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June 21, 2021

VIA ELECTRONIC FILING
Mr. Adam Teitzman
Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

Re: Docket No. 20210015-EI; In re: Petition for rate increase by Florida Power & Light Company

Dear Mr. Teitzman:

Please find enclosed for filing in the above-referenced case on behalf of Walmart Inc. the Direct Testimony and Exhibits of Steve W. Chriss.

Please contact me if you have any questions concerning this filing.

Sincerely,

/s/ Stephanie U. Eaton
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SUE:sds
Enclosures
c: Parties of Record

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 21st day of June, 2021.

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/s/ Stephanie U. Eaton
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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for rate increase by Florida Power & Light Company	**:**	**DOCKET NO. 20210015-EI**
	:	
	:	**Filed: June 21, 2021**

DIRECT TESTIMONY AND EXHIBITS OF

STEVE W. CHRISS

ON BEHALF OF

WALMART INC.

Contents

Exhibits

Exhibit SWC-5: Calculation of 2022 Revenue Requirement Impact of the Companies' Proposed ROE vs. National Average ROE, Vertically Integrated Utilities, Proposed Capital Structure

Exhibit SWC-6: 2022 Revenue Requirement Impact of the Companies' Proposed Performance Incentive

Exhibit SWC-7: 2023 Revenue Requirement Impact of the Companies' Proposed Performance Incentive

Exhibit SWC-8: Revenue Requirement Impact of Gulf Power's Authorized Performance Bonus, Docket 20010949-EI

Exhibit SWC-9: Derivation of Walmart's Proposed GSLDT-1 Rate Design

Introduction

Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND OCCUPATION.

A. My name is Steve W. Chriss. My business address is 2608 SE J Street, Bentonville, AR 72716. I am employed by Walmart Inc. ("Walmart") as Director, Energy Services.

Q. ON WHOSE BEHALF ARE YOU TESTIFYING IN THIS DOCKET?

A. I am testifying on behalf of Walmart.

Q. PLEASE DESCRIBE YOUR EDUCATION AND EXPERIENCE.

A. In 2001, I completed a Master of Science in Agricultural Economics at Louisiana State University. From 2001 to 2003, I was an Analyst and later a Senior Analyst at the Houston office of Econ One Research, Inc., a Los Angeles-based consulting firm. My duties included research and analysis on domestic and international energy and regulatory issues. From 2003 to 2007, I was an Economist and later a Senior Utility Analyst at the Public Utility Commission of Oregon in Salem, Oregon. My duties included appearing as a witness for PUC Staff in electric, natural gas, and telecommunications dockets. I joined the energy department at Walmart in July 2007 as Manager, State Rate Proceedings. I was promoted to Senior Manager, Energy Regulatory Analysis, in June 2011. I was promoted to my current position in October 2016, and the position was re-titled in October 2018. My Witness Qualifications Statement is attached as Exhibit SWC-1.

Q. HAVE YOU PREVIOUSLY SUBMITTED TESTIMONY BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION ("COMMISSION")?

A. Yes. I testified in Docket Nos 20110138-EI, 20120015-EI, 20130040-EI, 20130140-EI, 20140002-EG, 20160021-EI, 20160186-EI, 20190061-EI, 20200092-EI,[1] and 20200176-EI.

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

A. Yes. I have submitted testimony in over 230 proceedings before 40 other utility regulatory commissions. I have also submitted testimony before legislative committees in Kansas, Missouri, North Carolina, and South Carolina. My testimony has addressed topics including, but not limited to, cost of service and rate design, return on equity ("ROE"), revenue requirements, ratemaking policy, large customer renewable programs, qualifying facility rates, telecommunications deregulation, resource certification, energy efficiency/demand side management, fuel cost adjustment mechanisms, decoupling, and the collection of cash earnings on construction work in progress ("CWIP").

Q. ARE YOU SPONSORING EXHIBITS IN YOUR TESTIMONY?

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

[1] I filed testimony in Docket Nos. 20200067-EI, 20200069-EI, 20200070-EI, and 20200071-EI, but that testimony was withdrawn and the issues raised in my testimony were deferred to Docket No. 20200092-EI by Stipulation filed in those Dockets on July 20, 2020, and granted at the July 28, 2020, Prehearing Conference in those Dockets.

Q. PLEASE BRIEFLY DESCRIBE WALMART'S OPERATIONS IN FLORIDA.

A. As shown on Walmart's website, Walmart operates 386 retail units and eight distribution centers and employs over 111,000 associates in Florida. In fiscal year ending 2021, Walmart purchased $8 billion worth of goods and services from Florida-based suppliers, supporting over 82,000 jobs.[2]

Q. PLEASE BRIEFLY DESCRIBE WALMART'S OPERATIONS WITHIN FLORIDA POWER AND LIGHT COMPANY'S ("FPL") AND GULF POWER COMPANY'S ("GULF") (COLLECTIVELY, "COMPANIES") SERVICE TERRITORY.

A. Walmart has 149 retail units, four distribution centers, and related facilities served by FPL and 28 retail units and related facilities served by Gulf. Walmart purchases more than 750 million kWh annually from the Companies, pursuant to FPL Schedules General Service Large Demand – Time of Use ("GSLDT-1")and General Service Demand - Time of Use ("GSDT") and Gulf Schedules Real Time Pricing ("RTP") and General Service – Demand ("GSD").

Purpose of Testimony and Summary of Recommendation

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

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[2] https://corporate.walmart.com/our-story/locations/united-states/florida

A. The purpose of my testimony is to respond to the Companies' rate case filing and to provide recommendations to assist the Commission in its thorough and careful consideration of the customer impact of the Companies' proposed rate increase.

Q. IN SETTING THE REVENUE REQUIREMENT, ROE, ALLOCATION, AND RATE DESIGN CHANGES FOR THE COMPANIES, SHOULD THE COMMISSION CONSIDER THE IMPACT OF THE PROPOSED RATE INCREASE ON BUSINESS CUSTOMERS?

A. Yes. Electricity is a significant operating cost for retailers such as Walmart. When electric rates increase, the increased cost to retailers can put pressure on consumer prices and on the other expenses required by a business to operate. The Commission should thoroughly and carefully consider the impact on customers when examining the requested revenue requirement and ROE, in addition to all other facets of this case, to ensure that any increase in the Companies' rates is the minimum necessary to provide safe, adequate, and reliable service, while also providing the Companies the opportunity to recover their reasonable and prudent costs and earn a reasonable return on their investment.

Q. PLEASE SUMMARIZE WALMART'S RECOMMENDATIONS TO THE COMMISSION.

A. Walmart's recommendations to the Commission are as follows:

1) The Commission should thoroughly and carefully consider the impact on customers in examining the requested revenue requirement and ROE, in addition to all other facets of this case, to ensure that any increase in the

Companies' rates is only the minimum amount necessary to provide adequate and reliable service, while also providing an opportunity to earn a reasonable return.

2) The Commission should closely examine the Companies' proposed revenue requirement increase and the associated proposed increase in ROE, especially when viewed in light of:
    a. The customer impact of the resulting revenue requirement increases;
    b. The use of a future test year, which reduces regulatory lag by allowing the utility to include projected costs in its rates at the time they will be in effect;
    c. Recent rate case ROEs approved by the Commission;
    d. Recent rate case ROEs approved by other state regulatory commissions nationwide; and
    e. The Companies' proposed performance adder.
3) The Commission should reject the Companies' proposed performance adder.
4) If the Commission determines that the Companies' performance has influenced its determination of the appropriate ROE within its existing discretion and authority, the factors driving that determination should be clearly delineated in the Commission's Final Order.
5) If the Commission is interested in performance-based ratemaking, a separate docket should be initiated in which the Commission can determine the

performance factors that are important for every utility regulated in the state and create universal reward/penalty structures that standardize the impacts on customers and the financial implications across utilities.

6) Walmart does not oppose the Companies' proposal to change "customer charge" to "base charge" for commercial and industrial ("C&I") base rate schedules.

7) Walmart does not oppose the Companies' proposal to add a maximum demand charge to the time-of-use C&I base rate schedules.

8) For the purposes of this Docket, the Commission should set the basic service charge, maximum demand charge, and transformation credit for GSLDT-1 as proposed by the Companies, increase the on-peak demand charge by 1.2 times the percentage base revenue increase for the schedule, and apply the remainder of the increase to the on-peak and off-peak non-fuel charges in a manner that maintains the proposed 2.3X ratio between the charges.

9) If the Commission approves unified rates and the proposed transition rider, the Commission should approve a symmetrical rate design for demand-metered customer classes, where the charge and credit for both legacy utilities are assessed on either a $/kW or $/kWh basis.

10) Even if the Commission determines that it will not approve unified rates for FPL and Gulf, the Commission should approve FPL's Commercial/Industrial Demand Reduction Rider ("CDR") for use by legacy Gulf customers.

Q. DOES THE FACT THAT YOU MAY NOT ADDRESS AN ISSUE OR POSITION ADVOCATED BY THE COMPANIES INDICATE WALMART'S SUPPORT?

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

Return on Equity

Q. WHAT IS YOUR UNDERSTANDING OF THE COMPANIES' PROPOSED REVENUE REQUIREMENT INCREASE IN THIS DOCKET?

A. My understanding is that the Companies are requesting a general base rate increase for the 2022 test year of $1.108 billion to be effective January 1, 2022, and an additional 2023 test year increase of $607 million to be effective January 1, 2023. *See* Direct Testimony of Liz Fuentes, page 7, lines 5-7. The Companies are also seeking approval of an increase to Solar Base Rate Adjustments ("SoBRAs") of approximately $140 million for both 2024 and 2025. *See* Direct Testimony of Tiffany C. Cohen, page 33, lines 14-15. In total, the Companies are requesting a total increase over four years of $1.995 billion.

Additionally, as a result of FPL's acquisition and merger of Gulf in January 2021, the Companies are proposing to transition all Gulf retail customers to FPL's rate structure, terms, and conditions. *See* Direct Testimony of Michael

Spoor, page 5, line 13 through page 6, line 2; *see also* Direct Testimony of Scott Bores, page 7, line 18 through page 8, line 10.

My understanding is that these particular revenue requirement increases are predicated upon the combination of rates for FPL and Gulf, and that if the Commission does not approve the combination of rates, the Companies propose a 2022 test year base revenue increase of $1.155 billion and 2023 test year base revenue increase of $529 million for FPL, and a 2022 test year base revenue increase of $177 million and a 2023 test year base revenue increase of $78 million for Gulf. *See* Direct Testimony of Liz Fuentes, page 27, lines 8-15 and page 28, lines 11-18.

