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Via Overnight Mail

January 9, 2008

Public Utilities Commission Of Ohio
PUCO Docketing
180 E. Broad Street, 10th Floor
Columbus, Ohio 43215

In Re: Case Nos. 07-551-EL-AIR, 07-552-EL-ATA, 07-553-EL-AAM AND 07-554-EL-UNC

Dear Sir/Madam:

Please find enclosed an original and twenty (20) copies of the DIRECT TESTIMONY AND EXHIBITS OF KEVIN C. HIGGINS FILED ON BEHALF OF THE KROGER CO. filed in the above-referenced matter.

Copies have been served on all parties on the attached certificate of service. Please place this document of file.

Respectfully Yours,



Michael L. Kurtz, Esq.
Kurt J. Boehm, Esq.
BOEHM, KURTZ & LOWRY

Mkkew
Encl.

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CERTIFICATE OF SERVICE

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2
3 **BEFORE THE**
4 **PUBLIC UTILITIES COMMISSION OF OHIO**
5
6

7
8 IN THE MATTER OF THE APPLICATION)
9 OF OHIO EDISON COMPANY, THE) Case No. 07-551-EL-AIR
10 CLEVELAND ELECTRIC ILLUMINATING) Case No. 07-552-EL-ATA
11 COMPANY AND THE TOLEDO EDISON) Case No. 07-553-EL-AAM
12 COMPANY FOR AUTHORITY TO INCREASE) Case No. 07-554-EL-UNC
13 RATES FOR DISTRIBUTION SERVICE,)
14 MODIFY CERTAIN ACCOUNTING)
15 PRACTICES AND FOR TARIFF APPROVALS)
16
17

18 **DIRECT TESTIMONY OF KEVIN C. HIGGINS**

19 On matters pertaining to

20 OHIO EDISON COMPANY AND

21 THE TOLEDO EDISON COMPANY
22

23 On Behalf of The Kroger Co.,
24
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27
28
29
30

January 10, 2008

DIRECT TESTIMONY OF KEVIN C. HIGGINS

Introduction

Q. Please state your name and business address.

A. Kevin C. Higgins, 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 Principal in 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 the Ohio Edison and Toledo Edison
dockets?**

A. My testimony in the Ohio Edison Company and The Toledo Edison
Company dockets is being sponsored by The Kroger Co. ("Kroger"). Kroger is
one of the largest grocers in the United States. Kroger has 15 facilities served by
Ohio Edison Company ("Ohio Edison") that collectively consume over 40 million
kWh per year, and 20 facilities served by The Toledo Edison Company ("Toledo
Edison")¹ that collectively consume over 45 million kWh per year.

**Q. Are you also providing testimony in the Cleveland Electric Illuminating
docket?**

A. Yes. That portion of my testimony is being sponsored by the City of
Cleveland and is being filed separately.

¹ For ease of exposition, I will refer to Ohio Edison and Toledo Edison jointly as FirstEnergy.

1 **Q. Please describe your professional experience and qualifications.**

2 A. My academic background is in economics, and I have completed all
3 coursework and field examinations toward a Ph.D. in Economics at the University
4 of Utah. In addition, I have served on the adjunct faculties of both the University
5 of Utah and Westminster College, where I taught undergraduate and graduate
6 courses in economics from 1981 to 1995. I joined Energy Strategies in 1995,
7 where I assist private and public sector clients in the areas of energy-related
8 economic and policy analysis, including evaluation of electric and gas utility rate
9 matters.

10 Prior to joining Energy Strategies, I held policy positions in state and local
11 government. From 1983 to 1990, I was economist, then assistant director, for the
12 Utah Energy Office, where I helped develop and implement state energy policy.
13 From 1991 to 1994, I was chief of staff to the chairman of the Salt Lake County
14 Commission, where I was responsible for development and implementation of a
15 broad spectrum of public policy at the local government level.

16 **Q. Have you ever testified before this Commission?**

17 A. Yes. In 2005, I testified in the AEP IGCC cost recovery proceeding [Case
18 No. 05-376-EL-UNC], and in 2004, I testified in the FirstEnergy Rate
19 Stabilization Plan proceeding [Case No. 03-2144-EL-ATA].

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

21 A. Yes. I have testified in over eighty proceedings on the subjects of utility
22 rates and regulatory policy before state utility regulators in Alaska, Arizona,
23 Arkansas, Colorado, Georgia, Idaho, Illinois, Indiana, Kansas, Kentucky,

1 Michigan, Minnesota, Missouri, Montana, Nevada, New Mexico, New York,
2 Oklahoma, Oregon, Pennsylvania, South Carolina, Utah, Virginia, Washington,
3 West Virginia, and Wyoming.

4 A more detailed description of my qualifications is contained in
5 Attachment A, attached to this testimony.

6
7 **Overview and conclusions**

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

9 A. My testimony addresses the revenue apportionment, or rate spread,
10 proposals advanced by FirstEnergy ("FE") in its direct filing for Ohio Edison and
11 Toledo Edison, and by Staff in the Staff Reports submitted in these dockets on
12 December 4, 2007. As part of this testimony, I offer rate spread recommendations
13 to the Commission in support of a just and reasonable outcome in this proceeding.

14 **Q. What conclusions have you reached?**

15 A. The rate spread proposed by Staff for the level of revenue requirement
16 requested by FE is superior to that of the Company, as Staff's recommendation
17 produces rates that are closer to cost of service. Further, I agree with the
18 conceptual approach followed by Staff in: (1) identifying a rate spread associated
19 with FE's proposed revenue requirement; (2) removing the revenue requirement
20 associated with the deferred fuel regulatory asset; and (3) identifying a rate spread
21 associated with FE's proposed revenue requirement adjusted for the deferred fuel
22 removal.

1 However, I disagree with the ad hoc adjustments Staff makes to its Table 2
2 results to arrive at the percentages in the table on page 30, entitled "Distribution
3 of Tariff-Related Increases." While some of these adjustments are relatively
4 minor, others impose unreasonable impacts on individual rate schedules. I
5 recommend that these not be adopted by the Commission.

6 Secondly, I disagree with Staff's recommendation to employ the table on
7 page 30 of the Staff Report(s) to distribute any revenue increase that differs from
8 that requested by FE. Staff's approach has a significant conceptual flaw: the
9 percentages derived in the table on page 30 of the Staff Report are uniquely
10 related to the revenue requirement utilized in Table 2. These percentages are not
11 generally valid for application to other (presumably lower) revenue requirements.
12 Instead, I recommend that the final rate spread be determined by following the
13 first three steps of Staff's approach as described above, but then applying each
14 rate schedule's share of the total revenue requirement derived in Table 2 as the
15 basis for apportioning any reduced revenue requirement. Such an approach will
16 allow each rate schedule to experience a similar benefit from any reduction in
17 revenue requirement determined by the Commission.

18 19 **Revenue Apportionment**

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

22 **A.**In determining rate spread, or revenue apportionment, it is important to
23 align rates with cost causation, to the greatest extent practicable. Properly aligning

1 rates with the costs caused by each customer group is essential for ensuring
2 fairness, as it minimizes cross subsidies among customers. It also sends proper
3 price signals, which improves efficiency in resource utilization.

4 To align rates with costs it is necessary to evaluate the utility's revenue
5 requirement by customer grouping (e.g., customer class, rate schedule) derived
6 from a credible cost-of-service study. The cost-of-service study will indicate
7 whether a customer group is above, equal to, or above cost-of-service parity.

8 **Q. What is cost-of-service parity?**

9 A. Cost-of-service parity occurs when the rate-of-return the utility earns from
10 a given customer group is equal to the rate-of-return earned from retail customers
11 as a whole. Deviations from parity are measured by means of a return index,
12 which is the ratio of a given customer group's rate-of-return to the overall retail
13 rate-of-return. A customer group with a return index of 1.00 is at parity. A
14 customer group with a return index greater than 1.00 is paying rates that yield a
15 return that is higher than the system average, and vice versa.

16 A similar measure, which is sometimes more useful for evaluating the
17 results of a proposed rate spread, is the ratio of a customer group's proposed
18 revenue to its revenue requirement at parity. This ratio identifies the percentage
19 divergence between the revenue proposed for a customer group and the revenue
20 requirement needed for the group to earn the authorized rate of return. I present
21 this ratio in a number of my exhibits, and refer to it as the Revenue Requirement
22 Ratio.

1 **Q. Are there other revenue apportionment issues that are appropriate to be**
2 **considered besides cost-of-service?**

3 A. While cost-of-service is a paramount consideration, at the same time, it
4 can be appropriate to mitigate the impact of moving immediately to cost-based
5 rates for customer groups that would experience significant rate increases from
6 doing so. This principle of ratemaking is known as “gradualism.” When
7 employing this principle, it is important to adopt a long-term strategy of moving
8 in the direction of cost causation, and to avoid schemes that result in permanent
9 cross-subsidies from other customers.

10 **Q. Have you reviewed the revenue apportionment proposals in FirstEnergy’s**
11 **supplemental direct filing for Ohio Edison and Toledo Edison?**

12 A. Yes, I have.

13 **Q. What is your assessment of those proposals?**

14 A. The revenue apportionment proposals put forward by FE, along with the
15 results of FE’s cost-of-service studies, are presented in Attachment KCH-1, and
16 summarized in Table KCH-1, below. As shown in the table, FE’s proposed rate
17 spreads deviate considerably from the results of its cost-of-service studies,
18 particularly in comparison to Staff’s proposal (discussed below). Consequently,
19 FE’s proposed rate spreads would result in considerable cross subsidies among
20 customer classes. For these reasons, I recommend against adoption of the
21 Company’s proposed rate spreads for Ohio Edison and Toledo Edison.

Table KCH-1
Comparison of FE Class Cost-of-Service Study Results
to FE and Staff Rate Spread Proposals
Percentage Rate Change at FE Requested Revenue Requirement

Ohio Edison

	FE	Return	FE	Return	Staff	Return
<u>Rate</u>	<u>COS</u>	<u>Index</u>	<u>Proposal</u>	<u>Index</u>	<u>Proposal</u>	<u>Index</u>
RS	29.7%	1.00	29.1%	.98	29.1%	.99
GS	36.1%	1.00	45.4%	1.19	43.1%	1.14
GP	34.6%	1.00	31.3%	.92	34.0%	.99
GSUB	20.5%	1.00	4.8%	.54	17.4%	.91
GT	113.8%	1.00	101.9%	.85	112.4%	.98
TLTG	34.9%	1.00	29.5%	.87	29.6%	.88
SLTG	50.0%	1.00	-0.1%	(.18)	-0.1%	(.18)
POL	22.6%	1.00	0.4%	.43	12.5%	.74
CONT	4.7%	1.00	-14.3%	.50	-14.3%	.50
TOT	32.9%	1.00	32.9%	1.00	32.9%	1.00

Toledo Edison

	FE	Return	FE	Return	Staff	Return
<u>Rate</u>	<u>COS</u>	<u>Index</u>	<u>Proposal</u>	<u>Index</u>	<u>Proposal</u>	<u>Index</u>
RS	57.1%	1.00	35.0%	.56	53.1%	.92
GS	25.3%	1.00	78.4%	2.21	48.9%	1.54
GP	5.8%	1.00	33.8%	1.97	13.9%	1.28
GSUB	-12.9%	1.00	16.3%	1.88	16.2%	1.88
GT	92.4%	1.00	77.8%	.78	77.8%	.78
TLTG	-18.7%	1.00	11.4%	2.20	11.9%	2.22
SLTG	23.2%	1.00	-1.1%	.49	-1.1%	.49
POL	10.4%	1.00	-0.1%	.70	0.0%	.70
CONT	-204.1%	1.00	-30.5%	(4.2)	-30.5%	(4.2)
TOT	48.9%	1.00	48.9%	1.00	48.9%	1.00

Q. Have you reviewed the revenue apportionment proposals incorporated in the Staff Reports for Ohio Edison and Toledo Edison?

A. Yes, I have.

1 **Q. What is your assessment of Staff's recommended approach to revenue**
2 **apportionment for Ohio Edison and Toledo Edison?**

3 **A.**Staff addresses rate spread from three different vantage points: (1) a Staff -
4 recommended rate spread at FE's proposed revenue requirement ["Staff Prop
5 Rev" in Table 1 of the Staff Report], which is also summarized in Table KCH-1;
6 (2) a Staff-recommended rate spread at FE's proposed revenue requirement,
7 adjusted for the removal of the revenue requirement associated with the RCP-
8 related deferred fuel regulatory asset (consistent with the remanding of the fuel
9 deferral issue by the Supreme Court to the Commission) ["Adj Staff Rev" in
10 Table 2 of the Staff Report]; and (3) a "distribution of tariff-related increases",
11 which Staff recommends be applied to any Commission-authorized revenue
12 requirement other than that proposed by FE [presented on page 30 of the Staff
13 Reports for Toledo Edison and Ohio Edison].

14 With respect to the first vantage point (Staff's recommended rate spread at
15 FE's proposed revenue requirement), Staff improves the alignment of the rate
16 spread with the underlying cost-of-service relative to FE's proposal. For this
17 reason, I consider Staff's recommendation to be superior to that proposed by the
18 Company. While I would not object to a proposal that was even more closely
19 aligned with cost, I believe that Staff's recommended rate spread is generally
20 reasonable, at FE's proposed revenue requirement.

