COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF KENTUCKY UTILITIES COMPANY FOR AN ADJUSTMENT OF ITS ELECTRIC RATES ) ) ) CASE NO. 2014-00371

DIRECT TESTIMONY AND EXHIBITS OF STEVE W. CHRISS ON BEHALF OF WAL-MART STORES EAST, LP AND SAM'S EAST, INC.

Filed: March 6, 2015
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Introduction

Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND OCCUPATION.
A. My name is Steve W. Chriss. My business address is 2001 SE 10th St.,
Bentonville, AR 72716-0550. I am employed by Wal-Mart Stores, Inc. as Senior
Manager, Energy Regulatory Analysis.

Q. ON WHOSE BEHALF ARE YOU TESTIFYING IN THIS DOCKET?
A. I am testifying on behalf of Wal-Mart Stores East, LP and Sam’s East, Inc. (collectively
“Walmart”).

Q. PLEASE DESCRIBE YOUR EDUCATION AND EXPERIENCE.
A. In 2001, I completed a Master of Science in Agricultural Economics at Louisiana State
University. From 2001 to 2003, I was an Analyst and later a Senior Analyst at the
Houston office of Econ One Research, Inc., a Los Angeles-based consulting firm. My
duties included research and analysis on domestic and international energy and
regulatory issues. From 2003 to 2007, I was an Economist and later a Senior Utility
Analyst at the Public Utility Commission of Oregon in Salem, Oregon. My duties
included appearing as a witness for PUC Staff in electric, natural gas, and
telecommunications dockets. I joined the energy department at Walmart in July
2007 as Manager, State Rate Proceedings, and was promoted to my current position
in June 2011. My Witness Qualifications Statement is included herein as Exhibit
SWC-1.
Q. HAVE YOU PREVIOUSLY SUBMITTED TESTIMONY BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY ("THE COMMISSION")?

Q. HAVE YOU PREVIOUSLY SUBMITTED TESTIMONY BEFORE OTHER STATE REGULATORY COMMISSIONS?
A. Yes. I have submitted testimony in over 115 proceedings before 34 other utility regulatory commissions and before the Missouri House Committee on Utilities, the Missouri Senate Veterans' Affairs, Emerging Issues, Pensions, and Urban Affairs Committee, and the Kansas House Standing Committee on Utilities and Telecommunications. My testimony has addressed topics including, but not limited to, cost of service and rate design, revenue requirement, ratemaking policy, qualifying facility rates, telecommunications deregulation, resource certification, energy efficiency/demand side management, fuel cost adjustment mechanisms, decoupling, and the collection of cash earnings on construction work in progress.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?
A. The purpose of my testimony is to respond to issues related to the rate case filing of Kentucky Utilities Company ("KU" or "the Company").

Q. ARE YOU SPONSORING ANY SCHEDULES WITH YOUR TESTIMONY?
A. Yes. I am sponsoring the following exhibits:

   Exhibit SWC-1 – Witness Qualifications Statement
Q. PLEASE BRIEFLY DESCRIBE WALMART'S OPERATIONS IN KENTUCKY.

A. Walmart operates 100 retail units and employs 27,924 associates in Kentucky. In fiscal year ending 2014, Walmart purchased $1 billion worth of goods and services from Kentucky-based suppliers, supporting 32,800 supplier jobs.¹

Q. PLEASE BRIEFLY DESCRIBE WALMART'S OPERATIONS WITHIN THE COMPANY'S SERVICE TERRITORY.

A. Walmart has approximately 31 stores and related facilities that take service from the Company, primarily on the TODS schedule.

¹ http://corporate.walmart.com/our-story/locations/united-states/#/united-states/kentucky
Summary of Recommendations

Q. PLEASE SUMMARIZE YOUR RECOMMENDATIONS TO THE COMMISSION.

A. My recommendations to the Commission are as follows:

1) The Commission should consider the impact on customers thoroughly and carefully in their examination of revenue requirement and ROE, in addition to all other facets of this case, to ensure that any increase in the Company's rates is only the minimum amount necessary for the utility to provide adequate and reliable service, while having an opportunity to earn a reasonable return.

2) The Commission should reject KU's proposal to include approximately $91 million of CWIP in rate base. If, however, the Commission determines it necessary to include any CWIP in rate base, it should determine that the shift of risk from the Company to ratepayers through the inclusion of CWIP be reflected in the ROE approved in this docket, such that as the level of CWIP is increased, ROE is accordingly decreased.

3) The Commission should closely examine the Company's proposed revenue requirement increase and the associated proposed increase in return on equity, especially when viewed in light of (a) the impact of the resulting revenue requirement increase and the reasonableness of the Company's overall revenue requirement, (b) the use of risk reducing ratemaking structures such as the use of a forecast test year, which reduces regulatory lag by allowing the utility to include the most current information in its rates...
at the time they will be in effect, and the inclusion of CWIP in rate base, and
(c) rate case ROEs approved by commissions nationwide.

4) Walmart does not take a position on the Company's proposed cost of service
model at this time. However, to the extent that alternative cost of service
models or modifications to the Company's model are proposed by other
parties, Walmart may seek to respond to any such changes in rebuttal
testimony.

5) Walmart does not oppose the Company's proposed TODS rate design at the
Company's proposed revenue requirement.

6) If the Commission determines that the appropriate level of revenue
requirement is lower than the level proposed by the Company, the
Commission should approve the Company's two step methodology for
setting TODS rates in which the energy charge is reduced to cost of service
level per the approved cost of service study and any revenue requirement
increase for the rate schedule is assigned to the demand and power factor
charges.

7) The Commission should allocate any revenue increase approved in this
docket using the following steps:

i. Apply a 25 percent revenue neutral movement towards cost of
service, per the Commission's approved cost of service study results,
to the revenue requirement for each rate class;
ii. Allocate the approved overall revenue requirement increase or
decrease on an equal percent basis to all customer classes; and

iii. If the difference between the Company's proposed revenue
requirement and the Commission's approved revenue requirement
results in steps (1) and (2) assigning a rate class an increase above 9.6
percent, mitigate that increase per Commission discretion so that no
class receives a rate increase in excess of 9.6 percent.

8) The Commission should reject the use of NAICS codes by the Company and
instead direct the Company to adopt standards that reflect actual energy
usage and load characteristics.

The fact that an issue is not addressed herein or in related filings should not be
construed as an endorsement of any filed position.

