STATE OF NEW HAMPSHIRE
before the
PUBLIC UTILITIES COMMISSION

Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty
Request for Change in Distribution Rates
DOCKET NO. DE 23-039

DIRECT TESTIMONY AND EXHIBITS OF

ERIC S. AUSTIN

ON BEHALF OF

WALMART INC.

DECEMBER 13, 2023

Table of Contents

<u>Exhibits</u>

Exhibit WAL-7	Impact of Liberty's Proposed Return on Equity vs. Average Return on Equity Awarded to Distribution-Only Utilities from 2020-Present, Rate Year 2
Exhibit WAL-8	Impact of Liberty's Proposed Return on Equity vs. Average Return on Equity Awarded to Distribution-Only Utilities from 2020-Present, Rate Year 3

I. Introduction

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

A. My name is Eric S. Austin. My business address is 2608 SE J Street, Bentonville, Arkansas 72716-0550. I am employed by Walmart Inc. ("Walmart") as a Senior Manager, Utility Partnerships.

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 2009, I earned a Bachelor of Science degree in Education from Texas A&M University – Commerce. I am currently earning a Masters of Legal Studies from Texas A&M University. I have over twelve years of experience in the utility industry, including both investor-owned utilities and cooperatives. I was involved in several areas of the utility business, including generation, transmission, distribution, demand response, and electric vehicle charging. Most recently, before joining Walmart, I was the Manager of Electric Transportation and Public Charging at American Electric Power ("AEP"). I joined Walmart in 2023 as a Senior Manager, Utility Partnerships. My Witness Qualifications Statement is attached as Exhibit WAL-1.

Q. HAVE YOU PREVIOUSLY SUBMITTED TESTIMONY BEFORE THE NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION ("COMMISSION")?

A. No, I have not.

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

A. Yes; I have submitted testimony with the New Mexico state legislature and served as an expert witness in Kansas and New Mexico on matters relating to electric vehicle charging infrastructure and geothermal heat pumps.

Q. ARE YOU SPONSORING EXHIBITS IN YOUR TESTIMONY?

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

Q. PLEASE BRIEFLY DESCRIBE WALMART'S OPERATIONS IN NEW HAMPSHIRE.

A. As shown on Walmart's website, Walmart operates 28 retail units and one distribution center, and employs over 8,000 associates in New Hampshire. In the fiscal year ending 2023, Walmart purchased approximately $305.7 million dollars of goods and services from New Hampshire-based suppliers, supporting over 6,000 supplier jobs.[1]

Q. PLEASE BRIEFLY DESCRIBE WALMART'S OPERATIONS WITHIN THE NEW HAMPSHIRE SERVICE TERRITORY FOR LIBERTY UTILITIES (GRANITE STATE ELECTRIC) CORP D/B/A LIBERTY ("LIBERTY" OR "COMPANY").

A. Walmart has two stores and related facilities that take service from Liberty, primarily on the General Service Time-of-Use Rate ("G-1 Rate").

[1] https://corporate.walmart.com/about/location-facts/united-states/new-hampshire

II. Purpose of Testimony and Summary of Recommendations

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. The purpose of my testimony is to respond to the Company's *Petition for Permanent and Temporary Rates* filed with the Commission on April 28, 2023 ("Petition"). Specifically, my testimony will provide recommendations to assist the Commission in its thorough and careful consideration of the customer impact of the Company's proposed rate increase, including the Company's requested return on equity ("ROE") and its proposed energy only electric vehicle ("EV") charging rates.

Q. IN SETTING THE REVENUE REQUIREMENT, ROE, REVENUE ALLOCATION, AND RATE DESIGN CHANGES FOR THE COMPANY, 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 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 docket, to ensure that any increase in the Company's rates are the minimum necessary to provide safe, adequate, and reliable service, while also providing the Company the opportunity to recover their reasonable and prudent costs and earn a reasonable return on their investments.

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

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

(1) The Commission should closely examine the Company's proposed revenue requirement increases and the associated proposed increase in the Company's ROE, especially when viewed in light of:

(a) the customer impact of the resulting revenue requirement increases;

(b) recent rate case ROEs approved by the Commission;

(c) the Company's currently approved ROE;

(d) the reduced risk associated with the use of a multi-year rate plan (which reduces the risk due to regulatory lag between rate cases and utilizes a forward-looking test year) and the Company's proposal to implement a deadband around the authorized ROE that would limit the risk of the Company not earning its authorized ROE; and

(e) recent rate case ROEs approved by other state regulatory commissions.

(2) For purposes of this docket, Walmart does not take a position on the Company's proposed cost of service methodology. However, to the extent that alternative cost of service methodologies or modifications to the Company's methodology are proposed by other parties, Walmart

reserves the right to address any such changes in accordance with the Commission's procedures in this docket.

(3) For purposes of this docket, Walmart does not take a position on the Company’s proposed revenue allocation. However, to the extent that alternative revenue allocation methodologies or modifications to the Company's methodologies are proposed by other parties, Walmart reserves the right to address any such changes in accordance with the Commission's procedures in this docket.

(4) For the purposes of this docket, Walmart does not oppose the Company's proposed rate levels for the G-1 Rate at the Company's proposed revenue requirement. However, to further align cost recovery from customers with the costs of service, if there is a decrease in revenue requirement, then such decrease should be applied only to the energy charges to bring these charges closer to their cost of service-based levels.

(5) Walmart recommends that the Commission approve the Company’s proposed Energy Rate Options (defined later in my testimony) as additional rates to the Company’s current Rate EV-L and Rate EV-M so that customers will have the option to choose which rate best supports the economics of a particular charging unit initially and have the ability to switch to a different EV rate as utilization of a charger changes over time.

Q. DOES THE FACT THAT YOU MAY NOT ADDRESS AN ISSUE OR POSITION ADVOCATED BY THE COMPANY 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.

III. Revenue Requirement and Cost of Capital

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

A. My understanding is that the Company is requesting a revenue requirement increase of $15.5 million in Rate Year 1, $18.2 million in Rate Year 2, and $21.1 million in Rate Year 3.[2] *See* Direct Testimony of Kristin M. Jardin and Daniel S. Dane ("Jardin/Dane Direct"), page 6, Table 1: Liberty Proposed Revenue Increase. The proposed increases are based on a test year ending December 31, 2022, and represent rate years ending June 30, 2024 (Rate Year 1), ending June 30, 2025 (Rate Year 2), and ending June 30, 2026 (Rate Year 3). *See id.* at page 4, lines 9-13.

Q. IS IT YOUR UNDERSTANDING THAT THE COMPANY IS PROPOSING A MULTI-YEAR RATE PLAN?

A. Yes; it is my understanding that the Company is seeking approval of a three-year rate plan with the first year beginning in July 2023. *See* Direct Testimony of Neil

[2] In order to mitigate the customer impact of the requested revenue increase, the Company is proposing to levelize the increase across the three-year rate period, which will result in an annual increase of $9.2 million each year. *See* Direct Testimony of Kristin M. Jardin and Daniel S. Dane, page 6, lines 9-13.

Proudman, page 8, line 12; *see also* Direct Testimony of Matthew DeCourcey and Gregg Therrien ("DeCourcey/Therrien Direct"), page 9, lines 8-10.

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

A. The Company is proposing a ROE of 10.35 percent based on a range of 9.90 percent to 11.00 percent. *See* Direct Testimony of Anne E. Bulkley ("Bulkley Direct"), page 8, lines 5-7. The Company proposes a variable cost of long-term debt over three years as set forth in Table 1 below.

Table 1: Cost of Long-Term Debt for Rate Years 1, 2, and 3.

Capital Component	Ratio	Rate Year 1	Rate Year 2	Rate Year 3
Long-Term Debt	45.00%	6.03%	6.14%	5.84%
Requested ROE	55.00%	10.35%	10.35%	10.35%
Source: Attachment KMY/DSD-1, Schedule RR-5, pages 2-4.				

Based on the Company's proposed capital structure, cost of debt, and ROE as provided above, the overall weighted average cost of capital ("WACC") for each Rate Year is 8.41 percent for Year 1, 8.46 percent for Year 2, and 8.32 percent for Year 3, compared to the current WACC of 7.60 percent.[3] *See* Attachment KMY/DSD-1, Schedule RR-5, pages 1-4.

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

A. Yes, especially when viewed considering:

(1) the customer impact of the resulting revenue requirement increases;

(2) recent rate case ROEs approved by the Commission;

(3) the Company's currently approved ROE;

[3] The current WACC of 7.60 percent is calculated based on the currently authorized ROE of 9.10 percent and a capital structure of 48.00 percent debt and 52.00 percent equity. *See* Attachment KMY/DSD-1, Schedule RR-5, page 1.

(4) the reduced risk associated with the use of a multi-year rate plan (which reduces the risk due to regulatory lag between rate cases and utilizes a forward-looking test year) and the Company's proposal to implement a deadband around the authorized ROE that would limit the risk of the Company not earning its authorized ROE[4]; and

(5) recent rate case ROEs approved by other state utility regulatory commissions nationwide.

(A) Customer Impact

Q. WHAT IS YOUR UNDERSTANDING OF THE COMPANY'S CURRENTLY APPROVED ROE?

A. My understanding is the Company's currently approved ROE is 9.10 percent. *See* Petition, page 2, ¶ 3.

Q. HAVE YOU ESTIMATED THE IMPACT OF THE RETURN ON RATE BASE FROM THE COMPANY'S PROPOSED INCREASE IN ROE FROM 9.10 PERCENT TO 10.35 PERCENT?

A. Yes. Using Liberty's proposed rate base, cost of debt, and capital structure, the impact of the proposed change in the ROE from 9.10 percent to 10.35 percent is approximately $1.8 million, or 11.9 percent of Liberty's proposed revenue deficiency for Rate Year 1, approximately $2.0 million or 10.9 percent for Rate Year

[4] The Company is proposing an earnings sharing mechanism that, in part, would allow the Company to recover from customers 50 percent of any underearning up to 200 basis points below the authorized ROE, and 75 percent for an underearning that is more than 200 basis points below. *See* DeCourcey/Therrien Direct, page 36, lines 6-10.

2, and approximately $2.1 million or 10 percent for Rate Year 3. *See* Exhibits WAL-2, WAL-3, and WAL-4.

(B) Recent ROEs Approved by the Commission

Q. IS THE COMPANY'S PROPOSED ROE SIGNIFICANTLY HIGHER THAN ROEs APPROVED BY THE COMMISSION SINCE 2020?

A. Yes. During 2020, 2021, 2022, and so far in 2023, the Commission has issued orders with stated ROEs in three electric rate cases with the average of the approved ROEs being 9.20 percent. *See* Exhibit WAL-5.

Q. IN WHICH CASES DID THE COMMISSION ISSUE ORDERS WITH STATED ROEs?

A. The Commission issued orders with stated ROEs in the following cases:

- Docket No. DE-21-030, Unitil Energy Systems, Inc. general electric rate case in which the Commission approved an ROE of 9.20 percent by Order dated May 12, 2022. *See* Exhibit WAL-5.
- Docket No. DE-19-057, Public Service Company of New Hampshire general electric rate case in which the Commission approved an ROE of 9.30 percent by Order dated December 15, 2020. *See id.*
- Docket No. DE-19-064, Liberty Utilities (Granite State Electric) general electric rate case in which the Commission approved an ROE of 9.10 percent by Order dated June 30, 2020. *See id.*

As such, the Company's proposed 10.35 percent ROE is counter to recent Commission actions regarding ROE.

(C) National Utility Industry ROE Trends

Q. HOW DOES THE COMPANY'S PROPOSED ROE COMPARE TO ROEs APPROVED BY STATE UTILITY REGULATORY COMMISSIONS IN 2020, 2021, 2022, AND SO FAR IN 2023?

A. According to data from S&P Global Market Intelligence ("S&P Global"), a financial news and reporting company, the average of the 139 reported electric utility rate case ROEs authorized by state utility regulatory commissions for investor-owned utilities in 2020, 2021, 2022, and so far in 2023, is 9.45 percent. *See* Exhibit WAL-5. The range of reported authorized ROEs for the period is 7.36 percent to 11.45 percent, and the median authorized ROE is 9.50 percent. *See id.* As such, the Company's proposed 10.35 percent ROE is counter to broader electric industry trends.

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

A. In the group reported by S&P Global, the average ROE for distribution-only utilities authorized over the same time period is 9.12 percent. *See* Exhibit WAL-5. The average electric ROE authorized for distribution-only utilities in 2020 was 9.10 percent, in 2021 it was 8.99 percent, in 2022 it was 9.11 percent, and so far in 2023 it is 9.31 percent. *See id.* As such, particularly when compared to distribution-only utilities, the Company's proposed 10.35 percent ROE is counter to broader electric industry trends. In fact, as shown in Figure 1, the Company's proposed 10.35 percent ROE, if approved, would be the highest approved electric ROE (out of 43) for a distribution-only utility from 2020 to present.

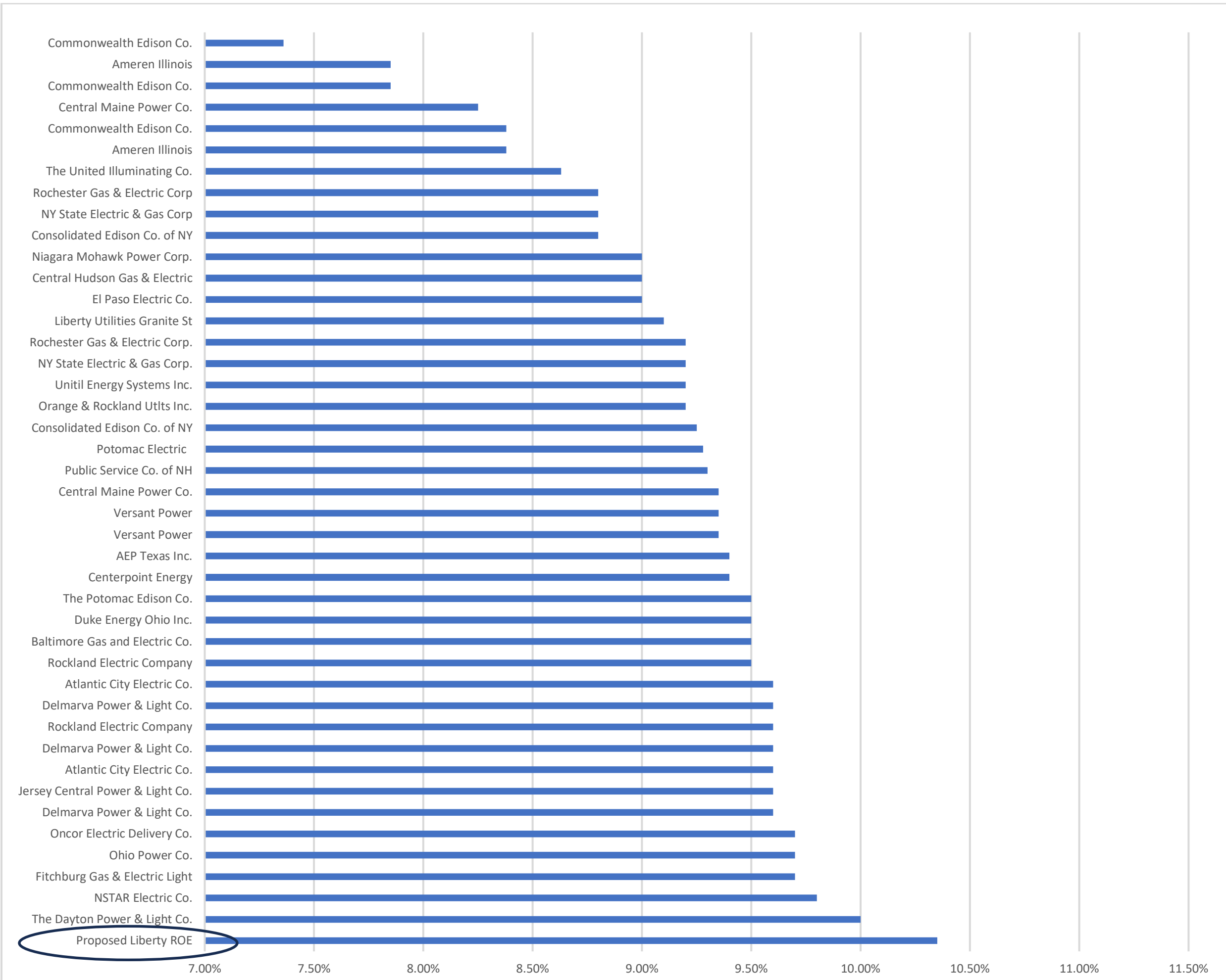

Figure 1. Company's Proposed ROE of 10.35 Percent Versus Approved ROEs, Distribution-Only Electric Utilities, 2020 to Present.

Q. WHAT IS THE DIFFERENCE IN REVENUE REQUIREMENT BETWEEN THE COMPANY'S PROPOSED 10.35 PERCENT ROE AND 9.12 PERCENT, WHICH IS THE AVERAGE AUTHORIZED ELECTRIC ROE FOR DISTRIBUTION-ONLY UTILITIES FROM 2020 TO PRESENT?

A. The difference in return on rate base for 10.35 percent ROE versus 9.12 percent ROE is a difference in revenue requirement of approximately $1.8 million, or 11.7 percent of the Company's proposed revenue deficiency for Rate Year 1, $1.9 million, or 10.7 percent, for Rate Year 2, and $2.1 million, or 9.8 percent. *See* Exhibits WAL-6, WAL-7, and WAL-8.

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

A. No. Decisions of other state utility regulatory commissions are not binding on the Commission. Additionally, each state utility regulatory commission considers the specific circumstances in each case in its determination of the proper ROE. Walmart is providing this information to illustrate a national customer perspective on industry trends in authorized ROE.

(D) Conclusion

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

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

(1) the customer impact of the resulting revenue requirement increases;

(2) recent rate case ROEs approved by the Commission;

(3) the Company's currently approved ROE;

(4) the reduced risk associated with the use of a multi-year rate plan (which reduces the risk due to regulatory lag between rate cases and utilizes a forward-looking test year) and the Company's proposal to implement a deadband around the authorized ROE that would limit the risk of the Company not earning its authorized ROE; and

(5) recent rate case ROEs approved by other state regulatory commissions.

IV. Cost of Service, Revenue Allocation, and Rate Design

(A) Cost of Service

Q. WHAT IS WALMART'S POSITION ON SETTING RATES BASED ON THE UTILITY'S COST OF SERVICE?

A. Walmart advocates that rates be set based on the utility's cost of service for each rate class. This produces equitable rates that reflect cost causation, send proper price signals, and minimize price distortions.

Q. DID THE COMPANY CONDUCT A COST OF SERVICE STUDY ("COSS")?

A. It is my understanding that the Company prepared a marginal cost study with pro forma adjustments covering the three proposed Rate Years. *See* Direct Testimony of Melissa F. Bartos, page 1, lines 11-12; *see* Attachment KMJ/DAD-1, Schedule RR-4.

Q. DOES WALMART TAKE A POSITION ON THE COMPANY'S PROPOSED COST OF SERVICE METHODOLOGY AT THIS TIME?

A. For purposes of this docket, it does not. However, to the extent that alternative cost of service methodologies or modifications to the Company's methodology are proposed by other parties, Walmart reserves the right to address any such changes in accordance with the Commission's procedures in this docket.

(B) Revenue Allocations

Q. WHAT IS YOUR UNDERSTANDING OF THE COMPANY'S PROPOSED REVENUE REQUIREMENT INCREASE IN ITS RATES?

A. It is my understanding that the Company is seeking approval of temporary rates that would generate additional distribution revenue in the amount of $6.7 million, effective July 1, 2023, and a three-year multi-year rate plan that would produce an annual revenue requirement increase of $15.5 million for Rate Year 1 (a portion of which would be recovered through the temporary rates), $18.1 million for Rate Year 2, and $21.1 million for Rate Year 3. [5] *See* Direct Testimony of Kristin M. Jarden,

[5] In order to mitigate the customer impact of the requested revenue increase, the Company is proposing to levelize the increase across the three-year rate period, which will result in an annual increase of $9.2 million each year. *See* Jardin/Dane Direct, page 6, lines 9-13.

Daniel S. Dane, and Gregg H. Therrien, page 7, lines 2-5; *see* Attachment KMJ/DSD-1, Schedule RR-1.

Q. HOW DOES THE COMPANY PROPOSE TO ALLOCATE THIS REVENUE INCREASE ACROSS ITS CUSTOMER CLASSES?

A. The Company states that its goal is to increase the overall system delivery by 33.75 percent. *See* Direct Testimony of Gregg H. Therrien, page 6, line 7-8. However, when applying this increase based on the COSS, some classes would receive a significantly larger increase than the system average increase. *See id.* at page 6, lines 9-12. In order to mitigate these significant rate increases to certain classes, the Company is proposing the following limitations: (i) any class that would otherwise have received a rate decrease is adjusted to a zero decrease, (ii) a cap equal to 120 percent of the total Company increase, or 40.50 percent of base revenues, is applied, and (iii) the revenue shortfall created by the 120 percent cap is apportioned to each rate class based on that class's relative contribution to the total company test year revenues. *See id.* at page 6, line 20 to page 7, line 7.

Q. DOES WALMART TAKE A POSITION ON THE COMPANY'S PROPOSED REVENUE ALLOCATION AT THIS TIME?

A. For purposes of this docket, it does not. However, to the extent that alternative revenue allocation methodologies or modifications to the Company's methodologies are proposed by other parties, Walmart reserves the right to address any such changes in accordance with the Commission's procedures in this docket.

(C) Rate Design – Structure of G-1 Rate

Q. UNDER WHICH RATE DOES WALMART TAKE SERVICE FROM THE COMPANY?

A. Walmart is primarily served under the Company's G-1 Rate.

Q. HOW IS THE G-1 RATE STRUCTURED?

A. The Company's G-1 Rate is comprised of:

(1) a monthly customer charge, fixed $/month;

(2) off peak distribution charges, $/kWh;

(3) on peak distribution charges, $/kWh;

(4) system benefits charge, $/kWh;

(5) transmission charge, $/kWh; and

(6) demand charge, $/kW.

Q. DOES THE COMPANY PROPOSE ANY STRUCTURAL CHANGES TO THE G-1 RATE?

A. No, the Company is not proposing any structural changes to the G-1 Rate.

Q. WHAT RATES DOES THE COMPANY PROPOSE FOR THE G-1 RATE CLASS?

A. Company proposes the rates shown in Table 2 below for the G-1 Rate.

Table 2. Liberty's Proposed Rates for G-1 Rate			
Rate	**Current**	**Proposed**	**% Change**
Customer Charge	$422.90/month	$594.16/month	40.5
On-Peak kWh Delivery Charge	$0.00573/kWh	$0.00798/kWh	39.3
Off-Peak kWh Delivery Charge	$0.00169/kWh	$0.00235/kWh	39.1
kW Delivery Charge	$8.96/kW	$12.58/kW	40.4
Source: Exhibit GHT-3			

Q. HOW DOES A UTILTY DETERMINE THE NATURE OF COSTS INCURRED BY ITS CUSTOMERS AND HOW THOSE COSTS ARE ALLOCATED AND RECOVERED FROM THE VARIOUS CUSTOMER CLASSES?

Generally, when preparing a COSS, a utility first assigns costs to the portion of the Company's system that created the relevant cost, which is generally production-related, transmission-related, or distribution-related. This process is called functionalization. Within each function, the Company then classifies each cost as either demand-related, energy-related, or customer-related. Generally, demand-related costs vary in proportion to the rate and are recovered on a $/kW basis, while energy-related costs vary in proportion to the *volume* of electricity delivered, and are expressed as a $/kWh charge. Lastly, each functionalized and classified cost is allocated among the customer classes based on either the class's contribution to peak demand ($/kW), contribution to the total volume of electricity delivered ($/kWh), or contribution to number of total customers.

Q. YOU MENTIONED THAT G-1 RATES INCLUDE CUSTOMER, DEMAND, AND ENERGY CHARGES. DOES THIS RATE STRUCTURE ALIGN WITH HOW THESE COSTS ARE INCURRED?

A. No, they do not. Customers on the G-1 Rate, including Walmart, take only delivery service from the Company, the costs of which are typically classified as demand-related costs, or costs that do not vary with the amount of electricity provided. Because of the fixed nature of these costs, in order to align recovery of those costs with how they are incurred, delivery service charges should be recovered from customers who take service under the G-1 Rate through the demand, or $/kW, charge and not through the energy, or $/kWh, charge, as proposed by the Company.

Q. DOES THE RECOVERY OF DEMAND-RELATED COSTS THROUGH ENERGY CHARGES DISADVANTAGE HIGHER LOAD FACTOR CUSTOMERS?

A. Yes. 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. This results in a misallocation of cost responsibility as higher load factor customers overpay for the demand-related costs incurred by the company to serve them. In other words, higher load factor customers are paying for a portion of the demand-related costs that are incurred to serve lower load factor customers simply because of the manner in which the Company collects those costs in rates.

Q. WOULD THE PROPER COLLECTION OF DEMAND-RELATED COSTS THROUGH A DEMAND CHARGE PROVIDE THE COMPANY BENEFITS?

A. Yes. By collecting more demand-related costs through the energy delivery charge, the Company could be more susceptible to weather-related and other fluctuations in usage than it would be if those costs were recovered through a demand charge. A rate design that properly collects fixed costs through a $/kW demand charge and energy-related costs through $/kWh variable charges should provide greater revenue certainty and more stable utility earnings.

Q. WHAT IS YOUR RECOMMENDATION TO THE COMMISSION ON THIS ISSUE?

A. For purposes of this docket, Walmart does not oppose the Company's proposed rate levels for the G-1 Rate at the Company's proposed revenue requirement. However, to further align cost recovery from customers with the costs of service, if there is a decrease in revenue requirement, then such decrease should be applied only to the energy charges to bring these charges closer to their cost of service-based levels.

V. EV Charging Rates

Q. DOES THE COMPANY CURRENTLY OFFER EV CHARGING RATES?

A. Yes, it does. It appears that the Company currently offers the following EV charging rates:

(1) Rate EV Plug In Electric Vehicle, which is available to customers taking service under Rate D (residential rate);

(2) Rate EV-L Commercial Plug In Electric Vehicle Charging ("Rate EV-L"), which is available to customers with separately metered EV charging stations that will use, on average, more than 72 kW of demand; and

(3) Rate EV-M Commercial Plug In Electric Vehicle Charging ("Rate EV-M"), which is available to customers with separately metered EV charging stations that will use no greater than 72 kW of demand.

See Attachment TRF-PERM, pages 109-113.

Q. DOES THE COMPANY PROPOSE ANY CHANGES TO ITS EXISTING EV CHARGING RATES OR PROPOSE NEW EV CHARGING RATES?

A. The Company is proposing new energy only transitional EV rate options in addition to its existing Rate EV-L and Rate EV-M. *See* Direct Testimony of Gregory W. Tillman ("Tillman Direct"), p. 27, lines 19-21.

Q. WHAT ADDITIONAL EV RATE OPTIONS IS THE COMPANY PROPOSING?

A. The Company is proposing, in addition to its current Rate EV-L and Rate EV-M, transitional rate options that the Company is calling the EV Large Energy Option Rate ("Rate EV-L-E") and the EV Medium Energy Option Rate ("Rate EV-M-E"), collectively referred to hereinafter as the "Energy Rate Options." *See* Tillman Direct, page 27, lines 19-21. It is my understanding that, under the structure of the Energy Rate Options, the demand charge is eliminated and the energy charge is increased by an offsetting amount. *See* Tillman Direct, page 28, lines 14-16. Other than those differences, the structure of the Energy Rate Options will mirror Rate EV-L and Rate EV-M, including the time-of-use periods. *See* Tillman Direct, page 28, lines 16-17. It is also my understanding that the customer will have the on-going option to select either the Energy Rate Options or the existing Rate EV-L or Rate

EV-M depending on the utilization of the charging unit. *See* Tillman Direct, page 31, lines 7-10.

Q. WHY IS THE COMPANY OFFERING THE ENERGY RATE OPTIONS?

A. According to the Company, although the current Rate EV-L and Rate EV-M were designed to encourage EV adoption, there are currently no customers taking service under either of these rates. *See* Tillman Direct, page 28, lines 2-4. The Company believes this lack of customer participation may be due, in part, to the demand charges for EV charging equipment taking service under these rates despite low utilization of the charger. *See* Tillman Direct, page 28, lines 4-7. I will discuss later in my testimony why demand charges for under-utilized chargers are problematic for the EV charger owner and disincentivizes the adoption of EVs.

Q. DOES WALMART HAVE EXPERIENCE IN THE EV CHARGING SPACE?

A. Yes, Walmart has substantial experience offering EV charging to its customers and is actively growing its presence in the EV charging space. Specifically, Walmart currently hosts more than 1,200 public direct current fast chargers ("DCFC") at 285 different locations across 43 states. As announced recently, Walmart intends to build its own EV fast-charging network at thousands of Walmart and Sam's Club locations across the U.S. over the next few years.[6] Walmart retail sites are ideally situated for EV charging stations because of their large parking lots, easy public access, and multi-site locations.

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[6] https://corporate.walmart.com/newsroom/2023/04/06/leading-the-charge-walmart-announces-plan-to-expand-electric-vehicle-charging-network

Q. WHY HAS WALMART DECIDED TO PARTICPATE IN THE PUBLIC EV CHARGING SPACE?

A. As part of its renewable energy and carbon reduction efforts, Walmart is committed to supporting EV adoption by providing EV charging stations in thousands of locations that not only serve EV customers who reside and/or work nearby but also advances the nationwide EV infrastructure as a whole. Further, Walmart is proud to offer EV charging as a convenience to its customers who currently own EVs and for future EV owners. Building an EV charging infrastructure that serves local communities, both large and small, as well as corridors located within states and throughout the country, is critical as vehicle owners consider their options when purchasing a new vehicle.

Q. WHAT FACTORS DOES WALMART CONSIDER WHEN INSTALLING OR SITING EV CHARGING INFRASTRUCTURE?

A. As a general rule, Walmart seeks to site EV charger locations to provide value to Walmart and its customers. Walmart seeks to balance the risks and costs of installing and maintaining EV charging infrastructure by participating in various EV-specific programs offered through states or utility companies, such as rebate programs and make ready programs. Additionally, the economics of a particular EV charging station is informed, in significant part, by the tariff under which the electricity is provided from the utility to the owner of the EV charger.

Q. IS WALMART SUPPORTIVE OF THE ENERGY RATE OPTIONS PROPOSED BY THE COMPANY IN THIS DOCKET?

A. Yes, it is. Walmart has long supported cost-based utility rates where costs are recovered from customers in the same manner in which they are incurred, including the recovery of demand costs through demand charges. However, public EV charging differs significantly from our stores and other building facilities, and presents unique operational and financial challenges that warrant exploration into alternative rate designs to create cost-based, usable, and enduring public EV charging rates that will help promote EV charger deployment and consumer EV adoption.

Q. PLEASE EXPLAIN.

A. As an investor in public EV charging equipment, Walmart understands how utility rates can either promote or impede third-party EV charging investment and ongoing operation. An important piece of the economics driving public charger installations and ongoing operation is the structure of the cost of the electricity itself. Low utilization at a public, high-powered DCFC can often lead to high realized energy costs relative to the rates charged to charging customers. This can be problematic and potentially deter investment in high-powered infrastructure and charging stations in areas where usage is projected to be lower.

Q. HOW DOES WALMART VIEW THE EV CHARGING RATE IN THE NEAR TERM AND IN THE FUTURE?

A. As the transportation industry and the role that EVs and EV chargers play in this industry continue to grow and evolve, the challenges we face today may not be the challenges of tomorrow. To ensure that programs and policies implemented to support electrification of the transportation sector are current and relevant, it is important that they are flexible and adapt over time. As an example, recovery of demand-related costs through energy charges may improve the economics of under-utilized and higher-powered chargers and encourage third-party investment. However, as usage of the charger increases with EV adoption, the economics for that charger under the low- or no-demand tariff will likely decline as more electricity is sold. In this case, it could be better to return to a more traditional demand-based tariff once a customer's utilization exceeds a certain percentage.

Q. WHAT IS WALMART’S RECOMMENDATION TO THE COMMISSION WITH REGARD TO THE COMPANY’S PROPOSED ENERGY RATE OPTIONS?

A. Walmart recommends that the Commission approve the Company’s proposed Energy Rate Options as additional rates to the Company’s current Rate EV-L and Rate EV-M so that customers will have the option to choose which rate best supports the economics of a particular charging unit initially and have the ability to switch to a different EV rate as utilization of a charger changes over time.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes.