energy basis, it should approve either a demand allocator based on the Company's four coincident peaks ("4 CP") or six coincident peaks ("6 CP"). If the Commission determines it is appropriate to move away from the Company's currently approved 12 CP and

1/13th methodology and to continue the practice of allocating a portion of production capacity cost on an energy basis, it should approve an average and excess allocator based on the Company's Group Non-Coincident Peaks ("GNCP"). Walmart's Direct Testimony of Steve W. Chriss, pp. 4-5, 14-23.

The Commission should approve a revised rate design for GSLD-1, GSLDT-1, GSD-1, and GSDDT-1 for 2017 rates, and if the Commission approves the Company's proposal to institute an incremental rate change in 2018, the Commission should apply the same rate design changes to the approved revenue requirement and cost of service study for 2018. Walmart's Direct Testimony of Steve W. Chriss, pp. 6, 27-28, 31-32.

Lastly, if the Commission approves the 2019 Okeechobee LSA, for rate schedules that contain demand charges, the increase to those schedules should only be applied to the demand charge. Walmart's Direct Testimony of Steve W. Chriss, p. 32

IV. ISSUES

A. Legal Issues

Issues 1-6: Walmart takes no position at this time.

B. Storm Hardening Issues

Issues 7-18: Walmart takes no position at this time.

C. Wood Pole Inspection Program

Issue 19: Walmart takes no position at this time.

D. 10 Point Storm Preparedness Initiatives

Issue 20: Walmart takes no position at this time.

E. Approval of Storm Hardening Plan

Issue 21: Walmart takes no position at this time.

F. Costs for Storm Hardening and 10 Point Initiative

Issues 22-23: Walmart takes no position at this time.

G. Test Period and Forecasting

Issues 24-38: Walmart takes no position at this time.

H. Quality of Service

Issue 39: Walmart takes no position at this time.

I. Depreciation Study

Issues 40-52: Walmart takes no position at this time.

J. Rate Base

Issues 53-77: Walmart takes no position at this time.

K. Cost of Capital

Issues 78-84: Walmart takes no position at this time.

Issue 85: What is the appropriate authorized return on equity (ROE) to use in establishing FPL's revenue requirement?

A. For the 2017 projected test year?

B. If applicable, for the 2018 subsequent projected test year?

Position: When considering the appropriate revenue requirement increase for FPL in the current proceeding, the Commission should consider (1) the impact the resulting revenue increase will have on customers; (2) the use of a future test year, which reduces the risk due to regulatory lag; (3) the percentage of the Company's total jurisdictional revenues recover through base rates that are at risk due to regulatory lag versus the amount of revenues collected through cost recovery clause charges; and (4) the trend of rate case ROEs that have been approved by state regulatory agencies nationwide. Walmart's Direct Testimony of Steve W. Chriss, pp. 4, 6-14.

Issue 86: Walmart takes no position at this time.

L. Net Operating Income

Issues 87-120: Walmart takes no position at this time.

M. Revenue Requirements

Issues 121-123: Walmart takes no position at this time.

N. Okeechobee Limited Scope Adjustment

Issues 124-133: Walmart takes no position at this time.

O. Asset Optimization Incentive Mechanism

Issue 134: Walmart takes no position at this time.

P. Cost of Service and Rate Design Issues

Issue 135: Walmart takes no position at this time.

Issue 136: What is the appropriate methodology to allocate production costs to the rate classes?

Position: If the Commission determines it is appropriate to move away from the Company's currently approval 12 CP 1/13th methodology and to discontinue the practice of allocating a portion of production capacity on an energy basis, it should approve a demand allocator based on either on the Company's 4 CP or 6 CP. If the Commission determines it is appropriate to move away from the Company's currently approved 12 CP and 1/13th methodology and to continue the practice of allocating a portion of production capacity cost on an energy basis, it should approve an average and excess ("A&E") allocator based on the Company's GNCP. Walmart Direct Testimony of Steve W. Chriss, p. 23.

Issues 137-145: Walmart takes no position at this time.

Issue 146: What are the appropriate customer charges

A. Effective January 1, 2017?

B. Effective January 1, 2018?

Issue 147: What are the appropriate demand charges

A. Effective January 1, 2017?

B. Effective January 1, 2018?

Issue 148: What are the appropriate energy charges

A. Effective January 1, 2017?

B. Effective January 1, 2018?

Position on Issues 146, 147, and 148:

1. For Rates GSLD-1 and GSLDT-1, the Commission should approve the following rate design for 2017:
 - a. Approve the customer charge methodology as proposed by the company;
 - b. Set the demand charge for both schedules at 90 percent of the demand unit cost per the approved revenue requirement and cost of service study in this docket;¹
 - c. For GSLD-1, apply the remaining revenue requirement to the energy charge; and,
 - d. For GSLDT-1, apply the remaining revenue requirement to the on peak and off-peak energy charges per the Company's proposed relationship between those charges.
2. For Rates GSD-1 and GSDT-1, the Commission should approve the following rate design for 2017:
 - a. Approve the customer charge methodology as proposed by the company;
 - b. Set the demand charge for both schedules at 85 percent of the demand unit cost per the approved revenue requirement and cost of service study in this docket;²
 - c. For GSD-1, apply the remaining revenue requirement to the energy charge; and
 - d. For GSDT-1, apply the remaining revenue requirement to the on peak and off-peak energy charges per the Company's proposed relationship between those charges.

¹ This represents just over 50 percent movement towards unit cost. Applying this methodology to the Company's proposed revenue requirement and cost of service study results in a demand charge for GSLDT-1 that is approximately 86 percent of full cost and for GSLD-1 that is approximately 96 percent of full cost.

