

BEFORE THE CORPORATION COMMISSION OF THE STATE OF OKLAHOMA

**IN THE MATTER OF THE APPLICATION OF)
OKLAHOMA GAS AND ELECTRIC COMPANY)
FOR AN ORDER OF THE COMMISSION) CAUSE NO. PUD 2023-00087
AUTHORIZING APPLICANT TO MODIFY ITS)
RATES, CHARGES, AND TARIFFS FOR)
RETAIL ELECTRIC SERVICE IN OKLAHOMA)**

RESPONSIVE TESTIMONY AND EXHIBITS OF

ERIC S. AUSTIN

ON BEHALF OF WALMART INC.

ON

COST-OF-SERVICE AND RATE-DESIGN ISSUES

MAY 3, 2024

Table of Contents

	I. Introduction	3
	II. Purpose of Testimony and Summary of Recommendations	5
	III. Cost-of-service	7
	(A) Production Capacity Cost Allocation.....	8
	IV. Revenue Allocation and Rate-design	12
	(A) Revenue Allocation	12
1	Table 1. Class Rate Changes per OG&E Cost-of-service Study Results, Proposed Rate	
2	Changes, and Proposed Relative Rate of Return.....	13
	(B) PL-TOU SL 5 Rate-design.....	14
3	Table 2. Comparison of Current and Proposed PL-TOU SL 5 Rates.....	15
4	Table 3. PL-TOU SL 5 Cost-of-service Study Results vs. Proposed PL-TOU SL 5	
5	Revenue Requirement.	17

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20

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 CAUSE?

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, and 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 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 ESA-1.

1 **Q. HAVE YOU PREVIOUSLY SUBMITTED TESTIMONY BEFORE THE**
2 **OKLAHOMA CORPORATION COMMISSION (“COMMISSION”)?**

3 A. No, I have not.

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

6 A. Yes; I have submitted testimony with the New Mexico state legislature and served
7 as an expert witness in Kansas and New Mexico on matters relating to Electric
8 Vehicle Charging Infrastructure and Geothermal Heat Pumps. I have also submitted
9 testimony in New Hampshire Docket No. DE 23-039, New Mexico Public
10 Commission Case No. 23-00271-UT, Texas Docket No. 055338, Louisiana Docket
11 No. U-36959, and Washington Docket No. WA-U-210590.

12 **Q. ARE YOU SPONSORING EXHIBITS IN YOUR TESTIMONY?**

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

14 **Q. PLEASE BRIEFLY DESCRIBE WALMART’S OPERATIONS IN**
15 **OKLAHOMA?**

16 A. As shown on Walmart’s website, Walmart operates 134 retail units and two
17 distribution centers, and employs over 34,700 associates in Oklahoma. In fiscal
18 year ending 2024, Walmart purchased approximately \$641.9 million dollars of
19 goods and services from Oklahoma-based suppliers, supporting over 29,310
20 supplier jobs.¹

<https://corporate.walmart.com/about/location-facts/united-states/oklahoma>

1 **Q. PLEASE BRIEFLY DESCRIBE WALMART’S OPERATIONS WITHIN**
2 **THE OKLAHOMA SERVICE TERRITORY FOR OKLAHOMA GAS AND**
3 **ELECTRIC (“OG&E” OR “COMPANY”)**

4 A. Walmart has approximately 60 stores and related facilities that take service from
5 OG&E, primarily on the Power and Light TOU-Secondary Rate (“PL-TOU SL5”).

6 **II. Purpose of Testimony and Summary of Recommendations**

7 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

8 A. The purpose of my testimony is to address portions of OG&E’s Application for an
9 adjustment to its electric rates filed with the Commission on December 29, 2023
10 (“Application”) and to provide recommendations to assist the Commission in its
11 thorough and careful considerations of the Company’s proposals.

12 **Q. IN SETTING THE REVENUE REQUIREMENT, RETURN ON EQUITY**
13 **(“ROE”), COST ALLOCATION AND RATE-DESIGN CHANGES FOR THE**
14 **COMPANY, SHOULD THE COMMISSION CONSIDER THE IMPACT OF**
15 **THE PROPOSED RATE INCREASE ON BUISNESS CUSTOMERS?**

16 A. Yes. Electricity is a significant operating cost for retailers such as Walmart. When
17 electric rates increase, the increased cost to retailers can put pressure on consumers
18 prices and on the other expenses required by business to operate. The Commission
19 should thoroughly and carefully consider the impact on customers in examining the
20 requested revenue requirement and ROE, in addition to all other facets of this
21 proceeding, to ensure that any increase in the Company’s rates is the minimum
22 amount necessary to provide safe, adequate, and reliable service, while also

1 providing OG&E with the opportunity to recover its reasonable and prudent costs
2 and earn a reasonable return on its investments.

3 **Q. PLEASE SUMMARIZE WALMART'S RECOMMENDATIONS TO THE**
4 **COMMISSION.**

5 A. In determining the revenue requirements in this case, Walmart recommends the
6 Commission consider the following:

7 1) The Commission should reject the Company's proposal to allocate production
8 capacity costs related to wind generation assets among customer classes using
9 an 84 percent energy/16 percent demand allocation methodology, and instead,
10 allocate these costs using the Average and Excess ("A&E") Four Coincident
11 Peak ("4CP") methodology, consistent with how the Company allocates other
12 generation costs.

13 2) Walmart does not oppose the Company's proposed revenue allocation at the
14 Company's proposed revenue requirement. If the Commission ultimately
15 approves a revenue requirement less than that proposed by the Company, the
16 reduction in revenue requirement increase should be used for the purpose of
17 further reducing currently existing class subsidies.

18 3) If the Commission approves an increase to the PL-TOU SL5 rate, then any such
19 increase should be applied only to the demand charge while holding the energy
20 charges at their current levels.

1 **Q. DOES THE FACT THAT YOU MAY NOT ADDRESS AN ISSUE OR**
2 **POSTION ADVOCATED BY THE COMPANY INDICATE WALMART’S**
3 **SUPPORT?**

4 A. No. The fact that an issue is not addressed herein or in related filings should not be
5 construed as an endorsement of, agreement with, or consent to any filed position.
6

7 **III. Cost-of-service**

8 **Q. WHAT IS WALMART’S POSITION ON SETTING RATES BASED ON THE**
9 **UTILITY’S COST-OF-SERVICE?**

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

13 **Q. HOW IS COST CAUSATION DETERMINED IN THE RATEMAKING**
14 **PROCESS?**

15 A. In cost-of-service regulation, the Commission must determine the revenue
16 requirement the Company is authorized to recover based on its prudently incurred
17 cost, including a reasonable return on the investment, required to provide service.
18 The Company’s cost-of-service study is an analytical tool commonly used to
19 determine the total cost and equitable assignment of cost responsibility to
20 customers. This is accomplished by identifying, functionalizing, classifying, and
21 allocation of the allowable costs to customer classes in the manner that customers
22 cause those costs to be incurred.

1 **(A) Production Capacity Cost Allocation**

2 **Q. WHAT IS YOUR UNDERSTANDING OF THE PURPOSE OF**
3 **PRODUCTION CAPACITY COST ALLOCATION?**

4 A. Production capacity cost allocation is the process of allocating to each customer
5 class the *fixed* costs of a utility's generation assets. Fixed costs are defined as costs
6 that do not vary with the level of output and must be paid even if there is no output.²

7 **Q. DO A UTILITY'S FIXED PRODUCTION CAPACITY COSTS CHANGE**
8 **WITH CHANGES IN THE AMOUNT OF ELECTRICITY GENERATED?**

9 A. No. The utility's fixed production capacity costs do not change with changes in the
10 amount of electricity generated. For example, if a generating unit is not dispatched
11 and produces no energy, the fixed costs are not avoided by the utility or
12 customers. Generation units can be built and operated for different reasons, such as
13 lower fuel costs, peaking needs, or reliability, but the way in which a generation
14 unit is operated does not change the fact that the fixed costs are, in fact, *fixed*, and
15 should be treated as such in the production capacity cost allocation.

16 **Q. WHAT IS YOUR UNDERSTANDING OF HOW PRODUCTION**
17 **CAPACITY IS SIZED TO MEET THE MAXIMUM DEMAND IMPOSED**
18 **ON THE SYSTEM BY THE COMPANY'S CUSTOMERS?**

19 A. It is my understanding that the timing and size of a utility's production plant
20 capacity additions are made to meet the maximum demand placed on the utility's
21 system by all customer classes, also known as its coincident peak ("CP"), plus the

² Pindyck, Robert S. and Daniel L. Rubinfeld, "Microeconomics", 5th ed., 2001, page 206.

1 SPP required reserve. All of a utility's generation units are needed to meet that
2 demand, and removing any of the units from that stack will limit the utility's ability
3 to do so.

4 **Q. WHY IS IT IMPORTANT FOR THE ALLOCATION OF PRODUCTION**
5 **CAPACITY COST TO RECOGNIZE THAT PRODUCTION CAPACITY IS**
6 **DESIGNED TO MEET SYSTEM PEAK?**

7 A. Basing the allocation of production capacity cost on the utility's system peak
8 ensures that the resulting rates reflect cost causation and minimize cost
9 responsibility shifts between rate classes. Allocation of fixed production capacity
10 costs on a variable, or energy, basis can introduce shifts in cost responsibility from
11 lower load factor classes to higher load factor classes. Under an energy allocator,
12 two customer classes can have the same level of peak demand in the test year and
13 cause the Company to incur the same amount of fixed cost to meet that demand,
14 but because one class uses more kWh than the other, that class will pay more of the
15 demand cost than the class that uses fewer kWh.

16 **Q. WHAT IS YOUR UNDERSTANDING OF THE COMPANY'S PROPOSED**
17 **PRODUCTION COST ALLOCATOR?**

18 A. My understanding is that the Company proposes to allocate the majority of
19 production costs using an A&E allocator based on the 4 CP for each customer class,
20 or A&E 4CP. However, as discussed in more detail below, the Company is
21 proposing to allocate generation costs associated with its wind assets differently
22 than its other generation resources. *See* Direct Testimony of Lauren E. Maxy, page
23 14, line 14 to line 15.

1 **Q. PLEASE BRIEFLY DESCRIBE YOUR UNDERSTANDING OF THE A&E**
 2 **4CP METHODOLOGY.**

3 A. An A&E 4CP allocator is a blended allocator that recognizes the contribution of
 4 each class to average demand, which is total annual kWh divided by 8,760 hours in
 5 a typical year, as well as the relative peak demand of each class. The 4CP for each
 6 class is subdivided into average demand and excess demand. The average demand,
 7 or energy portion for each class is weighted by the system load factor. The excess
 8 demand portion, which is the difference between the average demand and peak
 9 demand for each class, is weighted by 1 minus the system load factor.

10 As system load factor increases, the weighting of the average demand
 11 portion of the allocator increases. That is, as the system load factor increases, more
 12 weight is given to the energy portion of the allocator. At a theoretical maximum of
 13 100 percent system load factor, the A&E allocator is, essentially, an energy
 14 allocator. As such, this methodology recognizes that production plants are used to
 15 meet peak demand as well as provide energy.

16 **Q. WHAT IS YOUR UNDERSTANDING OF THE WIND GENERATION**
 17 **ALLOCATION?**

18 A. My understanding is the Company is proposing a demand and energy blend for
 19 wind generation different from that used for the A&E 4CP allocator. *See* Direct
 20 Testimony of Lauren Maxey, page 13, line 29 to line 30. The Company is
 21 recommending an 84 percent energy and 16 percent demand tilt allocation
 22 ("84/16") premised on the wind allocator from the recently settled Public Service
 23 of Oklahoma rate case, Cause No. PUD 2022-000093. *Id.*, page 14, line 14 to line

1 15. The Commission should note that Walmart did not sign on to the stipulation in
2 that docket.

3 **Q. WHAT IS WALMART’S RESPONSE TO THIS PROPOSAL?**

4 A. Walmart opposes the proposal as it is both inconsistent with the mechanism by
5 which the Company proposes to allocate the remainder of their generation assets as
6 well as inconsistent with the underlying drivers of production capacity cost
7 allocation. The Company’s 84/16 allocation request for wind resources is a pre-
8 determined weighting mechanism based on the Southwest Power Pool’s (“SPP”)
9 “effective load carrying capability” (“ELCC”) methodology that does not reflect
10 how different customer classes impact the system both in terms of peak load and
11 average demand. *Id.*, page 15, line 3 to line 4. This contrasts with A&E 4CP, which
12 takes class energy consumption and peak demand factors into consideration when
13 allocating costs to ensure the outcome better represents the costs that a customer
14 class places on the utility.

15 **Q. WHAT IS WALMART’S RECOMMENDATION TO THE COMMISSION**
16 **ON ALLOCATION OF CAPACITY COSTS RELATED TO WIND**
17 **RESOURCES?**

18 A. Walmart supports the use of A&E 4CP as a reasonable approach that takes into
19 consideration both load factor and utilization of the utility’s system. As such,
20 Walmart recommends that the Commission reject the Company’s proposal to
21 allocate production capacity costs related to wind resources on an 84/16 energy-
22 demand allocation methodology, and instead, allocate these costs using the A&E
23 4CP methodology, consistent with how the Company allocates its other generation

1 costs.

2

3 **IV. Revenue Allocation and Rate-design**

4 **(A) Revenue Allocation**

5 **Q. WHAT IS REVENUE ALLOCATION?**

6 A. Revenue allocation is the assignment of the revenue responsibility to each customer
7 class. A revenue allocation that assigns revenue to each class based on the results
8 of the cost-of-service study is said to be free of inter-class subsidies.

9 **Q. HOW DOES THE COMPANY REPRESENT THE ACCURACY OF THE**
10 **PROPOSED CLASS REVENUES IN THEIR REFLECTION OF THE**
11 **UNDERLYING COSTS OF EACH CLASS?**

12 A. The Company represents this relationship in their cost-of-service results using
13 class-specific rates of return. These are converted into a relative rate of return
14 ("RROR") for each class, which describes the relationship between each class-
15 specific rate of return and the total system rate of return. An RROR greater than 1.0
16 means that the rate class is paying rates in excess of the costs incurred to serve that
17 class, and an RROR less than 1.0 means that the rate class is paying rates less than
18 the costs incurred to serve that class. As such, when rates are set such that a class
19 has an RROR less than 1.0 there are inter-class subsidies, as those rate classes with
20 an RROR greater than 1.0 subsidize some of the revenue responsibility burden for
21 the classes with an RROR less than 1.0.

1 **Q. HAS THE COMPANY CALCULATED AN RROR FOR EACH**
 2 **CUSTOMER CLASS BASED ON THE COST-OF-SERVICE RESULTS?**

3 A. Yes, as shown in Table 1 below, Company witness Bryan J. Scott shows the
 4 proposed revenue allocation by rate class as a proposed total bill increase, as well
 5 as proposed rate of return (“ROR”) and RROR. *See* Direct Testimony of Bryan J.
 6 Scott, Table 1 and Table 2.

Table 1. Class Rate Changes per OG&E Cost-of-service Study Results, Proposed Rate Changes, and Proposed Relative Rate of Return.

Class	Cost-Base Rate Change (%)	Proposed Rate Change (%)	Proposed RROR
Residential	13.8	13.8	1.00
General	15.9	18.1	1.07
Public Schools Small	34.8	7.7	0.31
Oil & Gas Production	3.0	3.0	1.00
Public Schools Large	22.1	9.4	0.60
Power & Light	9.0	9.6	1.03
Large Power & Light	16.4	16.4	1.00
Municipal Pumping	7.2	7.2	1.00
Lighting	21.8	19.1	0.74
Oklahoma Jurisdiction	13.2	13.2	1.00

Source: Direct Testimony of Bryan J. Scott, page 6, Table 2.

7
 8 **Q. WHAT IS YOUR UNDERSTANDING OF THE COMPANY’S PROPOSED**
 9 **REVENUE ALLOCATION METHODOLOGY?**

10 A. It is my understanding that the Company’s goal is to set rates as close to cost-of-
 11 service as possible while applying the following measures: (i) implement an
 12 average base rate increase of 25.2 percent; (ii) limit classes to a 135 percent increase
 13 of the Oklahoma Jurisdiction retail average; and (iii) offer no rate decreases. *See*
 14 Direct Testimony of Bryan J Scott, page 6, lines 5 to line 8.

1 **Q. AT THE PROPOSED REVENUE REQUIREMENT, DOES WALMART**
2 **OPPOSE THE COMPANY'S REVENUE ALLOCATION?**

3 A. At the proposed revenue requirement, Walmart does not oppose the Company's
4 proposed revenue allocation.

5 **Q. IF THE COMMISSION ULTIMATELY APPROVES A REVENUE**
6 **REQUIREMENT LESS THAN THAT PROPOSED BY THE COMPANY,**
7 **WHAT IS WALMART'S RECOMMENDATION ON REVENUE**
8 **ALLOCATION?**

9 A. As shown in Table 1 above, under the Company's proposed revenue allocation
10 there would continue to be rate classes with RRORs greater than or less than 1.00,
11 which places them in a subsidizing or subsidized position, respectively. If the
12 Commission ultimately approves a revenue requirement less than that proposed by
13 the Company, the reduction in revenue requirement increase should be used for the
14 purpose of further reducing currently existing class subsidies.

15
16 **(B) PL-TOU SL 5 Rate-design**

17 **Q. WHAT IS YOUR UNDERSTANDING OF THE CHARGES INCLUDED IN**
18 **THE CURRENT PL-TOU SL 5 RATE-DESIGN?**

19 A. My understanding of the current PL-TOU SL 5 rate-design is that it includes: (i) a
20 \$/month customer charge; (ii) \$/kWh energy charges differentiated by season with
21 on peak/off peak summer season values; and (iii) a \$/kW capacity, or demand
22 charge. *See* Oklahoma Gas and Electric Company, 5th Revised Sheet No. 15.40,
23 Code No. 36.

1 **Q. DOES THE COMPANY DEFINE WHEN THE SUMMER AND WINTER**
 2 **RATES ARE APPLICABLE?**

3 A. Yes; the summer season is comprised of June through October and the winter
 4 months are November through May.

5 **Q. DOES THE COMPANY PROPOSE ANY STRUCTURAL CHANGES TO**
 6 **PL-TOU SL 5?**

7 A. No, it does not. The structure of PL-TOU SL 5 is proposed to remain the same for
 8 the current tariff and the proposed offering.

9 **Q. HOW DOES THE COMPANY PROPOSE TO APPLY THE REVENUE**
 10 **REQUIREMENT INCREASE TO PL-TOU SL 5?**

11 A. As shown in Table 9 from Company witness Cash’s direct testimony and
 12 reproduced in Table 2 below, the Company proposes the following changes to PL-
 13 TOU SL 5: (i) a \$40 increase in the customer charge; (ii) a \$2.17 per kW increase
 14 to the demand charge; and (iii) an energy charge increase for each TOU period of
 15 \$0.0386 per kWh for on peak summer, \$0.0040 per kWh for off peak summer, and
 16 \$0.0040 per kWh for winter. As discussed in more detail below, the energy portion
 17 of the Company’s proposed class increase is disproportionate to the cost to serve
 18 that class.

Table 2. Comparison of Current and Proposed PL-TOU SL 5 Rates.			
	Proposed	Current	Change
Customer Charge	\$119/month	\$79/month	\$40/month
kW Demand Charge	\$9.30/kW	\$7.13/kW	\$2.17/kW
Energy Charges			
Summer On-Peak	\$0.1400/kWh	\$0.1014/kWh	\$0.0386/kWh
Summer Off-Peak	\$0.0171/kWh	\$0.0131/kWh	\$0.0040/kWh
Winter All kWh	\$0.0171/kWh	\$0.0131/kWh	\$0.0040/kWh
Source: Direct Testimony of Gwin Cash, page 21, Table 9.			

1 **Q. DOES WALMART HAVE CONCERNS WITH THE COMPANY'S PL-TOU**
2 **SL 5 RATE-DESIGN PROPOSAL?**

3 A. Yes. Walmart's concerns with the rate-design proposal for PL-TOU SL 5 are: (i)
4 PL-TOU SL 5, as proposed, does not reflect the underlying cost of serving the class,
5 as the demand charge does not recover all demand-related costs and instead a
6 significant amount of those costs are recovered through the energy charges, and (ii)
7 the resulting shift of cost responsibility from low load factor customers to high load
8 factor customers.

9 **Q. WHAT IS YOUR UNDERSTANDING OF THE COST-OF-SERVICE STUDY**
10 **RESULTS FOR PL-TOU SL 5?**

11 A. My understanding is that OG&E incurs three types of costs to serve PL-TOU
12 customers: customer, demand, and energy. Demand costs are fixed costs incurred
13 by the Company to size the system such that it can meet the peak kW demands
14 imposed by the rate class and do not change with changes in how many kWh of
15 energy are consumed by customers. Customer costs are also fixed costs, which are
16 incurred based on the number of customers served by the Company, and do not vary
17 by the size of each customer or how much energy the customers consume. Given
18 that both the demand and customer costs are fixed, they should not be collected
19 through a variable energy charge. In contrast, energy costs are variable costs
20 incurred by the Company in relation to the amount of energy consumed by

1 customers. In order to send proper price signals, energy charges should only be
 2 used to collect variable costs such as operations and maintenance and fuel costs.

3 **Q. ARE THE MAJORITY OF COSTS INCURRED TO SERVE PL-TOU**
 4 **CUSTOMERS DEMAND-RELATED?**

5 A. Yes, as set forth in Table 3 below. Per OG&E’s cost-of-service study,
 6 approximately 84.3 percent of the costs incurred by the Company to serve PL-TOU
 7 customers are demand-related while only approximately 6.9 percent are energy
 8 related. That said, while 84.3 percent of costs are demand-related, only 47.6 percent
 9 of PL-TOU SL 5 revenues are proposed to be collected through demand costs.
 10 While the on-peak energy charge for the schedule is an important price signal for
 11 customers to avoid usage during that period, it is important for the energy price
 12 signal of that charge to remain in balance with the demand charge price signal.

Table 3. PL-TOU SL 5 Cost-of-service Study Results vs. Proposed PL-TOU SL 5 Revenue Requirement.

Component	COSS Results		PL-TOU SL 5 Revenue Requirement	
	(\$)	(%)	(\$)	(%)
Customer	\$10,867,993	8.8	\$4,995,144	4.0
Demand	\$104,473,995	84.3	\$32,375,960	47.6
Energy	\$8,542,018	6.9	\$60,124,200	48.4
Total	\$123,884,006	100.0	\$124,176,250	100.0

Sources: Supplemental Package Section L, page 334 and Supplemental Package Section M, W/P M-4-1, page 49.

13

14

1 **Q. IS THE COLLECTION OF DEMAND-RELATED COSTS THROUGH AN**
2 **ENERGY CHARGE CONSISTENT WITH THE COMPANY'S**
3 **CLASSIFICATION AND ALLOCATION OF DEMAND-RELATED**
4 **COSTS?**

5 A. No. In its class cost-of-service study, but for the 84/16 production capacity cost
6 proposal, the Company does not classify or allocate any of its demand-related costs
7 on an energy basis. Rather, these costs are incurred, and therefore classified, based
8 on customer demand or number of customers. Costs should be collected in a
9 manner which reflects how they are incurred. As such, collecting demand-related
10 (fixed) costs through an energy (variable) charge violates cost causation principles.

11 **Q. DOES THE RECOVERY OF DEMAND-RELATED COSTS THROUGH AN**
12 **ENERGY CHARGE DISADVANTAGE HIGHER LOAD FACTOR**
13 **CUSTOMERS?**

14 A. Yes. The shift in demand-related costs from per kW demand charges to per kWh
15 energy charges results in a shift in demand cost responsibility from lower load
16 factor customers to higher load factor customers. This results in a misallocation of
17 cost responsibility as higher load factor customers overpay for the demand-related
18 costs incurred by the Company to serve them. In other words, higher load factor
19 customers are paying for a portion of the demand-related costs that are incurred to
20 serve the lower load factor customers simply because of the manner in which the
21 Company collects those costs in rates.

1 **Q. WOULD THE PROPER COLLECTION OF DEMAND-RELATED (FIXED)**
2 **COSTS THROUGH A DEMAND CHARGE PROVIDE BENEFITS TO THE**
3 **COMPANY?**

4 A. Yes. By collecting a large percentage of a class revenue requirement through
5 energy charges, the Company subjects itself to under and overcollection of its
6 revenue requirement due to fluctuations in customer usage. As such, issues such as
7 weather and the economy will have a greater impact on the utility versus a rate-
8 design in which an appropriate amount of revenue requirement is collected through
9 the demand charge.

10 **Q. WHAT IS WALMART'S PROPOSAL TO THE COMMISSION ON THIS**
11 **ISSUE?**

12 A. If the Commission approves an increase to the PL-TOU SL5 rate, then any such
13 increase should be applied only to the demand charge while holding the energy
14 charges at their current levels.

15 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

16 A. Yes.

Eric S. Austin

Sr Manager, Regulatory, Energy Transformation

Walmart Inc.

Business Address: 2608 SE J Street, Bentonville, Arkansas 72716

EXPERIENCE

October 2023 – present

Walmart Inc., Bentonville AR

Sr. Manager, Utility Partnerships

March 2022 – October 2023

American Electric Power

Manager, Electric Transportation and Public Charging

March 2019 – March 2022

Francis Energy

SVP, Utility Operations

January 2019 – Jan 2021

Ausco Energy Services

Owner, General Manager

August 2012 - December 2016

Western Farmers Electric Cooperative

C&I Market Manager

EDUCATION

2009 Texas A&M University – Commerce

Bachelor of Science

Filed Testimony

2015

New Mexico Senate Bill 249

An act relating to utilities, allowing renewable energy certificates to be issued for the use of thermal energy produced by geothermal energy sources, setting standards for measurement of thermal energy and geothermal heat pumps, defining useful thermal energy.

Passed and signed into law.

2023

New Hampshire, DE-23-039

2024

Washington, WA-U-210590

Louisiana, Docket No. U-36959

Texas, Docket No. 055338

New Mexico, Case No. 23-00271-UT

INDUSTRY TRAINING

2012 Guernsey, Utility Rate case and Cost of Service training

2010 NRECA CKAE certification