

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF DUKE)
ENERGY KENTUCKY, INC. TO) Case No. 2019-00277
AMEND ITS DEMAND SIDE)
MANAGEMENT PROGRAMS)

TESTIMONY IN SUPPORT OF SETTLEMENT OF

BRUCE L. SAILERS

ON BEHALF OF

DUKE ENERGY KENTUCKY, INC.

March 9, 2020

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ATTACHMENT

BLS-SET-1 Proposed Final Tariff for Rider PTR

I. INTRODUCTION AND PURPOSE

1 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2 A. My name is Bruce L. Sailers. My business address is 139 East Fourth Street,
3 Cincinnati, Ohio 45202.

4 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

5 A. I am employed by Duke Energy Business Services LLC (DEBS), as Manager,
6 Rates & Regulatory Strategy. DEBS provides various administrative and other
7 services to Duke Energy Kentucky, Inc., (Duke Energy Kentucky or Company)
8 and other affiliated companies of Duke Energy Corporation (Duke Energy).

9 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN SUPPORT OF**
10 **SETTLEMENT?**

11 A. The purpose of my supplemental testimony is twofold. First, I will generally
12 describe this proceeding and explain and support the Stipulation and
13 Recommendation (Stipulation), along with the attachments thereto, that was
14 entered into by and among Duke Energy Kentucky, Inc. (Duke Energy Kentucky
15 or Company), and the Office of the Attorney General of the Commonwealth of
16 Kentucky, by and through the Office of Rate Intervention (the AG) (Duke Energy
17 Kentucky and the AG may be referred to collectively herein as the Parties).
18 Second, I will explain why the Stipulation represents a fair, just and reasonable
19 resolution of all the issues in this proceeding. I have personally reviewed the
20 Stipulation, was directly involved in the negotiations that resulted in the
21 Stipulation, and affirm that it accurately reflects the agreement that the Company
22 and the AG have reached.

II. OVERVIEW OF THE PROCEEDING

1 **Q. PLEASE GENERALLY DESCRIBE THE RELIEF SOUGHT BY DUKE**
2 **ENERGY KENTUCKY IN THIS PROCEEDING.**

3 A. Duke Energy Kentucky's Application in this proceeding was to amend its existing
4 Demand Side Management (DSM) portfolio of programs and for approval of a
5 new Peak-Time Rebate Pilot Program (PTR PILOT) and tariff (Rider PTR).
6 Specifically, the Company's Application requested an expansion of the scope and
7 program budgets for three programs: 1) Smart Saver[®] Residential Program;¹ 2)
8 My Home Energy Report; and 3) measures within the Smart Saver[®] Prescriptive
9 Program. The amendment to those three programs were to respond to market
10 conditions and to enhance the robustness of the programs through the addition of
11 new measures.

12 **Q. HAS THE AG INTERVENED IN THIS PROCEEDING?**

13 A. Yes. On September 30, 2019, the AG moved the Commission for full intervenor
14 status in this action pursuant to KRS 367.150(8) and 807 KAR 5:001 Section
15 4(11). The Commission granted the AG's motion by Order entered October 9,
16 2019.

¹ Includes changes to Residential Smart Saver[®] Energy Efficient Residences and Products Programs. The purpose of the Residential Smart Saver[®] Energy Efficient Residences portion of the Residential Smart Saver[®] Program is to offer customers prescriptive incentives for a variety of energy conservation measures designed to increase energy efficiency in their homes. The program utilizes a network of participating contractors to encourage the installation of high efficiency equipment and the implementation of energy efficient home improvements with eligible customers. Equipment and services to be incentivized include:

- Installation of high efficiency air conditioning (AC) and heat pump (HP) systems, including option for qualifying smart thermostat;
- Performance of AC and HP tune-up maintenance services;
- Implementation of attic insulation and air sealing services;
- Implementation of duct sealing and insulation services; and
- Installation of efficient heat pump water heaters.

1 Q. HAS THE AG AND COMMISSION STAFF PROPOUNDED ANY
2 REQUESTS FOR INFORMATION UPON DUKE ENERGY KENTUCKY
3 IN THIS PROCEEDING?

4 A. Yes. Both the AG and Staff of the Commission (Staff) have engaged in
5 substantial investigation of the Company's Application in this proceeding. Both
6 the Staff and AG have each propounded two sets of discovery upon Duke Energy
7 Kentucky in accordance with the procedural schedule issued by the Commission.

