

**BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION**

In re: Storm protection plan cost recovery : DOCKET NO. 20200092-EI
clause. : :
: Filed: September 11, 2020

POST-HEARING BRIEF OF WALMART INC.

Walmart Inc. ("Walmart"), by its attorneys, respectfully submits this post-hearing brief to the Florida Public Service Commission ("PSC" or "Commission") pursuant to Commission Order No. PSC-2020-0304-PCO-EI in the above-referenced proceeding. On September 1, 2020, the Commission conducted a Hearing on a Motion to Approve an August 10, 2020, Settlement Agreement entered into by Duke Energy Florida, LLC ("DEF" or "Company"), the Office of Public Counsel ("OPC"), and White Springs Agricultural Chemicals Inc. d/b/a PCS Phosphate – White Springs ("PCS") ("August 10, 2020, Settlement Agreement"). Walmart actively participated in the Motion Hearing and caused to be admitted into the evidentiary record the August 28, 2020, Direct Testimony and three (3) Exhibits of Steve W. Chriss, Walmart's Director of Energy Services, Motion Hearing Exhibit 7.

Through the cross-examination of DEF witness Geoff Foster at the Motion Hearing, Mr. Foster confirmed, as depicted on his Exhibit TGF-1, Motion Hearing Exhibit 8, the following: (a) the total costs to be recovered by DEF for January 1, 2021, through December 31, 2021, are \$9,986,027; (b) all costs projected to be recovered are demand-related costs; (c) there are no energy-related recoverable costs; and (d) every rate schedule pays energy charges, not demand charges.

Through the Direct Testimony of Mr. Chriss, Walmart addressed the following issues:

1. Walmart does not take a position on the DEF's, Florida Power & Light Company's ("FPL"), Gulf Power Company's ("Gulf"), and Tampa Electric Company's ("TECO") (collectively, "Utilities") proposed Storm Protection Plan ("SPP") cost allocation methodologies; however, to the extent that alternative cost of service models or modifications to the models for each utility are proposed by other parties, Walmart reserved the right to address any such proposals;
2. Walmart does not oppose the proposed rate designs for SPP cost recovery put forth by FPL, Gulf, and TECO, which would recover SPP costs from demand-metered customers through a \$/kW demand charge;¹ and,
3. The Commission should reject the proposed rate design of DEF, which recovers SPP costs from demand-metered customers through a \$/kWh energy charge. Instead, the Commission should require DEF to charge demand-metered customers on a demand, or \$/kW, charge.

I. ISSUE AND POSITIONS

Issue: Is the proposed and settlement-based rate design that DEF proposes to use in recovering its 2021 SPP costs from demand-metered customers reasonable?

DEF's Position: Pursuant to the August 10, 2020, Settlement Agreement, for 2021, it is reasonable to recover DEF's SPP costs from every customer class through energy charges, not

¹FPL: Direct Testimony of Renae B. Deaton, Exhibit RBD-1, page 14; Par. 27 of the July 27, 2020, Settlement Agreement approved by the Commission at the August 10, 2020, hearing; Gulf: Direct Testimony of Renae B. Deaton, Exhibit RBD-1, page 12; Par. 27 of the July 27, 2020, Settlement Agreement approved by the Commission at the August 10, 2020, hearing; TECO: Direct Testimony of William R. Ashburn, page 7, line 23 to line 25. Walmart notes that when Gulf originally submitted its SPP, it proposed a rate design for SPP cost recovery through a \$/kWh energy charge; however, pursuant to negotiations among OPC, Walmart, FPL, and Gulf, a Settlement Agreement was entered on July 27, 2020 ("July 27, 2020, Settlement Agreement"), which was approved by the Commission on August 10, 2020. In the July 27, 2020, Settlement Agreement, paragraph 27, Gulf agreed to recover SPP costs from demand-metered customers through a \$/kW demand charge. Walmart supports this change in rate design.

through demand charges. DEF contended at the Motion Hearing that this Storm Protection Plan Cost Recovery Clause ("SPPCRC") cost recovery was consistent with cost recovery in both its Fuel Clause and Environmental Cost Recovery Clause ("ECRC").²

Walmart's Position: Recovery of SPP costs from demand-metered customers through a \$/kWh energy charge is not appropriate, and the Commission should reject DEF's proposed and settlement-based rate design for recovery of SPP costs in 2021 for the reasons set forth below.