Q. WHAT IS THE COMPANIES' PROPOSED ROE IN THIS DOCKET?

A. The Companies propose an ROE of 11.00 percent, based on a range of 10.5 percent to 11.50 percent. *See* Direct Testimony of James M. Coyne, page 5, line 21 to page 6, line 2. The Companies also propose a 50 basis point performance adder, for a total proposed ROE of 11.50 percent. *See* Direct Testimony of Robert E. Barrett, page 12, lines 11-14.

Q. IS THE COMPANIES' PROPOSED ROE HIGHER THAN FPL'S AND GULF'S LAST APPROVED ROEs?

A. Yes. The Companies' proposed ROE represents an increase of 95 basis points from FPL's last approved ROE of 10.55 percent[3] and an increase of 125 basis points from Gulf's last approved ROE of 10.25 percent.[4]

Q. IS WALMART CONCERNED ABOUT THE REASONABLENESS OF THE COMPANIES' PROPOSED ROE?

A. Yes, especially when viewed in light of:

1) The customer impact of the resulting revenue requirement increases;
2) The use of a future test year, which reduces regulatory lag by allowing the utility to include projected costs in its rates at the time they will be in effect;
3) Recent rate case ROEs approved by the Commission;
4) Recent rate case ROEs approved by other state regulatory commissions nationwide; and
5) The Companies' proposed performance adder.

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[3] *In re: Petition for rate increase by Florida Power & Light Company*, Docket No. 20160021-EI, Order No. PSC-16-0560-AS-EI, Order Approving Settlement Agreement (issued Dec. 15, 2016), page 2.

[4] *In re: Petition for rate increase by Gulf Power Company*, Docket No. 20160186-EI, Order No. PSC-17-0178-S-EI, Final Order Approving Stipulation and Settlement Agreement and Approving Tariffs and Rate Schedules of Gulf Power Company (issued May 16, 2017), page 3.

Customer Impact

Q. WHAT IS THE REVENUE REQUIREMENT IMPACT FOR THE 2022 TEST YEAR OF THE COMPANIES' PROPOSED INCREASE IN ROE, INCLUSIVE OF THE PROPOSED PERFORMANCE ADDER, FROM THE COMPANIES' LAST APPROVED ROEs?

A. The proposed 2022 increase related to the Companies' proposed increase in ROE has an annual revenue requirement impact on the Companies' rates of approximately $339 million for 2022. This constitutes about 31 percent of the Companies' overall increase request for the 2022 test year. *See* Exhibit SWC-2.

Q. WHAT IS THE REVENUE REQUIREMENT IMPACT FOR THE CUMULATIVE PROPOSED INCREASES FOR 2022 AND 2023?

A. The proposed cumulative increase (2022 plus 2023) related to the Companies' proposed increase in ROE has an annual revenue requirement impact on the Companies' rates of approximately $365 million for 2023. This constitutes about 21 percent of the Companies' cumulative increase request for the 2022 and 2023 test years. *See* Exhibit SWC-3.

Future Test Year

Q. HAS THE COMMISSION RECOGNIZED THAT THE USE OF A FUTURE TEST YEAR IMPACTS THE COMPANIES' EXPOSURE TO REGULATORY LAG?

A. Yes. The use of a projected test year reduces the risk due to regulatory lag because, as the Commission has previously stated, "the main advantage of a projected test year is that it includes all information related to rate base, NOI, and capital structure for the time new rates will be in effect."[5] As such, the Commission should carefully consider the level of ROE justified by the Companies' exposure to regulatory lag.

Recent ROEs Approved by the Commission

Q. IS THE COMPANIES' PROPOSED ROE SIGNIFICANTLY HIGHER THAN ROEs RECENTLY APPROVED BY THE COMMISSION?

A. Yes. Recently, the Commission approved Duke Energy Florida, LLC's ("DEF") 2021 Settlement Agreement for its base rate case in Docket 20210016-EI, which included approval of an ROE of 9.85 percent.[6] Additionally, for natural gas utilities, the Commission approved an ROE of 9.90 percent for People's Gas System in Docket 20200051-GU[7] and an ROE of 10.19 percent for Pivotal Utility Holdings Inc. in Docket 20170179-GU.[8]

[5] *In re: Request for rate increase by Gulf Power Company*, Docket No. 20010949-EI, Order No. PSC-02-0787-FOF-EI, Order Granting in Part and Denying in Part Gulf Power Company's Petition for Rate Increase (issued June 10, 2002), page 9.

[6] *In re: Petition for limited proceeding to approve 2021 settlement agreement, including general base rate increases, by Duke Energy Florida, LLC*, Docket No. 20210016-EI, Order No. PSC-2021-0202-AS-EI, Final Order Approving 2021 Settlement Agreement (issued June 4, 2021), page 3.

[7] *In re: Petition for rate increase by Peoples Gas System*, Docket No. 20200051-GU, Order No. PSC-2020-2020-0485-FOF-GU, Final Order (issued Dec. 10, 2020), page 3.

[8] *In re: Petition for rate increase by Florida City Gas*, Docket No. 20170179-GU, Order No. PSC-2018-0190-FOF-GU, Final Order Approving Joint Motion to Approve Stipulation and Settlement Agreement (issued Apr. 20, 2018), page 3.

As such, the Companies' proposed 11.5 percent ROE is counter to recent Commission actions regarding ROE.

National Utility Industry ROE and Weighted Equity Cost Trends

Q. IS THE COMPANIES' TOTAL PROPOSED ROE SIGNIFICANTLY HIGHER THAN THE ROEs APPROVED BY OTHER STATE REGULATORY COMMISSIONS IN 2018, 2019, 2020, AND SO FAR IN 2021?

A. Yes. According to data from S&P Global Market Intelligence ("S&P Global"), a financial news and reporting company, the average of the 119 reported electric utility rate case ROEs authorized by state regulatory commissions to investor-owned utilities in 2018, 2019, 2020, and so far in 2021, is 9.52 percent. The range of reported authorized ROEs for the period is 8.20 percent to 10.50 percent, and the median authorized ROE is 9.50 percent. The average and median values are significantly – 198 basis points and 200 basis points, respectively – below the Companies' proposed ROE of 11.50 percent. *See* Exhibit SWC-4. As such, the Companies' total proposed ROE of 11.50 percent is counter to broader electric industry trends.

Q. SEVERAL OF THE REPORTED AUTHORIZED ROEs ARE FOR DISTRIBUTION-ONLY UTILITIES OR FOR ONLY A UTILITY'S DISTRIBUTION SERVICE RATES. WHAT IS THE AVERAGE AUTHORIZED ROE IN THE REPORTED GROUP FOR VERTICALLY INTEGRATED UTILITIES?

A. In the group reported by S&P Global, the average ROE for vertically integrated utilities authorized over the same time period is 9.64 percent. The average ROE authorized for vertically integrated utilities in 2018 was 9.68 percent, in 2019 it was 9.64 percent, in 2020 it was 9.39 percent, and so far in 2021 it is 9.52 percent. *Id.* As such, the Companies' proposed total ROE of 11.50 percent is counter to broader electric industry trends and, in fact, as shown in Figure 1, if approved, would be the highest approved ROE for a vertically integrated utility at any time from 2018 to present – by 100 basis points. Even the Companies' proposed midpoint of 11.00 percent would be the highest approved ROE since 2018 by 50 basis points.

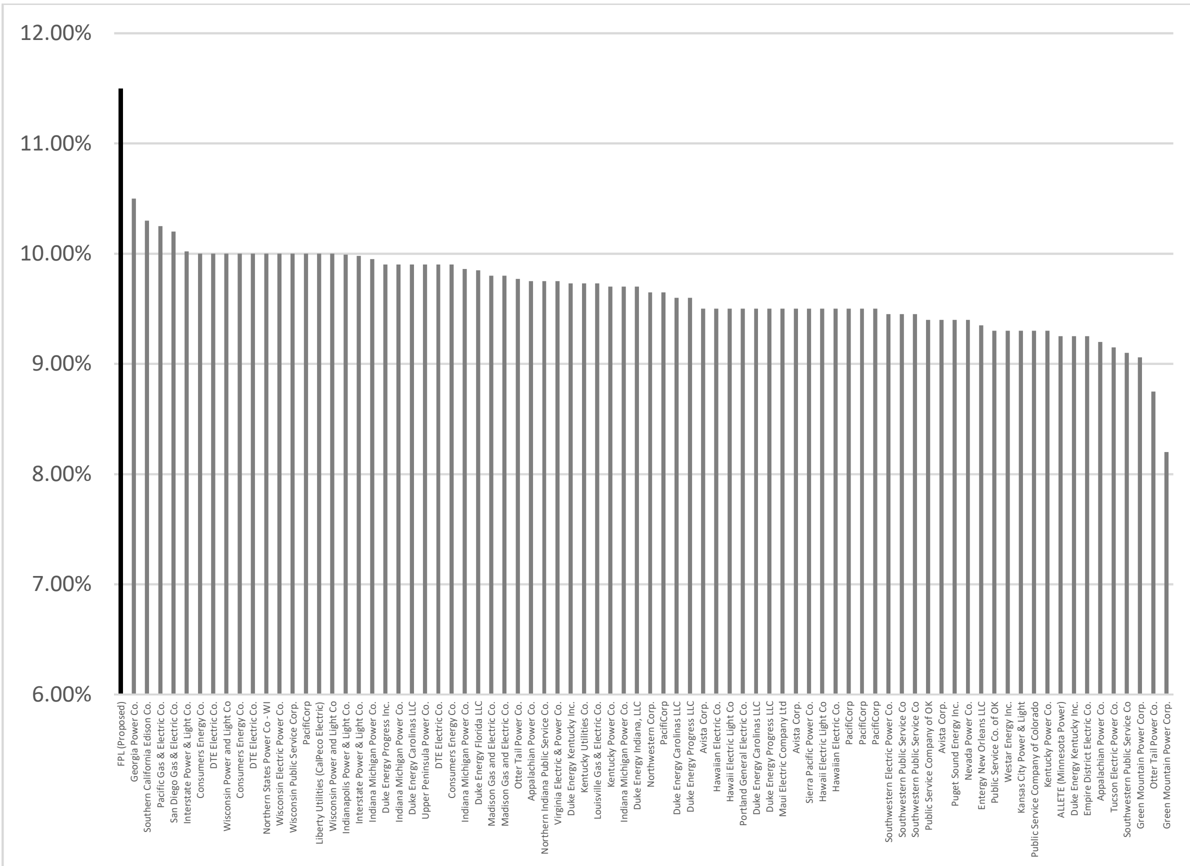

Figure 1. Companies' Proposed Total ROE of 11.50 Percent Versus Approved ROEs, Vertically Integrated Utilities, 2017 to Present.

