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Mr. Jeff DeRouen, Executive Director
Public Service Commission
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RE: LG&E Rate Case
Case No. 2009-00549

Dear Mr. DeRouen:

Enclosed for filing, please find the original and twelve (12) copies of the PREFILED DIRECT TESTIMONY OF NEAL TOWNSEND ON BEHALF OF THE KROGER COMPANY in the above-referenced docket.

I hereby certify that a copy of the foregoing Direct Testimony has been served on all counsel of record this date.

Very truly yours,

David C. Brown

DCB/dab

Enclosure

KR091:00KR2:782738:1:LOUISVILLE

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

Application of Louisville Gas and Electric Company for an Adjustment of its Electric and Gas Base Rates	)))	Case No. 2009-00549

PREFILED DIRECT TESTIMONY OF NEAL TOWNSEND ON BEHALF OF THE KROGER CO.

April 22, 2010

DIRECT TESTIMONY OF NEAL TOWNSEND

Introduction

Q. Please state your name and business address.

A. My name is Neal Townsend. My business address is 215 South State Street, Suite 200, Salt Lake City, Utah, 84111.

Q. By whom are you employed and in what capacity?

A. I am a Senior Consultant at the firm of Energy Strategies, LLC. Energy Strategies is a private consulting firm specializing in economic and policy analysis applicable to energy production, transportation, and consumption.

Q. On whose behalf are you testifying in this proceeding?

A. My testimony is being sponsored by The Kroger Co. ("Kroger"). Kroger is one of the largest retail grocers in the United States, and operates over fifty stores and other facilities in the territory served by Louisville Gas and Electric Company ("LG&E"). These facilities purchase in excess of 100 million kilowatt-hours (kWhs) annually from LG&E.

Q. Please describe your educational background.

A. I received an MBA from the University of New Mexico in 1996. I also earned a B.S. degree in Mechanical Engineering from the University of Texas at Austin in 1984.

Q. Please describe your professional experience and background.

A. I have provided regulatory and technical support on a variety of energy projects at Energy Strategies since I joined the firm in 2001. Prior to my

employment at Energy Strategies, I was employed by the Utah Division of Public Utilities as a Rate Analyst from 1998 to 2001. I have also worked in the aerospace and petroleum industries.

Q. Have you previously testified before this Commission?

A. No. This is the first time I have testified before the Kentucky Public Service Commission.

Q. Have you testified before utility regulatory commissions in other states?

A. Yes. I have testified in several utility regulatory proceedings before the Utah Public Service Commission, Michigan Public Service Commission, and the Public Service Commission of West Virginia.

A more detailed description of my qualifications is contained in Attachment A, appended to my direct testimony.

Overview and Recommendations

Q. What is the purpose of your testimony in this proceeding?

A. My testimony addresses the following issues:

(1) The spread of any change in LG&E's revenue requirement across customer classes; and

(2) Section 3.11 of the Settlement Agreement entered in Case No. 2008-00252, in which LG&E had agreed to work with interested parties to study the feasibility of measuring demand for generation service to multi-site customers based on conjunctive demand.

(3) The changes proposed for the Distributed Generation Gas Service (Rate DGGS)

Q. Please summarize your conclusions and recommendations.

(1) LG&E's rate spread proposal falls within the bounds of reasonableness at the revenue requirement level requested by the Company.

(2) If the revenue requirement approved by the Commission is less than that requested by LG&E, then the rate spread proposed by LG&E for its requested revenue requirement should be the starting point for spreading the approved revenue change. Specifically, the revenue apportionment produced by LG&E's rate spread should be used as the basis for spreading any smaller revenue change.

(3) I recommend that the Commission require LG&E to establish a pilot program similar to those established in Michigan to test the efficacy of measuring the generation demand for multi-site customers on a conjunctive demand basis, as described in Section 3.11 of the Settlement Agreement.

(4) The proposed changes to Rate DGGS are a step in the right direction and I recommend their adoption with one caveat.