21 **Q. What is your assessment of Staff's recommended rate spread at FE's**
22 **proposed revenue requirement, adjusted for the removal of the revenue**

1 **requirement associated with the RCP-related deferred fuel regulatory asset**
2 **(the second vantage point)?**

3 A. I agree with the conceptual approach followed by Staff in: (1) identifying
4 a rate spread associated with FE's proposed revenue requirement; (2) removing
5 the revenue requirement associated with the deferred fuel regulatory asset; and (3)
6 identifying a rate spread associated with FE's proposed revenue requirement
7 adjusted for the deferred fuel removal. At a conceptual level, I am in agreement
8 with the row entitled "Adj Staff Rec Rev" in Table 2 of the Staff Report. That is, I
9 agree that Staff's initial revenue apportionment in Table 1 is reasonable, and I
10 agree that the Table 1 results should be adjusted by removing the revenue
11 requirement associated with RCP-related deferred fuel.²

12 **Q. What is your assessment of Staff's recommended "distribution of tariff-**
13 **related increases", presented on page 30 of the Staff Reports for Toledo**
14 **Edison and Ohio Edison?**

15 A. It is at this juncture that I disagree with Staff's approach. There are two
16 levels at which I disagree. The first is that Staff makes a number of unexplained
17 ad hoc adjustments to its Table 2 results to arrive at the percentages in the table on
18 page 30, entitled "Distribution of Tariff-Related Increases." These ad hoc
19 adjustments are unnecessary, and in any event, are not supported with any

² I note that while this approach is reasonable, by removing the revenue requirement associated with RCP-related deferred fuel, the relative returns among the rate schedules are altered from the relative returns associated with Staff's Table 1 recommendation. A variation on Staff's approach would be to add a step here in which class revenue requirements are readjusted to obtain relative returns (or revenue requirement ratios) similar to what obtained in Staff's Table 1.

1 justifications offered by Staff. I recommend that the ad hoc adjustments not be
2 adopted.

3 The second level at which I disagree concerns the intended use of the table
4 on page 30. Staff intends that the percentages in the table be used to distribute any
5 resulting rate increase. To illustrate, in the case of Ohio Edison, Staff
6 recommends that for any rate increase other than FE's requested revenue
7 requirement, 58.70% of the rate increase should be allocated to the Residential
8 rate schedule, 32.84% should be allocated to GS, and so on. So, if the
9 Commission were to authorize a rate increase that was, say, half of what FE had
10 requested for Ohio Edison, then Residential customers be allocated a 58.70% of
11 this smaller rate increase; that is, the Residential rate increase (and the rate
12 increase for all other classes) would be cut in half relative to FE's
13 recommendation.

14 While this approach may have some superficial appeal, it has a significant
15 conceptual flaw: the percentages derived in the table on page 30 of the Staff
16 Report are uniquely related to the revenue requirement utilized in Table 2; these
17 percentages are not generally valid for application to other (presumably lower)
18 revenue requirements. That is, the derivation of each rate schedule's share of the
19 revenue increase is a function of the size of the revenue increase being analyzed.
20 Applying the same rate spread principles Staff used in Table 2 to a smaller rate
21 increase would result in a different percentage share for each schedule than that
22 which results using the revenue requirement in Table 2. Keeping the rate schedule
23 shares of the revenue increase constant as the revenue requirement changes, as

recommended by Staff, results in an unwarranted bias toward the percentage shares that emerge from the first revenue requirement analyzed. Such a result is arbitrary, and should not be adopted.

Q. Can you provide a simple example to illustrate this problem?

A. Yes. Assume (for simplicity) that each customer class is moved to rates based exactly on cost of service. Then assume that the utility requests a return on rate base of 9.00%, but the Commission determines that 8.00% is more appropriate. Now assume that under current rates, Class A is earning a return of 8.50%. Under Staff's approach, Class A would be assigned a percentage share of the rate increase necessary to bring its return to the 9.00% requested by the utility. Then, when the lower revenue requirement is ordered by the Commission, Class A would continue to pay this same percentage share of a smaller overall increase. However, if Staff's analysis had started with the 8.00% return ordered by the Commission, then it would be apparent that Class A would have deserved a rate decrease (as it is producing a return of 8.50%.) Had the rate spread analysis started with the revenue requirement based on a return of 8.00%, then Staff's approach would have produced an entirely different distribution of tariff-related increases than is obtained by starting with a return of 9.00%, and then using Staff's method to scale down to a lower revenue requirement (as it would have been recognized that Class A deserved a decrease rather than an increase).

The fact that Class A winds up with a rate increase under Staff's approach is purely due to the selection of the utility's revenue requirement as the starting point. Under Staff's approach, for any final level of revenue requirement, a

1 different final rate spread will result for any different revenue starting point. Put
2 another way, if each class's share of the revenue increase is calculated using a
3 revenue requirement X (on the low end of the range), and the rate increase is
4 "scaled up" to revenue requirement Y using Staff's approach, it will produce a
5 different "distribution of tariff-related increases" than would be obtained by
6 calculating each class's share of the revenue increase starting with revenue
7 requirement Y, and then "scaling it down" using Staff's approach to revenue
8 requirement X. This introduces an element of arbitrariness into the final results.

9 **Q. Aside from introducing an element of arbitrariness into the result, are there**
10 **other negative consequences from adopting Staff's approach?**

11 **A.** Yes. Staff's approach starts with a rate spread that is reasonably consistent
12 with cost-of-service (at FE's requested revenue requirement), but then moves
13 each rate schedule away from its initial revenue requirement ratios as the
14 authorized revenue requirement is decreased. This is demonstrated in Attachment
15 KCH-3, which calculates Staff's recommended rate spread at Staff's
16 recommended range of revenue requirements.³

17 **Q. What alternative approach do you recommend to resolve this problem?**

18 **A.** A robust solution to this problem is to follow the first three steps of Staff's
19 approach as described above, but then use each rate schedule's share of the total

³ I note that there is a discrete change in revenue requirement ratios as we move from the rate spread recommended in Table 1 of the Staff Report(s) to Staff's recommendation in Table 2. Assuming that the rate spread in Staff's Table 2 reflects the intended relationship among rate schedules, Staff's approach to spreading an alternative revenue requirement will generally move each rate schedule away from its Table 2 revenue requirement ratio as the authorized revenue requirement is decreased. [Compare Attachment KCH-2, line 21 to Attachment KCH-3, lines 23 and 35.] In contrast, the alternative I recommend below will generally preserve the Table 2 revenue requirement ratios. [Compare Attachment KCH-2, line 21 to Attachment KCH-4, lines 24 and 36.]

1 revenue requirement derived in Table 2 as the basis for apportioning any reduced
2 revenue requirement. Such an approach will allow each rate schedule to
3 experience a similar benefit from any reduction in revenue requirement
4 determined by the Commission. This will also ensure that the revenue
5 requirement ratios established in Staff's Table 2 are reasonably preserved.

6 **Q. Have you calculated the results of your recommended rate spread using**
7 **Staff's recommended revenue requirements?**

8 **A. Yes, I have. These results are presented in Attachment KCH-4, page 2,**
9 **and summarized in Table KCH-2, below.**

Table KCH-2
Comparison of Staff and Kroger Rate Spread Proposals
Percentage Rate Change at Staff's Recommended Range of Revenue Requirements

Ohio Edison

<u>Rate</u>	<u>Upper Bound</u>		<u>Lower Bound</u>	
	<u>Staff</u>	<u>Kroger</u>	<u>Staff</u>	<u>Kroger</u>
RS	12.5%	11.6%	10.9%	9.9%
GS	18.1%	22.1%	15.7%	20.2%
GP	11.5%	9.9%	10.0%	8.2%
GSUB	1.8%	-8.4%	1.6%	-9.8%
GT	33.5%	51.4%	29.0%	49.0%
TLTG	10.7%	9.1%	9.3%	7.3%
SLTG	0.0%	-13.1%	0.0%	-14.5%
POL	5.6%	-1.5%	4.8%	-3.0%
CONT	-9.3%	-29.4%	-8.0%	-30.5%
TOTAL	13.5%	13.5%	11.7%	11.7%

Toledo Edison

<u>Rate</u>	<u>Upper Bound</u>		<u>Lower Bound</u>	
	<u>Staff</u>	<u>Kroger</u>	<u>Staff</u>	<u>Kroger</u>
RS	41.5%	42.3%	39.2%	40.2%
GS	36.9%	37.0%	34.8%	35.0%
GP	5.3%	0.3%	5.0%	-1.2%
GSUB	0.0%	-7.4%	0.0%	-8.8%
GT	22.3%	20.4%	21.0%	18.6%
TLTG	0.0%	3.7%	0.0%	2.2%
SLTG	0.0%	-7.5%	0.0%	-8.9%
POL	0.0%	-6.4%	0.0%	-7.8%
CONT	-19.2%	-28.2%	-18.2%	-29.2%
TOTAL	36.6%	36.6%	34.6%	34.6%

Q. Do you have a recommended replacement for the table on page 30 of Staff Report that would provide guidance for spreading an authorized revenue requirement change that differs from FE's request?

1 A. Yes. I recommend that the table on page 30 of the Staff Report be replaced
2 by the following table(s) indicating the apportionment of total distribution
3 revenue requirement applicable to each rate schedule.

4 **Table KCH-3**
5 **Kroger Recommended Distribution of Revenue Requirement**

6 **Ohio Edison**

7

8

RS	62.26%
GS	26.37%
GP	5.05%
GSUB	0.85%
GT	2.45%
TL	0.06%
SL	1.23%
POL	0.74%
<u>Contract</u>	<u>0.99%</u>
	100.00%

9

10

11 **Toledo Edison**

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13

RS	60.24%
GS	31.07%
GP	5.05%
GSUB	0.18%
GT	1.45%
TL	0.06%
SL	2.64%
POL	0.64%
<u>Contract</u>	<u>-1.32%</u>
	100.00%

14

15

16 **Q. Does this conclude your direct testimony?**

17 A. Yes, it does.

KEVIN C. HIGGINS
Principal, Energy Strategies, L.L.C.
215 South State St., Suite 200, Salt Lake City, UT 84111

Vitae

PROFESSIONAL EXPERIENCE

Principal, Energy Strategies, L.L.C., Salt Lake City, Utah, January 2000 to present. Responsible for energy-related economic and policy analysis, regulatory intervention, and strategic negotiation on behalf of industrial, commercial, and public sector interests. Previously Senior Associate, February 1995 to December 1999.

Adjunct Instructor in Economics, Westminster College, Salt Lake City, Utah, September 1981 to May 1982; September 1987 to May 1995. Taught in the economics and M.B.A. programs. Awarded Adjunct Professor of the Year, Gore School of Business, 1990-91.

Chief of Staff to the Chairman, Salt Lake County Board of Commissioners, Salt Lake City, Utah, January 1991 to January 1995. Senior executive responsibility for all matters of county government, including formulation and execution of public policy, delivery of approximately 140 government services, budget adoption and fiscal management (over \$300 million), strategic planning, coordination with elected officials, and communication with consultants and media.

Assistant Director, Utah Energy Office, Utah Department of Natural Resources, Salt Lake City, Utah, August 1985 to January 1991. Directed the agency's resource development section, which provided energy policy analysis to the Governor, implemented state energy development policy, coordinated state energy data collection and dissemination, and managed energy technology demonstration programs. Position responsibilities included policy formulation and implementation, design and administration of energy technology demonstration programs, strategic management of the agency's interventions before the Utah Public Service Commission, budget preparation, and staff development. Supervised a staff of economists, engineers, and policy analysts, and served as lead economist on selected projects.

Utility Economist, Utah Energy Office, January 1985 to August 1985. Provided policy and economic analysis pertaining to energy conservation and resource development, with an emphasis on utility issues. Testified before the state Public Service Commission as an expert witness in cases related to the above.

Acting Assistant Director, Utah Energy Office, June 1984 to January 1985. Same responsibilities as Assistant Director identified above.

Research Economist, Utah Energy Office, October 1983 to June 1984. Provided economic analysis pertaining to renewable energy resource development and utility issues. Experience includes preparation of testimony, development of strategy, and appearance as an expert witness for the Energy Office before the Utah PSC.

Operations Research Assistant, Corporate Modeling and Operations Research Department, Utah Power and Light Company, Salt Lake City, Utah, May 1983 to September 1983. Primary area of responsibility: designing and conducting energy load forecasts.

Instructor in Economics, University of Utah, Salt Lake City, Utah, January 1982 to April 1983. Taught intermediate microeconomics, principles of macroeconomics, and economics as a social science.

Teacher, Vernon-Verona-Sherrill School District, Verona, New York, September 1976 to June 1978.

EDUCATION

Ph.D. Candidate, Economics, University of Utah (coursework and field exams completed, 1981).

Fields of Specialization: Public Finance, Urban and Regional Economics, Economic Development, International Economics, History of Economic Doctrines.

Bachelor of Science, Education, State University of New York at Plattsburgh, 1976 (cum laude).

Danish International Studies Program, University of Copenhagen, 1975.

SCHOLARSHIPS AND FELLOWSHIPS

University Research Fellow, University of Utah, Salt Lake City, Utah 1982 to 1983.

Research Fellow, Institute of Human Resources Management, University of Utah, 1980 to 1982.

Teaching Fellow, Economics Department, University of Utah, 1978 to 1980.

New York State Regents Scholar, 1972 to 1976.

EXPERT TESTIMONY

"In the Matter of the Application of Rocky Mountain Power for Authority to Increase Its Retail Electric Utility Service Rates in Wyoming, Consisting of a General Rate Increase of Approximately \$36.1 Million per Year, and for Approval of a New Renewable Resource Mechanism and Marginal Cost Pricing Tariff," Wyoming Public Service Commission, Docket No. 20000-277-ER-07. Direct testimony submitted January 7, 2008.

"In the Matter of the Application of Idaho Power Company for Authority to Increase Its Rates and Charges for Electric Service to Electric Customers in the State of Idaho," Idaho Public Utilities Commission, Case No. IPC-E-07-8. Direct testimony submitted December 10, 2007.

"In The Matter of the Application of Consumers Energy Company for Authority to Increase Its Rates for the Generation and Distribution Of Electricity and Other Relief," Michigan Public Service Commission, Case No. U-15245. Direct testimony submitted November 6, 2007. Rebuttal testimony submitted November 20, 2007.

"In the Matter of Montana-Dakota Utilities Co., Application for Authority to Establish Increased Rates for Electric Service," Montana Public Service Commission, Docket No. D2007.7.79. Direct testimony submitted October 24, 2007.

"In the Matter of the Application of Public Service Company of New Mexico for Revision of its Retail Electric Rates Pursuant to Advice Notice No. 334," New Mexico Public Regulation Commission, Case No. 07-0077-UT. Direct testimony submitted October 22, 2007. Rebuttal testimony submitted November 19, 2007. Cross examined December 12, 2007.

"In The Matter of Georgia Power Company's 2007 Rate Case," Georgia Public Service Commission, Docket No. 25060-U. Direct testimony submitted October 22, 2007. Cross examined November 7, 2007.

"In the Matter of the Application of Rocky Mountain Power for an Accounting Order to Defer the Costs Related to the MidAmerican Energy Holdings Company Transaction," Utah Public Service Commission, Docket No. 07-035-04; "In the Matter of the Application of Rocky Mountain Power, a Division of PacifiCorp, for a Deferred Accounting Order To Defer the Costs of Loans Made to Grid West, the Regional Transmission Organization," Docket No. 06-035-163; "In the Matter of the Application of Rocky Mountain Power for an Accounting Order for Costs related to the Flooding of the Powerdale Hydro Facility," Docket No. 07-035-14. Direct testimony submitted September 10, 2007. Surrebuttal testimony submitted October 22, 2007. Cross examined October 30, 2007.

"In the Matter of General Adjustment of Electric Rates of East Kentucky Power Cooperative, Inc.," Kentucky Public Service Commission, Case No. 2006-00472. Direct testimony submitted July 5, 2007.

"In the Matter of the Application of Sempra Energy Solutions for a Certificate of Convenience and Necessity for Competitive Retail Electric Service," Arizona Corporation Commission, Docket No. E-03964A-06-0168. Direct testimony submitted July 3, 2007.

"Application of Public Service Company of Oklahoma for a Determination that Additional Electric Generating Capacity Will Be Used and Useful," Oklahoma Corporation Commission, Cause No. PUD 200500516; "Application of Public Service Company of Oklahoma for a Determination that Additional Baseload Electric Generating Capacity Will Be Used and Useful," Cause No. PUD 200600030; "In the Matter of the Application of Oklahoma Gas and Electric Company for an Order Granting Pre-Approval to Construct Red Rock Generating Facility and Authorizing a Recovery Rider," Cause No. PUD200700012. Responsive testimony submitted May 21, 2007. Cross examined July 26, 2007.

"Application of Nevada Power Company for Authority to Increase Its Annual Revenue Requirement for General Rates Charged to All Classes of Electric Customers and for Relief Properly Related Thereto," Public Utilities Commission of Nevada, Docket No. 06-11022. Direct testimony submitted March 14, 2007 (Phase III – revenue requirements) and March 19, 2007 (Phase IV – rate design). Cross examined April 10, 2007 (Phase III – revenue requirements) and April 16, 2007 (Phase IV – rate design).

"In the Matter of the Application of Entergy Arkansas, Inc. for Approval of Changes in Rates for Retail Electric Service," Arkansas Public Service Commission, Docket No. 06-101-U. Direct testimony submitted February 5, 2007. Surrebuttal testimony submitted March 26, 2007.

"Monongahela Power Company and The Potomac Edison Company, both d/b/a Allegheny Power – Rule 42T Application to Increase Electric Rates and Charges," Public Service Commission of West Virginia, Case No. 06-0960-E-42T; "Monongahela Power Company and The Potomac Edison Company, both d/b/a Allegheny Power – Information Required for Change of Depreciation Rates Pursuant to Rule 20," Case No. 06-1426-E-D. Direct and rebuttal testimony submitted January 22, 2007.

"In the Matter of the Tariffs of Aquila, Inc., d/b/a Aquila Networks-MPS and Aquila Networks-L&P Increasing Electric Rates for the Services Provided to Customers in the Aquila Networks-MPS and Aquila Networks-L&P Missouri Service Areas," Missouri Public Service Commission, Case No. ER-2007-0004. Direct testimony submitted January 18, 2007 (revenue requirements) and January 25, 2007 (revenue apportionment). Supplemental direct testimony submitted February 27, 2007.

"In the Matter of the Filing by Tucson Electric Power Company to Amend Decision No. 62103, Arizona Corporation Commission, Docket No. E-01933A-05-0650. Direct testimony submitted January 8, 2007. Surrebuttal testimony filed February 8, 2007. Cross examined March 8, 2007.

"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," Missouri Public Service Commission, Case No. ER-2007-0002. Direct testimony submitted December 15, 2006 (revenue requirements) and December 29, 2006 (fuel adjustment clause/cost-of-service/rate design). Rebuttal testimony submitted February 5, 2007 (cost-of-service). Surrebuttal testimony submitted February 27, 2007. Cross examined March 21, 2007.

"In the Matter of Application of The Union Light, Heat and Power Company d/b/a Duke Energy Kentucky, Inc. for an Adjustment of Electric Rates," Kentucky Public Service Commission, Case No. 2006-00172. Direct testimony submitted September 13, 2006.

"In the Matter of Appalachian Power Company's Application for Increase in Electric Rates," Virginia State Corporation Commission, Case No. PUE-2006-00065. Direct testimony submitted September 1, 2006. Cross examined December 7, 2006.

"In the Matter of the Application of Arizona Public Service Company for a Hearing to Determine the Fair Value of the Utility Property for Ratemaking Purposes, to Fix a Just and Reasonable Rate of Return Thereon, To Approve Rate Schedules Designed to Develop Such Return, and to Amend Decision No. 67744, Arizona Corporation Commission," Docket No. E-01345A-05-0816. Direct testimony submitted August 18, 2006 (revenue requirements) and September 1, 2006 (cost-of-service/rate design). Surrebuttal testimony submitted September 27, 2006. Cross examined November 7, 2006.

"Re: The Tariff Sheets Filed by Public Service Company of Colorado with Advice Letter No 1454 – Electric," Colorado Public Utilities Commission, Docket No. 06S-234EG. Answer testimony submitted August 18, 2006.

"Portland General Electric General Rate Case Filing," Public Utility Commission of Oregon, Docket No. UE-180. Direct testimony submitted August 9, 2006. Joint testimony regarding stipulation submitted August 22, 2006.

"2006 Puget Sound Energy General Rate Case," Washington Utilities and Transportation Commission, Docket Nos. UE-060266 and UG-060267. Response testimony submitted July 19, 2006. Joint testimony regarding stipulation submitted August 23, 2006.

"In the Matter of PacifiCorp, dba Pacific Power & Light Company, Request for a General Rate Increase in the Company's Oregon Annual Revenues," Public Utility Commission of Oregon, Docket No. UE-179. Direct testimony submitted July 12, 2006. Joint testimony regarding stipulation submitted August 21, 2006.

"Petition of Metropolitan Edison Company for Approval of a Rate Transition Plan,"

Pennsylvania Public Utilities Commission, Docket Nos. P-00062213 and R-00061366; "Petition of Pennsylvania Electric Company for Approval of a Rate Transition Plan," Docket Nos. P-0062214 and R-00061367; Merger Savings Remand Proceeding, Docket Nos. A-110300F0095 and A-110400F0040. Direct testimony submitted July 10, 2006. Rebuttal testimony submitted August 8, 2006. Surrebuttal testimony submitted August 18, 2006. Cross examined August 30, 2006.

"In the Matter of the Application of PacifiCorp for approval of its Proposed Electric Rate Schedules & Electric Service Regulations," **Utah** Public Service Commission, Docket No. 06-035-21. Direct testimony submitted June 9, 2006 (Test Period). Surrebuttal testimony submitted July 14, 2006.

"Joint Application of Questar Gas Company, the Division of Public Utilities, and Utah Clean Energy for the Approval of the Conservation Enabling Tariff Adjustment Option and Accounting Orders," **Utah** Public Service Commission, Docket No. 05-057-T01. Direct testimony submitted May 15, 2006. Rebuttal testimony submitted August 8, 2007. Cross examined September 19, 2007.

"Central Illinois Light Company d/b/a AmerenCILCO, Central Illinois Power Company d/b/a AmerenCIPS, Illinois Power Company d/b/a AmerenIP, Proposed General Increase in Rates for Delivery Service (Tariffs Filed December 27, 2005)," **Illinois** Commerce Commission, Docket Nos. 06-0070, 06-0071, 06-0072. Direct testimony submitted March 26, 2006. Rebuttal testimony submitted June 27, 2006.

"In the Matter of Appalachian Power Company and Wheeling Power Company, both dba American Electric Power," Public Service Commission of **West Virginia**, Case No. 05-1278-E-PC-PW-42T. Direct and rebuttal testimony submitted March 8, 2006.

"In the Matter of Northern States Power Company d/b/a Xcel Energy for Authority to Increase Rates for Electric Service in Minnesota," **Minnesota** Public Utilities Commission, Docket No. G-002/GR-05-1428. Direct testimony submitted March 2, 2006. Rebuttal testimony submitted March 30, 2006. Cross examined April 25, 2006.

"In the Matter of the Application of Arizona Public Service Company for an Emergency Interim Rate Increase and for an Interim Amendment to Decision No. 67744," **Arizona** Corporation Commission, Docket No. E-01345A-06-0009. Direct testimony submitted February 28, 2006. Cross examined March 23, 2006.

"In the Matter of the Applications of Westar Energy, Inc. and Kansas Gas and Electric Company for Approval to Make Certain Changes in Their Charges for Electric Service," State Corporation Commission of **Kansas**, Case No. 05-WSEE-981-RTS. Direct testimony submitted September 9, 2005. Cross examined October 28, 2005.

"In the Matter of the Application of Columbus Southern Power Company and Ohio Power Company for Authority to Recover Costs Associated with the Construction and Ultimate Operation of an Integrated Combined Cycle Electric Generating Facility," Public Utilities Commission of Ohio, Case No. 05-376-EL-UNC. Direct testimony submitted July 15, 2005. Cross examined August 12, 2005.

"In the Matter of the Filing of General Rate Case Information by Tucson Electric Power Company Pursuant to Decision No. 62103," Arizona Corporation Commission, Docket No. E-01933A-04-0408. Direct testimony submitted June 24, 2005.

"In the Matter of Application of The Detroit Edison Company to Unbundle and Realign Its Rate Schedules for Jurisdictional Retail Sales of Electricity," Michigan Public Service Commission, Case No. U-14399. Direct testimony submitted June 9, 2005. Rebuttal testimony submitted July 1, 2005.

"In the Matter of the Application of Consumers Energy Company for Authority to Increase Its Rates for the Generation and Distribution of Electricity and Other Relief," Michigan Public Service Commission, Case No. U-14347. Direct testimony submitted June 3, 2005. Rebuttal testimony submitted June 17, 2005.

"In the Matter of Pacific Power & Light, Request for a General Rate Increase in the Company's Oregon Annual Revenues," Public Utility Commission of Oregon, Docket No. UE 170. Direct testimony submitted May 9, 2005. Surrebuttal testimony submitted June 27, 2005. Joint testimony regarding partial stipulations submitted June 2005, July 2005, and August 2005.

"In the Matter of the Application of Trico Electric Cooperative, Inc. for a Rate Increase," Arizona Corporation Commission, Docket No. E-01461A-04-0607. Direct testimony submitted April 13, 2005. Surrebuttal testimony submitted May 16, 2005. Cross examined May 26, 2005.

"In the Matter of the Application of PacifiCorp for Approval of its Proposed Electric Service Schedules and Electric Service Regulations," Utah Public Service Commission, Docket No. 04-035-42. Direct testimony submitted January 7, 2005.

"In the Matter of the Application by Golden Valley Electric Association, Inc., for Authority to Implement Simplified Rate Filing Procedures and Adjust Rates," Regulatory Commission of Alaska, Docket No. U-4-33. Direct testimony submitted November 5, 2004. Cross examined February 8, 2005.

"Advice Letter No. 1411 - Public Service Company of Colorado Electric Phase II General Rate Case," Colorado Public Utilities Commission, Docket No. 04S-164E. Direct testimony submitted October 12, 2004. Cross-answer testimony submitted December 13, 2004. Testimony withdrawn January 18, 2005, following Applicant's withdrawal of testimony pertaining to TOU rates.

"In the Matter of Georgia Power Company's 2004 Rate Case," Georgia Public Service Commission, Docket No. 18300-U. Direct testimony submitted October 8, 2004. Cross examined October 27, 2004.

"2004 Puget Sound Energy General Rate Case," Washington Utilities and Transportation Commission, Docket Nos. UE-040641 and UG-040640. Response testimony submitted September 23, 2004. Cross-answer testimony submitted November 3, 2004. Joint testimony regarding stipulation submitted December 6, 2004.

"In the Matter of the Application of PacifiCorp for an Investigation of Interjurisdictional Issues," Utah Public Service Commission, Docket No. 02-035-04. Direct testimony submitted July 15, 2004. Cross examined July 19, 2004.

"In the Matter of an Adjustment of the Gas and Electric Rates, Terms and Conditions of Kentucky Utilities Company," Kentucky Public Service Commission, Case No. 2003-00434. Direct testimony submitted March 23, 2004. Testimony withdrawn pursuant to stipulation entered May 2004.

"In the Matter of an Adjustment of the Gas and Electric Rates, Terms and Conditions of Louisville Gas and Electric Company," Kentucky Public Service Commission, Case No. 2003-00433. Direct testimony submitted March 23, 2004. Testimony withdrawn pursuant to stipulation entered May 2004.

"In the Matter of the Application of Idaho Power Company for Authority to Increase Its Interim and Base Rates and Charges for Electric Service," Idaho Public Utilities Commission, Case No. IPC-E-03-13. Direct testimony submitted February 20, 2004. Rebuttal testimony submitted March 19, 2004. Cross examined April 1, 2004.

"In the Matter of the Applications of the Ohio Edison Company, the Cleveland Electric Illuminating Company and the Toledo Edison Company for Authority to Continue and Modify Certain Regulatory Accounting Practices and Procedures, for Tariff Approvals and to Establish Rates and Other Charges, Including Regulatory Transition Charges Following the Market Development Period," Public Utilities Commission of Ohio, Case No. 03-2144-EL-ATA. Direct testimony submitted February 6, 2004. Cross examined February 18, 2004.

"In the Matter of the Application of Arizona Public Service Company for a Hearing to Determine the Fair Value of the Utility Property of the Company for Ratemaking Purposes, To Fix a Just and Reasonable Rate of Return Thereon, To Approve Rate Schedules Designed to Develop Such Return, and For Approval of Purchased Power Contract," Arizona Corporation Commission, Docket No. E-01345A-03-0437. Direct testimony submitted February 3, 2004. Rebuttal testimony submitted March 30, 2004. Direct testimony regarding stipulation submitted September 27, 2004. Responsive / Clarifying testimony regarding stipulation submitted October 25, 2004. Cross examined November 8-10, 2004 and November 29-December 3, 2004.

"In the Matter of Application of the Detroit Edison Company to Increase Rates, Amend Its Rate Schedules Governing the Distribution and Supply of Electric Energy, etc.," Michigan Public Service Commission, Case No. U-13808. Direct testimony submitted December 12, 2003 (interim request) and March 5, 2004 (general rate case).

"In the Matter of PacifiCorp's Filing of Revised Tariff Schedules," Public Utility Commission of Oregon, Docket No. UE-147. Joint testimony regarding stipulation submitted August 21, 2003.

"Petition of PSI Energy, Inc. for Authority to Increase Its Rates and Charges for Electric Service, etc.," Indiana Utility Regulatory Commission, Cause No. 42359. Direct testimony submitted August 19, 2003. Cross examined November 5, 2003.

"In the Matter of the Application of Consumers Energy Company for a Financing Order Approving the Securitization of Certain of its Qualified Cost," Michigan Public Service Commission, Case No. U-13715. Direct testimony submitted April 8, 2003. Cross examined April 23, 2003.

"In the Matter of the Application of Arizona Public Service Company for Approval of Adjustment Mechanisms," Arizona Corporation Commission, Docket No. E-01345A-02-0403. Direct testimony submitted February 13, 2003. Surrebuttal testimony submitted March 20, 2003. Cross examined April 8, 2003.

"Re: The Investigation and Suspension of Tariff Sheets Filed by Public Service Company of Colorado, Advice Letter No. 1373 – Electric, Advice Letter No. 593 – Gas, Advice Letter No. 80 – Steam," Colorado Public Utilities Commission, Docket No. 02S-315 EG. Direct testimony submitted November 22, 2002. Cross-answer testimony submitted January 24, 2003.

"In the Matter of the Application of The Detroit Edison Company to Implement the Commission's Stranded Cost Recovery Procedure and for Approval of Net Stranded Cost Recovery Charges," Michigan Public Service Commission, Case No. U-13350. Direct testimony submitted November 12, 2002.

"Application of South Carolina Electric & Gas Company: Adjustments in the Company's Electric Rate Schedules and Tariffs," Public Service Commission of South Carolina, Docket No. 2002-223-E. Direct testimony submitted November 8, 2002. Surrebuttal testimony submitted November 18, 2002. Cross examined November 21, 2002.

"In the Matter of the Application of Questar Gas Company for a General Increase in Rates and Charges," Utah Public Service Commission, Docket No. 02-057-02. Direct testimony submitted August 30, 2002. Rebuttal testimony submitted October 4, 2002.

"The Kroger Co. v. Dynegy Power Marketing, Inc.," Federal Energy Regulatory Commission, EL02-119-000. Confidential affidavit filed August 13, 2002.

"In the matter of the application of Consumers Energy Company for determination of net stranded costs and for approval of net stranded cost recovery charges," Michigan Public Service Commission, Case No. U-13380. Direct testimony submitted August 9, 2002. Rebuttal testimony submitted August 30, 2002. Cross examined September 10, 2002.

"In the Matter of the Application of Public Service Company of Colorado for an Order to Revise Its Incentive Cost Adjustment," Colorado Public Utilities Commission, Docket 02A-158E. Direct testimony submitted April 18, 2002.

"In the Matter of the Generic Proceedings Concerning Electric Restructuring Issues," Arizona Corporation Commission, Docket No. E-00000A-02-0051, "In the Matter of Arizona Public Service Company's Request for Variance of Certain Requirements of A.A.C. R14-2-1606," Docket No. E-01345A-01-0822, "In the Matter of the Generic Proceeding Concerning the Arizona Independent Scheduling Administrator," Docket No. E-00000A-01-0630, "In the Matter of Tucson Electric Power Company's Application for a Variance of Certain Electric Competition Rules Compliance Dates," Docket No. E-01933A-02-0069, "In the Matter of the Application of Tucson Electric Power Company for Approval of its Stranded Cost Recovery," Docket No. E-01933A-98-0471. Direct testimony submitted March 29, 2002 (APS variance request); May 29, 2002 (APS Track A proceeding/market power issues); and July 28, 2003 (Arizona ISA). Rebuttal testimony submitted August 29, 2003 (Arizona ISA). Cross examined June 21, 2002 (APS Track A proceeding/market power issues) and September 12, 2003 (Arizona ISA).

"In the Matter of Savannah Electric & Power Company's 2001 Rate Case," Georgia Public Service Commission, Docket No. 14618-U. Direct testimony submitted March 15, 2002. Cross examined March 28, 2002.

"Nevada Power Company's 2001 Deferred Energy Case," Public Utilities Commission of Nevada, PUCN 01-11029. Direct testimony submitted February 7, 2002. Cross examined February 21, 2002.

"2001 Puget Sound Energy Interim Rate Case," **Washington** Utilities and Transportation Commission, Docket Nos. UE-011570 and UE-011571. Direct testimony submitted January 30, 2002. Cross examined February 20, 2002.

"In the Matter of Georgia Power Company's 2001 Rate Case," **Georgia** Public Service Commission, Docket No. 14000-U. Direct testimony submitted October 12, 2001. Cross examined October 24, 2001.

"In the Matter of the Application of PacifiCorp for Approval of Its Proposed Electric Rate Schedules and Electric Service Regulations," **Utah** Public Service Commission, Docket No. 01-35-01. Direct testimony submitted June 15, 2001. Rebuttal testimony submitted August 31, 2001.

"In the Matter of Portland General Electric Company's Proposal to Restructure and Reprice Its Services in Accordance with the Provisions of SB 1149," **Public Utility Commission of Oregon**, Docket No. UE-115. Direct testimony submitted February 20, 2001. Rebuttal testimony submitted May 4, 2001. Joint testimony regarding stipulation submitted July 27, 2001.

"In the Matter of the Application of APS Energy Services, Inc. for Declaratory Order or Waiver of the Electric Competition Rules," **Arizona** Corporation Commission, Docket No. E-01933A-00-0486. Direct testimony submitted July 24, 2000.

"In the Matter of the Application of Questar Gas Company for an Increase in Rates and Charges," **Utah** Public Service Commission, Docket No. 99-057-20. Direct testimony submitted April 19, 2000. Rebuttal testimony submitted May 24, 2000. Surrebuttal testimony submitted May 31, 2000. Cross examined June 6 & 8, 2000.

"In the Matter of the Application of Columbus Southern Power Company for Approval of Electric Transition Plan and Application for Receipt of Transition Revenues," **Public Utility Commission of Ohio**, Case No. 99-1729-EL-ETP; "In the Matter of the Application of Ohio Power Company for Approval of Electric Transition Plan and Application for Receipt of Transition Revenues," **Public Utility Commission of Ohio**, Case No. 99-1730-EL-ETP. Direct testimony prepared, but not submitted pursuant to settlement agreement effected May 2, 2000.

"In the Matter of the Application of FirstEnergy Corp. on Behalf of Ohio Edison Company, The Cleveland Electric Illuminating Company, and the Toledo Edison Company for Approval of Their Transition Plans and for Authorization to Collect Transition Revenues," **Public Utility Commission of Ohio**, Case No. 99-1212-EL-ETP. Direct testimony prepared, but not submitted pursuant to settlement agreement effected April 11, 2000.

"2000 Pricing Process," **Salt River Project** Board of Directors, oral comments provided March 6, 2000 and April 10, 2000.

"Tucson Electric Power Company vs. Cyprus Sierrita Corporation," **Arizona** Corporation Commission, Docket No. E-000001-99-0243. Direct testimony submitted October 25, 1999. Cross examined November 4, 1999.

"Application of Hildale City and Intermountain Municipal Gas Association for an Order Granting Access for Transportation of Interstate Natural Gas over the Pipelines of Questar Gas Company for Hildale, Utah," **Utah** Public Service Commission, Docket No. 98-057-01. Rebuttal testimony submitted August 30, 1999.

"In the Matter of the Application by Arizona Electric Power Cooperative, Inc. for Approval of Its Filing as to Regulatory Assets and Transition Revenues," **Arizona** Corporation Commission, Docket No. E-01773A-98-0470. Direct testimony submitted July 30, 1999. Cross examined February 28, 2000.

"In the Matter of the Application of Tucson Electric Power Company for Approval of its Plan for Stranded Cost Recovery," **Arizona** Corporation Commission, Docket No. E-01933A-98-0471; "In the Matter of the Filing of Tucson Electric Power Company of Unbundled Tariffs Pursuant to A.A.C. R14-2-1601 et seq.," Docket No. E-01933A-97-0772; "In the Matter of the Competition in the Provision of Electric Service Throughout the State of Arizona," Docket No. RE-00000C-94-0165. Direct testimony submitted June 30, 1999. Rebuttal testimony submitted August 6, 1999. Cross examined August 11-13, 1999.

"In the Matter of the Application of Arizona Public Service Company for Approval of its Plan for Stranded Cost Recovery," **Arizona** Corporation Commission, Docket No. E-01345A-98-0473; "In the Matter of the Filing of Arizona Public Service Company of Unbundled Tariffs Pursuant to A.A.C. R14-2-1601 et seq.," Docket No. E-01345A-97-0773; "In the Matter of the Competition in the Provision of Electric Service Throughout the State of Arizona," Docket No. RE-00000C-94-0165. Direct testimony submitted June 4, 1999. Rebuttal testimony submitted July 12, 1999. Cross examined July 14, 1999.

"In the Matter of the Application of Tucson Electric Power Company for Approval of its Plan for Stranded Cost Recovery," **Arizona** Corporation Commission, Docket No. E-01933A-98-0471; "In the Matter of the Filing of Tucson Electric Power Company of Unbundled Tariffs Pursuant to A.A.C. R14-2-1601 et seq.," Docket No. E-01933A-97-0772; "In the Matter of the Application of Arizona Public Service Company for Approval of its Plan for Stranded Cost Recovery," Docket No. E-01345A-98-0473; "In the Matter of the Filing of Arizona Public Service Company of Unbundled Tariffs Pursuant to A.A.C. R14-2-1601 et seq.," Docket No. E-01345A-97-0773; "In the Matter of the Competition in the Provision of Electric Service Throughout the State of Arizona," Docket No. RE-00000C-94-0165. Direct testimony submitted November 30, 1998.

“Hearings on Pricing,” **Salt River Project** Board of Directors, written and oral comments provided November 9, 1998.

“Hearings on Customer Choice,” **Salt River Project** Board of Directors, written and oral comments provided June 22, 1998; June 29, 1998; July 9, 1998; August 7, 1998; and August 14, 1998.

“In the Matter of the Competition in the Provision of Electric Service Throughout the State of Arizona,” **Arizona** Corporation Commission, Docket No. U-0000-94-165. Direct and rebuttal testimony filed January 21, 1998. Second rebuttal testimony filed February 4, 1998. Cross examined February 25, 1998.

“In the Matter of Consolidated Edison Company of New York, Inc.’s Plans for (1) Electric Rate/Restructuring Pursuant to Opinion No. 96-12; and (2) the Formation of a Holding Company Pursuant to PSL, Sections 70, 108, and 110, and Certain Related Transactions,” **New York** Public Service Commission, Case 96-E-0897. Direct testimony filed April 9, 1997. Cross examined May 5, 1997.

“In the Matter of the Petition of Sunnyside Cogeneration Associates for Enforcement of Contract Provisions,” **Utah** Public Service Commission, Docket No. 96-2018-01. Direct testimony submitted July 8, 1996.

“In the Matter of the Application of PacifiCorp, dba Pacific Power & Light Company, for Approval of Revised Tariff Schedules and an Alternative Form of Regulation Plan,” **Wyoming** Public Service Commission, Docket No. 2000-ER-95-99. Direct testimony submitted April 8, 1996.

“In the Matter of the Application of Mountain Fuel Supply Company for an Increase in Rates and Charges,” **Utah** Public Service Commission, Case No. 95-057-02. Direct testimony submitted June 19, 1995. Rebuttal testimony submitted July 25, 1995. Surrebuttal testimony submitted August 7, 1995.