8 Additionally, following the AG's submittal of his expert's testimony of
9 Paul Alvarez, both the Staff and Duke Energy Kentucky issued discovery
10 questions to the AG. Finally, in response to Mr. Alvarez's testimony, Duke
11 Energy Kentucky submitted rebuttal testimony on January 24, 2020. All this is to
12 demonstrate that the record in this proceeding is fully developed, which facilitated
13 the resulting Stipulation.

III. OVERVIEW OF THE STIPULATION

14 Q. PLEASE BRIEFLY DESCRIBE HOW THE STIPULATION CAME
15 ABOUT.

16 A. The Stipulation is the product of much negotiation and compromise by the
17 Company and the AG. The filed Stipulation resolves all issues in this proceeding
18 regarding the Company's Application to amend its DSM portfolio and for
19 approval of the PTR Pilot and Rider PTR. The negotiation of the final Stipulation
20 occurred over several weeks, with multiple meetings both in person at the AG's
21 offices and via teleconference. Duke Energy Kentucky is appreciative of the

1 AG's willingness to view this case on its own facts and to fashion an agreement
2 accordingly.

3 **Q. PLEASE DESCRIBE THE STIPULATION.**

4 A. There are many terms and conditions contained in the Stipulation, which
5 demonstrates the level of thoughtfulness and attention to detail exhibited by the
6 Parties. As an overall package, the Stipulation addresses all issues raised by the
7 Company in its Application as those raised by the AG, through its witness,
8 particularly around the establishment of the PTR-Pilot program and a reasonable
9 incentive that will be paid to customers electing to participate in the pilot. On
10 balance, I believe the Stipulation, as a whole, represents a fair balance of
11 interests.

12 I will summarize the significant key points. The Parties agree that the
13 Company's Application should be approved as filed and supported in its
14 Application, responses to discovery and testimony but subject to the following
15 modifications regarding the PTR Pilot:

16 a. The pilot will be targeted to enroll the lesser of 1,000 customers as
17 agreed upon in Case No. 2016-00152 or the number of participants
18 Nexant² recommends as part of their Power Analysis under paragraph
19 g below. Duke Energy Kentucky will be permitted to slightly exceed
20 this enrollment limit (up to 100 additional customers), if needed. The
21 two-year term of the pilot will commence upon enrollment of the
22 lesser of reaching 1,000 participants or the number of participants

² Nexant is the vendor selected to evaluate the effectiveness of the PTR Pilot.

1 Nexant recommends as part of their Power Analysis under paragraph g
2 below.

3 b. Customers participating in the program will be eligible to receive a bill
4 credit of \$0.60 per kWh of load reduction.

5 c. The PTR Pilot will consist of one treatment group as proposed in the
6 Company's Application.

7 d. While the PTR pilot will not satisfy the PJM's criteria for Price
8 Responsive Demand (PRD) programs, the Company will evaluate the
9 possibility of converting the PTR pilot to a PRD program at the end of
10 the pilot. Such evaluation to be included in the pilot analysis that will
11 be provided to the Commission within 180 days of the conclusion of
12 the pilot.

13 i. For the pilot, Duke Energy Kentucky will select a temperature-
14 humidity index (THI) trigger point designed to produce on
15 average ten (10) summer critical peak events (CPEs).

16 ii. At the end of the two-year period, as part of the pilot
17 evaluation and consideration of whether or not to continue the
18 program, the Company will evaluate whether the program
19 could be submitted to PJM as a Peak Shaving Adjustment
20 (PSA) program and what modifications may be necessary, or
21 whether the data supports the conversion of the program to a
22 PRD program in PJM.

- 1 iii. Duke Energy Kentucky agrees to use its best efforts to include
2 the year 1 results of the pilot program into the PJM load
3 forecast. Depending upon timing of approval of the pilot, if the
4 Company is able to implement the PTR pilot in time for
5 summer 2020, Duke Energy Kentucky will attempt to have
6 PJM include such results in PJM's final load forecast for the
7 2021/2022 delivery year, assuming PJM accepts it.
- 8 e. Duke Energy Kentucky commits to continue to work with the Attorney
9 General and the Company's Residential DSM Collaborative to develop
10 a Price-Responsive Demand (PRD) program.³
- 11 f. Duke Energy Kentucky agrees to incorporate many of the questions
12 recommended by Mr. Alvarez as part of the PTR pilot evaluation.
- 13 g. The Company will follow the sample size (number of participants)
14 recommendation resulting from the Power Analysis and experimental
15 design performed by Nexant for the single treatment group and reduce
16 the number of participants as indicated by the Nexant Power analysis
17 to estimate the load reduction provided during summer and winter
18 CPEs not to exceed the participation limit specified above.
- 19 h. The Company agrees to limit the number of summer CPEs with
20 shorter than day-ahead notice during the first year of the pilot to one

³ The Residential Collaborative members include the following: Office of the Kentucky Attorney General, Jock Pitts and Nina Creech (People Working Cooperatively), Kurt Krahn (Northern Kentucky Community Action Commission), Laura Pleiman (Boone County), Peter Nienaber (Northern Kentucky Legal Aid), Rick Bender and Kenya Stump (Kentucky Energy and Environment Cabinet), and Tim Duff and Trisha Haemmerle (Duke Energy).