Rate Spread

Q. What general guidelines should be employed in spreading any change in rates?

A. In determining the spread of any revenue change, it is important to align rates with cost causation, to the greatest extent practicable. Properly aligning rates with the costs caused by each customer group ensures fairness by

minimizing cross subsidies among customer classes. It also sends proper price signals, which improves efficiency in resource utilization.

At the same time, it may be appropriate to use the principle of "gradualism" to mitigate the impact of moving to cost-based rates for customer groups that would experience significant rate increases. However, the use of "gradualism" should not prevent a long-term strategy of moving in the direction of cost causation, nor should it result in spread decisions that result in permanent cross-subsidies from other customers.

Q. What general approach to electric rate spread does LG&E recommend?

A. As described by LG&E witness Lonnie E. Bellar, the Company is attempting to bring class rates of return more in line, while taking into consideration the principle of gradualism.[1]

Q. What is your assessment of LG&E's proposed approach to rate spread?

A. Although it would have been reasonable for LG&E to move classes with relative rates of return significantly divergent from 1.00[2] closer to cost-of-service, I have concluded that the Company's proposal is reasonable at the revenue requirement level requested by the Company. Consequently, if the Company's requested revenue requirement is adopted by the Commission, then I would support the rate spread proposed by LG&E.

Q. What do you recommend if the revenue requirement approved by the Commission is less than that requested by LG&E?

---

[1] Direct testimony of Lonnie E. Bellar, pp. 3-7.

[2] Relative rate of return is calculated by dividing the class rate of return by the total system rate of return.

A. If the revenue requirement approved by the Commission is less than that requested by LG&E, then the rate spread proposed by LG&E for its requested revenue requirement should be the starting point for spreading the approved revenue change. Specifically, the revenue apportionment produced by LG&E's rate spread should be used as the basis for spreading the smaller revenue change.

Q. Please explain your recommendation further.

A. When I refer to the "revenue apportionment" produced by LG&E's rate spread, I am referring to each class's percentage share of total revenue requirement (excluding curtailable service riders and miscellaneous revenues) that results from that spread. For example, under LG&E's proposed spread, the Residential customer class would pay 39.09 percent of the total revenue requirement exclusive of curtailable service riders and miscellaneous revenues. If the Commission agrees that LG&E's proposed rate spread is reasonable, then by extension, the corresponding revenue apportionment produced by that spread is reasonable as well.

My recommendation is to retain the percentage revenue apportionment that results from LG&E's rate spread and to apply this revenue apportionment to whatever final revenue requirement is approved by the Commission. This type of approach (determining a reasonable revenue apportionment first, then applying it to the resulting revenue requirement) is standard practice in some jurisdictions, e.g. Minnesota. This approach balances the application of gradualism with moving toward cost-of-service. If it is determined that a given revenue apportionment reasonably accomplishes this balance, then this balance should be

retained for a range of different revenue requirements. My recommendation accomplishes this objective.

Q. Do you have an example to illustrate how your approach would work?

A. Yes. An example is presented in Townsend Exhibit 1. In this example, the revenue apportionment associated with LG&E's proposed spread is first determined. Next, I have assumed that the Commission approves a 5 percent revenue increase rather than the 12.22 percent increase requested by the Company.[3] The resulting rate spread is then calculated by holding the revenue apportionment constant. The results are summarized in Table NT-1, below.

Table NT-1

Kroger Recommended Spread Approach:
Example Assuming 5% Increase in Revenue Requirement

Rate Class	Current Revenue ($M)	LG&E Proposed Revenue ($M)	Class % of Proposed Revenues (%)	Example Dollar Change ($M)	Example Percent Change (%)
Residential Rate	302.46	339.21	39.09%	15.10	4.99%
General Service Rate	114.00	127.88	14.73%	5.68	4.98%
Power Service Rate	176.07	197.51	22.75%	8.78	4.98%
Total Commercial Time of Day	45.79	51.37	5.92%	2.28	4.98%
Total Ind. Power Time-of-Day Service	87.00	97.59	11.24%	4.34	4.99%
Retail Transmission Service	20.21	22.68	2.61%	1.01	5.00%
Special Contracts	13.05	14.64	1.69%	0.65	4.99%
Total Lighting Service	15.16	17.01	1.96%	0.76	4.99%
Total Ultimate Consumers	771.07	865.33	100.00%	38.59	5.00%

Q. Please summarize your recommendation with respect to rate spread.

A. Although it would be reasonable to move those rate schedules with relative rates of return significantly divergent from 1.0 closer to cost-of-service, I

conclude that LG&E's rate spread proposal is reasonable at the revenue requirement level requested by the Company. If the Commission approves a revenue requirement that is less than that requested by LG&E, then the percentage revenue apportionment produced by LG&E's rate spread should be used as the basis for spreading the resulting revenue change.

Section 3.11 of the Settlement Agreement in Case No. 2008-00252 – Conjunctive Demand

Q. What is provided in Section 3.11 of the Settlement Agreement approved in Case No. 2008-00252?

A. Section 3.11 of the Settlement Agreement approved in Case No. 2008-00252 states:

> The Utilities agree to work with interested parties to study the feasibility of measuring demand for generation service to multi-site customers based on conjunctive demand, where "conjunctive demand" herein refers to the measured demand at a meter at the time that the total demand of a multi-site customer's loads, measured over a coinciding time period, has reached its peak during the billing period.

Q. Please explain the meaning of this provision.

A. This provision commits LG&E to work with interested parties (such as Kroger) to study the feasibility of measuring demand for generation service to multi-site customers in an alternative manner. Specifically, the alternative measurement of demand – conjunctive demand -- is based on the multi-site customer's total demand over all of its loads during the billing month, as measured over a coinciding time period. The key concept here is the phrase

[3] Excludes the impact of any change in miscellaneous revenues.

"measured over a coinciding time period." For example, a customer may have multiple accounts that experience peak demands at different times. Currently, the customer is billed for generation service based on each individual account's peak demand during the month. A conjunctive demand approach would instead bill the customer for generation demand based on the customer's peak demand for its aggregated load. As such, it provides multi-site customers the opportunity to benefit appropriately from the operational diversity of their loads on the system by measuring their billing demand comparably to a single-site customer of the same size.

This provision in the Settlement Agreement does not require the adoption of conjunctive demand for billing purposes, but indicates that a cooperative study of its feasibility would be undertaken.

Q. Has such a study been performed?

A. No. When asked in discovery to provide any studies the Company performed as required by Section 3.11 of the Settlement Agreement, LG&E simply refers to pages 27-35 of the direct testimony of William Steven Seelye, in which Mr. Seelye argues against the use of conjunctive demand for billing purposes.[4]

Q. Do you agree with Mr. Seelye's conclusion that the type of conjunctive demand defined in the Settlement Agreement is inconsistent with sound cost of service and ratemaking principles?

[4] LG&E Response to Kroger's First Set of Data Request, Question No. 8.

A. No, I disagree with Mr. Seelye. Measuring generation demand for multi-site customers on the basis of conjunctive demand as defined in the Settlement Agreement has a sound basis in ratemaking principle, as I will explain below.

Q. Has the measurement approach described in Section 3.11 of the Settlement Agreement been adopted in any other jurisdictions?

A. Yes. It has been adopted in Michigan on a pilot basis in both the Detroit Edison and Consumers Energy service territories.

Q. Please explain why measuring generation demand for multi-site customers on the basis of conjunctive demand has a sound basis in principle.

A. As I stated above, using conjunctive demand to measure the customer's generation demand allows the multi-site customer to capture the diversity within its loads for billing purposes by measuring the customer's billing demand comparably to a single-site customer of the same size. There is no difference in generation cost to the utility in serving a single-site customer than a multi-site customer with the same aggregate demand and load shape.[5] As demand is *currently* measured, a multi-site customer effectively buys more generation demand from the utility than the customer – viewed over all of its loads – actually requires. The use of conjunctive demand better aligns costs with cost causation, and as such, is inherently reasonable. It also allows customers to take fuller advantage of advances in metering technology and provides an additional tool for customers to control load.

[5] In contrast, I agree that there are differences in distribution costs between single-site and multi-site customers. For this reason, the conjunctive demand concept should be limited to the generation-related portion of the demand charge.

