

**COMMONWEALTH OF KENTUCKY**  
**BEFORE THE PUBLIC SERVICE COMMISSION**

In the Matter of:

THE APPLICATION OF DUKE ENERGY	)	
KENTUCKY, INC. TO AMEND ITS	)	Case No. 2022-00251
DEMAND SIDE MANAGEMENT	)	
PROGRAMS	)	

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**REBUTTAL TESTIMONY OF**  
**BRUCE L. SAILERS**  
**ON BEHALF OF**  
**DUKE ENERGY KENTUCKY, INC.**

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December 12, 2022

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**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 Director,  
6 Jurisdictional Rate Administration for Duke Energy Kentucky, Inc., (Duke Energy  
7 Kentucky or the Company) and Duke Energy Ohio, Inc. DEBS provides various  
8 administrative and other services to Duke Energy Kentucky and other affiliated  
9 companies of Duke Energy Corporation (Duke Energy).

10 **Q. PLEASE BRIEFLY SUMMARIZE YOUR EDUCATIONAL**  
11 **BACKGROUND AND PROFESSIONAL EXPERIENCE.**

12 A. I received a Bachelor's Degree in Finance and Quantitative Analysis and a Master's  
13 Degree in Marketing from the University of Cincinnati. After three years working  
14 with Marathon Oil Company as a systems analyst, I began my career in 1990 with  
15 The Cincinnati Gas & Electric Company, a predecessor to Duke Energy Ohio, in  
16 Load Forecasting. Through 2014, over varying lengths of time, I worked in Load  
17 Forecasting, Market Research, and Product Development Analytics (Demand  
18 Response). I assumed my current role under the title Rates and Regulatory Strategy  
19 Manager, Pricing & Rate Options, in January 2014. Having the same  
20 responsibilities, my title has since changed to Manager, Rates and Regulatory  
21 Strategy and again to Director, Jurisdictional Rate Administration.

1 **Q. PLEASE DESCRIBE YOUR DUTIES AS DIRECTOR, JURISDICTIONAL**  
2 **RATE ADMINISTRATION.**

3 A. As Director, Jurisdictional Rate Administration, I am responsible for rate design,  
4 as well as certain duties related to tariff administration, billing, and revenue  
5 reporting in Ohio and Kentucky. I prepare filings to modify charges and terms in  
6 Duke Energy Kentucky's retail tariffs and develop rates for new services. During  
7 major rate cases, I am responsible for the design of new base rates. Additionally, I  
8 frequently work with Duke Energy Kentucky's customer contact and billing  
9 personnel to answer rate-related questions and to apply the retail tariffs to specific  
10 situations. Occasionally, I meet with customers and Company representatives to  
11 explain rates or provide rate training. I also prepare reports that are required by  
12 regulatory authorities.

13 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE KENTUCKY**  
14 **PUBLIC SERVICE COMMISSION?**

15 A. Yes. In addition, I have also provided testimony in cases before the Indiana Utility  
16 Regulatory Commission, the North Carolina Utilities Commission, and the Public  
17 Utilities Commission of Ohio.

18 **Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY IN THIS**  
19 **PROCEEDING?**

20 A. The purpose of my Rebuttal Testimony is to address several parts of the  
21 recommendation to expand the Peak Time Rebate (PTR) Pilot program and other  
22 statements in the testimony of Paul Alvarez, witness of the Kentucky Attorney  
23 General (AG), in this proceeding. I will first describe the PTR Pilot program that

1 the Company is proposing to terminate. Next, I will respond to Mr. Alvarez's  
2 recommendation to implement what he calls a "full [peak time rebate] program,"  
3 and the analysis he provides in support thereof, to explain why this recommendation  
4 should be rejected by the Commission. On this topic, my comments will focus on  
5 Mr. Alvarez's assumptions related to participation rates, cost and benefit  
6 assumptions, and the incentive payment issue. Finally, I will comment on certain  
7 statements by Mr. Alvarez, such as his comment on a PTR program that should be  
8 offered in Duke Energy Ohio's service territory, and his statements about the  
9 Company's supposed disincentive to offer DSM programs, and then I will  
10 summarize my rebuttal testimony.

## II. DISCUSSION

### A. DESCRIPTION OF THE PEAK TIME REBATE PILOT PROGRAM PROPOSED TO BE TERMINATED

11 Q. PLEASE BRIEFLY DESCRIBE THE PEAK TIME REBATE PILOT  
12 PROGRAM THAT DUKE ENERGY KENTUCKY IS PROPOSING TO  
13 TERMINATE.

14 A. The PTR Pilot program offered participating customers the opportunity to lower  
15 their electric bill by reducing their electric usage during Company-designated peak  
16 load periods known as Critical Peak Events (CPE). The PTR pilot program was  
17 filed pursuant to a stipulation and recommendation between Duke Energy  
18 Kentucky and the Kentucky Attorney General, approved by the Commission in  
19 Case No. 2016-00152 (Stipulation).

