

**BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION**

In re: Petition for limited proceeding for recovery of incremental storm restoration costs related to Hurricanes Elsa, Eta, Isaias, Ian, Nicole, and Tropical Storm Fred, by Duke Energy Florida, LLC : **DOCKET NO. 20230020-EI**
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Filed: June 14, 2024

**POST-HEARING BRIEF OF
WALMART INC.**

Walmart Inc. ("Walmart"), by its undersigned attorneys, respectfully submits this Post-Hearing Brief to the Florida Public Service Commission ("PSC" or "Commission") pursuant to the Commission's Order Nos. PSC-2023-0333-PCO-EI and PSC-2024-0151-PHO-EI in the above-referenced proceeding. This proceeding concerns the Petition of Duke Energy Florida, LLC ("DEF" or "Company") for a limited proceeding for recovery of incremental storm restoration costs related to Hurricanes Elsa, Eta, Isaias, Ian, Nicole, and Tropical Storm Fred (the "Petition").

I. BACKGROUND

On January 23, 2023, DEF filed the Petition seeking authority to recover \$442.1 million for the incremental storm restoration costs related to Hurricanes Elsa, Eta, Ian, Isaias, and Nicole and Tropical Storm Fred, as well as replenish its storm reserve. On March 7, 2023, Walmart filed Comments raising a single issue ("Comments") prior to DEF's recovery of storm costs in this Docket, as set forth as Issue 16 for this Docket.

Specifically, the Company's recovery of storm restoration costs through an energy charge is not cost-based because it fails to properly reflect the demand-related nature of the underlying costs, thus creating intra-class subsidies within demand-metered customer classes. Walmart contends that, going forward, DEF should be required to recover storm restoration costs from

demand-metered customers through a demand, or \$/kW, charge, rather than through an energy, or \$/kWh, charge.

Walmart's issue in this Docket is not new, as Walmart has raised it previously in relation to the Storm Protection Plan ("SPP") and Storm Protection Plan Cost Recovery Clause ("SPPCRC") Dockets as early as 2020.¹ Walmart's concern is that recovery of demand-related costs through an energy charge shifts demand cost responsibility from lower load factor customers to higher load factor customers in violation of cost-causation principles.² Walmart is not requesting retroactive adjustments to storm restoration costs that DEF already recovered, but only adjustment to those costs yet to be recovered (despite Walmart raising this issue prior to any of DEF's storm restoration costs being recovered from customers in this Docket). As further detailed below, DEF's opposition to Walmart's recommendation on the basis that storm restoration costs have been approved through the energy charge since 2004 is unpersuasive, as storm restoration costs can and should be reevaluated to ensure that they are based in principles of cost causation.

II. ISSUES AND POSITIONS

Issue 1: **Should the incremental cost and capitalization approach (ICCA) found in Rule 25-6.0143, F.A.C., be used to determine the reasonable and prudent amounts to be included in the restoration costs?**

Position: *Walmart takes no position.*

Issue 2: **Have the terms of DEF's 2019 Settlement Agreement, approved by Order No. PSC-2019-0232-AS-EI, issued June 13, 2019, been complied with? If not, why not?**

Position: *Walmart takes no position.*

¹ See Hearing Exhibit ("Ex.") 13, Comments, p. 2. Although both DEF and Florida Public Utility Company ("FPUC") originally sought recovery of SPP costs from demand-metered customers through an energy charge, each Utility ultimately entered into a Stipulation whereby each agreed to charge demand-metered customers a demand charge related to SPP costs. See *id.* at n. 1, and p. 3.

² See *id.* at 2, and Hearing Ex. 14, Direct Testimony of Lisa V. Perry at Exhibit LVP-3 (Direct Testimony of Lisa V. Perry in the 2021 SPPCRC case, Docket No. 20210010-EI), p. 14, lines 6-21.

Issue 3: What is the reasonable and prudent amount of regular payroll expense to be included in Total Storm Related Restoration Costs?

Position: *Walmart takes no position.*

Issue 4: What is the reasonable and prudent amount of overtime payroll expense to be included in Total Storm Related Restoration Costs?

Position: *Walmart takes no position.*

Issue 5: What is the reasonable and prudent amount of contractor costs, including vegetation and line clearing, to be included in Total Storm Related Restoration Costs?

Position: *Walmart takes no position.*

Issue 6: What is the reasonable and prudent amount of vehicle and fuel expense to be included in Total Storm Related Restoration Costs?

Position: *Walmart takes no position.*

Issue 7: What is the reasonable and prudent amount of employee expenses to be included in Total Storm Related Restoration Costs?

Position: *Walmart takes no position.*

Issue 8: What is the reasonable and prudent amount of materials and supplies expense to be included in Total Storm Related Restoration Costs?

Position: *Walmart takes no position.*

Issue 9: What is the reasonable and prudent amount of logistics costs to be included in Total Storm Related Restoration Costs?

Position: *Walmart takes no position.*

Issue 10: What is the reasonable and prudent amount of other costs to be included in Total Storm Related Restoration Costs?

Position: *Walmart takes no position.*

Issue 11: What is the reasonable and prudent total amount of costs to be included in Total Storm Related Restoration Costs?

Position: *Walmart takes no position.*

Issue 12: What is the reasonable and prudent amount of storm-related costs that should be capitalized?

Position: *Walmart takes no position.*

Issue 13: What is the reasonable and prudent amount of storm-related costs that should be ICCA non-incremental O&M adjustments?

Position: *Walmart takes no position.*

Issue 14: What is the reasonable and prudent total amount of retail Recoverable Storm Costs?

Position: *Walmart takes no position.*

Issue 15: What is the appropriate accounting treatment associated with any storm costs found to have been imprudently incurred?

Position: *Walmart takes no position.*

Issue 16: Should any cost recovery approved in this docket be recovered from demand-metered customers through the demand charge?

Position: *Walmart recommends that any cost recovery approved in this Docket going forward should be recovered from demand-metered customers through the demand charge, *i.e.*, on a \$/kW basis, and not through the energy charge, or on a \$/kWh basis, as proposed by the Company.*

The Commission should require DEF to recover storm restoration costs on a going forward basis from demand-metered customers through the demand charge, or on a \$/kW basis, and not through the energy charge, or \$/kWh basis, as proposed by the Company. As explained in Walmart's Comments and Direct Testimony, the Company's recovery of storm restoration costs from demand-metered customers through an energy charge is not cost-based because it fails to appropriately reflect the demand-related nature of the underlying costs, thereby creating intra-class subsidies within demand-metered customer classes.³ As such, the Company should recover storm

³ See Hearing Ex. 13, Comments, pp. 1-3; Hearing Ex. 14, Direct Testimony of Lisa V. Perry, p. 5, lines 1-4, p. 6, lines 13-20.

restoration costs on a going forward basis from demand-metered customers through a demand charge.⁴

Distribution costs associated with storm restoration are fixed in nature and do not vary with the amount of energy consumed by a particular customer.⁵ As explained by Ms. Perry, when such costs are recovered through energy charges, the result is a misallocation of cost responsibility that can lead to intra-class subsidies.⁶ Ms. Perry further explained that Walmart, as a higher load factor customer, overpays a portion of storm restoration costs while lower load factor customers within the same rate class will underpay a portion of storm restoration costs.⁷ Under cost of service principles, this misallocation of cost recovery is inappropriate.

DEF's primary opposition to Walmart's proposal is that storm restoration costs have been recovered through the energy charge since 2004, and that it would be impractical to change rates in the middle of storm cost recovery cycle.⁸ As explained in the Prehearing Order, "[t]he fact that the Commission has to date approved all storm replacement surcharges requested by any of the investor-owned utilities on an energy basis is not persuasive."⁹ Inertia is not a sufficient reason to avoid adjusting cost recovery so that it aligns with cost causation and cost of service. Regarding impracticality, Walmart recognizes that the Company believes it would take two to three months to adjust billing from an energy charge to a demand charge for demand-metered classes.¹⁰ Despite being towards the end of the recovery cycle, that is not a reason for DEF to not begin recovering

⁴ See Hearing Ex. 14, Direct Testimony of Lisa V. Perry, p. 3, lines 19-23.