“In the Matter of the Investigation of the Reasonableness of the Rates and Tariffs of Mountain Fuel Supply Company,” **Utah** Public Service Commission, Case No. 89-057-15. Direct testimony submitted July 1990. Surrebuttal testimony submitted August 1990.

“In the Matter of the Review of the Rates of Utah Power and Light Company pursuant to The Order in Case No. 87-035-27,” **Utah** Public Service Commission, Case No. 89-035-10. Rebuttal testimony submitted November 15, 1989. Cross examined December 1, 1989 (rate schedule changes for state facilities).

"In the Matter of the Application of Utah Power & Light Company and PC/UP&L Merging Corp. (to be renamed PacifiCorp) for an Order Authorizing the Merger of Utah Power & Light Company and PacifiCorp into PC/UP&L Merging Corp. and Authorizing the Issuance of Securities, Adoption of Tariffs, and Transfer of Certificates of Public Convenience and Necessity and Authorities in Connection Therewith," Utah Public Service Commission, Case No. 87-035-27; Direct testimony submitted April 11, 1988. Cross examined May 12, 1988 (economic impact of UP&L merger with PacifiCorp).

"In the Matter of the Application of Mountain Fuel Supply Company for Approval of Interruptible Industrial Transportation Rates," Utah Public Service Commission, Case No. 86-057-07. Direct testimony submitted January 15, 1988. Cross examined March 30, 1988.

"In the Matter of the Application of Utah Power and Light Company for an Order Approving a Power Purchase Agreement," Utah Public Service Commission, Case No. 87-035-18. Oral testimony delivered July 8, 1987.

"Cogeneration: Small Power Production," Federal Energy Regulatory Commission, Docket No. RM87-12-000. Statement on behalf of State of Utah delivered March 27, 1987, in San Francisco.

"In the Matter of the Investigation of Rates for Backup, Maintenance, Supplementary, and Standby Power for Utah Power and Light Company," Utah Public Service Commission, Case No. 86-035-13. Direct testimony submitted January 5, 1987. Case settled by stipulation approved August 1987.

"In the Matter of the Application of Sunnyside Cogeneration Associates for Approval of the Cogeneration Power Purchase Agreement," Utah Public Service Commission, Case No. 86-2018-01. Rebuttal testimony submitted July 16, 1986. Cross examined July 17, 1986.

"In the Matter of the Investigation of Demand-Side Alternatives to Capacity Expansion for Electric Utilities," Utah Public Service Commission, Case No. 84-999-20. Direct testimony submitted June 17, 1985. Rebuttal testimony submitted July 29, 1985. Cross examined August 19, 1985.

"In the Matter of the Implementation of Rules Governing Cogeneration and Small Power Production in Utah," Utah Public Service Commission, Case No. 80-999-06, pp. 1293-1318. Direct testimony submitted January 13, 1984 (avoided costs), May 9, 1986 (security for levelized contracts) and November 17, 1986 (avoided costs). Cross-examined February 29, 1984 (avoided costs), April 11, 1985 (standard form contracts), May 22-23, 1986 (security for levelized contracts) and December 16-17, 1986 (avoided costs).

OTHER RELATED ACTIVITY

Participant, Oregon Direct Access Task Force (UM 1081), May 2003 to November 2003.

Participant, Michigan Stranded Cost Collaborative, March 2003 to March 2004.

Member, Arizona Electric Competition Advisory Group, December 2002 to present.

Board of Directors, ex-officio, Desert STAR RTO, September 1999 to February 2002.

Member, Advisory Committee, Desert STAR RTO, September 1999 to February 2002. Acting Chairman, October 2000 to February 2002.

Board of Directors, Arizona Independent Scheduling Administrator Association, October 1998 to present.

Acting Chairman, Operating Committee, Arizona Independent Scheduling Administrator Association, October 1998 to June 1999.

Member, Desert Star ISO Investigation Working Groups: Operations, Pricing, and Governance, April 1997 to December 1999. Legal & Negotiating Committee, April 1999 to December 1999.

Participant, Independent System Operator and Spot Market Working Group, Arizona Corporation Commission, April 1997 to September 1997.

Participant, Unbundled Services and Standard Offer Working Group, Arizona Corporation Commission, April 1997 to October 1997.

Participant, Customer Selection Working Group, Arizona Corporation Commission, March 1997 to September 1997.

Member, Stranded Cost Working Group, Arizona Corporation Commission, March 1997 to September 1997.

Member, Electric System Reliability & Safety Working Group, Arizona Corporation Commission, November 1996 to September 1998.

Chairman, Salt Palace Renovation and Expansion Committee, Salt Lake County/State of Utah/Salt Lake City, multi-government entity responsible for implementation of planning, design, finance, and construction of an \$85 million renovation of the Salt Palace Convention Center, Salt Lake City, Utah, May 1991 to December 1994.

State of Utah Representative, Committee on Regional Electric Power Cooperation, a joint effort of the Western Interstate Energy Board and the Western Conference of Public Service Commissioners, January 1987 to December 1990.

Member, Utah Governor's Economic Coordinating Committee, January 1987 to December 1990.

Chairman, Standard Contract Task Force, established by Utah Public Service Commission to address contractual problems relating to qualifying facility sales under PURPA, March 1986 to December 1990.

Chairman, Load Management and Energy Conservation Task Force, Utah Public Service Commission, August 1985 to December 1990.

Alternate Delegate for Utah, Western Interstate Energy Board, Denver, Colorado, August 1985 to December 1990.

Articles Editor, Economic Forum, September 1980 to August 1981.

THE KROGER CO.
COMPARISON OF COST OF SERVICE REVENUE REQUIREMENT
WITH APPLICANT'S AND STAFF'S PROPOSED REVENUE SPREAD
AT APPLICANT'S REQUESTED REVENUE INCREASE
TEST YEAR ENDED 2/08 FORECASTED

Line No.	(a)	(b) Total Retail	(c) RS	(d) GS	(e) GP	(f) GSUR	(g) GT	(h) TLTG	(i) SLTG	(j) POL	(k) CONTRACT	(l) SOURCE
1	Rate Base	1,628,182	993,662	433,889	75,960	12,983	52,284	975	24,726	11,993	21,710	Staff Report Table 1 p. 28
2	Current Revenues	486,914	308,155	119,322	25,372	5,112	8,946	307	7,835	4,134	7,731	Staff Report Table 1 p. 28
3	Current Net Income	36,861	26,262	9,539	903	435	(1,945)	15	(364)	424	1,592	Staff Report Table 1 p. 28
<u>Cost of Service Results</u>												
4	Cost of Service Required Revenue	646,864	399,705	162,404	34,150	6,160	19,121	414	11,752	5,867	8,091	Staff Report Table 1 p. 28
5	Cost of Service Revenue Increase	159,951	91,550	43,082	8,778	1,048	10,176	107	3,917	933	360	= Ln 4 - Ln 2
6	Percent Increase	32.85%	29.71%	36.11%	34.60%	20.50%	113.76%	34.91%	49.99%	22.56%	4.66%	= Ln 5 + Ln 2
7	Rate of Return Index	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	= 1.0 @ COS
<u>Applicant's Proposed Revenue Spread</u>												
8	Applicant Proposed Revenue	646,864	397,677	173,454	33,315	5,358	18,058	398	7,829	4,152	6,624	Staff Report Table 1 p. 28
9	Applicant Revenue Increase	159,951	89,522	54,132	7,943	246	9,113	91	(6)	18	(1,107)	= Ln 8 - Ln 2
10	Percent Increase	32.85%	29.05%	45.37%	31.31%	4.81%	101.87%	29.49%	-0.07%	0.42%	-14.32%	= Ln 9 + Ln 2
11	Applicant Net to Gross Factor - Supplemental	1.610719	1.610719	1.610719	1.610719	1.610719	1.610719	1.610719	1.610719	1.610719	1.610719	Applicant Suppl. Schedule C-10, p. 1 of 1
12	Change in Net Income	99,304	55,579	33,608	4,931	153	5,658	56	(4)	11	(687)	= Ln 9 + Ln 11
13	Proposed Net Income	136,165	81,841	43,147	5,834	588	3,713	71	(368)	435	905	= Ln 3 + Ln 12
14	Proposed Return on Rate Base	8.36%	8.24%	9.94%	7.68%	4.53%	7.10%	7.30%	-1.49%	3.63%	4.17%	= Ln 13 + Ln 1
15	Rate of Return Index	1.000	0.985	1.189	0.918	0.541	0.849	0.873	(0.178)	0.434	0.498	= Ln 14 + Ln 14 [Total]
16	Revenue Requirement Ratio	1.000	0.995	1.068	0.976	0.870	0.944	0.960	0.666	0.819	0.819	= Ln 8 + Ln 4
<u>Staff's Proposed Revenue Spread</u>												
17	Staff Proposed Revenue	646,864	397,677	170,685	34,000	6,000	19,000	398	7,829	4,652	6,624	Staff Report Table 1 p. 28
18	Staff Revenue Increase	159,951	89,522	51,363	8,628	888	10,055	91	(6)	518	(1,107)	= Ln 17 - Ln 2
19	Percent Increase	32.85%	29.05%	43.05%	34.01%	17.37%	112.41%	29.64%	-0.08%	12.53%	-14.32%	= Ln 18 + Ln 2
20	Applicant Net to Gross Factor - Supplemental	1.610719	1.610719	1.610719	1.610719	1.610719	1.610719	1.610719	1.610719	1.610719	1.610719	Applicant Suppl. Schedule C-10, p. 1 of 1
21	Change in Net Income	99,304	55,579	31,888	5,357	551	6,243	56	(4)	322	(687)	= Ln 18 + Ln 20
22	Proposed Net Income	136,165	81,841	41,427	6,260	986	4,298	71	(368)	746	905	= Ln 3 + Ln 21
23	Proposed Return on Rate Base	8.36%	8.24%	9.55%	8.24%	7.60%	8.22%	7.33%	-1.49%	6.22%	4.17%	= Ln 22 + Ln 1
24	Rate of Return Index	1.000	0.985	1.142	0.985	0.908	0.983	0.877	(0.178)	0.743	0.498	= Ln 23 + Ln 23 [Total]
25	Revenue Requirement Ratio	1.000	0.996	1.051	0.996	0.974	0.994	0.961	0.666	0.918	0.819	= Ln 17 + Ln 4

THE KROGER CO.

DERIVATION OF TABLE 2 (STAFF REPORT) REVENUE INCREASE BY RATE CLASS USING STAFF'S RECOMMENDED DISTRIBUTION OF REVENUE INCREASE
WITH DERIVATION OF EACH SCHEDULE'S REVENUE REQUIREMENT RATIO AT THE TABLE 2 REVENUE INCREASE
TEST YEAR ENDED 2/08 FORECASTED

Line No.	(a)	(b) Total <u>Retail</u>	(c) <u>RS</u>	(d) <u>GS</u>	(e) <u>GP</u>	(f) <u>GSSUB</u>	(g) <u>GT</u>	(h) <u>TLTG</u>	(i) <u>SLTG</u>	(j) <u>POL</u>	(k) <u>CONTRACT</u>	(l) <u>SOURCE</u>
1	Table 1 Rate Base	1,628,182	993,662	433,889	75,960	12,983	52,284	975	24,726	11,993	21,710	Staff Report Table 1 p. 28
2	Staff's Table 2 Deferred Fuel RB Adj.	(146,886)	(53,664)	(39,397)	(17,524)	(5,074)	(26,962)	(134)	(745)	(215)	(3,170)	Staff Report Table 2 p. 29
3	Staff's Adjusted Table 1 Rate Base	1,481,296	939,998	394,492	58,436	7,909	25,322	841	23,981	11,778	18,540	= Ln 1 + Ln 2
4	Current Revenues	486,914	388,155	119,322	25,372	5,112	8,945	307	7,835	4,134	7,731	Staff Report Table 1 p. 28
5	Current Net Income	36,861	26,262	9,539	983	435	(1,945)	15	(364)	424	1,592	Staff Report Table 1 p. 28
6	Staff Deferred Fuel NOI Impact	12,284	4,488	3,295	1,466	424	2,255	11	62	18	265	Staff Report Table 2 p. 29
7	Adjusted Current Net Income	49,145	30,750	12,834	2,369	859	310	26	(302)	442	1,857	= Ln 5 + Ln 6
8	Adjusted Rate of Return	3.32%	3.27%	3.25%	4.05%	10.87%	1.22%	3.12%	-1.26%	3.75%	10.02%	= Ln 7 + Ln 3
<u>Staff's Table 2 Proposed Revenue Spread of Applicant's Requested Increase Adjusted for Deferred Fuel</u>												
9	Staff Table 2 Distr. of Rev. Increase	100.00%	58.71%	32.86%	4.47%	0.15%	4.58%	0.05%	-0.08%	0.35%	-1.09%	Staff Report Table 2 p. 29
10	Staff Recommended Rev. Increase ¹	140,164	82,292	46,055	6,267	205	6,423	73	(106)	489	(1,534)	= Col. (b) x Ln 9
11	Staff Percent Increase	28.79%	26.70%	38.60%	24.70%	4.00%	71.81%	23.76%	-1.36%	11.83%	-19.84%	= Ln 10 ÷ Ln 4
12	Applicant Net to Gross Factor - Supplemental	1.610719	1.610719	1.610719	1.610719	1.610719	1.610719	1.610719	1.610719	1.610719	1.610719	Applicant Suppl. Schedule C-10, p. 1 of 1
13	Change in Net Income	87,020	51,090	28,593	3,891	127	3,988	45	(66)	304	(952)	= Ln 10 ÷ Ln 12
14	Proposed Net Income	136,165	81,840	41,427	6,260	986	4,297	71	(368)	746	905	= Ln 7 + Ln 13
15	Proposed Return on Rate Base	9.19%	8.71%	10.50%	10.71%	12.47%	16.97%	8.50%	-1.53%	6.33%	4.88%	= Ln 14 ÷ Ln 3
16	Staff Table 2 Proposed Revenue	627,077	398,447	165,377	31,639	5,317	15,368	380	7,729	4,623	6,197	= Ln 4 + Ln 10
17	Req'd Return @ 9.19% [Parity]	136,165	86,407	36,263	5,372	727	2,328	77	2,204	1,083	1,704	= Ln 3 x 9.19%
18	Change in Net Income Req'd at Parity	87,020	55,657	23,429	3,003	(132)	2,018	51	2,506	641	(153)	= Ln 17 - Ln 7
19	Change in Revenue Req'd at Parity	140,164	89,648	37,737	4,837	(213)	3,250	82	4,037	1,032	(246)	= Ln 18 x Ln 12
20	Revenue Req'd at Parity	627,077	397,803	157,059	30,209	4,899	12,195	389	11,872	5,166	7,485	= Ln 4 + Ln 19
21	Table 2 Revenue Requirement Ratio	1.000	0.982	1.053	1.047	1.085	1.260	0.976	0.651	0.895	0.828	= Ln 16 ÷ Ln 20

Note 1: Staff's derivation of applicant's requested increase adjusted for deferred fuel impact - see Staff Report - Table 2.

