

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF KENTUCKY POWER COMPANY FOR)
(1) A GENERAL ADJUSTMENT OF ITS RATES FOR ELECTRIC)
SERVICE; (2) AN ORDER APPROVING ITS 2014)
ENVIRONMENTAL COMPLIANCE PLAN; (3) AN ORDER)
APPROVING ITS TARIFFS AND RIDERS; AND (4) AN)
ORDER GRANTING ALL OTHER REQUIRED APPROVALS)
AND RELIEF)

Case No. 2014-00396

**POST-HEARING BRIEF OF
WAL-MART STORES EAST, LP AND SAM'S EAST, INC.**

Wal-Mart Stores East, LP and Sam's East, Inc. (collectively, "Walmart"), submit this Post-Hearing Brief to the Kentucky Public Service Commission ("PSC" or "Commission") as follows:

I. INTRODUCTION

A. Statement of Case

Walmart respectfully requests that the Commission carefully review the terms of the Settlement Agreement ("Settlement") submitted by Kentucky Power Company ("KPCo" or "Company") and certain Signatory Parties, and specifically approve that provision contained in the Settlement modifying the Industrial General Service ("IGS") tariff proposed by the Company in its Application in this proceeding.

B. Relevant Procedural History

On December 23, 2014, KPCo filed an Application with the Commission seeking a general adjustment for existing rates.

On January 13, 2015, Walmart filed a Motion to Intervene, which was granted by Order of the Commission on January 26, 2015.

On March 23, 2015, Walmart submitted the Direct Testimony and Exhibits of Steve W. Chriss conveying Walmart's position on the Company's Application, and addressing, among other things, KPCo's proposal to create a new IGS tariff and to move all existing Quantity Power ("QP") and Commercial and Industrial Power – Time of Day ("CIP TOD") tariff customers to this new combined tariff rate. Specifically, Mr. Chriss noted Walmart's opposition to the Company's as-filed proposal, which would, if approved, result in arbitrary and excessive rate increases for current QP customers.¹

On April 30, 2015, KPCo and the other Signatory Parties² filed a Settlement in this proceeding proposing a resolution of all issues in the case, including a revision to the Company's proposed rate design for the new IGS tariff. Walmart was not a Signatory Party to the Settlement, but filed on May 1, 2015, a Statement of Position on Settlement indicating Walmart's affirmative support of the Settlement's proposed revision to the IGS tariff design.

On May 5, 2015, Walmart appeared at the evidentiary hearing conducted by the Commission on the proposed Settlement. At the conclusion of the hearing, the Commission provided parties the opportunity to submit Post-Hearing Briefs. Walmart hereby submits this Brief in compliance with the Commission's directive.

C. Walmart's Recommendation

Walmart has no objection to the Commission's approval of the proposed Settlement as a whole, and Walmart specifically supports the Commission's approval of the provision contained within the Settlement modifying the Company's proposed IGS tariff, as the Settlement's

¹ See Direct Testimony of Steve W. Chriss (March 23, 2015) at 15-16.

² The Signatory Parties consist of KPCo, the Kentucky Industrial Utility Consumers ("KIUC"), and the Kentucky School Boards Association ("KSBA").

provision on this important issue would provide current QP and CIP TOD customers a just and reasonable rate increase that would not otherwise occur if the Company's as-filed IGS rate proposal is approved.

II. ARGUMENT

A. The Commission Should Approve the Settlement's Provision Modifying the Company's Proposed New IGS Tariff, as This Modification Provides a Just and Reasonable Result for Current QP Rate Customers that is Otherwise Unavailable Under the Company's As-Filed Application.

As noted above, Walmart is not a Signatory Party to the Settlement; however, Walmart was involved in the settlement discussions and has important interests at stake in the Commission's review of the issues resolved by the Settlement.

In its Application, KPCo proposed to combine its current QP and CIP TOD rates into a single new IGS tariff, citing the Company's agreement to do so in a prior settlement of Case No. 2012-00578.³ As discussed below, Walmart witness Mr. Chriss testified that the as-proposed IGS tariff would, if approved, result in disproportionate and unreasonable rate increases for the Company's current QP customers.⁴ The Settlement submitted by KPCo and the Signatory Parties in this proceeding modifies the Company's original proposal and substantially mitigates the potential impact that the originally proposed IGS tariff would have on QP ratepayers.

Walmart is concerned that disapproval of the Settlement would mean an elimination of the Settlement's provision regarding KPCo's proposed IGS tariff. Indeed, the proposed rate design of the IGS tariff and the resulting rate impact for affected customers was a significant issue for Walmart in this proceeding. Walmart witness Steve Chriss explained in his Direct Testimony that the IGS tariff as proposed by KPCo in its Application would alone result in

³ Direct Testimony of Alex E. Vaughn (December 23, 2014) at 14 (citing Stipulation and Settlement Agreement, Case No. 2012-00578, Filed July 2, 2013).