Q. WHAT IS THE DIFFERENCE IN 2022 REVENUE REQUIREMENT BETWEEN THE COMPANIES' PROPOSED 11.50 PERCENT ROE AND 9.64 PERCENT, WHICH IS THE AVERAGE AUTHORIZED ROE FOR VERTICALLY INTEGRATED UTILITIES FROM 2018 TO PRESENT?

A. The difference in return on rate base for this difference in ROE is a difference in revenue requirement of approximately $664 million, or 60 percent of the Companies' proposed 2022 revenue deficiency. *See* Exhibit SWC-5.

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

A. No. Decisions of other state regulatory commissions are not binding on this Commission. Each commission considers the specific circumstances in each case in its determination of the proper ROE and capital structure. Walmart is providing this information on industry trends on ROE from its perspective as a customer with operations that are nationwide as it believes that recently authorized ROEs in other jurisdiction provide a general gauge of reasonableness for the various cost of equity analyses presented in this case. Moreover, Walmart believes that it is appropriate for the Commission to consider how any ROE authorized in this case impacts existing and prospective customers relative to other jurisdictions.

Proposed Performance Adder

Q. WHAT IS YOUR UNDERSTANDING OF THE COMPANIES' PROPOSED PERFORMANCE ADDER?

A. My understanding is that the Companies are requesting an adder of 50 basis points to their ROE to "reflect FPL's superior value proposition for its customers and as an incentive to promote further efforts to improve the customer value proposition." *See* Direct Testimony of Robert E. Barrett, page 49, lines 4-7.

Q. WHAT WOULD BE THE COST TO CUSTOMERS IN 2022 IF THE COMMISSION WERE TO APPROVE THE ADDER, AS WELL AS THE COMPANIES' PROPOSED CAPITAL STRUCTURE AND RATE BASE?

A. The cost to customers in 2022 would be approximately $178 million, or 2.2 percent of base rate revenues.[9] *See* Direct Testimony of John J. Reed, page 96, line 23 and Exhibit SWC-6. I have estimated the cost to customers for 2023 as approximately $191 million. *See* Exhibit SWC-7. In total, assuming the incentive would have similar costs in 2024 and 2025, it appears that if the Commission were to award the proposed incentive, as well as the Companies' capital structure and rate base, customers would pay FPL approximately $750 million over the course of the proposed four-year rate plan just in performance incentive bonus, which is not tied to any specific costs to be recovered.

Q. DOES WALMART HAVE CONCERNS WITH THE COMPANIES' PROPOSAL?

A. Yes. The proposed stand-alone performance adder has no cost basis or formal supporting structural parameters, and as such its inclusion in a cost of service-based consideration of just and reasonable rates is questionable. While I am not an attorney, my understanding of Florida Statute 366.041(1) is that the Commission is authorized, but not obligated, to consider non-cost factors in setting rates, and in my experience, state regulatory commissions generally have

[9] $178,000,000 / $7,038,744,000 = 2.2 percent. *See* Schedule C-1 (with RSAM).

broad discretion to consider performance factors in their determination of appropriate ROEs for regulated utilities. However, this authorization does not address issues raised by how the Companies' proposal would be implemented.

Q. PLEASE EXPLAIN.

A. While the Companies present the benchmarking study of witness Reed, Walmart is concerned that it does not appear that the Companies are actually proposing metrics and standards that they would be expected to achieve in order to realize the bonus or any mechanism to reduce or claw-back incentive revenues if the Companies fail to meet Commission-approved metrics or standards. This is also concerning because while the Companies' accomplishments for FPL's operations are certainly laudable, it appears that Gulf's operations have improved since the merger but Gulf may not be performing at the same level as FPL yet. *See* Direct Testimony of John J. Reed, page 88, line 5 to page 89, line 2. Were a formal structure in place with Commission-approved metrics and standards, Gulf ostensibly would not receive the same level of reward as FPL.

Q. ARE THERE ADDITIONAL IMPLEMENTATION CONCERNS?

A. Yes. In addition to the cost of the Companies' proposed 50 basis point adder over the proposed four-year rate plan, that adder appears to be arbitrary in its derivation and much higher than the comparable adders cited by the Companies in testimony.

Q. HAVE THE COMPANIES PROVIDED EXAMPLES OF OTHER CASES IN WHICH PERFORMANCE ADDERS WERE INCLUDED IN AN ROE DETERMINATION?

A. Yes. The Companies point to the Commission's 25 basis point adder granted to Gulf in its 2002 general rate case. *See* Direct Testimony of Robert W. Barrett, page 49, lines 9-12. Additionally, the Companies highlight the decision of the Pennsylvania Public Utility Commission in awarding PPL Electric Utilities Corporation a 12 basis point adder in their 2012 general rate case. *See* Direct Testimony of John J. Reed, pages 94-95.

Q. IS THERE A SIGNIFICANT DIFFERENCE BETWEEN THE REVENUES GENERATED BY THE COMPANIES' PROPOSED 50 BASIS POINT ADDER AND THE ADDERS APPROVED IN THE HIGHLIGHTED COMPARISONS?

A. Yes. As stated above, the Companies' proposed 50 basis point adder would increase customer rates by approximately $178 million in 2022, or 2.2 percent of base revenues, and $191 million in the years thereafter. In comparison, the 25 basis point adder awarded by the Commission to Gulf in 2002 was worth approximately $2 million, or 0.56 percent of base rate revenues. *See* Exhibit SWC-8. According to evidence cited by the PA PUC in its PPL Order, the 12 basis point adder translated to $3 million in revenue.[10] While the scale of Gulf (circa 2002) and PPL, which is a distribution-only utility in a deregulated state, may

[10] *Pennsylvania Public Utility Commission, et al. v. PPL Electric Utilities Corporation*, Docket Nos. R-2012-2290597, *et al.*, Opinion and Order (issued Dec. 28, 2012) ("PPL Order"), page 94.

independently be similar, they are much different in size than FPL and Gulf combined, the Companies' proposal results in a dollar award that is orders of magnitude larger than the comparators presented.

Q. IS THE COMPANIES' PROPOSED PERFORMANCE ADDER ALSO LARGER THAN THE ADDER THEY PROPOSED IN DOCKET NO. 20120015-EI?

A. Yes. In that docket, FPL, as a standalone utility, proposed a performance adder of 25 basis points. At that time, the cost to customers was estimated to be approximately $39.5 million. *See* Docket 20120015-EI, Direct Testimony of Steve W. Chriss on behalf of the Florida Retail Federation, Exhibit SWC-2. That docket ultimately settled and the settlement did not include the performance adder.[11]

Q. IS THERE A POLICY CONCERN WITH APPROVAL OF THE COMPANIES' PERFORMANCE ADDER PROPOSAL?

A. Yes. Walmart has concerns with creating a performance-based ratemaking structure in the context of the general rate case for a single utility. The process allows the filing utility to cherry pick the areas in which it has an *ex ante* known advantage to other Florida or regional utilities and could result in a framework that is too specific to apply to other utilities but because of Commission precedent is difficult to change in future rate cases. The instant request increases the potential for complications, as there have been no specific metrics or standards

[11] *In re: Petition for increase in rates by Florida Power & Light Company*, Docket No. 20150015-EI, Order No. PSC-13-0023-S-EI, Order Approving Revised Stipulation and Settlement (issued Jan. 14, 2013).

proposed to be applied, no way to adjust for performance during the rate plan, and the legacy FPL and Gulf operating companies appear to have achieved different levels of performance. If the Commission is interested in performance-based ratemaking, a separate investigation should be initiated where the Commission can make a determination of the performance factors that are important for every utility regulated in the state and create universal reward/penalty structures that standardize the impacts on customers and the financial implications across utilities.

Q. WHAT IS WALMART'S RECOMMENDATION TO THE COMMISSION ON THIS ISSUE?

A. The Commission should reject the Companies' proposed performance adder. If the Commission determines that the Companies' performance has influenced its determination of the appropriate ROE within its existing discretion and authority, the factors driving that determination should be clearly delineated in the Final Order.

Conclusion

Q. WHAT IS YOUR RECOMMENDATION TO THE COMMISSION REGARDING THE COMPANIES' PROPOSED ROE?

A. The Commission should closely examine the Companies' proposed revenue requirement increase and the associated proposed increase in ROE, especially when viewed in light of:

1) The customer impact of the resulting revenue requirement increases;
2) The use of a future test year, which reduces regulatory lag by allowing the utility to include projected costs in its rates at the time they will be in effect;
3) Recent rate case ROEs approved by the Commission;
4) Recent rate case ROEs approved by other state regulatory commissions nationwide; and
5) The Companies' proposed performance adder.

GSLDT-1 Rate Design

Q. WHAT IS YOUR UNDERSTANDING OF THE CURRENT GSLDT-1 BASE RATE DESIGN?

A. My understanding is that the current GLSDT-1 base rate design is comprised of the following main charges:

1) A $/customer-month customer charge;
2) On-peak and off-peak $/kWh non-fuel energy charges; and
3) An on-peak $/kW demand charge.

Q. DO THE COMPANIES PROPOSE ANY CHANGES TO THE GSLDT-1 BASE RATE DESIGN?

A. Yes. The Companies propose the following for GSLDT-1, in addition to the other time-of-use commercial and industrial base rates:

1) To change the term "customer charge" to "base charge;" and

2) To add a maximum demand charge, which is intended to act as a distribution demand charge and ensure cost recovery for distribution costs incurred to serve a customer's kW load in excess of their on-peak kW demand. *See* Direct Testimony of Tiffany C. Cohen, page 21, line 16 to page 22, line 15.

Q. DOES WALMART OPPOSE THESE CHANGES?

A. No.

Q. DO THE COMPANIES MAKE ANY STATEMENTS ABOUT THE COSTS RECOVERED THROUGH BASE RATES?

A. Yes. The Companies state that "most" costs recovered in base rates are fixed costs that do not vary with energy usage, and as such are classified as either demand-related or customer-related. Generally, more than 85 percent of costs recovered through base rates are fixed costs. *See* Direct Testimony of Tara B. Dubose, page 32, line 13-19.

Q. DOES THIS STATEMENT HOLD TRUE FOR GSLDT-1 RATES?

A. Yes. As shown in Table 1, approximately 86 percent of the costs to be recovered through GSLDT-1 base rates are demand-related, and an additional 0.1 percent are customer-related.