20 The Company has branded the PTR Pilot program to customers under the  
21 name of Peak Time Credits and describes CPEs to participants as peak day events.

1 The pilot program was launched on July 27, 2020 and has now completed the 2-  
2 year pilot period. The program also had a research extension for the Summer of  
3 2022. This research extension will evaluate the difference in load impacts between  
4 a credit of \$0.60 / kWh reduced and a credit of \$1.20 / kWh reduced. The research  
5 extension was only active for the Summer of 2022 and ended on September 30,  
6 2022.<sup>1</sup> The EM&V results of the pilot's research extension will not be available  
7 until late Q1, 2023 and the EM&V report will be filed in the August 2023  
8 amendment filing.

9 **Q. WAS IMPLEMENTING THE PTR PILOT PROGRAM AS A DEFAULT**  
10 **RATE OFFERING TO CUSTOMERS AGREED UPON IN THE**  
11 **STIPULATION?**

12 A. No. To the contrary, the Stipulation specified that participants would enroll  
13 voluntarily in the optional PTR Pilot program.<sup>2</sup> Mr. Alvarez has confirmed this as  
14 well.<sup>3</sup>

15 **Q. CAN YOU SUMMARIZE THE ENROLLMENT RESULTS OF THE PTR**  
16 **PILOT PROGRAM?**

17 A. Yes. In total, 59,605 customers received an invitation and 899 customers enrolled;  
18 resulting in an enrollment rate of 1.5%.<sup>4</sup>

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<sup>1</sup> Application, Appendix F at pg. 7.

<sup>2</sup> Case No. 2016-00152, *Application of Duke Energy Kentucky, Inc. for (1) A Certificate of Public Convenience and Necessity Authorizing the Construction of an Advanced Metering Infrastructure; (2) Request for Accounting Treatment; and (3) All Other Necessary Waivers, Approvals, and Relief* (Ky. PSC May 25, 2017), Order, Appendix at pg. 9-10.

<sup>3</sup> AG's Response to Duke Energy Kentucky's First Request for Information (Duke Energy Kentucky's First Request) (filed November 23, 2022), Item 19.

<sup>4</sup> Application, Appendix E at pg. 10.

1 **Q. DURING THE PTR PILOT PROGRAM, DID THE COMPANY SEND AN**  
2 **INVITATION TO ALL RESIDENTIAL CUSTOMERS ELIGIBLE FOR**  
3 **THE PILOT THAT HAD PROVIDED THE COMPANY AN EMAIL**  
4 **ADDRESS?**

5 A. Yes.

6 **Q. OVER THE PAST TWO YEARS, HAS THE COMPANY REPORTED ON**  
7 **ITS PROGRESS WITH THE PTR PILOT PROGRAM AT**  
8 **COLLABORATIVE MEETINGS?**

9 A. Yes. The most recent meeting of the Residential Collaborative and the Commercial  
10 and Industrial Collaborative occurred October 24, 2022. Additional meetings  
11 occurred on October 21, 2021, and October 26, 2020.

12 **Q. HAS THE COMPANY COMPLIED WITH THE STIPULATION AND**  
13 **RECOMMENDATION IN CASE NO. 2016-00152?**

14 A. Yes. The Company's PTR pilot program complied with each of the elements in the  
15 Stipulation, which is undisputed by Mr. Alvarez.<sup>5</sup>

**B. THE COMMISSION SHOULD NOT ACCEPT MR. ALVAREZ'S  
RECOMMENDATION AND ASSUMPTIONS REGARDING A FULL PEAK  
TIME REBATE PROGRAM**

16 **Q. DO YOU AGREE WITH MR. ALVAREZ'S RECOMMENDATION TO**  
17 **MOVE FORWARD WITH A FULL PEAK TIME REBATE PROGRAM?**

18 A. No. Mr. Alvarez's assumptions are flawed and/or exaggerated and lead to a false  
19 and potentially harmful financial conclusion for the Company's customers.

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<sup>5</sup> AG's Response to Duke Energy Kentucky's First Request, Item 18.

1 **Q. WHICH OF MR. ALVAREZ’S ASSUMPTIONS ARE FLAWED AND/OR**  
2 **EXAGGERATED?**

3 A. The primary flawed assumption is the participation level of 20%. Additional flawed  
4 assumptions include speculative and otherwise unrepresentative estimates of the  
5 costs of such a program.