- 1 CPE with the potential for one additional summer CPE during the
2 second year of the pilot.
- 3 i. The Company agrees to provide a credit amount to the participating
4 customers earning credits in an email or text message within five
5 business days during the term of the pilot. Any incremental costs of
6 providing this service, as well as other changes made here resulting in
7 cost increases, will be recoverable as part of the program costs through
8 Rider DSM.
- 9 j. The Company agrees to provide reminder notices to customers by 1:00
10 p.m. for all summer CPEs except the CPEs providing notice the same
11 day. Any incremental costs of providing this service will be
12 recoverable as part of the program costs through Rider DSM.
- 13 k. The Parties agree that there should be eight summer, two winter, and
14 two flexible CPEs. Winter CPEs should not exceed one per day. The
15 summer CPEs should be triggered by a THI, which also would help
16 pave the way toward the PTR becoming a PSA program.
- 17 l. Summer and winter impacts should be evaluated separately from the
18 short-notice CPE so as not to unduly reduce Pilot value in calculating
19 day-ahead notice impact.
- 20 m. The Company agrees to consider PJM Price Responsive Demand
21 Requirements as a Secondary Objective.

1 Q. WHY HAVE DUKE ENERGY KENTUCKY AND THE AG ENTERED
2 INTO THE STIPULATION?

3 A. There are a number of reasons why Duke Energy Kentucky and the AG have
4 entered into the Stipulation. In general terms, the Parties agree that the
5 Stipulation, viewed in its entirety, is a fair, just, and reasonable resolution of all
6 the issues in this proceeding. The Parties had the same goal in mind in reaching
7 the resolution contained in the Stipulation, namely a fair and reasonable pilot
8 program at a fair just and reasonable price. The balance achieved, which includes
9 an incentive of \$0.60 per kWh of load reduction is between what the Company
10 initially proposed and what the AG's witness supported. The Parties believe this
11 strikes an appropriate balance for purposes of the pilot.

12 Q. PLEASE DESCRIBE ATTACHMENT BLS-SET-1.

13 A. Attachment BLS-SET-1 is a copy of the proposed final tariff for Rider PTR that
14 has been updated per the terms of the Stipulation.

IV. CONCLUSION

15 Q. DOES THIS CONCLUDE YOUR PRE-FILED REBUTTAL TESTIMONY?

16 A. Yes.

17 Q. WAS ATTACHMENT BLS-SET-1 PREPARED AND COMPILED AT
18 YOUR DIRECTION AND UNDER YOUR CONTROL?

19 A. Yes.

Duke Energy Kentucky, Inc.
1262 Cox Road
Erlanger, Kentucky 41018

KY.P.S.C. Electric No. 2
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**RESIDENTIAL PEAK TIME REBATE (PTR) PILOT PROGRAM
PTR PILOT PROGRAM**

APPLICABILITY

This rider is a pilot and is available on a limited and voluntary basis, at the Company's option, to residential customers in the Company's electric service area who choose to participate by enrolling in the pilot program. This rider is not available to customers served under Rider TS, Rider AMO, Rider NM, and the Residential Direct Load Control – Power Manager Program. In addition, customers with arrears and/or deferred payment arrangements are not eligible to participate. Residential customers may participate only if Company has installed an advanced meter with interval recording registers that may be used for billing the customer. Pilot participation will be based on the lesser of a sample design developed for this pilot or the first one thousand (1,000) customers to enroll. At the Company's option, the maximum participation number may be exceeded by at most 100 additional participants. The Company may select pilot participants such that a diverse customer group is ensured. This rider is available upon Kentucky Public Service Commission (Commission) approval and may change or conclude upon the Commission's order.

PROGRAM DESCRIPTION

Under this pilot program, participating customers have the opportunity to lower their electric bill by reducing their electric usage during Company-designated peak load periods known as Critical Peak Events ("CPE").