Table 1. GSLDT-1 Cost of Service Study vs. Proposed GSLDT-1 Revenue Requirement.

Component	COSS Results[12]		Proposed Revenue Requirement	
	($000)	(% of Total)	($000)	(% of Total)
Demand	$554,583	86.2	$115,841	57.3
Customer	$676	0.1	$1,160	0.6
Energy	$88,185	13.7	$85,219	42.1
Total	**$643,444**	**100**	**$202,220**	**100**

Sources: MFR E-6b, page 1 to page 3, Schedule E-13C, page 42

Q. HOW DO THE COMPANIES PROPOSE TO COLLECT GSLDT-1 BASE REVENUE REQUIREMENT THROUGH THE PROPOSED RATE DESIGN?

A. Contrary to the results of the cost of service study, the Companies propose to collect a significant portion of the GSLDT-1 base revenue requirement through the energy charges. As shown in Table 2 below, the proposed GSLDT-1 rate design would collect approximately 42 percent of the schedule's revenue through the energy charges, even though only approximately 14 percent of the costs to be recovered are energy-related.

[12] My understanding is that this also includes costs allocated to the standard GSLD-1 tariff.

Q. IS THE COLLECTION OF DEMAND-RELATED COSTS THROUGH ENERGY CHARGES APPROPRIATE?

A. No. The collection of demand-related costs through energy charges is inappropriate and violates cost causation principles.

Q. PLEASE EXPLAIN.

A. The shift in 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. Two customers can have the same level of demand and cause the utility to incur the same amount of fixed costs, but because one customer uses more kWh than the other, that customer will pay more of the demand cost than the customer that uses fewer kWh. This results in a misallocation of cost responsibility as higher load factor customers overpay for the demand-related costs incurred by the Companies to serve them. In other words, higher load factor customers are subsidizing a portion of the demand-related costs that are incurred to serve lower load factor customers simply because of the manner in which the Companies collect those costs in rates.

Q. CAN YOU PROVIDE A GENERAL ILLUSTRATION OF THIS SHIFT IN DEMAND COST RESPONSIBILITY?

A. Yes. Assume the following:

1) A utility has only two customers (Customer 1 and Customer 2), with individual peak demands of 20 kW for a total system load of 40 kW.

2) The annual revenue requirement or cost to the utility associated with the investment to serve these customers is $2,000, which will be collected each year. Each customer is responsible for one-half of the cost, or $1,000 of demand-related or fixed costs per customer.
3) Customer 1 has a monthly demand of 20 kW and a load factor of 60 percent and consumes 105,120 kWh/year (20 kW * 60% * 8760 hours).
4) Customer 2 has a monthly demand of 20 kW and a load factor of 30 percent and consumes 52,560 kWh/year (20 kW * 30% * 8760 hours).

Q. IF THE DEMAND-RELATED COSTS WERE COLLECTED THROUGH A DEMAND CHARGE ON A PER KW BASIS, WHAT WOULD THE PER KW CHARGE BE?

A. The charge would be $4.17 per kW-month ($2,000 / 40 kW / 12 months). Each customer would then pay $1,000 for the demand-related cost they impose on the system (20 kW * $4.17/kW * 12).

Q. IF THE DEMAND-RELATED COSTS WERE COLLECTED ON AN ENERGY BASIS, WHAT WOULD THE PER KWH CHARGE BE?

A. If customers were charged on a per kWh basis, the energy charge would be 1.27 cents per kWh ($2,000 / 157,860 kWh), where the $2,000 is the total cost and 157,860 kWh represents the total annual energy sales.

Q. WHAT WOULD EACH CUSTOMER PAY UNDER THE PER KWH CHARGE OF 1.27 CENTS PER KWH?

A. Customer 1, the customer with the higher load factor of 60 percent, would pay $1,333 ($0.0127/kWh * 105,120 kWh). Customer 2, the customer that has the lower load factor would pay $667 ($0.0127/kWh * 52,560 kWh).

Q. ARE THE RESULTING ENERGY-BASED CHARGES REPRESENTATIVE OF THE UNDERLYING COSTS?

A. No. As the example makes clear, if the Companies collect their demand-related costs through energy-based charges, they will over-collect from one customer and under-collect from the other. The fixed costs are equally incurred by Customer 1 and Customer 2; however, under the per kWh scenario, the utility would recover $333 more from Customer 1 (a higher load factor customer) than its cost responsibility and $333 less from Customer 2 (a lower load factor customer) than its cost responsibility. In other words, Customer 1 would be subsidizing one-third of Customer 2's cost responsibility.

Q. WOULD THE COLLECTION OF A GREATER PERCENTAGE OF THE GSLDT-1 REVENUE REQUIREMENT THROUGH THE DEMAND CHARGE BE BENEFICIAL TO THE COMPANIES?

A. Yes. By collecting a large percentage of revenue requirement through energy charges, the Companies subject themselves to under and overcollection of its revenue requirement due to fluctuations in customer usage. As such, issues such as weather and the economy will have a greater impact on the utility versus a rate design in which an appropriate amount of revenue requirement is collected through the demand charge.

Q. WHAT IS WALMART'S RECOMMENDATION TO THE COMMISSION IN REGARD TO GSLDT-1 RATE DESIGN?

A. For the purposes of this docket, the Commission should set the basic service charge, maximum demand charge, and transformation credit for GSLDT-1 as proposed by the Companies, increase the on-peak demand charge by 1.2 times the percentage base revenue increase for the schedule, and apply the remainder of the increase to the on-peak and off-peak non-fuel charges in a manner that maintains the proposed 2.3X ratio between the charges.

Q. HAVE YOU CALCULATED ILLUSTRATIVE RATES AT THE COMPANIES' PROPOSED 2022 REVENUE REQUIREMENT?

A. Yes. Table 2 shows the comparison of the Companies' proposed GSLDT-1 rates and Walmart's proposed GSLDT-1 rates. The full derivation is provided in Exhibit SWC-9, and the base charge, non-fuel energy charges, and the demand charges all receive increases versus present rates.

Table 2. Comparison of Companies' Proposed GSLDT-1 Rates and Walmart Proposed GSLDT-1 Rates.

Charge	Companies' Proposed Rates	Walmart Proposed Rates
Base Charge	$95.62/customer-month	$95.62/customer-month
Non-Fuel Energy Charges		
On-Peak	$0.03513/kWh	$0.02953/kWh
Off-Peak	$0.01523/kWh	$0.01280/kWh
Demand Charges		
On-Peak	$13.56/kW	$15.29/kW
Maximum Demand	$1.11/kW	$1.11/kW
Transformation Credit	($0.34)	($0.34)

Source: Exhibit SWC-9

Q. DO WALMART'S PROPOSED CHANGES MOVE GSLDT-1 TOWARDS COST-BASED RATES?

A. Yes. As shown in Table 3, the proposed changes move GSLDT-1 towards cost-based rates while maintaining the price signals provided by the on-peak and off-peak energy charges.

Table 3. GSLDT-1 Cost of Service Study vs. Companies' Proposed GSLDT-1 Revenue Requirement vs. Walmart Proposed GSLDT-1 Revenue Requirement.

Component	COSS Results		Companies' Proposed Revenue Requirement		Walmart Proposed Revenue Requirement	
	($000)	**(% of Total)**	**($000)**	**(% of Total)**	**($000)**	**(% of Total)**
Demand	$554,583	86.2	$115,841	57.3	$129,431	64.0
Customer	$676	0.1	$1,160	0.6	$1,160	0.6
Energy	$88,185	13.7	$85,219	42.1	$71,629	35.4
Total	**$643,444**	**100**	**$202,220**	**100**	**$202,220**	

Sources: Exhibit SWC-9

Transition Rider Rate Design

Q. WHAT IS YOUR UNDERSTANDING OF HOW THE COMPANIES SET THE REVENUE REQUIREMENT FOR THE TRANSITION RIDER?

A. My understanding is that the Companies set the transition rider revenue requirement to represent the difference in overall system average costs between FPL and Gulf for 2021 base rates and all clauses including fuel, capacity, environmental, conservation, and storm protection. *See* Direct Testimony of Tiffany C. Cohen, page 28, line 23 to page 29, line 3.

Q. WHAT IS YOUR UNDERSTANDING OF THE RATE DESIGN TO BE USED FOR THE LEGACY FPL CREDIT AND LEGACY FPL CHARGE FOR DEMAND-METERED CUSTOMERS?

A. My understanding is that the Companies propose to credit legacy FPL demand-metered customers on a $/kW basis and charge legacy Gulf demand-metered customers on a $/kWh basis. *See* Direct Testimony of Tiffany C. Cohen, Exhibit TCC-8, page 2. The reason for the difference in structure is not clear from the Companies' testimony, and it does not appear that the rate design is based on some form of underlying cost of service structure.

Q. WHY IS THIS DIFFERENCE A CONCERN?

A. The difference is a concern because the transition rider rate designs are asymmetrical and treat legacy demand-metered customers differently on each system. For example, high load factor customers on GSLDT-1 under Gulf will pay the highest relative costs on the rate schedule because the charge is on a $/kWh energy basis, while high load factor customers on GSLDT-1 under FPL will receive the lowest realized benefit per kWh because the credit is on a $/kW basis and is spread over more kWh per billing period.

Q. WHAT IS WALMART'S RECOMMENDATION TO THE COMMISSION ON THIS ISSUE?

A. If the Commission approves unified rates and the proposed transition rider, the Commission should approve a symmetrical rate design for demand-metered customer classes, where the charge and credit for both legacy utilities are assessed on either a $/kW or $/kWh basis.

CDR Applicability to Legacy Gulf Customers

Q. WHAT IS YOUR UNDERSTANDING OF THE COMPANIES' PROPOSED APPLICABILITY OF CDR?

A. My understanding from a review of the Companies' proposed unified tariffs is that the Companies, as part of the unification of rates for the two legacy operating companies, propose to make CDR available to all customers, including legacy Gulf customers. *See* MFR No. E-14, Attachment 1, page 166. However, from my review of the Companies' proposed standalone tariffs for Gulf, it appears that the Companies do not propose to make CDR available to legacy Gulf customers if the

Commission does not approve tariff unification. *See* MFR No. E-14 (Gulf Standalone Information), Attachment 1, page 2.

Q. DOES WALMART SUPPORT THE AVAILABILITY OF CDR TO LEGACY GULF CUSTOMERS?

A. Yes. In FPL's legacy territory, CDR has been an effective tool to drive the deployment of distributed generation that provides support for grid operations and enables retail customers like Walmart to continue operations and serve their communities during severe weather events and other prolonged grid outages.

