<u>WALMART'S REPLY TO PGE'S RESPONSE TO BENCH REQUEST</u>

RE: UM 1953 Bench Request Dated October 29, 2018

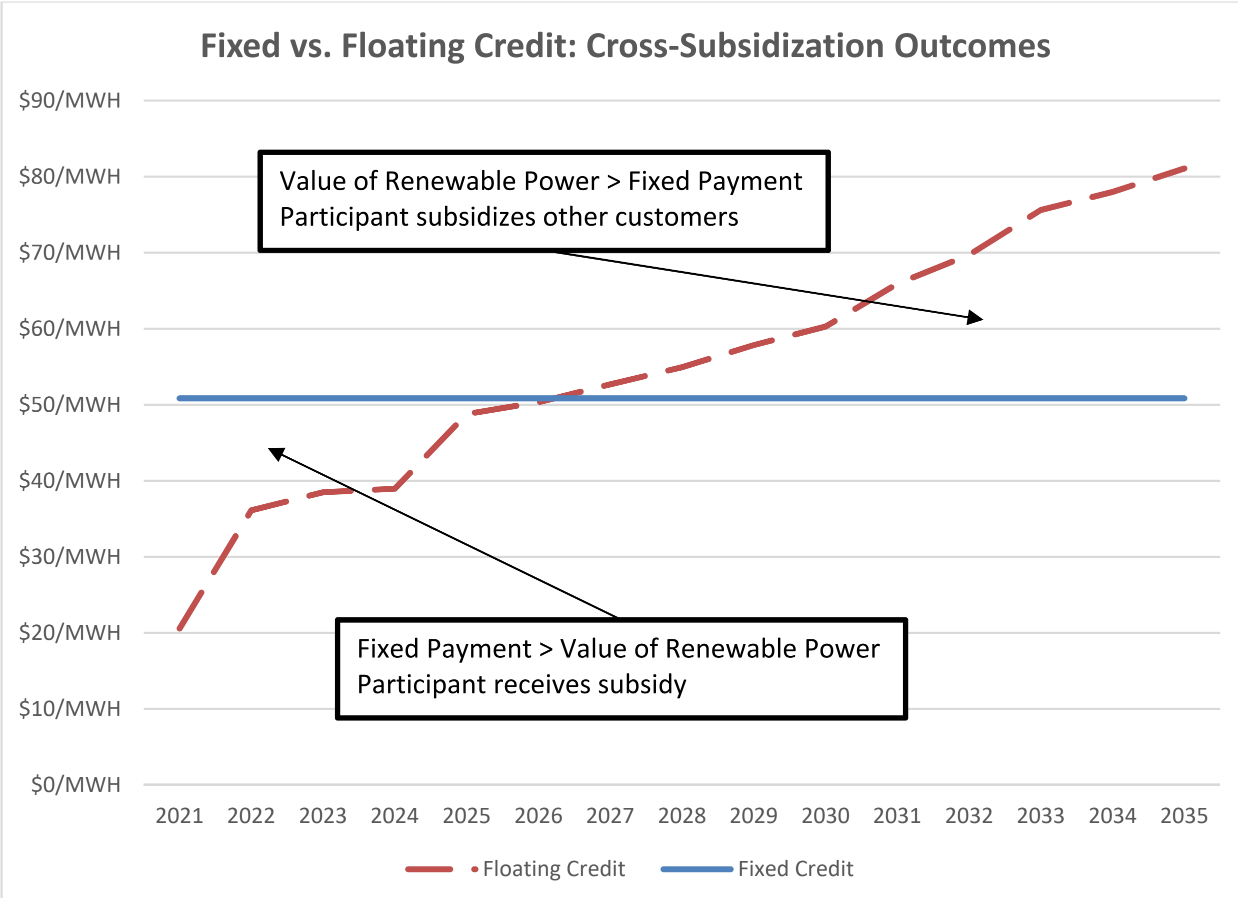
The Bench Request asked PGE to illustrate hypothetical plots of several variables over the life of a green tariff subscription, using both fixed and floating versions of PGE's "preferred" credit mechanism.

PGE employed the following assumptions in their analysis:

- A $53/MWH PPA with no escalation in price over the term of the agreement
- PGE's 2016 Integrated Resource Plan Update reference case energy prices
- 2021 Simple Cycle Combustion Turbine proxy prices and a generic capacity contribution for wind
- That the net present values of the fixed and floating credit scenarios are the same

While the scenarios and the values contained therein are illustrative, they are useful for demonstrating the importance of a credit structure that is both relevant to how the resource operates within the utility's system and is cost-based, as discussed in Walmart/200. Walmart advocates for structures (1) that avoid cross-subsidization to participants from non-participants or from participants to non-participants and (2) that allow participating customers, who are paying the incremental cost of and taking on the incremental risk of taking service from the renewable resource instead of or in addition to their regular service, be able to realize the incremental benefits of doing so.

The potential cross-subsidies resulting from the use of a fixed credit are simply demonstrated by the graph showing the difference by year in PGE's estimated fixed energy credit and the floating energy credit, which represents the price of energy customers would have otherwise paid.



PGE further describes how cross-subsidies can occur in Section C of their response. PGE discusses two scenarios – a scenario in which market prices rise above the forecast and a scenario in which market prices drop below the forecast.

When market prices increase above the forecast, the fixed credit results in (1) lower costs for all cost of service customers because those customers pay less than market value for the credit and (2) lost value for program subscribers, because they have received a below market credit that does not compensate them for the full value the PPA brings to the system. In this scenario, participating customers provide a subsidy to cost of service customers.

When market prices drop below the forecast, the fixed credit results in (1) higher costs for all cost of service customers because those customers pay more than market value for the credit and (2) increased value for program subscribers, because they have received an above market credit that over-compensates them for the value the PPA brings to the system. In this scenario, participating customers are subsidized by cost of service customers.

Respectfully submitted this 13th day of November, 2018.

/s/ Vicki M. Baldwin

Vicki M. Baldwin
PARSONS BEHLE & LATIMER
201 South Main Street, Suite 1800
Salt Lake City, Utah 84111
vbaldwin@parsonsbehle.com
Attorneys for Walmart Inc. and Sam's West, Inc.