First, it is contrary to what FPL, Gulf, and TECO are doing.³

Second, each Utility will incur demand-related costs as they execute their respective SPPs.⁴ Demand costs are fixed costs incurred by the Utilities to size their systems such that they can meet the peak kW demands imposed by their rate classes and do not vary with changes in how many kWh of energy are consumed by their customers.⁵ These demand-related costs should be recovered in a manner that reflects the way in which they are incurred and allocated.⁶ By proposing a \$/kWh energy charge for demand metered customers in 2021, DEF proposes to recover SPP costs differently than how those costs will be incurred and allocated to customers.⁷

Third, recovery of SPP costs from demand-metered customers through a \$/kWh energy charge violates cost causation principles which hold that, to the extent possible, costs should be allocated to and recovered from customers on the same basis (*i.e.*, demand-related costs should be recovered through demand charges, and energy-related costs should be recovered through

² In its Opening Statement, DEF contended that the 2021 cost recovery was not a significant enough issue for the Commission to withhold its approval of the August 10, 2020, Settlement Agreement. Further, in its Opening Statement, PCS and OPC contended that the rate design issue could be addressed in DEF's next base rate case. Walmart contends that but for the SPPCRC, storm-related costs are recovered in base rates; the SPP Programs are permanent changes to each Utility's system and are different than one-time costs incurred by damages caused when a named storm occurs and are distinguishable from costs recovered through the Fuel Clause or ECRC.

³ Walmart Direct Testimony of Steve W. Chriss, Motion Hearing Exhibit 7 at 7.

⁴ *Id.* at 8.

⁵ *Id.*

⁶ *Id.*

⁷ *Id.*; cross-examination of DEF witness Geoff Foster at the Motion Hearing and Exhibit TGF-1, Motion Hearing Exhibit 8.

energy charges).⁸ Recovery of 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.⁹ Two customers within the same rate class can have the same level of demand and cause the utility to incur the same amount of fixed cost, but because one customer uses more kWhs than the other, that customer will pay more of the demand cost than the customer that uses fewer kWhs.¹⁰ This results in a misallocation of cost responsibility as higher load factor customers overpay for the demand-related costs incurred by the utilities to serve them.¹¹ In other words, higher load factor customers are paying for a portion of the demand-related costs that are incurred to serve lower load factor customers simply because of the manner in which the utility recovers those costs in rates.¹²

During cross-examination by PCS, Walmart witness Mr. Chriss confirmed that Walmart does not oppose the cost allocations presented by DEF in the August 10, 2020, Settlement Agreement. Further, Mr. Chriss agreed that he expected sales forecasts to be subjected to critical scrutiny in DEF's next base rate case. Nevertheless, as Mr. Chriss expressed in his Direct Testimony, regardless of the appropriateness of cost allocations among rate classes, the proposed rate design is flawed by forcing a misallocation of cost responsibility as described above and it cannot result in just and reasonable rates.

⁸ Walmart Direct Testimony of Steve W. Chriss, Motion Hearing Exhibit 7, at page 8.

⁹ *Id.* at 9.

¹⁰ *Id.*

¹¹ *Id.*

¹² *Id.* Mr. Chriss provided an illustration of the shift in demand cost responsibility in his Direct Testimony, Motion Hearing Exhibit 7, at pages 9 through 11.

II. CONCLUSION

WHEREFORE, Walmart respectfully requests that:

1. When the Commission considers the appropriate rate design for DEF in the current proceeding, it closely examines: (1) evidence adduced from Company witness Mr. Foster in cross-examination and in Motion Hearing Exhibit 8 that confirms that, while all costs projected to be recovered for DEF's SPP in 2021, totaling \$9,986,027, are demand-related costs, every rate schedule pays energy charges, not demand charges; (2) rate designs for SPP cost recovery put forth by FPL, Gulf, and TECO would properly recover SPP costs from demand-metered customers through a \$/kW demand charge; (3) evidence adduced from Walmart witness Mr. Chriss that, by proposing \$/kWh energy charge for demand metered customers in 2021, DEF proposes to recover SPP costs differently than how those costs will be incurred and allocated to customers, which violates cost causation principles.

2. The Commission reject the Company's proposed rate design for recovery of 2021 SPP costs through a \$/kWh energy charge across all rate classes as unreasonable.

3. The Commission order that DEF's 2021 SPP costs be recovered from demand-metered customers through a \$/kW demand charge.

4. Alternatively, if the Commission determines it that it is appropriate for DEF to recover 2021 SPP costs from demand-metered customers through a \$/kWh energy charge, that such a ruling have no precedential effect, such that parties intervening in future DEF Dockets seeking recovery of SPP costs be allowed to challenge the rate design.

Respectfully submitted,

By /s/ Stephanie U. Eaton

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Dated: September 11, 2020

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 11th day of September, 2020.

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