Q. WHAT IS WALMART'S RECOMMENDATION TO THE COMMISSION ON THIS ISSUE?

A. Even if the Commission determines that it will not approve unified rates for FPL and Gulf, the Commission should approve FPL's CDR for use by legacy Gulf customers.

Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes.

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for rate increase by Florida Power & Light Company	:	**DOCKET NO. 20210015-EI**
	:	
	:	**Filed: June 21, 2021**

DIRECT TESTIMONY AND EXHIBITS OF

STEVE W. CHRISS

ON BEHALF OF

WALMART INC.

Contents

Exhibits

Exhibit SWC-5: Calculation of 2022 Revenue Requirement Impact of the Companies' Proposed ROE vs. National Average ROE, Vertically Integrated Utilities, Proposed Capital Structure

Exhibit SWC-6: 2022 Revenue Requirement Impact of the Companies' Proposed Performance Incentive

Exhibit SWC-7: 2023 Revenue Requirement Impact of the Companies' Proposed Performance Incentive

Exhibit SWC-8: Revenue Requirement Impact of Gulf Power's Authorized Performance Bonus, Docket 20010949-EI

Exhibit SWC-9: Derivation of Walmart's Proposed GSLDT-1 Rate Design

Introduction

Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND OCCUPATION.

A. My name is Steve W. Chriss. My business address is 2608 SE J Street, Bentonville, AR 72716. I am employed by Walmart Inc. ("Walmart") as Director, Energy Services.

Q. ON WHOSE BEHALF ARE YOU TESTIFYING IN THIS DOCKET?

A. I am testifying on behalf of Walmart.

Q. PLEASE DESCRIBE YOUR EDUCATION AND EXPERIENCE.

A. In 2001, I completed a Master of Science in Agricultural Economics at Louisiana State University. From 2001 to 2003, I was an Analyst and later a Senior Analyst at the Houston office of Econ One Research, Inc., a Los Angeles-based consulting firm. My duties included research and analysis on domestic and international energy and regulatory issues. From 2003 to 2007, I was an Economist and later a Senior Utility Analyst at the Public Utility Commission of Oregon in Salem, Oregon. My duties included appearing as a witness for PUC Staff in electric, natural gas, and telecommunications dockets. I joined the energy department at Walmart in July 2007 as Manager, State Rate Proceedings. I was promoted to Senior Manager, Energy Regulatory Analysis, in June 2011. I was promoted to my current position in October 2016, and the position was re-titled in October 2018. My Witness Qualifications Statement is attached as Exhibit SWC-1.

Q. HAVE YOU PREVIOUSLY SUBMITTED TESTIMONY BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION ("COMMISSION")?

A. Yes. I testified in Docket Nos 20110138-EI, 20120015-EI, 20130040-EI, 20130140-EI, 20140002-EG, 20160021-EI, 20160186-EI, 20190061-EI, 20200092-EI,[1] and 20200176-EI.

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

A. Yes. I have submitted testimony in over 230 proceedings before 40 other utility regulatory commissions. I have also submitted testimony before legislative committees in Kansas, Missouri, North Carolina, and South Carolina. My testimony has addressed topics including, but not limited to, cost of service and rate design, return on equity ("ROE"), revenue requirements, ratemaking policy, large customer renewable programs, qualifying facility rates, telecommunications deregulation, resource certification, energy efficiency/demand side management, fuel cost adjustment mechanisms, decoupling, and the collection of cash earnings on construction work in progress ("CWIP").

Q. ARE YOU SPONSORING EXHIBITS IN YOUR TESTIMONY?

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

[1] I filed testimony in Docket Nos. 20200067-EI, 20200069-EI, 20200070-EI, and 20200071-EI, but that testimony was withdrawn and the issues raised in my testimony were deferred to Docket No. 20200092-EI by Stipulation filed in those Dockets on July 20, 2020, and granted at the July 28, 2020, Prehearing Conference in those Dockets.

Q. PLEASE BRIEFLY DESCRIBE WALMART'S OPERATIONS IN FLORIDA.

A. As shown on Walmart's website, Walmart operates 386 retail units and eight distribution centers and employs over 111,000 associates in Florida. In fiscal year ending 2021, Walmart purchased $8 billion worth of goods and services from Florida-based suppliers, supporting over 82,000 jobs.[2]

Q. PLEASE BRIEFLY DESCRIBE WALMART'S OPERATIONS WITHIN FLORIDA POWER AND LIGHT COMPANY'S ("FPL") AND GULF POWER COMPANY'S ("GULF") (COLLECTIVELY, "COMPANIES") SERVICE TERRITORY.

A. Walmart has 149 retail units, four distribution centers, and related facilities served by FPL and 28 retail units and related facilities served by Gulf. Walmart purchases more than 750 million kWh annually from the Companies, pursuant to FPL Schedules General Service Large Demand – Time of Use ("GSLDT-1")and General Service Demand - Time of Use ("GSDT") and Gulf Schedules Real Time Pricing ("RTP") and General Service – Demand ("GSD").

Purpose of Testimony and Summary of Recommendation

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

[2] https://corporate.walmart.com/our-story/locations/united-states/florida

A. The purpose of my testimony is to respond to the Companies' rate case filing and to provide recommendations to assist the Commission in its thorough and careful consideration of the customer impact of the Companies' proposed rate increase.

Q. IN SETTING THE REVENUE REQUIREMENT, ROE, ALLOCATION, AND RATE DESIGN CHANGES FOR THE COMPANIES, SHOULD THE COMMISSION CONSIDER THE IMPACT OF THE PROPOSED RATE INCREASE ON BUSINESS CUSTOMERS?

A. Yes. Electricity is a significant operating cost for retailers such as Walmart. When electric rates increase, the increased cost to retailers can put pressure on consumer prices and on the other expenses required by a business to operate. The Commission should thoroughly and carefully consider the impact on customers when examining the requested revenue requirement and ROE, in addition to all other facets of this case, to ensure that any increase in the Companies' rates is the minimum necessary to provide safe, adequate, and reliable service, while also providing the Companies the opportunity to recover their reasonable and prudent costs and earn a reasonable return on their investment.

Q. PLEASE SUMMARIZE WALMART'S RECOMMENDATIONS TO THE COMMISSION.

A. Walmart's recommendations to the Commission are as follows:

1) The Commission should thoroughly and carefully consider the impact on customers in examining the requested revenue requirement and ROE, in addition to all other facets of this case, to ensure that any increase in the

Companies' rates is only the minimum amount necessary to provide adequate and reliable service, while also providing an opportunity to earn a reasonable return.

2) The Commission should closely examine the Companies' proposed revenue requirement increase and the associated proposed increase in ROE, especially when viewed in light of:
    a. The customer impact of the resulting revenue requirement increases;
    b. The use of a future test year, which reduces regulatory lag by allowing the utility to include projected costs in its rates at the time they will be in effect;
    c. Recent rate case ROEs approved by the Commission;
    d. Recent rate case ROEs approved by other state regulatory commissions nationwide; and
    e. The Companies' proposed performance adder.
3) The Commission should reject the Companies' proposed performance adder.
4) If the Commission determines that the Companies' performance has influenced its determination of the appropriate ROE within its existing discretion and authority, the factors driving that determination should be clearly delineated in the Commission's Final Order.
5) If the Commission is interested in performance-based ratemaking, a separate docket should be initiated in which the Commission can determine the

performance factors that are important for every utility regulated in the state and create universal reward/penalty structures that standardize the impacts on customers and the financial implications across utilities.

6) Walmart does not oppose the Companies' proposal to change "customer charge" to "base charge" for commercial and industrial ("C&I") base rate schedules.

7) Walmart does not oppose the Companies' proposal to add a maximum demand charge to the time-of-use C&I base rate schedules.

8) For the purposes of this Docket, the Commission should set the basic service charge, maximum demand charge, and transformation credit for GSLDT-1 as proposed by the Companies, increase the on-peak demand charge by 1.2 times the percentage base revenue increase for the schedule, and apply the remainder of the increase to the on-peak and off-peak non-fuel charges in a manner that maintains the proposed 2.3X ratio between the charges.

9) If the Commission approves unified rates and the proposed transition rider, the Commission should approve a symmetrical rate design for demand-metered customer classes, where the charge and credit for both legacy utilities are assessed on either a $/kW or $/kWh basis.

10) Even if the Commission determines that it will not approve unified rates for FPL and Gulf, the Commission should approve FPL's Commercial/Industrial Demand Reduction Rider ("CDR") for use by legacy Gulf customers.

Q. DOES THE FACT THAT YOU MAY NOT ADDRESS AN ISSUE OR POSITION ADVOCATED BY THE COMPANIES INDICATE WALMART'S SUPPORT?

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

Return on Equity

Q. WHAT IS YOUR UNDERSTANDING OF THE COMPANIES' PROPOSED REVENUE REQUIREMENT INCREASE IN THIS DOCKET?

A. My understanding is that the Companies are requesting a general base rate increase for the 2022 test year of $1.108 billion to be effective January 1, 2022, and an additional 2023 test year increase of $607 million to be effective January 1, 2023. *See* Direct Testimony of Liz Fuentes, page 7, lines 5-7. The Companies are also seeking approval of an increase to Solar Base Rate Adjustments ("SoBRAs") of approximately $140 million for both 2024 and 2025. *See* Direct Testimony of Tiffany C. Cohen, page 33, lines 14-15. In total, the Companies are requesting a total increase over four years of $1.995 billion.

Additionally, as a result of FPL's acquisition and merger of Gulf in January 2021, the Companies are proposing to transition all Gulf retail customers to FPL's rate structure, terms, and conditions. *See* Direct Testimony of Michael

Spoor, page 5, line 13 through page 6, line 2; *see also* Direct Testimony of Scott Bores, page 7, line 18 through page 8, line 10.

My understanding is that these particular revenue requirement increases are predicated upon the combination of rates for FPL and Gulf, and that if the Commission does not approve the combination of rates, the Companies propose a 2022 test year base revenue increase of $1.155 billion and 2023 test year base revenue increase of $529 million for FPL, and a 2022 test year base revenue increase of $177 million and a 2023 test year base revenue increase of $78 million for Gulf. *See* Direct Testimony of Liz Fuentes, page 27, lines 8-15 and page 28, lines 11-18.

Q. WHAT IS THE COMPANIES' PROPOSED ROE IN THIS DOCKET?

A. The Companies propose an ROE of 11.00 percent, based on a range of 10.5 percent to 11.50 percent. *See* Direct Testimony of James M. Coyne, page 5, line 21 to page 6, line 2. The Companies also propose a 50 basis point performance adder, for a total proposed ROE of 11.50 percent. *See* Direct Testimony of Robert E. Barrett, page 12, lines 11-14.