² This represents just over 50 percent movement towards unit cost. Applying this methodology to the Company's proposed revenue requirement and cost of service study results in a demand charge for GSDT-1 that is approximately 80 percent of full cost and for GSD-1 that is approximately 85 percent of full cost.

3. If the Commission were to approve the Company's proposal for an incremental rate change in 2018, the Commission should apply the same rate design methodology.

Walmart Direct Testimony of Steve W. Chriss, pp. 27-28, 31-32

Issues 149-155: Walmart takes no position at this time.

Issues 156: **Is FPL's proposed allocation and rate design for the new Okeechobee Energy Center limited scope adjustment, currently scheduled for June 1, 2019, reasonable?**

Position: No. If the Commission approves the 2019 Okeechobee LSA, for rate schedules that contain demand charges, the increase to those schedules should only be applied to the demand charge. Walmart Direct Testimony of Steve W. Chriss, p. 33.

Issues 157-161: Walmart takes no position at this time.

Q. Other Issues

Issues 162-166: Walmart takes no position at this time.

R. Contested Issues

OPC Issue: Walmart takes no position at this time.

FIPUG Issue: Walmart takes no position at this time.

SFHHA Issue: Walmart takes no position at this time.

SFHHA Issue: Walmart takes no position at this time.

V. STIPULATED ISSUES

There are currently no stipulated issues.

VI. PENDING MOTIONS OR OTHER ACTIONABLE MATTERS

Walmart has no pending Motions at this time.

VII. PENDING CONFIDENTIALITY REQUESTS OR CLAIMS

Walmart has no pending confidentiality requests or claims.

VIII. OBJECTIONS TO WITNESS QUALIFICATIONS AS AN EXPERT

Walmart does not object to any witness's qualifications as an expert.

IX. COMPLIANCE WITH ORDER NO. PSC-16-0125-PCO-EI

There are no requirements of Order No. PSC-16-0125-PCO-EI that Walmart cannot comply with at this time.

Respectfully submitted,

By /s/ Stephanie U. Roberts
Stephanie U. Roberts (FL State Bar No. 165610)
SPILMAN THOMAS & BATTLE, PLLC
110 Oakwood Drive, Suite 500
Winston-Salem, NC 27103
Phone: (336) 631-1062
Fax: (336) 725-4476
sroberts@spilmanlaw.com

Derrick Price Williamson
SPILMAN THOMAS & BATTLE, PLLC
1100 Bent Creek Boulevard, Suite 101
Mechanicsburg, PA 17050
Phone: (717) 795-2741
Fax: (717) 795-2743
dwilliamson@spilmanlaw.com

Counsel to Walmart Stores East, LP and Sam's East, Inc.

Dated: August 5, 2016

CERTIFICATE OF SERVICE

I **HEREBY CERTIFY** that a true and correct copy of the foregoing has been furnished by electronic mail to the following parties this 5th day of August, 2016.

Martha Barrera
Suzanne Brownless
Florida Public Service Commission
2540 Shumard Oak Blvd., Room 110
Tallahassee, FL 32399-0850
mbarrera@psc.state.fl.us
sbrownle@psc.state.fl.us

R. Wade Litchfield
John T. Butler
Kevin I.C. Donaldson
Maria J. Moncada
Eric E. Silagy
Florida Power & Light Company
700 Universe Boulevard
Juno Beach, FL 33408-0420
wade.litchfield@fpl.com
john.butler@fpl.com
kevin.donaldson@fpl.com
maria.moncada@fpl.com
eric.silagy@fpl.com

Kenneth A. Hoffman
Florida Power & Light Company
215 South Monroe Street
Suite 810
Tallahassee, FL 32301
ken.hoffman@fpl.com

J. R. Kelly
Patricia Christensen
Charles J. Rehwinkel
Erik Sayler
Tricia Merchant
Stephanie Morse
Office of Public Counsel
111 West Madison Street, Room 812
Tallahassee, FL 32301
kelly.jr@leg.state.fl.us
christensen.patty@leg.state.fl.us
rehwinkel.charles@leg.state.fl.us
sayler.erik@leg.state.fl.us
merchant.tricia@leg.state.fl.us
morse.stephanie@leg.state.fl.us

Jon C. Moyle, Jr.
Karen A. Putnal
Moyle Law Firm, P.A.
118 North Gadsden Street
Tallahassee, FL 32301
jmoyle@moylelaw.com
kputnal@moylelaw.com

Thomas A. Jernigan
Federal Executive Agencies
AFCEC/JA-ULFSC
129 Barnes Drive, Suite 1
Tyndall Air Force Base, FL 32403
Thomas.Jernigan.3@us.af.mil

Kenneth L. Wiseman
Mark F. Sundback
William M. Rappolt
Kevin C. Siqueland
Andrews Kurth LLP
1350 I Street NW, Suite 1100
Washington, DC 20005
kwiseman@andrewskurth.com
msundback@andrewskurth.com
wrappolt@andrewskurth.com
ksiqueland@andrewskurth.com

John B. Coffman
John B. Coffman, LLC
871 Tuxedo Blvd.
St. Louis, MO 63119-2044
john@johncoffman.net

Jack McRay, Advocacy Manager
AARP Florida
200 W. College Ave., #304
Tallahassee, FL 32301
jmcray@aarp.org

Robert Scheffel Wright
John T. LaVia, III
Gardner, Bist, Bowden, Bush, Dee, LaVia &
Wright, P.A.
1300 Thomaswood Drive
Tallahassee, FL 32308
schef@gbwlegal.com
jlavia@gbwlegal.com

Diana Csank
Staff Attorney
Sierra Club
50 F St. SW, 8th Floor
Washington, DC 20001
diana.csank@sierraclub.org

/s/ Stephanie U. Roberts

Stephanie U. Roberts