Revenue Requirement and Return on Equity

Q. WHAT IS YOUR UNDERSTANDING OF THE COMPANY'S PROPOSED REVENUE
REQUIREMENT?

A. My understanding is that the Company proposes a revenue requirement increase of
approximately $153 million, or 9.6 percent above current retail revenues. See Direct
Testimony of Victor A. Staffieri, page 9, line 1 to line 2.
Q. SHOULD THE COMMISSION GENERALLY CONSIDER THE IMPACT OF THE PROPOSED RATE INCREASE ON CUSTOMERS IN SETTING THE REVENUE REQUIREMENT CHANGE AND ROE FOR THE COMPANY?

A. Yes. Electricity represents a significant portion of a retailer’s operating costs. When rates increase, that increase in cost to retailers puts pressure on consumer prices and on the other expenses required by a business to operate. The Commission should consider the impact on customers thoroughly and carefully in their examination of revenue requirement and ROE, in addition to all other facets of this case, to ensure that any increase in the Company’s rates is only the minimum amount necessary for the utility to provide adequate and reliable service, while having an opportunity to earn a reasonable return.

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

A. The Company is proposing an ROE of 10.5 percent. Id., page 9, line 15. This results in a proposed overall rate of return of 7.38 percent. See Schedule J-1. However, the Company’s ROE witnesses present an ROE of 10.64 based on a range of 9.74 percent to 11.54 percent. See Direct Testimony of William E. Avera and Adrien M. McKenzie, page 4, line 11 to line 14. The difference in the two values is equal to the witnesses’ flotation cost adjustment. See Avera/McKenzie Exhibit No. 2.

Q. ARE YOU CONCERNED THAT THE PROPOSED ROE IS EXCESSIVE?

A. Yes. I am concerned that the Company’s proposed ROE is excessive, especially when viewed in light of (a) the impact of the resulting revenue requirement increase, (b) the use of risk reducing ratemaking structures such as the use of a forecast test year,
which reduces regulatory lag by allowing the utility to include the most current
information in its rates at the time they will be in effect, and the inclusion of CWIP in
rate base, and (c) rate case ROEs approved by commissions nationwide. See Direct
Testimony of Kent W. Blake, page 5, line 1 to line 10 and Schedule B-1.

Q. ARE YOU CONCERNED WITH THE INCLUSION OF CWIP IN RATE BASE?

A. Yes. The inclusion of CWIP in rate base charges ratepayers for assets that are not
yet used and useful in the provision of electric service. Under the Company’s
proposal, ratepayers would pay for the assets during a period when they are not
receiving benefits from those assets, so the matching principle (i.e., customers
bearing costs only when they are receiving a benefit) is violated. In this case, KU’s
customers would pay for an asset that does not provide service — i.e., is not used
and useful — during that test year. The problem is compounded by changes in the
number and mix of customers during the construction process versus when the
asset is used and useful. For example, customers may pay for the assets during
construction but leave the system before they are operational, receiving no benefit
from the assets for which they helped pay.

Q. ARE THERE OTHER CONCERNS WITH THE INCLUSION OF CWIP IN RATE BASE THAT
THE COMMISSION SHOULD CONSIDER?

A. Yes. First, including CWIP in rate base shifts the risks to ratepayers that are
traditionally assumed by utility investors, for which investors are compensated
through the rate of return elements once the plant is in service. CWIP in rate base
instead places the risks squarely on the shoulders of ratepayers with no offer of
compensation for the use of their money. Second, should the Company encounter
problems during construction of the plant resulting in stoppage of the construction,
non-completion of the project and/or substantial delay in the completion of the
project, consumers have no recourse for recovering the money they have paid for
the inclusion of CWIP in rate base.

Q. HOW MUCH CWIP DOES KU PROPOSE TO INCLUDE IN RATE BASE?
A. KU proposes to include approximately $91 million of CWIP in rate base in their
forecast test year. See Schedule B-4.

Q. HOW MUCH OF KU’S PROPOSED RATE BASE DOES CWIP CONSTITUTE?
A. As proposed, CWIP would constitute approximately 2.5 percent of the Company’s
rate base. See Exhibit SWC-2.

Q. WHAT IS THE PROPOSED REVENUE REQUIREMENT IMPACT OF THE INCLUSION OF
CWIP IN RATE BASE?
A. The inclusion of CWIP in rate base results in a revenue requirement impact of
approximately $10.8 million annually. Id.

Q. WHAT IS YOUR RECOMMENDATION TO THE COMMISSION ON THIS ISSUE?
A. The Commission should reject KU’s proposal to include approximately $91 million of
CWIP in rate base. If, however, the Commission determines it necessary to include
any CWIP in rate base, it should determine that the shift of risk from the Company to
ratepayers through the inclusion of CWIP be reflected in the ROE approved in this
docket, such that as the level of CWIP is increased, ROE is accordingly decreased.
Q. IS THE COMPANY’S PROPOSED ROE HIGHER THAN THE AVERAGES OF THOSE
APPROVED BY OTHER UTILITY REGULATORY COMMISSIONS?
A. Yes. The proposed ROE is higher than the averages of ROEs approved by other utility

Q. WHAT IS YOUR UNDERSTANDING OF THE RETURNS ON EQUITY APPROVED FOR
ELECTRIC UTILITIES BY COMMISSIONS NATIONWIDE DURING THE TIME PERIOD?
A. According to data from SNL Financial\(^2\), a financial news and reporting company, the
average of the 124 reported electric utility rate case ROEs authorized by
commissions to investor-owned electric utilities in 2012, 2013, 2014, and so far in
2015, is 9.88 percent. The range of reported authorized ROEs for the period is 8.72
percent to 10.95 percent, and the median authorized ROE is 9.83 percent. See
Exhibit SWC-3, page 4.

Q. SEVERAL OF THE REPORTED AUTHORIZED ROES ARE FOR DISTRIBUTION-ONLY
UTILITIES OR FOR ONLY A UTILITY’S DISTRIBUTION SERVICE RATES. WHAT IS THE
AVERAGE AUTHORIZED ROE IN THE REPORTED GROUP FOR THE VERTICALLY
INTEGRATED UTILITIES LIKE THE COMPANY?
A. In the group reported by SNL Financial, the average authorized ROE for vertically
integrated utilities from 2012 to present is 10.01 percent, which is 49 basis points
below the Company’s proposed ROE. *Id.* However, there is a declining trend for
vertically integrated utilities from 2012 to present.

\(^2\) Regulatory Research Associates in part of SNL Financial.
Q.  PLEASE EXPLAIN.

A.  The average authorized ROE for vertically integrated utilities in 2012 was 10.1 percent, in 2013 it was 9.97 percent, in 2014 it was 9.91 percent, and so far in 2015 it is 9.67 percent. It should be noted that five of the six 2014 authorized ROEs in excess of 10 percent were awarded in Wisconsin, which tends to skew the resulting average in favor of that jurisdiction. Excluding those five dockets results in an average of 9.79 percent for the rest of the country in 2014. Additionally, there have only been two reported authorized ROEs in 2015. As such, the Company's proposed ROE increase in this case is a move counter to broader industry trends.