Q. IS THE COMPANIES' PROPOSED ROE HIGHER THAN FPL'S AND GULF'S LAST APPROVED ROEs?

A. Yes. The Companies' proposed ROE represents an increase of 95 basis points from FPL's last approved ROE of 10.55 percent[3] and an increase of 125 basis points from Gulf's last approved ROE of 10.25 percent.[4]

Q. IS WALMART CONCERNED ABOUT THE REASONABLENESS OF THE COMPANIES' PROPOSED ROE?

A. Yes, especially when viewed in light of:

1) The customer impact of the resulting revenue requirement increases;
2) The use of a future test year, which reduces regulatory lag by allowing the utility to include projected costs in its rates at the time they will be in effect;
3) Recent rate case ROEs approved by the Commission;
4) Recent rate case ROEs approved by other state regulatory commissions nationwide; and
5) The Companies' proposed performance adder.

[3] *In re: Petition for rate increase by Florida Power & Light Company*, Docket No. 20160021-EI, Order No. PSC-16-0560-AS-EI, Order Approving Settlement Agreement (issued Dec. 15, 2016), page 2.

[4] *In re: Petition for rate increase by Gulf Power Company*, Docket No. 20160186-EI, Order No. PSC-17-0178-S-EI, Final Order Approving Stipulation and Settlement Agreement and Approving Tariffs and Rate Schedules of Gulf Power Company (issued May 16, 2017), page 3.

Customer Impact

Q. WHAT IS THE REVENUE REQUIREMENT IMPACT FOR THE 2022 TEST YEAR OF THE COMPANIES' PROPOSED INCREASE IN ROE, INCLUSIVE OF THE PROPOSED PERFORMANCE ADDER, FROM THE COMPANIES' LAST APPROVED ROEs?

A. The proposed 2022 increase related to the Companies' proposed increase in ROE has an annual revenue requirement impact on the Companies' rates of approximately $339 million for 2022. This constitutes about 31 percent of the Companies' overall increase request for the 2022 test year. *See* Exhibit SWC-2.

Q. WHAT IS THE REVENUE REQUIREMENT IMPACT FOR THE CUMULATIVE PROPOSED INCREASES FOR 2022 AND 2023?

A. The proposed cumulative increase (2022 plus 2023) related to the Companies' proposed increase in ROE has an annual revenue requirement impact on the Companies' rates of approximately $365 million for 2023. This constitutes about 21 percent of the Companies' cumulative increase request for the 2022 and 2023 test years. *See* Exhibit SWC-3.

Future Test Year

Q. HAS THE COMMISSION RECOGNIZED THAT THE USE OF A FUTURE TEST YEAR IMPACTS THE COMPANIES' EXPOSURE TO REGULATORY LAG?

A. Yes. The use of a projected test year reduces the risk due to regulatory lag because, as the Commission has previously stated, "the main advantage of a projected test year is that it includes all information related to rate base, NOI, and capital structure for the time new rates will be in effect."[5] As such, the Commission should carefully consider the level of ROE justified by the Companies' exposure to regulatory lag.

Recent ROEs Approved by the Commission

Q. IS THE COMPANIES' PROPOSED ROE SIGNIFICANTLY HIGHER THAN ROEs RECENTLY APPROVED BY THE COMMISSION?

A. Yes. Recently, the Commission approved Duke Energy Florida, LLC's ("DEF") 2021 Settlement Agreement for its base rate case in Docket 20210016-EI, which included approval of an ROE of 9.85 percent.[6] Additionally, for natural gas utilities, the Commission approved an ROE of 9.90 percent for People's Gas System in Docket 20200051-GU[7] and an ROE of 10.19 percent for Pivotal Utility Holdings Inc. in Docket 20170179-GU.[8]

[5] *In re: Request for rate increase by Gulf Power Company*, Docket No. 20010949-EI, Order No. PSC-02-0787-FOF-EI, Order Granting in Part and Denying in Part Gulf Power Company's Petition for Rate Increase (issued June 10, 2002), page 9.

[6] *In re: Petition for limited proceeding to approve 2021 settlement agreement, including general base rate increases, by Duke Energy Florida, LLC*, Docket No. 20210016-EI, Order No. PSC-2021-0202-AS-EI, Final Order Approving 2021 Settlement Agreement (issued June 4, 2021), page 3.

[7] *In re: Petition for rate increase by Peoples Gas System*, Docket No. 20200051-GU, Order No. PSC-2020-2020-0485-FOF-GU, Final Order (issued Dec. 10, 2020), page 3.

[8] *In re: Petition for rate increase by Florida City Gas*, Docket No. 20170179-GU, Order No. PSC-2018-0190-FOF-GU, Final Order Approving Joint Motion to Approve Stipulation and Settlement Agreement (issued Apr. 20, 2018), page 3.

As such, the Companies' proposed 11.5 percent ROE is counter to recent Commission actions regarding ROE.

National Utility Industry ROE and Weighted Equity Cost Trends

Q. IS THE COMPANIES' TOTAL PROPOSED ROE SIGNIFICANTLY HIGHER THAN THE ROEs APPROVED BY OTHER STATE REGULATORY COMMISSIONS IN 2018, 2019, 2020, AND SO FAR IN 2021?

A. Yes. According to data from S&P Global Market Intelligence ("S&P Global"), a financial news and reporting company, the average of the 119 reported electric utility rate case ROEs authorized by state regulatory commissions to investor-owned utilities in 2018, 2019, 2020, and so far in 2021, is 9.52 percent. The range of reported authorized ROEs for the period is 8.20 percent to 10.50 percent, and the median authorized ROE is 9.50 percent. The average and median values are significantly – 198 basis points and 200 basis points, respectively – below the Companies' proposed ROE of 11.50 percent. *See* Exhibit SWC-4. As such, the Companies' total proposed ROE of 11.50 percent is counter to broader electric industry trends.

Q. SEVERAL OF THE REPORTED AUTHORIZED ROEs ARE FOR DISTRIBUTION-ONLY UTILITIES OR FOR ONLY A UTILITY'S DISTRIBUTION SERVICE RATES. WHAT IS THE AVERAGE AUTHORIZED ROE IN THE REPORTED GROUP FOR VERTICALLY INTEGRATED UTILITIES?

A. In the group reported by S&P Global, the average ROE for vertically integrated utilities authorized over the same time period is 9.64 percent. The average ROE authorized for vertically integrated utilities in 2018 was 9.68 percent, in 2019 it was 9.64 percent, in 2020 it was 9.39 percent, and so far in 2021 it is 9.52 percent. *Id.* As such, the Companies' proposed total ROE of 11.50 percent is counter to broader electric industry trends and, in fact, as shown in Figure 1, if approved, would be the highest approved ROE for a vertically integrated utility at any time from 2018 to present – by 100 basis points. Even the Companies' proposed midpoint of 11.00 percent would be the highest approved ROE since 2018 by 50 basis points.

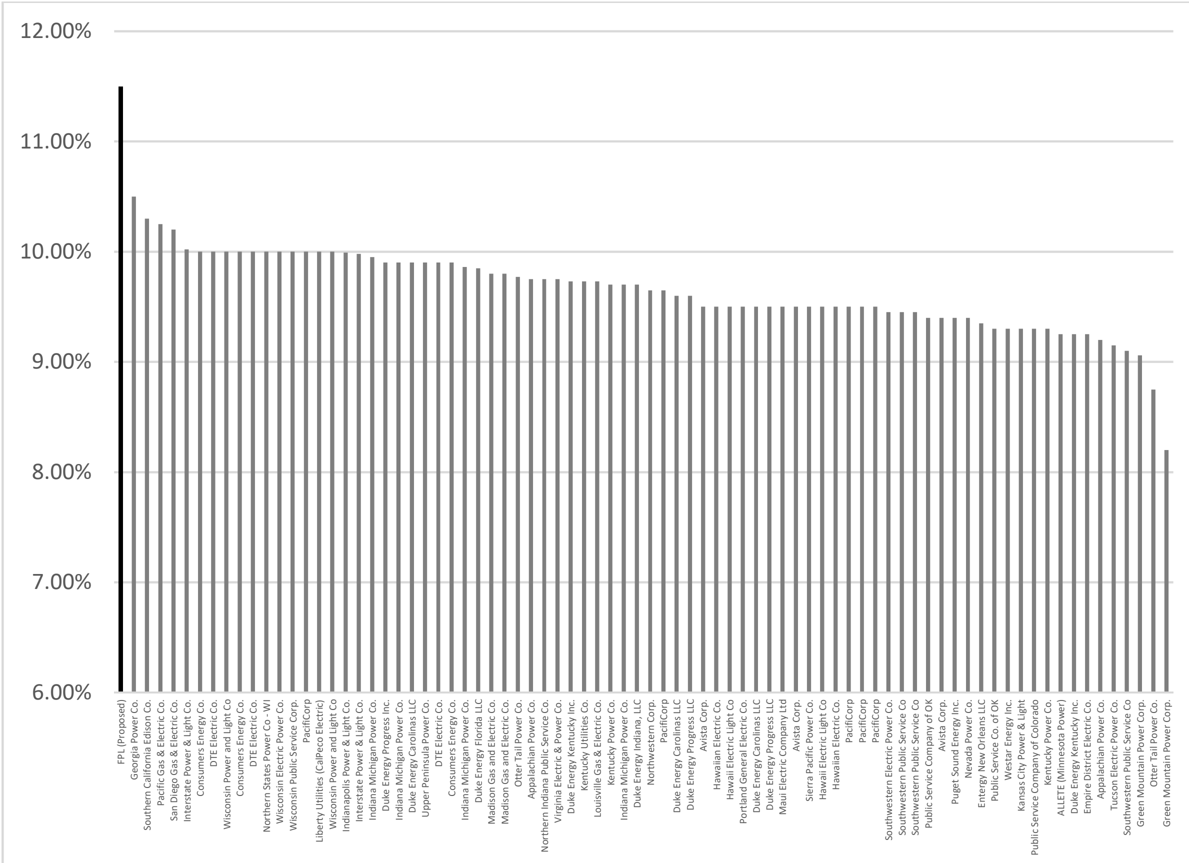

Figure 1. Companies' Proposed Total ROE of 11.50 Percent Versus Approved ROEs, Vertically Integrated Utilities, 2017 to Present.