Q. Have you reviewed Mr. Seelye's example using hypothetical Customers A, B, C, and D presented on pages 29 through 33 of his direct testimony?

A. Yes, I have.

Q. Do you believe that Mr. Seelye's example represents an accurate portrayal of how billing on the basis of conjunctive demand is intended to work?

A. Yes, I do. However, I believe that Mr. Seelye's example omits an important point of comparison: what I will term "Customer E." Customer E is a hypothetical single-site customer with the same load characteristics of Mr. Seelye's multi-site Customer A/B measured on a conjunctive basis. As such, Customer E has a billing demand of 1,593 kW. [See Mr. Seelye's direct testimony p. 31.]

By including a comparison to Customer E, the merit of conjunctive billing is obvious – Customer A/B and Customer E each impose identical generation requirements on the system, as they require the *same amount* of generation capacity. Conjunctive demand recognizes this comparability by charging Customer A/B and Customer E for identical *amounts* of generation demand.

Q. Do you agree with Mr. Seelye's claim that measuring demand on a conjunctive basis is unduly discriminatory?

A. No, not at all. Mr. Seelye is being arbitrarily selective in citing "discrimination" as the basis for not examining the feasibility of using conjunctive demand as required in the Settlement Agreement. Mr. Seelye's basis for the argument is that the multi-site customer A/B would have the same load characteristics as individual Customer C and Customer D when the latter two are

aggregated, but would be billed for differing amounts of demand. In making this argument, Mr. Seelye ignores the material consideration that Customer A/B is a single corporate entity, whereas Customer C and Customer D are not. Further, Mr. Seelye, conveniently ignores making a comparison between Customer A/B and a Customer E: if discrimination is to be introduced as an argument, certainly there is at least as strong a case that it is discriminatory to bill Customer E for less generation demand than Customer A/B when each require identical amounts of generation capacity.

Finally, Mr. Seelye's reliance on the discrimination argument is particularly weak in light of LG&E's own pricing structure, supported in Mr. Seelye's LG&E testimony, in which the Company's time-of-day rates discriminate among customers depending on whether the customer is classified as "commercial" or "industrial." In light of the discrimination present in LG&E's current and proposed tariff, Mr. Seelye's reliance on a "discrimination" argument to defend the Companies' failure to study the feasibility of using conjunctive demand in fulfillment of the requirements of the Settlement Agreement rings hollow.

Q. Have you reviewed Mr. Seelye's claim on page 28 of his direct testimony that measuring billing demand on a conjunctive basis would violate 807 KAR 5:041 § 9(2)?

A. Yes, I have.

Q. What is your assessment of Mr. Seelye's argument?

A. As I am not an attorney I will not attempt to offer a legal interpretation of 807 KAR 5:041 § 9(2), but will comment on the policy implications for ratemaking in the Rule. The Rule states:

> The utility shall regard each point of delivery as an independent customer and meter the power delivered at each point. Combined meter readings shall not be taken at separate points, nor shall energy be used by more than one (1) residence or place of business be measured on one (1) meter to obtain a lower rate.

Both KU and LG&E have rates for non-residential customers that are differentiated by size. For example, in the LG&E service territory, proposed Rate PS is generally applicable for customers with billing demands less than 250 kW; similarly, proposed Rate CTODS is generally applicable for commercial customers at secondary voltage with billing demands in the range of 250 kW to 5,000 kW. 807 KAR 5:041 § 9(2) appears to preclude customers from aggregating their load for the purpose of qualifying for an alternative rate schedule with a lower rate. The use of conjunctive demand, however, is not intended to allow multi-site customers to qualify for alternative rate schedules with lower rates; rather, the multi-site customer remains on its current rate schedule – it is only the *amount* of generation demand billed to the that customer that is affected with conjunctive demand, not the rate or price charged to the customer. This is a crucial distinction.

With this distinction in mind, 807 KAR 5:041 § 22 provides that parties may request a deviation from this provision for good cause. Thus, to the extent that there is concern that conjunctive demand is viewed as inconsistent with the letter of 807 KAR 5:041 § 9(2), there is a means to remedy the situation. Such a

deviation was approved by the Commission for the University of Kentucky in 2003.[6]

Q. Have you reviewed Mr. Seelye's alternative proposal to consider setting generation demand charges tied to the system coincident peak ("CP")?

A. Yes, I have.

Q. What is your assessment of Mr. Seelye's CP pricing proposal?

A. At this point, Mr. Seelye's proposal is very short on specifics. Based on the limited information provided in the filing and in discovery I neither support nor oppose the proposal. However, Mr. Seelye's CP pricing proposal does not constitute an adequate substitute for LG&E's obligation in the Settlement Agreement to study the feasibility of using conjunctive demand.

Q. What is your recommendation to the Commission with respect to conjunctive demand?

A. I recommend that the Commission require LG&E to establish a pilot program similar to those established in Michigan to test the efficacy of measuring the generation demand for multi-site customers on a conjunctive demand basis, as described in Section 3.11 of the Settlement Agreement. LG&E's proposed time-of-day rates (CTODS & CTODP) would be good candidates for such a pilot, as they likely contain the type of customers likely to qualify for it.

Both Consumers Energy Company and Detroit Edison in Michigan have generation aggregation pilot programs in place. Because they are pilots, both Michigan programs have total participation limitations.

[6] See the Commission's Order in Case No. 2003-00320.

In the Consumers Energy program, a customer must have at least seven accounts with an average billing demand of 250 kW per account on the same rate schedule that can be aggregated. The Detroit Edison program requires at least seven accounts with a minimum aggregate demand of 5 MW per customer. Either of these requirements would constitute reasonable parameters for a LG&E program.

Q. What are the implications for generation demand charges if a conjunctive demand pilot program is put in place?

A. Conjunctive demand would reduce the total billing demand for the rate schedule, thereby requiring a small, revenue-neutral increase in the demand charge for the applicable rate schedule. The amount of adjustment needed in the demand charge can be constrained at the outset through implementation on a pilot basis.

Distributed Generation Gas Service (Rate DGGS)

Q. What is Kroger's interest in Rate DGGS?

A. Kroger installs back-up generators to operate its emergency lighting and sales terminals when electric power is interrupted. Providing power for emergency lighting enables customers to safely exit the stores without injury. Maintaining power to the sales terminals allows Kroger to protect its data during an outage.

Rate DGGS was adopted in the prior rate proceeding and requires customers to install separate meters for their gas generator and their other gas

service. The current version of Rate DGGS is problematic and causes an unreasonable cost burden on customers such as Kroger, who install gas generators to run when delivery of LG&E's electric service has failed. In addition, the requirement to install separate meters has the unintended consequence of forcing shut-downs of customer retail operations to ensure that such separation can be implemented safely, causing financial hardship on the customer. These negative customer impacts are particularly troublesome in light of the fact that the back-up generators are only used when the electric demand the customer has paid LG&E for is not available.

Fortunately, LG&E is not requiring customers to move to Rate DGGS at this time, apparently in response to customer concerns. In this proceeding, LG&E has proposed several changes to the design of this rate that make it less onerous.

Q. Please describe the rate design changes LG&E is proposing for Rate DGGS.

A. As described in the direct testimony of Robert M. Conroy, LG&E is proposing to make several changes to Rate DGGS, which is applicable to natural gas generators. The changes include: (1) providing for the grandfathering of existing gas-fired electric generation currently installed, as well as those that are operational by the ninetieth day following the effective date of the revised tariff sheet; (2) introduction of a reduced Basic Service Charge for small facilities; and (3) to set the Monthly Billing Demand equal to 24 times the Maximum Hourly Rate.

Q. What is your assessment of the proposed changes in Rate DGGS?

A. While it would be reasonable for customers to have greater flexibility in serving their gas generators than provided by Rate DGGS (such as utilizing existing transportation service purchased by the customer), the proposed changes to Rate DGGS are a step in the right direction and I recommend their adoption. The grandfathering provision is an equitable treatment of customers who made investments in back-up generators under the prior tariff provisions, and the proposed distinction between small and large back-up generators in the Basic Service Charge is appropriate. I note also the positive indication from LG&E in discovery that the Company does not intend to force conversion to Rate DGGS for customers who undertake a repair of their gas facilities, an issue of significant concern to Kroger.[7] Gas facility repairs are commonplace for Kroger and forced conversion to Rate DGGS for repairs would have caused an unreasonable hardship associated with the shut-down of stores during implementation.

Q. What triggers has LG&E identified that would force a grandfathered customer to convert to Rate DGGS?

A. In discovery, LG&E indicated the following:

> While not completely finalized at this time, LG&E anticipates adopting policies such that any modifications to metering, regulation, or other service facilities of the Company that are required to accommodate a change in the size of load or in load characteristics of a customer, may trigger the transfer of customer's gas-fired generation facilities to Rate DGGS…[8]

My interpretation of these triggers is that they are the type of changes that might reasonably be accommodated within a customer's business planning process; thus, they constitute an improvement over the status quo, which appears to give

[7] LG&E Response to Kroger's First Set of Data Requests, Question No. 15(a).
[8] LG&E Response to Kroger's First Set of Data Requests, Question No. 15(c).

LG&E great discretion in forcing conversions to Rate DGGS. However, I offer one caveat. It would be reasonable for the Company to be required to provide notice to the Commission and customers as the policy regarding these triggers is developed so that these triggers can be reviewed and modified, if necessary, prior to their implementation.

Q. Does this conclude your direct testimony?

A. Yes, it does.

VERIFICATION

STATE OF UTAH)
) SS:
COUNTY OF SALT LAKE)

The undersigned, being duly sworn, deposes and says that he is Senior Consultant, Energy Strategies, LLC, that he has personal knowledge of the matters set forth in the foregoing testimony and exhibits, and the answers contained therein are true and correct to the best of his information, knowledge and belief.

Neal Townsend

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 20TH day of APRIL, 2010.

Notary Public (SEAL)

My Commission Expires:
April 10, 2011

Notary Public
KIMBERLIE A. IGNJATOVIC
215 South State Street, Suite 200
Salt Lake City, Utah 84111
My Commission Expires
April 10, 2011
State of Utah

ATTACHMENT A

Resume

Neal Townsend
Energy Strategies, LLC
215 S. State Street, Suite 200
Salt Lake City, Utah 84111

Work Experience:

Senior Consultant, Energy Strategies (2001 – Present)

Rate Analyst, Utah Division of Public Utilities (1997 – 2001)

Other
Systems Engineer, Morton Thiokol, Inc.
Assistant Engineer, Schafer Engineering
Graduate/Research Assistant, University of New Mexico

Education:

University of New Mexico, Masters of Business Administration, 1996

University of Texas, Austin, B.S., Mechanical Engineering, 1984

Regulatory Testimony:

State of Michigan

Case #	Title	Activity
U-15645	In the Matter of the Application of Consumers Energy Company for Authority to Increase Its Rate for the Generation and Distribution of Electricity and Other Relief	Rate Spread, Class Cost of Service

ATTACHMENT A

State of Utah

Docket #	Title	Activity
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	Rate Design/ Decoupling
09-035-T08	In the Matter of Rocky Mountain Power Advice No. 09-08, seeking an Adjustment to the DSM Tariff Rider, Schedule 193	Support of Stipulation
04-035-42	In the Matter of the Application of PacifiCorp For Approval of its Proposed Electric Rate Schedules and Electric Service Regulations	Derivation of Prudence Disallowance
03-035-14	In the Matter of the Application of PacifiCorp For Approval of an IRP Based Avoided Cost Methodology For QF Projects Larger than 1 MW	Derivation of Methodology for Establishing QF Avoided Cost Pricing
99-057-20	In the Matter of the Application of Questar Gas Company for an Increase In Rates and Charges	Revenue Requirement and Class Cost of Service Modeling, Proposed CO_2 Plant Disallowance Mechanism
99-035-10	In the Matter of the Application of PacifiCorp For Approval of its Proposed Electric Rate Schedules and Electric Service Regulations	Interjurisdictional Cost Allocation and Class Cost of Service Modeling

ATTACHMENT A

98-057-12	In the Matter of the Application of Questar Gas Company for Approval of a Natural Gas Processing Agreement	Assessment of Application, Revenue Requirement Modeling

State of West Virginia

Case #	**Title**	**Activity**
09-1352-E-42T	Monongahela Power Company and the Potomac Edison Company, both d/b/a Allegheny Power Rule 42T Tariff Filing to Increase Rates and Charges	Rate Spread, Rate Design

Example Rate Spread at a Hypothetical 5 Percent Overall Revenue Increase
Using Kroger's Recommended Revenue Apportionment Approach

Line No.	Rate Class	Adjusted Billings at Current Rates[1]	LG&E Proposed Revenue Change[1]	Percent Change at LG&E Proposed Revenue Change	LG&E Proposed Revenue	Class Percent of Proposed Revenue[2]	Kroger Recommended Spread at Assumed Lower Revenue Increase: Recommended Revenue at Hypothetical Rate Change	Kroger Recommended Spread at Assumed Lower Revenue Increase: Revenue Change at an Hypothetical Rate Change	Kroger Recommended Spread at Assumed Lower Revenue Increase: Percent Change at an Hypothetical Revenue Change
1	Residential	302,462,182	36,859,770	12.19%	339,321,952	39.09%	317,558,599	15,096,417	4.99%
2	General Service	114,001,397	13,879,697	12.18%	127,881,094	14.73%	119,679,086	5,677,689	4.98%
3	Power Service	176,065,555	21,442,743	12.18%	197,508,298	22.75%	184,840,556	8,775,001	4.98%
	Commercial Time of Day Service								
4	Commercial Time of Day Secondary	24,870,078							
5	Commercial Time of Day Primary	20,922,468							
6	Total Commercial Time of Day	45,792,547	5,576,623	12.18%	51,369,170	5.92%	48,074,466	2,281,919	4.98%
	Industrial Power Time of Day Service								
7	Industrial Time of Day Service Secondary (ITODS)	3,237,232							
8	Industrial Time of Day Service Primary (ITODP)	83,759,929							
9	Total Industrial Power Time of Day Service	86,997,161	10,596,615	12.18%	97,593,776	11.24%	91,334,329	4,337,168	4.99%
10	Retail Transmission Service	20,212,652	2,464,135	12.19%	22,676,787	2.61%	21,222,348	1,009,696	5.00%
11	Total Special Contracts	13,046,506	1,590,095	12.19%	14,636,601	1.69%	13,697,842	651,336	4.99%
12	Curtailable Service Rider - Pri.	(1,765,763)							
13	Curtailable Service Rider - Tran.	(901,690)							
14	Total Curtailable Service	(2,667,453)	0	0.00%	(2,667,453)		(2,667,453)	0	0.00%
15	Street Lighting Energy Rate	173,386							
16	Traffic Lighting Rate	247,632							
17	Restricted Lighting Service	13,613,655							
18	Lighting Service	1,125,014							
19	Total Lighting	15,159,687	1,847,743	12.19%	17,007,430	1.96%	15,916,611	756,924	4.99%
20	Total (w/o CSR Credits)	771,070,235	94,257,422	12.22%	865,327,657	100.00%	809,656,386	38,586,151	5.00%
	Miscellaneous Revenue								
21	Total Forfeited Discounts	5,040,755			5,040,755		5,040,755	0	0.00%
22	Electric Service Revenues	963,922			963,922		963,922	0	0.00%
23	Rent from Electric Property	2,613,870	313,898	12.01%	2,927,768		2,927,768	313,898	12.01%
24	Other Miscellaneous Revenue	1,537,870	882	0.06%	1,538,752		1,538,752	882	0.06%
25	Total	781,226,653	94,572,202	12.11%	875,798,855		820,127,583	38,900,930	4.98%

Notes:

1. Data Source: Direct Testimony and Exhibits of William Steven Seelye Exhibit 6, Page 1 of 1.

2. The class percentage of LG&E proposed revenue excludes curtailable service rider and miscellaneous revenue.