⁴ See Direct Testimony of Steve W. Chriss (March 23, 2015) at 15-16.

arbitrary and excessive rate increases for current QP and CIP TOD tariff customers as high as 8.2 percent, irrespective of any of the additional impacts that would occur as a result of the Company's increased base rates and riders.⁵ On a total proposed rate increase basis, this tariff modification would result in an increase for current QP customers of approximately 15%, as compared with the system-average increase under the Company's filing of about 12.5%.⁶ This result would be particularly unreasonable given the current rate of return index ("RRI") for rate QP of 1.37, indicating a substantial present subsidy paid by these QP customers toward other customers' cost-to-serve.⁷ Under the Company's proposed IGS tariff, this subsidization by QP customers would only be exacerbated.⁸

Addressing this significant rate impact disparity, the Settlement revises the proposed IGS rate such that it would result in a much more reasonable and acceptable rate increase for customers on the existing QP and CIP TOD rates.⁹ Specifically, under the Settlement, current rate QP customers would, on average, see an overall increase in rates of approximately 8.14% (as opposed to the potential 15% increase under KPCo's originally-proposed rate design).¹⁰ As indicated by the Statement of Position on Settlement Agreement filed on May 1, 2015, Walmart specifically agrees with the Settlement's resolution of this IGS tariff issue.¹¹

Walmart understands that the Settlement may not have support from the Attorney General; however, Walmart is not aware of opposition from the Attorney General on this narrow question of the Settlement's modification of the proposed IGS tariff. Given this, Walmart urges the Commission to approve the Settlement's resolution of this issue. If this provision is rejected,

⁵ Direct Testimony of Steve W. Chriss (March 23, 2015) at 4, 15-16.

⁶ See May 5, 2015, Video Recording of Hearing ("VRH") at approximately 00:48:36 – 00:48:58.

⁷ Direct Testimony of Steve W. Chriss (March 23, 2015) at 17.

⁸ Id. at 18.

⁹ See Settlement at ¶ 18 and Exhibits 1 and 16.

¹⁰ May 5, 2015, Video Recording of Hearing ("VRH") at approximately 00:49:37 – 00:50:20.

¹¹ Walmart Statement of Position on Settlement Agreement (May 1, 2015) at ¶ 4. See also May 5, 2015, VRH at approximately 00:50:20 – 00:50:37.

either individually or as part of a broader rejection of the Settlement as a whole, then Walmart would be relegated to reasserting its litigation position on the Company's initial IGS tariff proposal.

III. CONCLUSION

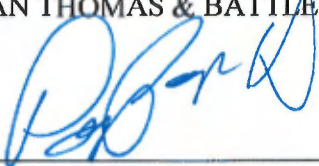
In this proceeding, KPCo filed for approval of a new combined Rate Schedule IGS for industrial and large commercial customers that, if approved, would result in unreasonable rate increases for those customers currently taking service under the Company's rate QP tariff. The Settlement filed by KPCo and the Signatory Parties presents a modification to this proposal that would provide for the reasonable treatment of QP customers. Walmart submits that the Settlement's revised IGS tariff is necessary to prevent both an unjust result for ratepayers and further litigation to correct the problem. Accordingly, Walmart has no objection to the Commission's approval of the Settlement and specifically supports Commission approval of the provisions of the Settlement addressing the proposed IGS tariff.¹²

¹² See Walmart Statement of Position on Settlement Agreement (May 1, 2015) at ¶ 4. See also Settlement at ¶ 18 and Exhibits 1 and 16.

WHEREFORE, Wal-Mart Stores East, LP and Sam's East, Inc., respectfully request that the Kentucky Public Service Commission approve the Settlement Agreement, specifically with respect to the provision contained therein modifying the proposal by Kentucky Power Company to create a new Industrial General Service tariff for customers currently taking service pursuant to the Company's Quantity Power and Commercial and Industrial Power – Time of Day rates.

Respectfully submitted,

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Dated: June 5, 2015

CERTIFICATE OF SERVICE

I hereby certify that Walmart's June 5, 2015, electronic filing is a true and accurate copy of Wal-Mart Stores East, LP, and Sam's East, Inc.'s ("Walmart's") Post-Hearing Brief to be filed in paper medium; and that on June 5, 2015, the electronic filing has been transmitted to the Commission, and that an original and one copy of the filing will be delivered to the Commission, that no participants have been excused from electronic filing at this time, and electronic mail notification of the electronic filing is provided to the following:

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