Q. WHAT IS THE DIFFERENCE IN 2022 REVENUE REQUIREMENT BETWEEN THE COMPANIES' PROPOSED 11.50 PERCENT ROE AND 9.64 PERCENT, WHICH IS THE AVERAGE AUTHORIZED ROE FOR VERTICALLY INTEGRATED UTILITIES FROM 2018 TO PRESENT?

A. The difference in return on rate base for this difference in ROE is a difference in revenue requirement of approximately $664 million, or 60 percent of the Companies' proposed 2022 revenue deficiency. *See* Exhibit SWC-5.

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

A. No. Decisions of other state regulatory commissions are not binding on this Commission. Each commission considers the specific circumstances in each case in its determination of the proper ROE and capital structure. Walmart is providing this information on industry trends on ROE from its perspective as a customer with operations that are nationwide as it believes that recently authorized ROEs in other jurisdiction provide a general gauge of reasonableness for the various cost of equity analyses presented in this case. Moreover, Walmart believes that it is appropriate for the Commission to consider how any ROE authorized in this case impacts existing and prospective customers relative to other jurisdictions.

Proposed Performance Adder

Q. WHAT IS YOUR UNDERSTANDING OF THE COMPANIES' PROPOSED PERFORMANCE ADDER?

A. My understanding is that the Companies are requesting an adder of 50 basis points to their ROE to "reflect FPL's superior value proposition for its customers and as an incentive to promote further efforts to improve the customer value proposition." *See* Direct Testimony of Robert E. Barrett, page 49, lines 4-7.

Q. WHAT WOULD BE THE COST TO CUSTOMERS IN 2022 IF THE COMMISSION WERE TO APPROVE THE ADDER, AS WELL AS THE COMPANIES' PROPOSED CAPITAL STRUCTURE AND RATE BASE?

A. The cost to customers in 2022 would be approximately $178 million, or 2.2 percent of base rate revenues.[9] *See* Direct Testimony of John J. Reed, page 96, line 23 and Exhibit SWC-6. I have estimated the cost to customers for 2023 as approximately $191 million. *See* Exhibit SWC-7. In total, assuming the incentive would have similar costs in 2024 and 2025, it appears that if the Commission were to award the proposed incentive, as well as the Companies' capital structure and rate base, customers would pay FPL approximately $750 million over the course of the proposed four-year rate plan just in performance incentive bonus, which is not tied to any specific costs to be recovered.

Q. DOES WALMART HAVE CONCERNS WITH THE COMPANIES' PROPOSAL?

A. Yes. The proposed stand-alone performance adder has no cost basis or formal supporting structural parameters, and as such its inclusion in a cost of service-based consideration of just and reasonable rates is questionable. While I am not an attorney, my understanding of Florida Statute 366.041(1) is that the Commission is authorized, but not obligated, to consider non-cost factors in setting rates, and in my experience, state regulatory commissions generally have

[9] $178,000,000 / $7,038,744,000 = 2.2 percent. *See* Schedule C-1 (with RSAM).

broad discretion to consider performance factors in their determination of appropriate ROEs for regulated utilities. However, this authorization does not address issues raised by how the Companies' proposal would be implemented.

Q. PLEASE EXPLAIN.

A. While the Companies present the benchmarking study of witness Reed, Walmart is concerned that it does not appear that the Companies are actually proposing metrics and standards that they would be expected to achieve in order to realize the bonus or any mechanism to reduce or claw-back incentive revenues if the Companies fail to meet Commission-approved metrics or standards. This is also concerning because while the Companies' accomplishments for FPL's operations are certainly laudable, it appears that Gulf's operations have improved since the merger but Gulf may not be performing at the same level as FPL yet. *See* Direct Testimony of John J. Reed, page 88, line 5 to page 89, line 2. Were a formal structure in place with Commission-approved metrics and standards, Gulf ostensibly would not receive the same level of reward as FPL.

Q. ARE THERE ADDITIONAL IMPLEMENTATION CONCERNS?

A. Yes. In addition to the cost of the Companies' proposed 50 basis point adder over the proposed four-year rate plan, that adder appears to be arbitrary in its derivation and much higher than the comparable adders cited by the Companies in testimony.

Q. HAVE THE COMPANIES PROVIDED EXAMPLES OF OTHER CASES IN WHICH PERFORMANCE ADDERS WERE INCLUDED IN AN ROE DETERMINATION?

A. Yes. The Companies point to the Commission's 25 basis point adder granted to Gulf in its 2002 general rate case. *See* Direct Testimony of Robert W. Barrett, page 49, lines 9-12. Additionally, the Companies highlight the decision of the Pennsylvania Public Utility Commission in awarding PPL Electric Utilities Corporation a 12 basis point adder in their 2012 general rate case. *See* Direct Testimony of John J. Reed, pages 94-95.

Q. IS THERE A SIGNIFICANT DIFFERENCE BETWEEN THE REVENUES GENERATED BY THE COMPANIES' PROPOSED 50 BASIS POINT ADDER AND THE ADDERS APPROVED IN THE HIGHLIGHTED COMPARISONS?

A. Yes. As stated above, the Companies' proposed 50 basis point adder would increase customer rates by approximately $178 million in 2022, or 2.2 percent of base revenues, and $191 million in the years thereafter. In comparison, the 25 basis point adder awarded by the Commission to Gulf in 2002 was worth approximately $2 million, or 0.56 percent of base rate revenues. *See* Exhibit SWC-8. According to evidence cited by the PA PUC in its PPL Order, the 12 basis point adder translated to $3 million in revenue.[10] While the scale of Gulf (circa 2002) and PPL, which is a distribution-only utility in a deregulated state, may

[10] *Pennsylvania Public Utility Commission, et al. v. PPL Electric Utilities Corporation*, Docket Nos. R-2012-2290597, *et al.*, Opinion and Order (issued Dec. 28, 2012) ("PPL Order"), page 94.

independently be similar, they are much different in size than FPL and Gulf combined, the Companies' proposal results in a dollar award that is orders of magnitude larger than the comparators presented.

Q. IS THE COMPANIES' PROPOSED PERFORMANCE ADDER ALSO LARGER THAN THE ADDER THEY PROPOSED IN DOCKET NO. 20120015-EI?

A. Yes. In that docket, FPL, as a standalone utility, proposed a performance adder of 25 basis points. At that time, the cost to customers was estimated to be approximately $39.5 million. *See* Docket 20120015-EI, Direct Testimony of Steve W. Chriss on behalf of the Florida Retail Federation, Exhibit SWC-2. That docket ultimately settled and the settlement did not include the performance adder.[11]

Q. IS THERE A POLICY CONCERN WITH APPROVAL OF THE COMPANIES' PERFORMANCE ADDER PROPOSAL?

A. Yes. Walmart has concerns with creating a performance-based ratemaking structure in the context of the general rate case for a single utility. The process allows the filing utility to cherry pick the areas in which it has an *ex ante* known advantage to other Florida or regional utilities and could result in a framework that is too specific to apply to other utilities but because of Commission precedent is difficult to change in future rate cases. The instant request increases the potential for complications, as there have been no specific metrics or standards

[11] *In re: Petition for increase in rates by Florida Power & Light Company*, Docket No. 20150015-EI, Order No. PSC-13-0023-S-EI, Order Approving Revised Stipulation and Settlement (issued Jan. 14, 2013).

proposed to be applied, no way to adjust for performance during the rate plan, and the legacy FPL and Gulf operating companies appear to have achieved different levels of performance. If the Commission is interested in performance-based ratemaking, a separate investigation should be initiated where the Commission can make a determination of the performance factors that are important for every utility regulated in the state and create universal reward/penalty structures that standardize the impacts on customers and the financial implications across utilities.

Q. WHAT IS WALMART'S RECOMMENDATION TO THE COMMISSION ON THIS ISSUE?

A. The Commission should reject the Companies' proposed performance adder. If the Commission determines that the Companies' performance has influenced its determination of the appropriate ROE within its existing discretion and authority, the factors driving that determination should be clearly delineated in the Final Order.

Conclusion

Q. WHAT IS YOUR RECOMMENDATION TO THE COMMISSION REGARDING THE COMPANIES' PROPOSED ROE?

A. The Commission should closely examine the Companies' proposed revenue requirement increase and the associated proposed increase in ROE, especially when viewed in light of:

1) The customer impact of the resulting revenue requirement increases;
2) The use of a future test year, which reduces regulatory lag by allowing the utility to include projected costs in its rates at the time they will be in effect;
3) Recent rate case ROEs approved by the Commission;
4) Recent rate case ROEs approved by other state regulatory commissions nationwide; and
5) The Companies' proposed performance adder.

GSLDT-1 Rate Design

Q. WHAT IS YOUR UNDERSTANDING OF THE CURRENT GSLDT-1 BASE RATE DESIGN?

A. My understanding is that the current GLSDT-1 base rate design is comprised of the following main charges:

1) A $/customer-month customer charge;
2) On-peak and off-peak $/kWh non-fuel energy charges; and
3) An on-peak $/kW demand charge.

Q. DO THE COMPANIES PROPOSE ANY CHANGES TO THE GSLDT-1 BASE RATE DESIGN?

A. Yes. The Companies propose the following for GSLDT-1, in addition to the other time-of-use commercial and industrial base rates:

1) To change the term "customer charge" to "base charge;" and

2) To add a maximum demand charge, which is intended to act as a distribution demand charge and ensure cost recovery for distribution costs incurred to serve a customer's kW load in excess of their on-peak kW demand. *See* Direct Testimony of Tiffany C. Cohen, page 21, line 16 to page 22, line 15.

Q. DOES WALMART OPPOSE THESE CHANGES?

A. No.

Q. DO THE COMPANIES MAKE ANY STATEMENTS ABOUT THE COSTS RECOVERED THROUGH BASE RATES?

A. Yes. The Companies state that "most" costs recovered in base rates are fixed costs that do not vary with energy usage, and as such are classified as either demand-related or customer-related. Generally, more than 85 percent of costs recovered through base rates are fixed costs. *See* Direct Testimony of Tara B. Dubose, page 32, line 13-19.

Q. DOES THIS STATEMENT HOLD TRUE FOR GSLDT-1 RATES?

A. Yes. As shown in Table 1, approximately 86 percent of the costs to be recovered through GSLDT-1 base rates are demand-related, and an additional 0.1 percent are customer-related.

Table 1. GSLDT-1 Cost of Service Study vs. Proposed GSLDT-1 Revenue Requirement.