Q.  HAVE ANY OTHER STATES RECOGNIZED THE IMPORTANCE OF CONSIDERING RATEPAYER IMPACTS IN THE ROE DETERMINATION PROCESS?

A.  Yes. While I am not an attorney, it is my understanding that the North Carolina Supreme Court determined that impacts on ratepayers from any proposed utility rate increase should be carefully considered in an ROE analysis for that utility. Specifically, the Court stated:

Given the legislature's goal of balancing customer and investor interests, the customer-focused purpose of Chapter 62, and this Court's recognition that the Commission must consider all evidence presented by interested parties, which necessarily includes customers, it is apparent that customer interests cannot be measured only indirectly or treated as mere afterthoughts and that Chapter 62's ROE provisions cannot be read in isolation as only protecting public utilities and their shareholders. Instead, it is clear that the Commission must take customer interests into account when making an ROE determination. Therefore, we hold that in retail electric service rate cases the Commission must make findings of fact regarding the impact of changing economic conditions on customers when determining the proper ROE for a public utility.

Q. GENERALLY, WHAT IS YOUR RECOMMENDATION TO THE COMMISSION ON THE COMPANY'S PROPOSED INCREASES IN REVENUE REQUIREMENT AND ROE?

A. The Commission should closely examine the Company's proposed revenue requirement increase and the associated proposed increase in return on equity, especially when viewed in light of (a) the impact of the resulting revenue requirement increase and the reasonableness of the Company's overall revenue requirement, (b) the use of risk reducing ratemaking structures such as the use of a forecast test year, which reduces regulatory lag by allowing the utility to include the most current information in its rates at the time they will be in effect, and the inclusion of construction work in progress ("CWIP") in rate base, and (c) rate case ROEs approved by commissions nationwide.

Time of Day Secondary Rate Design

Q. WHAT IS YOUR UNDERSTANDING OF THE STRUCTURE OF THE CURRENT TODS BASE RATE CHARGES?

A. My understanding of the structure of the current TODS base rate charges are as follows:

1) A $/customer-month basic service charge;

2) A $/kWh volumetric energy charge;

3) A three-part maximum load charge that contains ratcheted $/kW-month charges for peak period demand, intermediate period demand, and base period demand; and
4) Base, intermediate, and peak period power factor charges. See P.S.C. No. 16, Third Revision of Original Sheet No. 20.

Q. DOES THE COMPANY PROPOSE ANY CHANGES TO THE STRUCTURE OF THE CURRENT TODS BASE RATE CHARGES?

A. No.

Q. WHAT IS YOUR UNDERSTANDING OF THE COMPANY’S CLASSIFICATION OF COSTS INCURRED TO SERVE TODS?

A. My understanding is that the Company’s cost of service study classifies approximately 51 percent of costs to serve TODS as energy-related, 48 percent as demand-related, and one percent as customer-related. See Exhibit SWC-5, column (2).

Q. DO THE CURRENT TODS RATES REFLECT THE COMPANY’S UNDERLYING COST OF SERVICE FOR TODS?

A. No. Current TODS rates are set such that approximately 59 percent of the TODS revenue requirement is recovered through the energy charge, 40 percent through the demand charges, and one percent through the customer charge. Id., column (4).

Q. DOES THE COMPANY PROPOSE TO CHANGE RATES LEVELS SUCH THAT THE TODS RATES WILL MORE CLOSELY REFLECT COST OF SERVICE LEVELS?

A. Yes. The Company proposes to set TODS rates, at the proposed revenue requirement, to recover approximately 49.5 percent of revenue requirement through the energy charge, 49.5 percent through the demand charges, and one percent through the customer charge. Id., column (6). This change is accomplished
through two steps. First, the Company proposes to reduce the TODS energy charge revenue requirement to the cost of service level and shift those revenues to the demand charges. Second, the Company assigns their proposed TODS revenue requirement increase to the demand and power factor charges. See Schedule M-2.3.

Q. DOES WALMART OPPOSE THE COMPANY’S PROPOSED TODS RATE DESIGN AT THE COMPANY’S PROPOSED REVENUE REQUIREMENT?

A. No. As I stated above, setting rates based on the utility’s cost of service produces equitable rates that reflect cost causation, send proper price signals, and minimize price distortions. Additionally, costs should be collected in a manner which reflects how they are incurred, and this is accomplished through the Company’s proposal.

Q. WHAT IS YOUR RECOMMENDATION TO THE COMMISSION IF IT DETERMINES THAT A LOWER LEVEL OF REVENUE REQUIREMENT IS APPROPRIATE?

A. If the Commission determines that the appropriate level of revenue requirement is lower than the level proposed by the Company, the Commission should approve the Company’s two step methodology for setting TODS rates in which the energy charge is reduced to cost of service level per the approved cost of service study and any revenue requirement increase for the rate schedule is assigned to the demand and power factor charges.
Revenue Allocation

Q. GENERALLY, 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. This produces equitable rates that reflect cost causation, send proper price signals, and minimize price distortions.

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

A. No. However, to the extent that alternative cost of service models or modifications to the Company’s model are proposed by other parties, Walmart may seek to address any such changes in rebuttal testimony.

Q. HOW DOES THE COMPANY REPRESENT WHETHER RATES FOR A CUSTOMER CLASS ACCURATELY REFLECT THE UNDERLYING COST CAUSATION?

A. The Company represents this relationship in their cost of service results through the use of class-specific rates of return. See Direct Testimony of Martin Blake, page 17, Table 1. These rates of return can be converted into a rate of return index (“RRI”), which is an indexed measure of the relationship of the rate of return for an individual rate class to the total system rate of return. A RRI greater than 1.0 means that the rate class is paying rates in excess of the costs incurred to serve that class, and a RRI less than 1.0 means that the rate class is paying rates less than the costs incurred to serve that class. As such, those rate classes with a RRI greater than 1.0
shoulder some of the revenue responsibility burden for the classes with a RRI less
than 1.0.

Q. HAVE YOU CALCULATED CLASS RRIS BASED ON KU’S COST OF SERVICE RESULTS?

A. Yes, as shown in Table 1 below:

<table>
<thead>
<tr>
<th>Customer Class</th>
<th>Actual Rate of Return</th>
<th>Actual Rate of Return Index Value</th>
<th>Proposed Rate of Return</th>
<th>Proposed Rate of Return Index Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Residential</td>
<td>2.77%</td>
<td>0.61</td>
<td>4.84%</td>
<td>0.67</td>
</tr>
<tr>
<td>General Service Single Phase</td>
<td>9.01%</td>
<td>1.98</td>
<td>12.14%</td>
<td>1.69</td>
</tr>
<tr>
<td>All Electric Schools Single Phase</td>
<td>4.43%</td>
<td>0.97</td>
<td>7.14%</td>
<td>0.99</td>
</tr>
<tr>
<td>Power Service Secondary</td>
<td>11.29%</td>
<td>2.48</td>
<td>15.04%</td>
<td>2.09</td>
</tr>
<tr>
<td>Power Service Primary</td>
<td>8.24%</td>
<td>1.81</td>
<td>11.46%</td>
<td>1.60</td>
</tr>
<tr>
<td>Time of Day Secondary</td>
<td>5.42%</td>
<td>1.19</td>
<td>8.69%</td>
<td>1.21</td>
</tr>
<tr>
<td>Time of Day Primary</td>
<td>3.34%</td>
<td>0.73</td>
<td>6.40%</td>
<td>0.89</td>
</tr>
<tr>
<td>Retail Transmission Service</td>
<td>3.41%</td>
<td>0.75</td>
<td>6.52%</td>
<td>0.91</td>
</tr>
<tr>
<td>Fluctuating Load Service</td>
<td>1.53%</td>
<td>0.34</td>
<td>4.61%</td>
<td>0.64</td>
</tr>
<tr>
<td>Lighting</td>
<td>2.75%</td>
<td>0.60</td>
<td>4.13%</td>
<td>0.58</td>
</tr>
<tr>
<td>Total Jurisdiction</td>
<td>4.55%</td>
<td>1.00</td>
<td>7.18%</td>
<td>1.00</td>
</tr>
</tbody>
</table>

Sources: Exhibit SWC-4 and Testimony of Martin Blake, page 17, Table 1

Q. WHAT IS YOUR UNDERSTANDING OF THE COMPANY’S REVENUE ALLOCATION PROPOSAL?

A. My understanding is that the Company proposes to increase the base revenues for all classes on an equal percentage basis. See Direct Testimony of Martin Blake, page 18, line 21 to 22.

Q. WHAT IS THE COMPANY’S STATED OBJECTIVE FOR THEIR BASE REVENUE ALLOCATION PROPOSAL?
A. The Company's stated objective for their revenue allocation proposal is to minimize rate shock due to the level of the proposed revenue requirement increase. *Id.*, page 19, line 1 to line 2.

Q. DOES THE COMPANY'S PROPOSAL MOVE RATE CLASSES TOWARDS THEIR RESPECTIVE COSTS OF SERVICE?

A. Using the RRI from Table 1 as a guide, there appears to be movement towards cost of service. However, upon deeper examination, TODS would continue to have a return well above the system average and would see an increase in the revenue requirement in excess of its respective cost of service levels.

Q. PLEASE EXPLAIN.

A. As proposed, the revenue requirement in excess of cost of service would increase for TODS. Current, TODS pays rates that are 1.8 percent in excess of cost of service. As proposed, TODS would pay rates 2.9 percent in excess of cost of service. See Exhibit SWC-6. As such, the Commission should determine that it is appropriate as part of this case to make some movement towards cost of service-based rates for the customer classes.

Q. WHAT IS YOUR RECOMMENDATION TO THE COMMISSION?

A. The Commission should allocate any revenue increase in this docket using the following steps:

1) Apply a 25 percent revenue neutral movement towards cost of service, per the Commission's approved cost of service study results, to the revenue requirement for each rate class;
2) Allocate the approved overall revenue requirement increase or decrease on an equal percent basis to all customer classes; and

3) If the difference between the Company’s proposed revenue requirement and the Commission’s approved revenue requirement results in steps (1) and (2) assigning a rate class an increase above 9.6 percent, mitigate that increase per Commission discretion so that no class receives a rate increase in excess of 9.6 percent.

Use of NAICS Codes

Q. HAS WALMART RAISED IN A PAST DOCKET THE ISSUE OF THE COMPANY’S USE OF NAICS CODES TO CLASSIFY CUSTOMERS UNDER THE COMPANY’S TARIFF?

A. Yes. In Case No. 2014-00003, Walmart submitted the Direct Testimony of Kenneth E. Baker as well as briefing on the Company’s use of NAICS codes to determine eligibility to opt out of the Company’s demand-side management ("DSM") program.

Q. WHAT WAS THE COMMISSION’S DETERMINATION ON THE ISSUE IN CASE NO. 2014-00003?

A. The Commission did not reject the Company’s use of NAICS codes. However, the Commission did state that “…Walmart has raised a legitimate concern about how the Companies use the NAICS codes. During the next general rate case for the Companies, we will review the Companies’ definition of industrial customers by NAICS codes for reasonableness.” See Order, Case No. 2014-00003, November 14, 2014, page 26.
Q. WHAT IS YOUR UNDERSTANDING OF THE COMPANY'S CURRENT PRACTICE?

A. My understanding of the Company’s current practice is that, under the Demand-Side Management Cost Recovery Mechanism tariff, industrial customers who elect not to participate in the Company’s DSM program shall not be assessed a charge pursuant to the tariff. For the purposes of that portion of the tariff, a non-residential customer is defined as “industrial” if they are primarily engaged in a process that creates or changes raw or unfinished materials into another form or product, and/or they are defined by NAICS under Sections 21, 22, 31, 32, and 33. See P.S.C. No. 16, First Revision of Original Sheet No. 86.

Q. IS IT REASONABLE TO USE NAICS CODES AS THE BASIS FOR THE DEFINITION OF INDUSTRIAL CUSTOMERS?

A. No. The Company’s use of NAICS codes is inconsistent with the ratemaking process and its results are unreasonably arbitrary and unduly discriminatory, both within the total universe of non-residential customers as well as within the customer base more traditionally thought of as “industrial,” and inconsistent with the Company’s rate structures, which are not broken out by “commercial” and “industrial.”

Q. PLEASE EXPLAIN.

A. The ratemaking process allows for the systematic consideration of all costs, benefits, and risks of a utility in the provision of its service to a large and diverse body of customers. Because it is administratively infeasible to create an individual rate for every customer on the system, the process creates customer classes that group similarly situated customers based on characteristics related to how customers use...
the service, including but not limited to customer size, load shape, load factor, minimum and/or peak kW demand, or service voltage. One or more of those or other characteristics and some form of specific customer responsibilities, such as being available for interruption, can also be used to create a customer class. Ultimately, at no point during the ratemaking process is it functionally necessary for the Commission to consider why a customer takes service or what the customer does with the power.