THE KROGER CO.

DERIVATION OF STAFF UPPER & LOWER BOUND REVENUES BY RATE CLASS USING STAFF'S RECOMMENDED DISTRIBUTION OF REVENUE INCREASE
 WITH DERIVATION OF EACH SCHEDULE'S REVENUE REQUIREMENT RATIO AT STAFF'S RECOMMENDED REVENUE INCREASE
 TEST YEAR ENDED 2/08 FORECASTED

Line No.	(a)	(b) Total Retail	(c) RS	(d) GS	(e) GP	(f) GSUB	(g) GT	(h) TLTG	(i) SLTG	(j) POL	(k) CONTRACT	(l) SOURCE
1	Table 1 Rate Base	1,628,182	993,662	433,889	75,960	12,983	52,284	975	24,726	11,993	21,710	Staff Report Table 1 p. 28
2	Staff's Table 2 Deferred Fuel RB Adj.	(146,886)	(53,664)	(39,397)	(17,524)	(5,074)	(26,962)	(134)	(745)	(215)	(3,170)	Staff Report Table 2 p. 29
3	Add'l Rate Base Adj.	(202,233)	(118,108)	(53,060)	(8,024)	(1,182)	(3,823)	(112)	(3,605)	(1,778)	(2,541)	See Note 2
4	Staff's Schedule A-1 Rate Base	1,279,063	811,890	341,432	50,412	6,727	21,499	729	20,376	10,000	15,999	= Ln 1 + Ln 2 + Ln 3
5	Current Revenues	486,914	308,155	119,322	25,372	5,112	8,945	307	7,835	4,134	7,731	Staff Report Table 1 p. 28
6	Current Net Income	36,861	26,262	9,539	903	435	(1,945)	15	(364)	424	1,592	Staff Report Table 1 p. 28
7	Staff Deferred Fuel NOI Impact	12,284	4,488	3,295	1,466	424	2,255	11	62	18	265	Staff Report Table 2 p. 29
8	Add'l Rate Base Adj. NOI Impact @ 9.06%	18,322	11,607	4,807	727	107	346	10	327	161	230	= Ln 3 x 9.06%
9	Adjusted Current Net Income	67,467	42,356	17,641	3,096	966	656	36	25	603	2,087	= Ln 6 + Ln 7 + Ln 8
10	Adjusted Rate of Return	5.27%	5.22%	5.17%	6.14%	14.37%	3.05%	4.98%	0.12%	6.03%	13.05%	= Ln 9 + Ln 4
<u>Staff's Proposed Revenue Spread</u>												
11	Staff Recommended Distr. of Rev. Increase	100.00%	58.70%	32.84%	4.45%	0.14%	4.56%	0.05%	0.00%	0.35%	-1.09%	Staff Report p. 30
<u>UPPER BOUND</u>												
12	Staff Upper Bound Recommended Rev. Increase	65,624	38,521	21,551	2,920	92	2,992	33	0	230	(715)	= Col. (b) x Ln 11
13	Staff Upper Bound Percent Increase	13.48%	12.50%	18.06%	11.51%	1.80%	33.45%	10.69%	0.00%	5.56%	-9.25%	= Ln 12 + Ln 5
14	Applicant Net to Gross Factor - Supplemental	1.610719	1.610719	1.610719	1.610719	1.610719	1.610719	1.610719	1.610719	1.610719	1.610719	Applicant Suppl. Schedule C-10, p. 1 of 1
15	Change in Net Income	40,742	23,915	13,380	1,813	57	1,858	20	0	143	(444)	= Ln 12 + Ln 14
16	Upper Bound Net Income	108,209	66,272	31,021	4,909	1,823	2,514	57	25	746	1,643	= Ln 9 + Ln 15
17	Proposed Return on Rate Base	8.46%	8.16%	9.09%	9.74%	15.21%	11.69%	7.78%	0.12%	7.46%	10.27%	= Ln 16 + Ln 4
18	Staff Upper Bound Proposed Revenue	552,537	346,676	140,873	28,292	5,204	11,937	340	7,835	4,364	7,016	= Ln 5 + Ln 12
19	Req'd Return @ 8.46% [Parity]	108,209	68,686	28,885	4,265	569	1,819	62	1,724	846	1,353	= Ln 4 x 8.46%
20	Change in Net Income Req'd at Parity	40,742	26,330	11,244	1,169	(397)	1,163	25	1,699	243	(734)	= Ln 19 - Ln 9
21	Change in Revenue Req'd at Parity	65,624	42,410	18,111	1,883	(640)	1,873	41	2,737	391	(1,182)	= Ln 20 + Ln 14
22	Revenue Requirement at Parity	552,537	350,565	137,433	27,255	4,472	10,818	348	10,572	4,525	6,549	= Ln 5 + Ln 21
23	Staff Upper Bound Revenue Requirement Ratio	1.000	0.989	1.025	1.038	1.164	1.104	0.977	0.741	0.964	1.071	= Ln 18 + Ln 22
<u>LOWER BOUND</u>												
24	Staff Lower Bound Recommended Rev. Increase	56,939	33,423	18,699	2,534	80	2,596	28	0	199	(621)	= Col. (b) x Ln 11
25	Staff Lower Bound Percent Increase	11.69%	10.85%	15.67%	9.99%	1.56%	29.03%	9.27%	0.00%	4.82%	-8.03%	= Ln 24 + Ln 5
26	Applicant Net to Gross Factor - Supplemental	1.610719	1.610719	1.610719	1.610719	1.610719	1.610719	1.610719	1.610719	1.610719	1.610719	Applicant Suppl. Schedule C-10, p. 1 of 1
27	Change in Net Income	35,350	20,751	11,609	1,573	49	1,612	18	0	124	(385)	= Ln 24 + Ln 26
28	Lower Bound Net Income	102,817	63,107	29,250	4,669	1,016	2,268	54	25	727	1,702	= Ln 9 + Ln 27
29	Proposed Return on Rate Base	8.04%	7.77%	8.57%	9.26%	15.10%	10.58%	7.41%	0.12%	7.27%	10.64%	= Ln 28 + Ln 4
30	Staff Lower Bound Proposed Revenue	543,852	341,578	138,021	27,906	5,192	11,541	335	7,835	4,333	7,110	= Ln 5 + Ln 24
31	Req'd Return @ 8.04% [Parity]	102,817	65,264	27,446	4,052	541	1,728	59	1,638	804	1,286	= Ln 4 x 8.04%
32	Change in Net Income Req'd at Parity	35,350	22,907	9,805	957	(426)	1,072	22	1,613	201	(801)	= Ln 31 - Ln 9
33	Change in Revenue Req'd at Parity	56,939	36,897	15,793	1,541	(686)	1,727	36	2,598	323	(1,291)	= Ln 32 + Ln 26
34	Revenue Requirement at Parity	543,852	345,052	135,115	26,913	4,426	10,672	343	10,433	4,457	6,440	= Ln 5 + Ln 33
35	Staff Lower Bound Revenue Requirement Ratio	1.000	0.990	1.022	1.037	1.173	1.081	0.978	0.751	0.972	1.104	= Ln 30 + Ln 34

Note 1: Staff's lower and upper bounds derived in Staff Report - Schedule A-1, p. 91.

Note 2: The additional rate base adjustment of (\$203.2M) is allocated to each class using each schedule's share of non-RCP rate base shown in Applicant's cost of service study (See Volume III, p. 43).

Kroger Recommended Distribution of Revenue Requirement

RS	62.26%
GS	26.37%
GP	5.05%
GSUB	0.85%
GT	2.45%
TL	0.06%
SL	1.23%
POL	0.74%
<u>Contract</u>	<u>0.99%</u>
	100.00%

Source: Kroger Direct Attachment KCH-4, p. 2 of 2, Ln. 12.

THE KROGER CO.

DERIVATION OF KROGER'S RECOMMENDED UPPER & LOWER BOUND REVENUES BY RATE CLASS USING STAFF'S TABLE 2 RATE SCHEDULE REVENUE REQUIREMENT PERCENTAGE
 WITH DERIVATION OF EACH SCHEDULE'S REVENUE REQUIREMENT RATIO AT STAFF'S RECOMMENDED REVENUE INCREASE
 TEST YEAR ENDED 2008 FORECASTED

Line No.	(a)	(b) Total Retail	(c) RS	(d) GS	(e) GP	(f) GSUB	(g) GT	(h) TLTG	(i) SLTG	(j) POL	(k) CONTRACT	(l) SOURCE
1	Table 1 Rate Base	1,628,182	993,662	433,889	75,960	12,983	52,284	975	24,726	11,993	21,710	Staff Report Table 1 p. 28
2	Staff's Table 2 Deferred Fuel RB Adj.	(146,886)	(53,664)	(39,397)	(17,524)	(5,074)	(26,962)	(134)	(745)	(215)	(3,170)	Staff Report Table 2 p. 29
3	Add'l Rate Base Adj.	(202,233)	(128,108)	(53,060)	(8,024)	(1,182)	(3,823)	(112)	(3,605)	(1,778)	(2,541)	See Note 2
4	Staff's Schedule A-1 Rate Base	1,279,063	811,890	341,432	50,412	6,727	21,499	729	20,376	10,000	15,999	= Ln 1 + Ln 2 + Ln 3
5	Current Revenues	486,914	308,155	119,322	25,372	5,112	8,945	307	7,835	4,134	7,731	Staff Report Table 1 p. 28
6	Current Net Income	36,861	26,262	9,539	903	435	(1,945)	15	(364)	424	1,592	Staff Report Table 1 p. 28
7	Staff Deferred Fuel NOI Impact	12,284	4,488	3,295	1,466	424	2,255	11	62	18	265	Staff Report Table 2 p. 29
8	Add'l Rate Base Adj. NOI Impact @ 9.06%	18,322	11,607	4,807	727	187	346	10	327	161	230	= Ln 3 x 9.06%
9	Adjusted Current Net Income	67,467	42,356	17,641	3,096	966	656	36	25	603	2,087	= Ln 6 + Ln 7 + Ln 8
10	Adjusted Rate of Return	5.27%	5.22%	5.17%	6.14%	14.37%	3.05%	4.98%	0.12%	6.03%	13.05%	= Ln 9 + Ln 4
<u>Kroger Proposed Revenue Spread</u>												
11	Staff Recommended Table 2 Revenue Increase	627,078	390,448	165,378	31,639	5,317	15,368	380	7,729	4,623	6,197	Staff Report Table 2 p. 29
12	Percent of Total Revenue Requirement	100.00%	62.26%	26.37%	5.05%	0.85%	2.45%	0.06%	1.23%	0.74%	0.99%	= Ln 11 + Ln 11 [Total]
<u>UPPER BOUND</u>												
13	Kroger Upper Bound Recommended Rev. Increase	65,624	35,881	26,398	2,506	(427)	4,596	28	(1,025)	(60)	(2,271)	= Ln 19 - Ln 5
14	Kroger Upper Bound Percent Increase	13.48%	11.64%	22.12%	9.88%	-8.36%	51.38%	9.05%	-13.08%	-1.46%	-29.37%	= Ln 13 + Ln 5
15	Applicant Net to Gross Factor - Supplemental	1.610719	1.610719	1.610719	1.610719	1.610719	1.610719	1.610719	1.610719	1.610719	1.610719	Applicant Suppl. Schedule C-10, p. 1 of 1
16	Change in Net Income	40,743	22,276	16,389	1,556	(265)	2,854	17	(636)	(38)	(1,410)	= Ln 13 + Ln 15
17	Upper Bound Net Income	108,210	64,633	34,030	4,652	701	3,510	54	(612)	566	678	= Ln 9 + Ln 16
18	Proposed Return on Rate Base	8.46%	7.96%	9.97%	9.23%	10.42%	16.33%	7.35%	-3.00%	5.66%	4.24%	= Ln 17 + Ln 4
19	Kroger Upper Bound Proposed Revenue	552,538	344,036	145,720	27,878	4,685	13,541	335	6,810	4,074	5,460	= Col. (b) x Ln 12
20	Req'd Return @ 8.46% [Parity]	108,210	68,687	28,696	4,265	569	1,819	62	1,724	846	1,353	= Ln 4 x 8.46%
21	Change in Net Income Req'd at Parity	40,743	26,330	11,245	1,169	(397)	1,163	25	1,699	243	(734)	= Ln 20 - Ln 9
22	Change in Revenue Req'd at Parity	65,626	42,411	18,112	1,884	(640)	1,873	41	2,737	391	(1,182)	= Ln 21 x Ln 15
23	Revenue Req't at Parity	552,539	350,566	137,434	27,256	4,472	10,818	348	10,572	4,525	6,549	= Ln 5 + Ln 22
24	Staff Upper Bound Revenue Requirement Ratio	1.000	0.981	1.060	1.023	1.047	1.252	0.962	0.644	0.900	0.834	= Ln 19 + Ln 23
<u>LOWER BOUND</u>												
25	Kroger Lower Bound Recommended Rev. Increase	56,939	30,474	24,107	2,068	(501)	4,383	23	(1,132)	(125)	(2,356)	= Ln 31 - Ln 5
26	Kroger Lower Bound Percent Increase	11.69%	9.89%	20.20%	8.15%	-9.80%	49.00%	7.34%	-14.45%	-3.01%	-30.48%	= Ln 25 + Ln 5
27	Applicant Net to Gross Factor - Supplemental	1.610719	1.610719	1.610719	1.610719	1.610719	1.610719	1.610719	1.610719	1.610719	1.610719	Applicant Suppl. Schedule C-10, p. 1 of 1
28	Change in Net Income	35,351	18,919	14,967	1,284	(311)	2,721	14	(703)	(77)	(1,463)	= Ln 25 + Ln 27
29	Lower Bound Net Income	102,819	61,276	32,608	4,380	655	3,378	50	(678)	526	624	= Ln 9 + Ln 28
30	Proposed Return on Rate Base	8.04%	7.55%	9.55%	8.69%	9.74%	15.71%	6.90%	-3.33%	5.26%	3.90%	= Ln 29 + Ln 4
31	Kroger Lower Bound Proposed Revenue	543,853	338,629	143,429	27,440	4,611	13,328	330	6,703	4,009	5,375	= Col. (b) x Ln 12
32	Req'd Return @ 8.04% [Parity]	102,819	65,264	27,446	4,052	541	1,728	59	1,638	804	1,286	= Ln 4 x 8.04%
33	Change in Net Income Req'd at Parity	35,351	22,908	9,805	957	(426)	1,072	22	1,613	201	(801)	= Ln 32 - Ln 9
34	Change in Revenue Req'd at Parity	56,941	36,898	15,794	1,541	(686)	1,727	36	2,598	323	(1,291)	= Ln 33 x Ln 27
35	Revenue Req't at Parity	543,854	345,053	138,116	26,913	4,426	10,672	343	10,433	4,457	6,440	= Ln 5 + Ln 34
36	Staff Lower Bound Revenue Requirement Ratio	1.000	0.981	1.062	1.020	1.042	1.249	0.961	0.642	0.900	0.835	= Ln 31 + Ln 35