Component	COSS Results[12]		Proposed Revenue Requirement	
	($000)	(% of Total)	($000)	(% of Total)
Demand	$554,583	86.2	$115,841	57.3
Customer	$676	0.1	$1,160	0.6
Energy	$88,185	13.7	$85,219	42.1
Total	**$643,444**	**100**	**$202,220**	**100**

Sources: MFR E-6b, page 1 to page 3, Schedule E-13C, page 42

Q. HOW DO THE COMPANIES PROPOSE TO COLLECT GSLDT-1 BASE REVENUE REQUIREMENT THROUGH THE PROPOSED RATE DESIGN?

A. Contrary to the results of the cost of service study, the Companies propose to collect a significant portion of the GSLDT-1 base revenue requirement through the energy charges. As shown in Table 2 below, the proposed GSLDT-1 rate design would collect approximately 42 percent of the schedule's revenue through the energy charges, even though only approximately 14 percent of the costs to be recovered are energy-related.

[12] My understanding is that this also includes costs allocated to the standard GSLD-1 tariff.

Q. IS THE COLLECTION OF DEMAND-RELATED COSTS THROUGH ENERGY CHARGES APPROPRIATE?

A. No. The collection of demand-related costs through energy charges is inappropriate and violates cost causation principles.

Q. PLEASE EXPLAIN.

A. The shift in 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. Two customers can have the same level of demand and cause the utility to incur the same amount of fixed costs, but because one customer uses more kWh than the other, that customer will pay more of the demand cost than the customer that uses fewer kWh. This results in a misallocation of cost responsibility as higher load factor customers overpay for the demand-related costs incurred by the Companies to serve them. In other words, higher load factor customers are subsidizing a portion of the demand-related costs that are incurred to serve lower load factor customers simply because of the manner in which the Companies collect those costs in rates.

Q. CAN YOU PROVIDE A GENERAL ILLUSTRATION OF THIS SHIFT IN DEMAND COST RESPONSIBILITY?

A. Yes. Assume the following:

1) A utility has only two customers (Customer 1 and Customer 2), with individual peak demands of 20 kW for a total system load of 40 kW.

2) The annual revenue requirement or cost to the utility associated with the investment to serve these customers is $2,000, which will be collected each year. Each customer is responsible for one-half of the cost, or $1,000 of demand-related or fixed costs per customer.

3) Customer 1 has a monthly demand of 20 kW and a load factor of 60 percent and consumes 105,120 kWh/year (20 kW * 60% * 8760 hours).

4) Customer 2 has a monthly demand of 20 kW and a load factor of 30 percent and consumes 52,560 kWh/year (20 kW * 30% * 8760 hours).

Q. IF THE DEMAND-RELATED COSTS WERE COLLECTED THROUGH A DEMAND CHARGE ON A PER KW BASIS, WHAT WOULD THE PER KW CHARGE BE?

A. The charge would be $4.17 per kW-month ($2,000 / 40 kW / 12 months). Each customer would then pay $1,000 for the demand-related cost they impose on the system (20 kW * $4.17/kW * 12).

Q. IF THE DEMAND-RELATED COSTS WERE COLLECTED ON AN ENERGY BASIS, WHAT WOULD THE PER KWH CHARGE BE?

A. If customers were charged on a per kWh basis, the energy charge would be 1.27 cents per kWh ($2,000 / 157,860 kWh), where the $2,000 is the total cost and 157,860 kWh represents the total annual energy sales.

Q. WHAT WOULD EACH CUSTOMER PAY UNDER THE PER KWH CHARGE OF 1.27 CENTS PER KWH?

A. Customer 1, the customer with the higher load factor of 60 percent, would pay $1,333 ($0.0127/kWh * 105,120 kWh). Customer 2, the customer that has the lower load factor would pay $667 ($0.0127/kWh * 52,560 kWh).

Q. ARE THE RESULTING ENERGY-BASED CHARGES REPRESENTATIVE OF THE UNDERLYING COSTS?

A. No. As the example makes clear, if the Companies collect their demand-related costs through energy-based charges, they will over-collect from one customer and under-collect from the other. The fixed costs are equally incurred by Customer 1 and Customer 2; however, under the per kWh scenario, the utility would recover $333 more from Customer 1 (a higher load factor customer) than its cost responsibility and $333 less from Customer 2 (a lower load factor customer) than its cost responsibility. In other words, Customer 1 would be subsidizing one-third of Customer 2's cost responsibility.

Q. WOULD THE COLLECTION OF A GREATER PERCENTAGE OF THE GSLDT-1 REVENUE REQUIREMENT THROUGH THE DEMAND CHARGE BE BENEFICIAL TO THE COMPANIES?

A. Yes. By collecting a large percentage of revenue requirement through energy charges, the Companies subject themselves to under and overcollection of its revenue requirement due to fluctuations in customer usage. As such, issues such as weather and the economy will have a greater impact on the utility versus a rate design in which an appropriate amount of revenue requirement is collected through the demand charge.

Q. WHAT IS WALMART'S RECOMMENDATION TO THE COMMISSION IN REGARD TO GSLDT-1 RATE DESIGN?

A. For the purposes of this docket, the Commission should set the basic service charge, maximum demand charge, and transformation credit for GSLDT-1 as proposed by the Companies, increase the on-peak demand charge by 1.2 times the percentage base revenue increase for the schedule, and apply the remainder of the increase to the on-peak and off-peak non-fuel charges in a manner that maintains the proposed 2.3X ratio between the charges.

Q. HAVE YOU CALCULATED ILLUSTRATIVE RATES AT THE COMPANIES' PROPOSED 2022 REVENUE REQUIREMENT?

A. Yes. Table 2 shows the comparison of the Companies' proposed GSLDT-1 rates and Walmart's proposed GSLDT-1 rates. The full derivation is provided in Exhibit SWC-9, and the base charge, non-fuel energy charges, and the demand charges all receive increases versus present rates.

Table 2. Comparison of Companies' Proposed GSLDT-1 Rates and Walmart Proposed GSLDT-1 Rates.

Charge	Companies' Proposed Rates	Walmart Proposed Rates
Base Charge	$95.62/customer-month	$95.62/customer-month
Non-Fuel Energy Charges		
On-Peak	$0.03513/kWh	$0.02953/kWh
Off-Peak	$0.01523/kWh	$0.01280/kWh
Demand Charges		
On-Peak	$13.56/kW	$15.29/kW
Maximum Demand	$1.11/kW	$1.11/kW
Transformation Credit	($0.34)	($0.34)

Source: Exhibit SWC-9

Q. DO WALMART'S PROPOSED CHANGES MOVE GSLDT-1 TOWARDS COST-BASED RATES?

A. Yes. As shown in Table 3, the proposed changes move GSLDT-1 towards cost-based rates while maintaining the price signals provided by the on-peak and off-peak energy charges.

Table 3. GSLDT-1 Cost of Service Study vs. Companies' Proposed GSLDT-1 Revenue Requirement vs. Walmart Proposed GSLDT-1 Revenue Requirement.

Component	COSS Results		Companies' Proposed Revenue Requirement		Walmart Proposed Revenue Requirement	
	($000)	(% of Total)	($000)	(% of Total)	($000)	(% of Total)
Demand	$554,583	86.2	$115,841	57.3	$129,431	64.0
Customer	$676	0.1	$1,160	0.6	$1,160	0.6
Energy	$88,185	13.7	$85,219	42.1	$71,629	35.4
Total	**$643,444**	**100**	**$202,220**	**100**	**$202,220**	

Sources: Exhibit SWC-9

Transition Rider Rate Design

Q. WHAT IS YOUR UNDERSTANDING OF HOW THE COMPANIES SET THE REVENUE REQUIREMENT FOR THE TRANSITION RIDER?

A. My understanding is that the Companies set the transition rider revenue requirement to represent the difference in overall system average costs between FPL and Gulf for 2021 base rates and all clauses including fuel, capacity, environmental, conservation, and storm protection. *See* Direct Testimony of Tiffany C. Cohen, page 28, line 23 to page 29, line 3.

Q. WHAT IS YOUR UNDERSTANDING OF THE RATE DESIGN TO BE USED FOR THE LEGACY FPL CREDIT AND LEGACY FPL CHARGE FOR DEMAND-METERED CUSTOMERS?

A. My understanding is that the Companies propose to credit legacy FPL demand-metered customers on a $/kW basis and charge legacy Gulf demand-metered customers on a $/kWh basis. *See* Direct Testimony of Tiffany C. Cohen, Exhibit TCC-8, page 2. The reason for the difference in structure is not clear from the Companies' testimony, and it does not appear that the rate design is based on some form of underlying cost of service structure.

Q. WHY IS THIS DIFFERENCE A CONCERN?

A. The difference is a concern because the transition rider rate designs are asymmetrical and treat legacy demand-metered customers differently on each system. For example, high load factor customers on GSLDT-1 under Gulf will pay the highest relative costs on the rate schedule because the charge is on a $/kWh energy basis, while high load factor customers on GSLDT-1 under FPL will receive the lowest realized benefit per kWh because the credit is on a $/kW basis and is spread over more kWh per billing period.

Q. WHAT IS WALMART'S RECOMMENDATION TO THE COMMISSION ON THIS ISSUE?

A. If the Commission approves unified rates and the proposed transition rider, the Commission should approve a symmetrical rate design for demand-metered customer classes, where the charge and credit for both legacy utilities are assessed on either a $/kW or $/kWh basis.

CDR Applicability to Legacy Gulf Customers

Q. WHAT IS YOUR UNDERSTANDING OF THE COMPANIES' PROPOSED APPLICABILITY OF CDR?

A. My understanding from a review of the Companies' proposed unified tariffs is that the Companies, as part of the unification of rates for the two legacy operating companies, propose to make CDR available to all customers, including legacy Gulf customers. *See* MFR No. E-14, Attachment 1, page 166. However, from my review of the Companies' proposed standalone tariffs for Gulf, it appears that the Companies do not propose to make CDR available to legacy Gulf customers if the

Commission does not approve tariff unification. *See* MFR No. E-14 (Gulf Standalone Information), Attachment 1, page 2.

Q. DOES WALMART SUPPORT THE AVAILABILITY OF CDR TO LEGACY GULF CUSTOMERS?

A. Yes. In FPL's legacy territory, CDR has been an effective tool to drive the deployment of distributed generation that provides support for grid operations and enables retail customers like Walmart to continue operations and serve their communities during severe weather events and other prolonged grid outages.

Q. WHAT IS WALMART'S RECOMMENDATION TO THE COMMISSION ON THIS ISSUE?

A. Even if the Commission determines that it will not approve unified rates for FPL and Gulf, the Commission should approve FPL's CDR for use by legacy Gulf customers.

Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes.