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BEFORE THE
PUBLIC SERVICE COMMISSION
OF SOUTH CAROLINA
DOCKET NO. 2020-125-E

IN RE:	**)**
	)
Application of Dominion Energy South	**)**
Carolina, Incorporated for Adjustment of	**)**
Rates and Charges	**)**

SURREBUTTAL TESTIMONY OF

LISA V. PERRY

ON BEHALF OF

WALMART INC.

DECEMBER 17, 2020

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I. Introduction.

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

A. My name is Lisa V. Perry. My business address is 2608 SE J Street, Bentonville, AR 72716. I am employed by Walmart Inc. ("Walmart") as Senior Manager, Energy Services.

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

A. I am testifying on behalf of Walmart.

Q. ARE YOU THE SAME LISA V. PERRY WHO FILED DIRECT TESTIMONY IN THIS DOCKET ON NOVEMBER 10, 2020?

A. Yes, I am.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. The purpose of my testimony is to respond to portions of the Rebuttal Testimony of Allen W. Rooks ("Rooks Rebuttal") filed in this Docket on December 2, 2020, on behalf of Dominion Energy South Carolina, Incorporated ("DESC" or "Company").

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.

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II. Response to Rooks Rebuttal Regarding Recovery of Storm Damage Component.

Q. WHAT WAS WALMART'S RECOMMENDATION WITH REGARD TO THE COMPANY'S PROPOSAL TO RECOVER THE STORM DAMAGE COMPONENT, IF APPROVED, THROUGH THE ENERGY CHARGE?

A. Walmart recommended that if the Public Service Commission of South Carolina ("PSC" or "Commission") approves the Storm Damage Component, it should reject the Company's proposal to recover the Storm Damage Component through the energy charge for its demand-metered customers and instead follow cost causation principles by collecting this component through the demand charge.

Q. DID THE COMPANY RESPOND TO WALMART'S RECOMMENDATION THAT DEMAND-METERED CUSTOMERS SHOULD BE BILLED THE STORM DAMAGE COMPONENT ON A DEMAND BASIS?

A. Yes. The Company does not agree with Walmart's recommendation to bill the Storm Damage Component to its demand-metered customers through the demand charge, i.e., on a $/kW basis. Rather, the Company continues to support its original position, which is to bill demand-related expenses through the energy charge; i.e., on a $/kWh basis.

Q. DOES THE COMPANY AGREE THAT DEMAND-RELATED COSTS SHOULD BE RECOVERED THROUGH DEMAND CHARGES?

A. In Mr. Rooks' Rebuttal Testimony, he acknowledges that "demand-related costs should be recovered through demand-related charges *where possible*." Rooks Rebuttal, p. 13, lines 16-17 (emphasis added).

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Q. IS IT POSSIBLE TO RECOVER THE STORM DAMAGE COMPONENT ON A DEMAND BASIS FROM DEMAND-METERED CUSTOMERS?

A. Yes, it is.

Q. WHAT JUSTIFICATION DOES THE COMPANY PROVIDE FOR NOT FOLLOWING COST-CAUSATION PRINCIPLES WITH RESPECT TO BILLING THE STORM DAMAGE COMPONENT FOR CUSTOMERS WHO HAVE A DEMAND COMPONENT ON THEIR BILL?

A. Despite affirming cost-causation principles and despite the fact that it is entirely possible to recover the Storm Damage Component through the demand charge that the Company's demand-metered customers already pay, the Company is refusing to do so based on its claim that a "uniform recovery mechanism" is in the best interest of its customers. Rooks Rebuttal, p. 13, lines 18-20. Apparently, the Company believes that a uniform recovery mechanism is in the best interest of customers because it will allow all customers to easily "determine what they pay in relation to the other classes of service." *Id.*, p. 14, lines 1-3.

Q. DOES WALMART AGREE THAT PROVIDING A UNIFORM RECOVERY MECHANISM WITH REGARD TO THE STORM DAMAGE COMPONENT IS IN CUSTOMERS' BEST INTEREST?

A. Not at all. As discussed in more detail in my Direct Testimony, just and reasonable rates are based on each class of customers paying their share of the costs incurred by the Company to provide electric service to that class. This fundamental cost-causation principle not only minimizes inter-class subsides but also provides the proper price signaling to each customer class, both of which are in customers' best interest. Instead,

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the Company is asking the Commission to trade the fundamental fairness provided through cost-based rate design for recovery uniformity between customer classes despite the fact these customer classes are not uniform, each having unique characteristics and load profiles. Customer interests are better served by following cost-causation principles than by a uniform recovery mechanism that provides insubstantial information.

Q. DOES THE COMPANY OFFER ANY OTHER REASONS FOR DISREGARDING COST-CAUSATION PRINCIPLES?

A. Yes. The Company asserts that the concerns raised in my Direct Testimony are somehow mitigated because the Company correctly allocated costs on a demand basis. *See* Rooks Rebuttal, p. 14, lines 4-5. Cost-causation principles hold (and the Company acknowledges) that, to the extent possible, costs should be allocated to and recovered from customers on the *same* basis. In other words, fixed costs that are allocated on a demand basis, as is the case here, should also be recovered from the customer on a demand basis; i.e., through the demand charge. Simply because the Company followed the first part of this principle by correctly allocating demand-related costs does not somehow justify the Company's incorrect allocation on the revenue side by recovering costs through an energy charge.

Q. PLEASE CONTINUE.

The Company also tries to support its improper revenue allocation by pointing out that the Storm Damage Component -- when originally authorized -- was initially collected through the energy charge, and no other party in this proceeding has heretofore objected. First, what a party may or may not find objectionable has no bearing on the

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merits of another party's argument. Second, Order No. 1996-15 that originally established the Storm Damage Component was issued almost 25 years ago by a different Commission and for a predecessor utility.[1] For all intents and purposes, the request for a Storm Damage Component in this case is a brand new request by different utility.[2] The Commission's prior Order No. 1996-15 authorizing a similar mechanism for a predecessor utility does not set any type of precedent on how the Storm Damage Component, if approved in this case, is collected from customers. As set forth in my Direct Testimony and above, the method originally used to recover the Storm Damage Component clearly violated cost-causation principles of ratemaking. It is not in customers' best interest to reauthorize a recovery mechanism that creates inter-class subsidies and distorts price signaling simply because that was the method used in the past.

III. Response to Rooks Rebuttal to DOD-FEA Witness Mark Garrett's Recommendation to Increase the Power Factor Threshold for Rate 24 from 85 Percent to 90 Percent.

Q. WHAT IS YOUR UNDERSTANDING OF MR. GARRETT'S DIRECT TESTIMONY AS IT RELATES TO THE POWER FACTOR THRESHOLD CURRENTLY IN PLACE FOR RATE 24?

A. It is my understanding that the United States Department of Defense and All Other Federal Executive Agencies ("DOD-FEA") witness Mark Garrett believes that the current rate design for Rate 24 includes an intra-class subsidy because this rate uses

[1] *See In Re: Application of South Carolina Electric & Gas Company for an Increase in the Company's Electric Rates and Charges*, Docket No. 1995-1000-E, Order No. 1996-15 (issued Jan. 9, 1996) ("Order No. 1996-15"), pp. 63-64.
[2] *See* https://news.dominionenergy.com/2019-01-02-Dominion-Energy-Combines-With-SCANA-Corporation.

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kW demand as the billing unit. Specifically, if I understand Witness Garrett correctly, he believes that this subsidy could be eliminated if Rate 24 is redesigned so that customers in this rate class are billed based on kVA demand instead of the current billing method, which is to collect the demand charge on a kW basis. However, instead of redesigning Rate 24 in this proceeding, I believe that Witness Garrett is proposing to mitigate this intra-class subsidy by raising the power factor threshold from the current 85 percent to 90 percent.

Q. DID THE COMPANY RESPOND TO WITNESS GARRETT'S RECOMMENDATION?

A. Yes. The Company opposes Witness Garrett's recommendation based on the fact that the Company has used this 85 percent power factor threshold "for decades," and it is the same level used by other South Carolina utilities. *See* Rooks Rebuttal, p. 9, line 18 to p. 10, line 2.

Q. DOES WALMART AGREE WITH THE COMPANY'S RESPONSE TO WITNESS GARRETT'S RECOMMENDATION WITH REGARD TO INCREASING THE POWER FACTOR THRESHOLD FROM 85 PERCENT TO 90 PERCENT FOR RATE 24?

A. No, Walmart does not agree with the Company's response to Mr. Garrett's recommendation that the Company to increase the power factor threshold for its customers who take service under Rate 24 from 85 percent to 90 percent. Walmart shares Witness Garrett's observation that the Company should redesign Rate 24 for approval in its next general rate case so that the demand charge is recovered based on kVA. This will not only eliminate intra-class subsidies as pointed out by Witness

Garrett, but it will also encourage customers to use electricity more efficiently. With regard to this proceeding, Walmart does not oppose Witness Garrett's recommendation that, in the interim, the Commission make an upward adjustment to the power factor threshold for Rate 24 from 85 percent to 90 percent. The Company's argument that the power factor should remain as is simply because it has been that way for a long time ("decades") is not at all compelling.

IV. Conclusion and Recommendations.

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

A. If the Commission reinstates the Storm Damage Component, the Commission should require DESC to charge demand-metered customers through the demand, or $/kW, charge. Walmart also support DOD-FEA witness Garrett's proposal to make an upward adjustment in the power factor threshold for Rate 24 from 85 percent to 90 percent, notwithstanding the Company's testimony to the contrary.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes.

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