The Company may call a CPE, at its discretion, during any calendar month but limited to at most twelve (12) CPEs for a program year. CPEs may only occur on a weekday, Monday through Friday, and will last 4 hours. During the months of May through October, the summer season, a CPE will begin at 3 p.m. and end at 7 p.m. The Company may call eight to ten CPEs during the months of May through October. During months of November through April, a CPE will begin at 6 a.m. and end at 10 a.m. The Company may call two to four CPEs during the months of November through April. CPEs will not occur on weekends, New Year's Day, President's Day, Good Friday, Memorial Day, Independence Day, Labor Day, Columbus Day, Veterans Day, Thanksgiving Day, and Christmas Day on the day nationally designated to be celebrated as such.

For each CPE, the Company, using the customer's electric usage history, will estimate a baseline which is the electric usage (i.e., kWh) that would have been used by the customer absent any customer initiated action to reduce electric usage. The customer's actual kWh usage during the CPE will be compared to the baseline. Net reduction in usage from the baseline over the CPE period will receive a cents/kWh credit. If no net reduction occurred, no credit will be provided. If, for any reason, the actual kWh is not available, an estimate of the actual kWh consumed during the CPE will be used.

Credits will be calculated and applied to the customer's bill no later than the second billing month following the CPE(s). However, for customers who earn credits during a CPE, the credit amount for each CPE will be communicated to the customer using the contact information provided by the customer within 5 business days of the CPE.

Issued by authority of an Order of the
Kentucky Public Service Commission in
Case No. 2019-_____ dated _____, 20__.

Issued: August 15, 2019

Effective: October 1, 2019

Issued by Amy B. Spiller, President /s/ Amy B. Spiller

Duke Energy Kentucky, Inc.
1262 Cox Road
Erlanger, Kentucky 41018

KY.P.S.C. Electric No. 2
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PROGRAM DESCRIPTION (Cont'd.)

Participating customers must provide and maintain a contact method (i.e. an email address and/or a text number) at the customer's expense in order for the Company to provide notification of CPEs.

In the event electric service to the customer is interrupted during a CPE, the customer shall not receive credit for reductions due to the service interruption.

It will be customer's responsibility to monitor and control their energy usage before, during, and after a CPE.

Other provisions of the customer's applicable rate schedule will apply to service supplied under this pilot program.

CREDITS

Credit per net kWh Reduced during CPE \$0.60 / kWh

NOTIFICATION OF CRITICAL PEAK EVENTS

The Company will notify customers of a CPE using the contact information provided by the customer. The Company will use its best efforts to notify customers of a CPE by 8:00 p.m. on the day prior to such event. However, notification can occur at any time but no later than one hour prior to the event. At most one (1) CPE with less than day ahead notice will occur in each year of the pilot. A same day notice CPE will only occur in the summer season. If the original notice of a CPE is provided on the day prior during the summer period of May through October, the Company will also send customer a reminder notice by 1 p.m. of the CPE using the contact information provided by the customer. Failure of the customer to receive the Company notice(s) of a CPE shall not entitle the customer to receive credits under this program.

PARTICIPATION PERIOD

Customer agrees to participate in the pilot until the end of the 2-year pilot program and may continue to participate at their option and under their enrolled account until the pilot program is terminated. Company reserves the option to terminate customer's participation for operational issues or upon customer request.

SERVICE REGULATIONS

The provisions contained in this tariff sheet do not supersede or replace any of the charges and terms contained in the standard base rate and rider tariff sheets. The standard base rate and rider charges apply to all customers participating in this pilot program.

The supplying of, and billing for, service and all conditions applying thereto, are subject to the jurisdiction of the Kentucky Public Service Commission, and to Company's Service Regulations currently in effect, as filed with the Kentucky Public Service Commission, as approved by law.

Issued by authority of an Order of the
Kentucky Public Service Commission in
Case No. 2019-_____ dated _____, 20__

Issued: August 15, 2019

Effective: October 1, 2019

Issued by Amy B. Spiller, President /s/ Amy B. Spiller

VERIFICATION

STATE OF OHIO)
)
COUNTY OF HAMILTON) **SS:**

The undersigned, Bruce L. Sailers, Manager Rates & Regulatory Strategy, being duly sworn, deposes and says that he has personal knowledge of the matters set forth in the foregoing testimony and that it is true and correct to the best of his knowledge, information and belief.

Bruce L. Sailers
Bruce L. Sailers, Affiant

Subscribed and sworn to before me by Bruce L. Sailers, on this 6th day of March, 2020.



ADELE M. FRISCH
Notary Public, State of Ohio
My Commission Expires 01-05-2024

Adele M. Frisch
NOTARY PUBLIC

My Commission Expires: 1/5/2024