⁵ See Hearing Transcript ("Tr."), p. 145, line 8 to p. 146, line 22 (Walmart witness Perry).

⁶ *Id.* at 128, lines 10-25(Walmart witness Perry).

⁷ *Id.* at 137, line 23 to p. 139, line 16 (Walmart witness Perry).

⁸ See Hearing Ex. 2, Rebuttal Testimony of Christopher A. Menendez, p. 2, line 20 to p. 4, line 9.

⁹ See Prehearing Order No. PSC-2024-0151-PHO-EI, p. 18 (issued May 14, 2024).

¹⁰ See Hearing Tr., p. 110, line 14 to p. 111, line 14 (Company witness Menendez).

a portion of its storm restoration costs from demand-metered customers via demand charges to align cost recovery with cost of service.

Issue 17: If applicable, how should any under-recovery or over-recovery be handled?

Position: *DEF proposes to handle any under-recovery or over-recovery through the Capacity Charge. Walmart supports that methodology for collection of any under-recovery via demand charges for demand-metered customers, but opposes any refunds of amounts collected by energy charges via demand-charge rates for demand-metered customers.*

The Commission should require DEF to handle any under-recovery via demand charges for demand-metered customers, as such recovery aligns with cost causation principles as detailed above. If DEF has an over-recovery of storm restoration costs, however, refunds should be returned to customers in the manner in which they were collected from customers. For instance, if DEF received an over-recovery from customers through the energy charge, then any refund should be provided via energy rates. Alternatively, if the Commission adopts Walmart's recommendation on Issue 16, and costs going forward are recovered from demand-metered customers via a demand charge, then any over-recovery of those costs should be refunded via demand rates. By structuring any under-recovery or over-recovery in this manner, the Commission will ensure that customers receive refunds that match how they overpaid.

The Company's proposal to address any under-recovery or over-recovery via the Capacity Clause, however, does not align with this matching principle and could cause a mismatch for demand-metered customers.¹¹ The Company's primary reasoning for this proposed methodology appears to be administrative efficiency, but the Company also recognizes the validity of Walmart's concern and recommendation.¹² To handle the true up appropriately, the Commission should

¹¹ See Hearing Tr., p. 108, lines 2-24 (Company witness Menedez).

¹² *Id.*

require the Company to refund any over-recovery in the manner in which the costs were originally recovered, while handling any under-recovery via demand charges for demand-metered customers.¹³

Issue 18: What additional storm restoration improvements, if any should DEF follow in future storms?

Position: *Walmart takes no position.*

Issue 19: Should this docket be closed?

Position: *Walmart takes no position.*

IV. CONCLUSION

WHEREFORE, Walmart respectfully request that the Commission require DEF to recover the remainder of any unrecovered storm restoration costs from demand-metered customers through a demand charge, rather than through an energy charge to ensure that each customer within a rate class is paying its cost to serve it. Regarding the handling of any over-recovery or any under-recovery, the Commission should require the Company to issue refunds for any over-recovery in the manner in which the costs were originally recovered so that charges and refunds align. For any under-recovery, Walmart recommends that the Company collect those amounts via demand charges for demand-metered customers.

Respectfully submitted,

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¹³ Notably, both Tampa Electric Company, as set forth in Prehearing Order No. PSC-2024-0134-PHO-EG in Docket No. 20230019-EI, and Florida Power & Light Company, as set forth Stipulations filed on June 12, 2024, in Docket No. 20230017-EI, agreed that refunds of over-collected amounts would be refunded to customers the same way they were originally collected.

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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 14th day of June, 2023.

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