Note 1: Staff's lower and upper bounds extracted from Staff Report - Schedule A-1, p. 91.

Note 2: The additional rate base adjustment of (\$202.2M) is allocated to each class using each schedule's share of non-RCP rate base shown in Applicant's cost of service study (See Volume III, p. 43).

THE KROGER CO.
COMPARISON OF COST OF SERVICE REVENUE REQUIREMENT
WITH APPLICANT'S AND STAFF'S PROPOSED REVENUE SPREAD
AT APPLICANT'S REQUESTED REVENUE INCREASE
TEST YEAR ENDED 2/08 FORECASTED

Line No.	(a)	(b) Total Retail	(c) RS	(d) GS	(e) GP	(f) GSUB	(g) GT	(h) TLTG	(i) SLTG	(j) POL	(k) CONTRACT	(l) SOURCE
1	Rate Base	531,149	316,550	147,427	21,517	954	11,889	219	20,022	3,488	9,083	Staff Report Table 1 p. 28
2	Current Revenues	146,141	84,525	45,271	10,054	388	2,404	118	5,693	1,364	(3,676)	Staff Report Table 1 p. 28
3	Current Net Income	212	(3,404)	5,144	1,439	111	(381)	32	859	204	(3,892)	Staff Report Table 1 p. 28
<u>Cost of Service Results</u>												
4	Cost of Service Required Revenue	217,574	132,790	56,737	10,641	338	4,625	96	7,013	1,506	3,827	Staff Report Table 1 p. 28
5	Cost of Service Revenue Increase	71,433	48,265	11,466	587	(50)	2,221	(22)	1,320	142	7,503	= Ln 4 - Ln 2
6	Percent Increase	48.88%	57.10%	25.33%	5.84%	-12.90%	92.38%	-18.68%	23.19%	10.44%	-204.11%	= Ln 5 + Ln 2
7	Rate of Return Index	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	= 1.0 @ COS
<u>Applicant's Proposed Revenue Spread</u>												
8	Applicant Proposed Revenue	217,574	114,064	80,767	13,448	451	4,275	131	5,628	1,363	(2,554)	Staff Report Table 1 p. 28
9	Applicant Revenue Increase	71,433	29,539	35,496	3,394	63	1,871	13	(68)	(1)	1,122	= Ln 8 - Ln 2
10	Percent Increase	48.88%	34.95%	78.41%	33.76%	16.26%	77.82%	11.43%	-1.14%	-0.05%	-30.53%	= Ln 9 + Ln 2
11	Applicant Net to Gross Factor - Supplemental	1.612474	1.612474	1.612474	1.612474	1.612474	1.612474	1.612474	1.612474	1.612474	1.612474	Applicant Suppl. Schedule C-10, p. 1 of 1
12	Change in Net Income	44,300	18,319	22,014	2,105	39	1,160	8	(40)	(0)	696	= Ln 9 + Ln 11
13	Proposed Net Income	44,512	14,915	27,258	3,544	150	779	40	819	204	(3,196)	= Ln 3 + Ln 12
14	Proposed Return on Rate Base	8.38%	4.71%	18.49%	16.47%	15.74%	6.55%	18.43%	4.09%	5.84%	-35.19%	= Ln 13 + Ln 1
15	Rate of Return Index	1.000	0.562	2.206	1.965	1.878	0.782	2.199	0.488	0.696	(4.199)	= Ln 14 + Ln 14 [Total]
16	Revenue Requirement Ratio	1.000	0.859	1.424	1.264	1.335	0.924	1.370	0.802	0.905	(0.667)	= Ln 8 + Ln 4
<u>Staff's Proposed Revenue Spread</u>												
17	Staff Proposed Revenue	217,574	129,432	67,399	11,448	451	4,275	132	5,628	1,364	(2,554)	Staff Report Table 1 p. 28
18	Staff Revenue Increase	71,433	44,907	22,128	1,394	63	1,871	14	(65)	0	1,122	= Ln 17 - Ln 2
19	Percent Increase	48.88%	53.13%	48.88%	13.87%	16.24%	77.83%	11.86%	-1.14%	0.00%	-30.52%	= Ln 18 + Ln 2
20	Applicant Net to Gross Factor - Supplemental	1.612474	1.612474	1.612474	1.612474	1.612474	1.612474	1.612474	1.612474	1.612474	1.612474	Applicant Suppl. Schedule C-10, p. 1 of 1
21	Change in Net Income	44,300	27,850	13,723	865	39	1,160	9	(40)	0	696	= Ln 18 + Ln 20
22	Proposed Net Income	44,512	24,446	18,967	2,304	150	779	41	819	204	(3,196)	= Ln 3 + Ln 21
23	Proposed Return on Rate Base	8.38%	7.72%	12.87%	10.71%	15.73%	6.56%	18.58%	4.09%	5.85%	-35.19%	= Ln 22 + Ln 1
24	Rate of Return Index	1.000	0.922	1.535	1.277	1.877	0.782	2.217	0.488	0.698	(4.199)	= Ln 23 + Ln 23 [Total]
25	Revenue Requirement Ratio	1.000	0.975	1.188	1.076	1.335	0.924	1.375	0.802	0.905	(0.667)	= Ln 17 + Ln 4

THE KROGER CO.

DERIVATION OF TABLE 2 (STAFF REPORT) REVENUE INCREASE BY RATE CLASS USING STAFF'S RECOMMENDED DISTRIBUTION OF REVENUE INCREASE
WITH DERIVATION OF EACH SCHEDULE'S REVENUE REQUIREMENT RATIO AT THE TABLE 2 REVENUE INCREASE
TEST YEAR ENDED 2/08 FORECASTED

Line No.	(a)	(b) Total Retail	(c) RS	(d) GS	(e) GP	(f) GSUB	(g) GT	(h) TLTG	(i) SLTG	(j) POL	(k) CONTRACT	(l) SOURCE
1	Table 1 Rate Base	531,149	316,350	147,427	21,517	954	11,889	219	20,022	3,488	9,083	Staff Report Table 1 p. 28
2	Staff's Table 2 Deferred Fuel RB Adj.	(41,113)	(12,687)	(11,361)	(5,467)	(514)	(8,892)	(15)	(256)	(65)	(1,856)	Staff Report Table 2 p. 29
3	Staff's Adjusted Table 1 Rate Base	490,036	303,663	136,066	16,050	440	2,997	204	19,766	3,423	7,227	= Ln 1 + Ln 2
4	Current Revenues	146,141	84,525	45,271	10,054	388	2,404	118	5,693	1,364	(3,676)	Staff Report Table 1 p. 28
5	Current Net Income	212	(3,404)	5,244	1,439	111	(381)	32	859	204	(3,892)	Staff Report Table 1 p. 28
6	Staff Deferred Fuel NOI Impact	3,445	1,063	952	458	43	745	1	21	5	156	Staff Report Table 2 p. 29
7	Adjusted Current Net Income	3,657	(2,341)	6,196	1,897	154	364	33	880	209	(3,736)	= Ln 5 + Ln 6
8	Adjusted Rate of Return	0.75%	-0.77%	4.55%	11.82%	35.02%	12.15%	16.30%	4.45%	6.12%	-51.70%	= Ln 7 + Ln 3
<u>Staff's Table 2 Proposed Revenue Spread of Applicant's Requested Increase Adjusted for Deferred Fuel</u>												
9	Staff Table 2 Distr. of Rev. Increase	100.00%	65.56%	31.26%	0.99%	-0.01%	1.02%	0.02%	-0.15%	-0.01%	1.32%	Staff Report Table 2 p. 29
10	Staff Recommended Rev. Increase ¹	65,877	43,192	20,592	655	(6)	669	12	(100)	(9)	871	= Col. (b) x Ln 9
11	Staff Percent Increase	45.08%	51.10%	45.49%	6.52%	-1.66%	27.85%	10.15%	-1.75%	-0.64%	-23.70%	= Ln 10 + Ln 4
12	Applicant Net to Gross Factor - Supplemental	1.612474	1.612474	1.612474	1.612474	1.612474	1.612474	1.612474	1.612474	1.612474	1.612474	Applicant Suppl. Schedule C-10, p. 1 of 1
13	Change in Net Income	40,855	26,786	12,771	406	(4)	415	7	(62)	(5)	540	= Ln 10 + Ln 12
14	Proposed Net Income	44,512	24,445	18,967	2,304	150	779	41	819	204	(3,196)	= Ln 7 + Ln 13
15	Proposed Return on Rate Base	9.08%	8.04%	13.94%	14.35%	34.11%	26.00%	19.94%	4.14%	5.96%	-44.23%	= Ln 14 + Ln 3
16	Staff Table 2 Proposed Revenue	212,018	127,717	65,863	10,709	382	3,073	130	5,593	1,355	(2,805)	= Ln 4 + Ln 10
17	Req'd Return @ 9.08% [Parity]	44,512	27,601	12,359	1,458	40	272	19	1,795	311	656	= Ln 3 x 9.08%
18	Change in Net Income Req'd at Parity	40,855	29,942	6,163	(439)	(114)	(92)	(15)	915	101	4,393	= Ln 17 - Ln 7
19	Change in Revenue Req'd at Parity	65,877	48,281	9,938	(708)	(184)	(148)	(24)	1,475	164	7,083	= Ln 18 x Ln 12
20	Revenue Req'd at Parity	212,018	132,806	55,209	9,346	204	2,256	94	7,168	1,528	3,407	= Ln 4 + Ln 19
21	Table 2 Revenue Requirement Ratio	1.000	0.962	1.193	1.146	1.870	1.362	1.379	0.780	0.887	(0.823)	= Ln 16 + Ln 20

Note 1: Staff's derivation of applicant's requested increase adjusted for deferred fuel impact - see Staff Report - Table 2.

THE KROGER CO.