Q. IS THE USE OF NAICS CODES CONSISTENT WITH THIS PROCESS?
A. No, and that results in the use of the codes being unreasonably arbitrary. As I state above, why a customer takes service or what the customer does with the power is not a functionally necessary part of the ratemaking process. Use of NAICS codes ignores the characteristics and responsibilities listed above that are used in the ratemaking process and can ultimately create groups of dissimilar customers – different kW demands, different load shapes, different load factors, etc. – from the viewpoint of the operation of a utility’s system.

Q. IN CASE NO. 2014-00003, DID WALMART PRESENT A WAY OF DEFINING CUSTOMER ELIGIBILITY THAT IS CONSISTENT WITH THE RATEMAKING PROCESS?
A. Yes. Walmart proposed the following:

The Commission should allow any non-residential customer who has electric usage above a benchmark level for all of its sites aggregated under one of the Companies to elect to not participate in that Company’s demand-side management program.
Walmart also recommended a benchmark of 15 million kWh in aggregate across all
of a customer's sites.\(^3\) As such, this would use customer size, which is a common
delineator used in the ratemaking process, as a determinant for defining customers.

Q. COULD THE COMMISSION ALSO USE A SPECIFIC CUSTOMER RESPONSIBILITY FOR
THE DETERMINATION OF OPT OUT ELIGIBILITY UNDER THE COMPANY'S DSM
TARIFF?

A. Yes. The Commission could use the affirmation or demonstration of a customer’s
self-funded energy efficiency efforts as a determinant for eligibility. While I am not
an attorney, my reading of KRS 278.285(3) would suggest that this determinant be
included in the process per the statute. In sum, the use of customer size and
customer responsibility to create a group of similarly situated customers, as
described above, gives the Commission a methodology by which customer
classifications can be determined in a non-arbitrary fashion.

Q. DOES KRS 278.285(3) DEFINE “INDUSTRIAL’’?

A. No. The only reference to the nature of the customer’s usage is that its processes
are “energy intensive,” which is also not defined.

Q. DOES KU’S DSM TARIFF DEFINE “INDUSTRIAL’’?

A. Yes, per the use of the specific NAICS codes. All other non-residential classes are
termed “commercial.” See P.S.C. No. 16, First Revision of Original Sheet No. 86. In
addition to ignoring whether customers eligible for opt out are similarly situated, as

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\(^3\) This is the benchmark currently in use in Oklahoma for Oklahoma Gas & Electric and Public Service Company of
described above, it also ignores customers such as data centers (NAICS Section 51) and distribution centers (NAICS Section 48-49), that are energy intensive and would traditionally be thought of as "industrial."

Q. HAVE ANY OTHER COMMISSIONS QUESTIONED THE REASONABLENESS OF THE USE OF NAICS CODES OR THE SIMILAR STANDARD INDUSTRIAL CLASSIFICATION ("SIC") CODES IN THE RATEMAKING PROCESS?

A. Yes. In North Carolina Docket No. E-7, Sub 989, the North Carolina Utilities Commission examined the reasonableness of segregating a large general service rate based on SIC codes. That Commission found:

"The Commission is concerned with the impact of increasing Schedule OPT-I and OPT-H rates. However, the Commission is also concerned with the reasonableness and fairness of maintaining a differential between Schedules OPT-I/OPT-H and Schedule OPT-G based largely on labels such as SIC codes. Thus, the Commission concludes that steps toward potentially recombining the OPT-I, OPT-H and OPT-G rates in an equitable manner should begin now..."


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

A. The Commission should reject the use of NAICS codes by the Company and instead create standards consistent with actual energy usage and load characteristics.

Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes.
STATE OF ARKANSAS
COUNTY OF BENTON

The undersigned, Steve W. Chriss, being duly sworn, deposes and says that he is Senior Manager, Energy Regulatory Analysis for Wal-Mart Stores, Inc., and that he has personal knowledge of the matters set forth in the foregoing testimony, and that the answers contained herein are true and correct to the best of his information, knowledge and belief.

__________________________
Steve W. Chriss

Subscribed and sworn to before me, a Notary Public in and before said County and State, this ___ day of March 2015.

__________________________
Notary Public

My Commission Expires: 9-28-15
COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF KENTUCKY UTILITIES COMPANY FOR AN ADJUSTMENT OF ITS ELECTRIC RATES

CASE NO. 2014-00371

EXHIBITS OF STEVE W. CHRISS ON BEHALF OF WAL-MART STORES EAST, LP AND SAM'S EAST, INC.
COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF KENTUCKY UTILITIES COMPANY FOR AN ADJUSTMENT OF ITS ELECTRIC RATES

) CASE NO. 2014-00371

EXHIBIT SWC-1 OF STEVE W. CHRISS
ON BEHALF OF
WAL-MART STORES EAST, LP AND SAM'S EAST, INC.
Steve W. Chriss
Senior Manager, Energy Regulatory Analysis
Wal-Mart Stores, Inc.
Business Address: 2001 SE 10th Street, Bentonville, AR, 72716-0550
Business Phone: (479) 204-1594

EXPERIENCE
July 2007 – Present
Wal-Mart Stores, Inc., Bentonville, AR
Senior Manager, Energy Regulatory Analysis (June 2011 – Present)
Manager, State Rate Proceedings (July 2007 – June 2011)

Public Utility Commission of Oregon, Salem, OR
Senior Utility Analyst (February 2006 – July 2007)
Economist (June 2003 – February 2006)

January 2003 - May 2003
North Harris College, Houston, TX
Adjunct Instructor, Microeconomics

June 2001 - March 2003
Econ One Research, Inc., Houston, TX
Senior Analyst (October 2002 – March 2003)
Analyst (June 2001 – October 2002)

EDUCATION
2001 Louisiana State University M.S., Agricultural Economics
1997-1998 University of Florida Graduate Coursework, Agricultural Education
     and Communication
1997 Texas A&M University B.S., Agricultural Development
     B.S., Horticulture

TESTIMONY BEFORE REGULATORY COMMISSIONS
2014
Ohio Public Utilities Commission Case No. 14-1297-EL-SSO: In the Matter of the Application of Ohio Edison
Company, The Cleveland Electric Illuminating Company and the Toledo Edison Company for Authority to

West Virginia Case No. 14-1152-E-42T: Appalachian Power Company and Wheeling Power Company, Both

Oklahoma Corporation Commission Cause No. PUD 201400229: In the Matter of the Application of
Oklahoma Gas and Electric Company for Commission Authorization of a Plan to Comply with the Federal
Clean Air Act and Cost Recovery; and for Approval of the Mustang Modernization Plan.

Missouri Public Service Commission Case No. ER-2014-0258: In the Matter of Union Electric Company
d/b/a Ameren Missouri’s Tariff to Increase its Revenues for Electric Service.


West Virginia Public Service Commission Case No. 14-0702-E-42T: Monongahela Power Company and the Potomac Edison Company Rule 42T Tariff Filing to Increase Rates and Charges.


Maryland Case No. 9355: In the Matter of the Application of Baltimore Gas and Electric Company for Authority to Increase Existing Rates and Charges for Electric and Gas Service.


Wisconsin Docket No. 6690-UR-123: Application of Wisconsin Public Service Corporation for Authority to Adjust Electric and Natural Gas Rates.


Arizona Corporation Commission Docket No. E-01345A-11-0224 (Four Corners Phase): In the Matter of Arizona Public Service Company for a Hearing to Determine the Fair Value of Utility Property of the Company for Ratemaking Purposes, to Fix and Just and Reasonable Rate of Return Thereon, to Approve Rate Schedules Designed to Develop Such Return.


Utah Public Service Commission Docket No. 13-035-184: In the Matter of the Application of Rocky Mountain Power for Authority to Increase its Retail Electric Utility Service Rates in Utah and for Approval of its Proposed Electric Service Schedules and Electric Service Regulations.

Missouri Public Service Commission Case No. EC-2014-0224: In the Matter of Noranda Aluminum, Inc.’s Request for Revisions to Union Electric Company d/b/a Ameren Missouri’s Large Transmission Service Tariff to Decrease its Rate for Electric Service.

Oklahoma Corporation Commission Cause No. PUD 201300217: Application of Public Service Company of Oklahoma to be in Compliance with Order No. 591185 Issued in Cause No. PUD 201100106 Which Requires a Base Rate Case to be Filed by PSO and the Resulting Adjustment in its Rates and Charges and Terms and Conditions of Service for Electric Service in the State of Oklahoma.


2013


Georgia Public Service Commission Docket No. 36989: Georgia Power’s 2013 Rate Case.


South Dakota Public Utilities Commission Docket No. EL12-061: In the Matter of the Application of Black Hills Power, Inc. for Authority to Increase its Electric Rates. (filed with confidential stipulation)


New Jersey Board of Public Utilities Docket No. ER12111052: In the Matter of the Verified Petition of Jersey Central Power & Light Company For Review and Approval of Increases in and Other Adjustments to Its Rates and Charges For Electric Service, and For Approval of Other Proposed Tariff Revisions in Connection Therewith; and for Approval of an Accelerated Reliability Enhancement Program ("2012 Base Rate Filing")


2012


Utah Public Service Commission Docket No. 11-035-200: In the Matter of the Application of Rocky Mountain Power for Authority to Increase its Retail Electric Utility Service Rates in Utah and for Approval of its Proposed Electric Service Schedules and Electric Service Regulations.


New Jersey Board of Public Utilities Docket No. ER11080469: In the Matter of the Petition of Atlantic City Electric for Approval of Amendments to Its Tariff to Provide for an Increase in Rates and Charges for Electric Service Pursuant to N.J.S.A. 48:2-21 and N.J.S.A. 48:2-21.1 and For Other Appropriate Relief.


Missouri Public Service Commission Case No. EO-2012-0009: In the Matter of KCP&L Greater Missouri Operations Notice of Intent to File an Application for Authority to Establish a Demand-Side Programs Investment Mechanism.


2011

Arizona Corporation Commission Docket No. E-01345A-11-0224: In the Matter of Arizona Public Service Company for a Hearing to Determine the Fair Value of Utility Property of the Company for Ratemaking Purposes, to Fix and Just and Reasonable Rate of Return Thereon, to Approve Rate Schedules Designed to Develop Such Return.


Public Utilities Commission of Nevada Docket No. 11-06006: In the Matter of the Application of Nevada Power Company, filed pursuant to NRS 704.110(3) for authority to increase its annual revenue requirement for general rates charged to all classes of customers to recover the costs of constructing the Harry Allen Combined Cycle plant and other generating, transmission, and distribution plant additions, to reflect changes in the cost of capital, depreciation rates and cost of service, and for relief properly related thereto.


Utah Public Service Commission Docket No. 10-035-124: In the Matter of the Application of Rocky Mountain Power for Authority to Increase its Retail Electric Utility Service Rates in Utah and for Approval of its Proposed Electric Service Schedules and Electric Service Regulations.

Maryland Public Utilities Commission Case No. 9249: In the Matter of the Application of Delmarva Power & Light for an Increase in its Retail Rates for the Distribution of Electric Energy.


2010


Public Service Commission of West Virginia Case No. 10-0699-E-42T: Appalachian Power Company and Wheeling Power Company Rule 42T Application to Increase Electric Rates.

Oklahoma Corporation Commission Cause No. PUD 201000050: Application of Public Service Company of Oklahoma, an Oklahoma Corporation, for an Adjustment in its Rates and Charges and Terms and Conditions of Service for Electric Service in the State of Oklahoma.


Indiana Utility Regulatory Commission Cause No. 43374: Verified Petition of Duke Energy Indiana, Inc. Requesting the Indiana Utility Regulatory Commission to Approve an Alternative Regulatory Plan Pursuant to Ind. Code § 8-1-2.5-1, ET SEQ., for the Offering of Energy Efficiency Conservation, Demand Response, and Demand-Side Management Programs and Associated Rate Treatment Including Incentives Pursuant to a Revised Standard Contract Rider No. 66 in Accordance with Ind. Code §§ 8-1-2.5-1 ET SEQ. and 8-1-2-42 (a); Authority to Defer Program Costs Associated with its Energy Efficiency Portfolio of Programs; Authority to Implement New and Enhanced Energy Efficiency Programs, Including the Powershare® Program in its Energy Efficiency Portfolio of Programs; and Approval of a Modification of the Fuel Adjustment Clause Earnings and Expense Tests.


South Carolina Public Service Commission Docket No. 2009-489-E: Application of South Carolina Electric & Gas Company for Adjustments and Increases in Electric Rate Schedules and Tariffs.


Connecticut Department of Public Utility Control Docket No. 09-12-05: Application of the Connecticut Light and Power Company to Amend its Rate Schedules.

Arkansas Public Service Commission Docket No. 09-084-U: In the Matter of the Application of Entergy Arkansas, Inc. For Approval of Changes in Rates for Retail Electric Service.

Missouri Public Service Commission Docket No. ER-2010-0036: In the Matter of Union Electric Company d/b/a AmerenUE for Authority to File Tariffs Increasing Rates for Electric Service Provided to Customers in the Company's Missouri Service Area.

Public Service Commission of Delaware Docket No. 09-414: In the Matter of the Application of Delmarva Power & Light Company for an Increase in Electric Base Rates and Miscellaneous Tariff Charges.

2009


Public Service Commission of Utah Docket No. 09-035-23: In the Matter of the Application of Rocky Mountain Power for Authority To Increase its Retail Electric Utility Service Rates in Utah and for Approval of Its Proposed Electric Service Schedules and Electric Service Regulations.


Arkansas Public Service Commission Docket No. 09-008-U: In the Matter of the Application of Southwestern Electric Power Company for Approval of a General Change in Rates and Tariffs.


Public Utilities Commission of Nevada Docket No. 08-12002: In the Matter of the Application by Nevada Power Company d/b/a NV Energy, filed pursuant to NRS §704.110(3) and NRS §704.110(4) for authority to increase its annual revenue requirement for general rates charged to all classes of customers, begin to recover the costs of acquiring the Bighorn Power Plant, constructing the Clark Peakers, Environmental Retrofits and other generating, transmission and distribution plant additions, to reflect changes in cost of service and for relief properly related thereto.

New Mexico Public Regulation Commission Case No. 08-00024-UT: In the Matter of a Rulemaking to Revise NMPRC Rule 17.7.2 NMAC to Implement the Efficient Use of Energy Act.


2008


Public Service Commission of Utah Docket No. 07-035-93: In the Matter of the Application of Rocky Mountain Power for Authority to Increase its Retail Electric Utility Service Rates in Utah and for Approval
of its Proposed Electric Service Schedules and Electric Service Regulations, Consisting of a General Rate Increase of Approximately $161.2 Million Per Year, and for Approval of a New Large Load Surcharge.


Public Utilities Commission of Nevada Docket No. 07-12001: In the Matter of the Application of Sierra Pacific Power Company for authority to increase its general rates charged to all classes of electric customers to reflect an increase in annual revenue requirement and for relief properly related thereto.


2007

Public Utility Commission of Oregon Docket No. UG 173: In the Matter of PUBLIC UTILITY COMMISSION OF OREGON Staff Request to Open an Investigation into the Earnings of Cascade Natural Gas.

2006

Public Utility Commission of Oregon Docket No. UE 179: In the Matter of PACIFICorp, dba PACIFIC POWER AND LIGHT COMPANY Request for a general rate increase in the company's Oregon annual revenues.


2005


2004
TESTIMONY BEFORE LEGISLATIVE BODIES

2014
Regarding Kansas House Bill 2460: Testimony Before the Kansas House Standing Committee on Utilities and Telecommunications, February 12, 2014.

2012
Regarding Missouri House Bill 1488: Testimony Before the Missouri House Committee on Utilities, February 7, 2012.

2011

AFFIDAVITS

2015

2011
Colorado Public Utilities Commission Docket No. 11M-951E: In the Matter of the Petition of Public Service Company of Colorado Pursuant to C.R.S. § 40-6-111(1)(d) for Interim Rate Relief Effective on or before January 21, 2012.

ENERGY INDUSTRY PUBLICATIONS AND PRESENTATIONS
Mock Trial Expert Witness, The Energy Bar Association State Commission Practice and Regulation Committee and Young Lawyers Committee and Environment, Energy and Natural Resources Section of the D.C. Bar, Mastering Your First (or Next) State Public Utility Commission Hearing, February 13, 2014.


COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF KENTUCKY UTILITIES COMPANY FOR AN ADJUSTMENT OF ITS ELECTRIC RATES ) ) CASE NO. 2014-00371

EXHIBIT SWC-2 OF STEVE W. CHRISS
ON BEHALF OF
WAL-MART STORES EAST, LP AND SAM'S EAST, INC.
Calculation of Revenue Requirement Impact of Inclusion of CWIP in Rate Base, Forecast Test Year

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<th></th>
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<td>1</td>
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<td>3</td>
<td>CWIP Percentage of Rate Base</td>
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<td>Proposed Rate of Return</td>
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<td>Revenue Requirement Related to CWIP</td>
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Sources:
(1), (2) Schedule B-1
(4), (5) Schedule A
COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF KENTUCKY UTILITIES COMPANY FOR AN ADJUSTMENT OF ITS ELECTRIC RATES )

CASE NO. 2014-00371 )

EXHIBIT SWC-3 OF STEVE W. CHRIS

ON BEHALF OF

WAL-MART STORES EAST, LP AND SAM'S EAST, INC.
<table>
<thead>
<tr>
<th>State</th>
<th>Utility</th>
<th>Docket</th>
<th>Decision Date</th>
<th>Vertically Integrated (V)/Distribution (D)</th>
<th>Return on Equity</th>
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<td>South Carolina</td>
<td>Duke Energy Carolinas LLC</td>
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<td>1/25/2012</td>
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<td>North Carolina</td>
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<td>Michigan</td>
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<td>Hawaii</td>
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<td>Colorado</td>
<td>Public Service Co. of CO</td>
<td>11A1-947E</td>
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<td>Hawaii</td>
<td>Maui Electric Company Ltd</td>
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<td>Puget Sound Energy Inc.</td>
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<td>Consumers Energy Co.</td>
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<td>New York</td>
<td>Orange &amp; Rockland Utils Inc.</td>
<td>11-E-0408</td>
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<td>Wisconsin</td>
<td>Wisconsin Power and Light Co.</td>
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<td>Wyoming</td>
<td>Cheyenne Light Fuel Power Co.</td>
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<td>Oklahoma</td>
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<td>Wyoming</td>
<td>PacifiCorp</td>
<td>20000-405-ER-11</td>
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<td>Wisconsin Public Service Corp.</td>
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<td>PacifiCorp</td>
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## Reported Authorized Returns on Equity, Electric Utility Rate Cases Completed, 2012 to Present

<table>
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<tr>
<th>State</th>
<th>Utility</th>
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<th>Decision Date</th>
<th>Vertically Integrated (V)/Distribution (D)</th>
<th>Return on Equity</th>
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<td>Kentucky Utilities Co.</td>
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<tr>
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</tr>
<tr>
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<td>Avista Corp.</td>
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<td>V</td>
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</tr>
<tr>
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</tr>
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<td>Missouri</td>
<td>KCP&amp;L Greater Missouri Op Co</td>
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<tr>
<td>Indiana</td>
<td>Indiana Michigan Power Co.</td>
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<tr>
<td>Maryland</td>
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<tr>
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<td>U-32220</td>
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<td>New York</td>
<td>Niagara Mohawk Power Corp.</td>
<td>12-E-0201</td>
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<td>Hawaii</td>
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<td>12/12/2014</td>
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</table>

1 The Arkansas Public Service Commission originally approved a 9.3% ROE, but increased it to 9.5% on rehearing. See Order No. 35, Arkansas Docket 13-028-U.
Reported Authorized Returns on Equity, Electric Utility Rate Cases Completed, 2012 to Present

<table>
<thead>
<tr>
<th>State</th>
<th>Utility</th>
<th>Docket</th>
<th>Decision Date</th>
<th>Vertically Integrated (V)/Distribution (D)</th>
<th>Return on Equity (%)</th>
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Source: SNL Financial LC, February 26, 2014
COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF KENTUCKY UTILITIES COMPANY FOR AN ADJUSTMENT OF ITS ELECTRIC RATES

CASE NO. 2014-00371

EXHIBIT SWC-4 OF STEVE W. CHRISS

ON BEHALF OF

WAL-MART STORES EAST, LP AND SAM'S EAST, INC.
### Rate of Return Index, Actual and Proposed Rates of Return, KU Proposed Cost of Service Study Results.

<table>
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<th>Actual Adjusted Rate of Return</th>
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<th>Proposed Rate of Return</th>
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<td>(1)</td>
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</tr>
<tr>
<td>Time of Day Primary</td>
<td>3.34%</td>
<td>0.73</td>
<td>6.40%</td>
<td>0.89</td>
</tr>
<tr>
<td>Retail Transmission Service</td>
<td>3.41%</td>
<td>0.75</td>
<td>6.52%</td>
<td>0.91</td>
</tr>
<tr>
<td>Fluctuating Load Service</td>
<td>1.53%</td>
<td>0.34</td>
<td>4.61%</td>
<td>0.64</td>
</tr>
<tr>
<td>Lighting</td>
<td>2.75%</td>
<td>0.60</td>
<td>4.13%</td>
<td>0.58</td>
</tr>
<tr>
<td>System</td>
<td>4.55%</td>
<td>1.00</td>
<td>7.18%</td>
<td>1.00</td>
</tr>
</tbody>
</table>

Source: Testimony of Martin Blake, page 17, Table 1
COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF KENTUCKY UTILITIES COMPANY FOR AN ADJUSTMENT OF ITS ELECTRIC RATES

CASE NO. 2014-00371

EXHIBIT SWC-5 OF STEVE W. CHRISS
ON BEHALF OF
WAL-MART STORES EAST, LP AND SAM'S EAST, INC.
Customer, Energy, and Demand Classifications for Time of Day Secondary Service

<table>
<thead>
<tr>
<th>Cost Classification</th>
<th>TODS Unit Costs</th>
<th>Current Base Rates</th>
<th>Proposed Base Rates</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>($)</td>
<td>($)</td>
<td>($)</td>
</tr>
<tr>
<td></td>
<td>(%)</td>
<td>(%)</td>
<td>(%)</td>
</tr>
<tr>
<td>Customer</td>
<td>$1,193,895</td>
<td>1.1%</td>
<td>$1,119,600</td>
</tr>
<tr>
<td></td>
<td>$1,119,600</td>
<td>1.1%</td>
<td>$1,119,600</td>
</tr>
<tr>
<td>Energy</td>
<td>$56,765,795</td>
<td>51.2%</td>
<td>$60,708,786</td>
</tr>
<tr>
<td></td>
<td>$56,734,477</td>
<td>49.5%</td>
<td>$56,751,561</td>
</tr>
<tr>
<td>Demand</td>
<td>$52,836,182</td>
<td>47.7%</td>
<td>$41,411,611</td>
</tr>
<tr>
<td></td>
<td>$56,734,477</td>
<td>49.5%</td>
<td>$56,751,561</td>
</tr>
<tr>
<td>Total</td>
<td>$110,795,872</td>
<td>100%</td>
<td>$103,239,997</td>
</tr>
<tr>
<td></td>
<td>$114,605,638</td>
<td>100%</td>
<td></td>
</tr>
</tbody>
</table>

Sources:
Att_KU_PSC_2-60_KUElecCoSS.xls, "TODS Unit Costs"
Schedule M-2.3
COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF KENTUCKY UTILITIES COMPANY FOR AN ADJUSTMENT OF ITS ELECTRIC RATES ) CASE NO. 2014-00371

EXHIBIT SWC-6 OF STEVE W. CHRISS
ON BEHALF OF
WAL-MART STORES EAST, LP AND SAM'S EAST, INC.
### Calculation of Revenue Requirement in Excess of Cost of Service, Time of Day Secondary

#### Present Rates

<table>
<thead>
<tr>
<th>Customer Class</th>
<th>Revenue</th>
<th>Operating Expenses</th>
<th>Operating Margin</th>
<th>Rate Base</th>
<th>ROR</th>
<th>Cost of Service ROR</th>
<th>Operating Margin at Cost of Service</th>
<th>Revenue Requirement in Excess of Cost of Service</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>($1)</td>
<td>($2)</td>
<td>($3)</td>
<td>($4)</td>
<td>($5)</td>
<td>($6)</td>
<td>($7)</td>
<td>($8)</td>
</tr>
<tr>
<td>Time of Day Secondary</td>
<td>$102,738,388</td>
<td>$90,876,860</td>
<td>$11,861,528</td>
<td>$218,939,354</td>
<td>5.42%</td>
<td>4.55%</td>
<td>$9,961,174</td>
<td>$1,899,787</td>
</tr>
<tr>
<td>System</td>
<td>$1,413,402,331</td>
<td>$1,246,358,133</td>
<td>$167,044,198</td>
<td>$3,669,268,542</td>
<td>4.55%</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### Proposed Rates

<table>
<thead>
<tr>
<th>Customer Class</th>
<th>Revenue</th>
<th>Operating Expenses</th>
<th>Operating Margin</th>
<th>Rate Base</th>
<th>ROR</th>
<th>Cost of Service ROR</th>
<th>Operating Margin at Cost of Service</th>
<th>Revenue Requirement in Excess of Cost of Service</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>($1)</td>
<td>($2)</td>
<td>($3)</td>
<td>($4)</td>
<td>($5)</td>
<td>($6)</td>
<td>($7)</td>
<td>($8)</td>
</tr>
<tr>
<td>Time of Day Secondary</td>
<td>$114,080,387</td>
<td>$95,057,446</td>
<td>$19,022,941</td>
<td>$218,939,354</td>
<td>8.69%</td>
<td>7.18%</td>
<td>$15,719,846</td>
<td>$3,303,095</td>
</tr>
<tr>
<td>System</td>
<td>$1,566,845,014</td>
<td>$1,303,406,815</td>
<td>$263,438,199</td>
<td>$3,669,268,542</td>
<td>7.18%</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Att_KU_PSC_2-60_KUElecCoSS.xlsx, "Summary of Returns"
CERTIFICATE OF SERVICE

I hereby certify that Walmart's March 6, 2015, electronic filing is a true and accurate copy of the Direct Testimony and Exhibits of Steve W. Chriss to be filed in paper medium; and that on March 6, 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 served upon the following via Electronic Mail:

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