DERIVATION OF STAFF UPPER & LOWER BOUND REVENUES BY RATE CLASS USING STAFF'S RECOMMENDED DISTRIBUTION OF REVENUE INCREASE
WITH DERIVATION OF EACH SCHEDULE'S REVENUE REQUIREMENT RATIO AT STAFF'S RECOMMENDED REVENUE INCREASE
TEST YEAR ENDED 2008 FORECASTED

Line No.	(a)	(b) Total Retail	(c) RS	(d) GS	(e) GP	(f) GSUB	(g) GT	(h) TLTG	(i) SLTG	(j) POL	(k) CONTRACT	(l) SOURCE
1	Table 1 Rate Base	531,149	316,550	147,427	21,517	954	11,889	219	20,022	3,488	9,083	Staff Report Table 1 p. 28
2	Staff's Table 1 Deferred Fuel RB Adj.	(41,113)	(12,687)	(11,361)	(5,467)	(514)	(8,892)	(15)	(256)	(65)	(1,836)	Staff Report Table 2 p. 29
3	Add'l Rate Base Adj.	(53,740)	(33,303)	(14,618)	(1,744)	(51)	(366)	(22)	(2,394)	(420)	(821)	See Note 2
4	Staff's Schedule A-1 Rate Base	436,296	270,560	121,448	14,306	389	2,631	182	17,372	3,003	6,406	= Ln 1 + Ln 2 + Ln 3
5	Current Revenues	146,141	84,525	45,271	10,054	388	2,404	118	5,693	1,364	(3,676)	Staff Report Table 1 p. 28
6	Current Net Income	212	(3,404)	5,244	1,439	111	(381)	32	859	204	(3,892)	Staff Report Table 1 p. 28
7	Staff Deferred Fuel NOI Impact	3,445	1,063	952	458	43	748	1	21	5	156	Staff Report Table 2 p. 29
8	Add'l Rate Base Adj. NOI Impact @ 8.95%	4,810	2,981	1,308	156	5	33	2	214	38	74	= Ln 3 x 8.95%
9	Adjusted Current Net Income	8,467	640	7,504	2,053	159	397	35	1,095	247	(3,663)	= Ln 6 + Ln 7 + Ln 8
10	Adjusted Rate of Return	1.94%	0.24%	6.18%	14.35%	40.84%	15.09%	19.37%	6.30%	8.23%	-37.18%	= Ln 9 + Ln 4
Staff's Proposed Revenue Spread												
11	Staff Recommended Distrib. of Rev. Increase	100.00%	65.50%	31.18%	1.00%	0.00%	1.00%	0.00%	0.00%	0.00%	1.32%	Staff Report p. 30
UPPER BOUND												
12	Staff Upper Bound Recommended Rev. Increase	53,522	35,057	16,688	535	0	535	0	0	0	706	= Col. (b) x Ln 11
13	Staff Upper Bound Percent Increase	36.62%	41.48%	36.86%	5.32%	0.00%	22.26%	0.00%	0.00%	0.00%	-19.22%	= Ln 12 + Ln 5
14	Applicant Net to Gross Factor - Supplemental	1.612474	1.612474	1.612474	1.612474	1.612474	1.612474	1.612474	1.612474	1.612474	1.612474	Applicant Suppl. Schedule C-10, p. 1 of 1
15	Change in Net Income	33,193	21,741	10,349	332	0	332	0	0	0	438	= Ln 12 + Ln 14
16	Upper Bound Net Income	41,660	22,381	17,854	2,385	159	729	35	1,095	247	(3,225)	= Ln 9 + Ln 15
17	Proposed Return on Rate Base	9.55%	8.27%	14.70%	16.67%	40.84%	27.71%	19.37%	6.30%	8.23%	-50.34%	= Ln 16 + Ln 4
18	Staff Upper Bound Proposed Revenue	199,663	119,582	61,959	10,589	388	2,939	118	5,693	1,364	(2,970)	= Ln 5 + Ln 12
19	Req'd Return @ 9.55% [Parity]	41,660	25,835	11,597	1,366	37	251	17	1,659	287	612	= Ln 4 x 9.55%
20	Change in Net Income Req'd at Parity	33,193	25,195	4,092	(687)	(122)	(146)	(18)	564	40	4,275	= Ln 19 - Ln 9
21	Change in Revenue Req'd at Parity	53,522	40,626	6,599	(1,108)	(196)	(235)	(29)	909	64	6,893	= Ln 20 + Ln 14
22	Revenue Requirement at Parity	199,663	125,151	51,870	8,946	192	2,169	89	6,602	1,428	3,217	= Ln 5 + Ln 21
23	Staff Upper Bound Revenue Requirement Ratio	1.000	0.956	1.195	1.184	2.021	1.355	1.323	0.862	0.955	(0.923)	= Ln 18 + Ln 22
LOWER BOUND												
24	Staff Lower Bound Recommended Rev. Increase	50,538	33,102	15,758	505	0	505	0	0	0	667	= Col. (b) x Ln 11
25	Staff Lower Bound Percent Increase	34.58%	39.16%	34.81%	5.03%	0.00%	21.02%	0.00%	0.00%	0.00%	-18.13%	= Ln 24 + Ln 5
26	Applicant Net to Gross Factor - Supplemental	1.612474	1.612474	1.612474	1.612474	1.612474	1.612474	1.612474	1.612474	1.612474	1.612474	Applicant Suppl. Schedule C-10, p. 1 of 1
27	Change in Net Income	31,342	20,529	9,772	313	0	313	0	0	0	414	= Ln 24 + Ln 26
28	Lower Bound Net Income	39,809	21,169	17,277	2,367	159	710	35	1,095	247	(3,249)	= Ln 9 + Ln 27
29	Proposed Return on Rate Base	9.12%	7.82%	14.23%	16.54%	40.84%	27.00%	19.37%	6.30%	8.23%	-50.72%	= Ln 28 + Ln 4
30	Staff Lower Bound Proposed Revenue	196,679	117,627	61,029	10,559	388	2,909	118	5,693	1,364	(3,009)	= Ln 5 + Ln 24
31	Req'd Return @ 9.12% [Parity]	39,809	24,687	11,081	1,305	35	240	17	1,585	274	584	= Ln 4 x 9.12%
32	Change in Net Income Req'd at Parity	31,342	24,047	3,577	(748)	(123)	(157)	(19)	490	27	4,247	= Ln 31 - Ln 9
33	Change in Revenue Req'd at Parity	50,538	38,775	5,768	(1,206)	(199)	(253)	(30)	791	43	6,849	= Ln 32 + Ln 26
34	Revenue Requirement at Parity	196,679	123,300	51,039	8,848	189	2,151	88	6,484	1,407	3,173	= Ln 5 + Ln 33
35	Staff Lower Bound Revenue Requirement Ratio	1.000	0.954	1.196	1.193	2.050	1.353	1.342	0.878	0.969	(0.948)	= Ln 30 + Ln 34

Note 1: Staff's lower and upper bounds derived in Staff Report - Schedule A-1, p. 92.

Note 2: The additional rate base adjustment of (\$53.7M) is allocated to each class using each schedule's share of non-RCP rate base shown in Applicant's cost of service study (See Volume III, p. 34).

Kroger Recommended Distribution of Revenue Requirement

RS	60.24%
GS	31.07%
GP	5.05%
GSUB	0.18%
GT	1.45%
TL	0.06%
SL	2.64%
POL	0.64%
<u>Contract</u>	<u>-1.32%</u>
	100.00%

Source: Kroger Direct Attachment KCH-4, p. 2 of 2, Ln. 12.

THE KROGER CO.

DERIVATION OF KROGER'S RECOMMENDED UPPER & LOWER BOUND REVENUES BY RATE CLASS USING STAFF'S TABLE 2 RATE SCHEDULE REVENUE REQUIREMENT PERCENTAGE
WITH DERIVATION OF EACH SCHEDULE'S REVENUE REQUIREMENT RATIO AT STAFF'S RECOMMENDED REVENUE INCREASE
TEST YEAR ENDED 2008 FORECASTED

Line No.	(a)	(b) Total Retail	(c) RS	(d) GS	(e) GP	(f) GSUB	(g) GT	(h) TLTG	(i) SLTG	(j) POL	(k) CONTRACT	(l) SOURCE
1	Table 1 Rate Base	531,149	316,550	147,427	21,517	954	11,889	219	29,022	3,488	9,083	Staff Report Table 1 p. 28
2	Staff's Table 2 Deferred Fuel RB Adj.	(41,113)	(12,687)	(11,361)	(5,467)	(314)	(8,892)	(15)	(256)	(65)	(1,356)	Staff Report Table 2 p. 29
3	Add'l Rate Base Adj.	(53,740)	(33,303)	(14,618)	(1,744)	(51)	(366)	(22)	(2,394)	(420)	(821)	See Note 2
4	Staff's Schedule A-1 Rate Base	436,296	270,560	121,448	14,306	389	2,631	182	17,372	3,003	6,406	= Ln 1 + Ln 2 + Ln 3
5	Current Revenues	146,141	84,525	45,271	10,054	388	2,404	118	5,693	1,364	(3,676)	Staff Report Table 1 p. 28
6	Current Net Income	212	(3,404)	5,244	1,439	111	(381)	32	859	204	(3,892)	Staff Report Table 1 p. 28
7	Staff Deferred Fuel NOI Impact	3,445	1,063	952	458	43	745	1	21	5	156	Staff Report Table 2 p. 29
8	Add'l Rate Base Adj. NOI Impact @ 8.95%	4,810	2,961	1,308	156	5	33	2	214	38	74	= Ln 3 x 8.95%
9	Adjusted Current Net Income	8,467	640	7,504	2,053	159	397	35	1,095	247	(3,663)	= Ln 6 + Ln 7 + Ln 8
10	Adjusted Rate of Return	1.94%	0.24%	6.18%	14.35%	40.84%	15.09%	19.37%	6.30%	3.23%	-57.18%	= Ln 9 + Ln 4
<u>Kroger Proposed Revenue Spread</u>												
11	Staff Recommended Table 2 Revenue Increase	212,018	127,718	65,864	10,709	382	3,073	130	5,593	1,355	(2,805)	Staff Report Table 2 p. 29
12	Percent of Total Revenue Requirement	100.00%	60.24%	31.07%	5.05%	0.18%	1.45%	0.06%	2.64%	0.64%	-1.32%	= Ln 11 + Ln 11 [Total]
<u>UPPER BOUND</u>												
13	Kroger Upper Bound Recommended Rev. Increase	53,522	35,750	16,755	31	(29)	490	4	(426)	(88)	1,035	= Ln 19 - Ln 5
14	Kroger Upper Bound Percent Increase	36.62%	42.30%	37.01%	0.31%	-7.39%	20.40%	3.73%	-7.47%	-6.43%	-28.15%	= Ln 13 + Ln 5
15	Applicant Net to Gross Factor - Supplemental	1.612474	1.612474	1.612474	1.612474	1.612474	1.612474	1.612474	1.612474	1.612474	1.612474	Applicant Suppl. Schedule C-10, p. 1 of 1
16	Change in Net Income	33,193	22,171	10,391	19	(18)	304	3	(264)	(54)	642	= Ln 13 + Ln 15
17	Upper Bound Net Income	41,661	22,811	17,895	2,073	141	701	38	831	193	(3,021)	= Ln 9 + Ln 16
18	Proposed Return on Rate Base	9.55%	8.43%	14.73%	14.49%	36.26%	26.63%	20.87%	4.78%	6.42%	-47.17%	= Ln 17 + Ln 4
19	Kroger Upper Bound Proposed Revenue	199,663	120,275	62,026	10,085	359	2,894	122	5,267	1,276	(2,641)	= Col. (b) x Ln 12
20	Req'd Return @ 9.55% [Parity]	41,660	25,835	11,597	1,366	37	251	17	1,659	287	612	= Ln 4 x 9.55%
21	Change in Net Income Req'd at Parity	33,193	25,195	4,092	(687)	(122)	(146)	(18)	564	40	4,275	= Ln 20 - Ln 9
22	Change in Revenue Req'd at Parity	53,523	40,626	6,599	(1,108)	(196)	(235)	(29)	910	64	6,893	= Ln 21 x Ln 15
23	Revenue Req'd at Parity	199,664	125,151	51,870	8,946	192	2,169	89	6,603	1,428	3,217	= Ln 5 + Ln 22
24	Staff Upper Bound Revenue Requirement Ratio	1.000	0.961	1.196	1.127	1.872	1.334	1.372	0.798	0.894	(0.821)	= Ln 19 + Ln 23
<u>LOWER BOUND</u>												
25	Kroger Lower Bound Recommended Rev. Increase	50,538	33,952	15,827	(120)	(34)	447	3	(504)	(107)	1,074	= Ln 31 - Ln 5
26	Kroger Lower Bound Percent Increase	34.58%	40.17%	34.96%	-1.19%	-8.78%	18.60%	2.18%	-8.86%	-7.83%	-29.22%	= Ln 25 + Ln 5
27	Applicant Net to Gross Factor - Supplemental	1.612474	1.612474	1.612474	1.612474	1.612474	1.612474	1.612474	1.612474	1.612474	1.612474	Applicant Suppl. Schedule C-10, p. 1 of 1
28	Change in Net Income	31,342	21,056	9,816	(74)	(21)	277	2	(313)	(66)	666	= Ln 25 + Ln 27
29	Lower Bound Net Income	39,809	21,696	17,320	1,979	138	674	37	782	181	(2,997)	= Ln 9 + Ln 28
30	Proposed Return on Rate Base	9.12%	8.02%	14.26%	13.83%	35.40%	25.63%	20.24%	4.50%	6.02%	-46.78%	= Ln 29 + Ln 4
31	Kroger Lower Bound Proposed Revenue	196,679	118,477	61,098	9,934	354	2,851	121	5,189	1,257	(2,602)	= Col. (b) x Ln 12
32	Req'd Return @ 9.12% [Parity]	39,809	24,687	11,061	1,305	35	240	17	1,585	274	584	= Ln 4 x 9.12%
33	Change in Net Income Req'd at Parity	31,342	24,047	3,577	(748)	(123)	(157)	(19)	490	27	4,247	= Ln 32 - Ln 9
34	Change in Revenue Req'd at Parity	50,539	38,775	5,768	(1,206)	(199)	(253)	(30)	791	43	6,849	= Ln 33 x Ln 27
35	Revenue Req'd at Parity	196,680	123,300	51,059	8,848	189	2,151	88	6,484	1,407	3,173	= Ln 5 + Ln 34
36	Staff Lower Bound Revenue Requirement Ratio	1.000	0.961	1.197	1.123	1.870	1.325	1.371	0.800	0.893	(0.820)	= Ln 31 + Ln 35

Note 1: Staff's lower and upper bounds extracted from Staff Report - Schedule A-1, p. 92.

Note 2: The additional rate base adjustment of (\$53.7M) is allocated to each class using each schedule's share of non-RCP rate base shown in Applicant's cost of service study (See Volume III, p. 34).