6 **Q. DO YOU AGREE WITH MR. ALVAREZ’S ESTIMATED ENROLLMENT**  
7 **OF 20%?**

8 A. No. There is no indication from the PTR Pilot program that 20% enrollment can  
9 be reached in the Company’s service area. Mr. Alvarez indicates that the 20%  
10 minimum enrollment he assumes is from the study referenced in his testimony.<sup>6</sup>  
11 However, this study is simply a summary of other individual pilot time-based rate  
12 studies that were a part of the Smart Grid Investment Grants program. The  
13 referenced report provides limited detail on the individual studies and is clearly not  
14 intended to provide a robust, statistically significant participation estimate for any  
15 particular utility’s service area.<sup>7</sup> It is clear, from the discussion by Mr. Alvarez,  
16 that three (3) peak time rebate studies are included in the summarized results in the  
17 referenced paper.<sup>8</sup> As noted by Mr. Alvarez, all received a technology device as  
18 part of their enrollment offer.<sup>9</sup> This technology may or may not have impacted the  
19 enrollment rates of the referenced 3 PTR studies. Mr. Alvarez dismisses this issue  
20 because the referenced paper cites one individual study that concluded that adding

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<sup>6</sup> Direct Testimony of Paul Alvarez (Alvarez Testimony) at pg. 21-22 and fn. 28 (citing *Residential Customer Enrollment in Time-based Rate and Enabling Technology Programs*).

<sup>7</sup> *Id.*

<sup>8</sup> *Id.*

<sup>9</sup> *Id.* at pg. 21-22.



1 a technology offer to a time of use rate study (i.e., not PTR) did not significantly  
2 impact acquisition results.<sup>10</sup> However, time-of-use studies in the referenced paper  
3 are specifically different than peak time rebate offers and there is no detail on this  
4 study in Mr. Alvarez’s testimony. The 20% value is simply a data point from a  
5 summary paper not intended to provide statistically significant results and does not  
6 control for differences across service areas or acquisition offers. In fact, regarding  
7 the figure that Mr. Alvarez cites in his testimony the referenced study concludes on  
8 page *xxiii*, “An assessment of Figure ES-5 suggests that a utility may expect to  
9 achieve at least a 5% recruitment rate for opt-in studies. Under ideal circumstances,  
10 recruitment rates into such studies could exceed 20%. However, for planning  
11 purposes assuming 10% recruitment rate seems most appropriate.”<sup>11</sup>

12 **Q. DOES THE REPORT REFERENCED BY MR. ALVAREZ HAVE**  
13 **RELEVANCE TO LIKELY OUTCOMES OF A FULL PTR PROGRAM IN**  
14 **THE COMPANY’S SERVICE AREA?**

15 A. Not in the way being used by Mr. Alvarez. The referenced studies are not in the  
16 Company’s service area and they do not have the same program design or  
17 acquisition offer. But of primary importance, the referenced study does not provide  
18 any cost effectiveness information on the three PTR studies included. It is not  
19 known whether any of the 3 PTR programs underlying Mr. Alvarez’s 20%

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<sup>10</sup> *Id.* at pg. 22.

<sup>11</sup> Smart Grid Investment Grant Consumer Behavior Study Analysis (June 2013) (<https://eta-publications.lbl.gov/sites/default/files/lbnl-6247e.pdf>).

1 participation assumption even considered cost effectiveness under a DSM  
2 framework.

3 **Q. IS THERE A STUDY THAT PROVIDES STATISTICALLY SIGNIFICANT**  
4 **ACQUISITION RESULTS FOR THE COMPANY'S SERVICE AREA?**

5 A. Yes. The Company's PTR Pilot provides results directly relevant. For the original  
6 pilot group, 59,605 customers received an invitation and 899 customers enrolled;  
7 resulting in an enrollment rate of 1.5%.

8 **Q. IGNORING ANY OTHER COMMENTS ON MR. ALVAREZ'S**  
9 **ASSUMPTIONS, WHAT HAPPENS TO THE COST EFFECTIVENESS**  
10 **REVIEW WHEN 1.5% IS USED IN MR. ALVAREZ'S COST BENEFIT**  
11 **ANALYSIS FILE?**

12 A. Mr. Alvarez's suggested program fails the cost effectiveness review. After this  
13 single change is made (*i.e.*, the 20% in cell B22 of the tab Assumptions is replaced  
14 with 1.5%), the value in cell F32 of tab TRC – BENEFITS & COSTS, shows that  
15 only \$0.24 of benefit is returned for every \$1.00 spent on the program.<sup>12</sup>

16 **Q. DO YOU AGREE THAT A BREAKEVEN PARTICIPATION RATE OF 8%**  
17 **AS DESCRIBED BY MR. ALVAREZ IS ACHIEVABLE?**

18 A. There is no basis, given the PTR Pilot program results, to believe that an 8%  
19 participation rate<sup>13</sup> is achievable. The Company has suggested termination of the  
20 pilot to reassess the design. The program is not close to being cost effective as it is  
21 currently implemented.

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<sup>12</sup> See Alvarez Testimony, Appendix B, Excel version.

<sup>13</sup> See Alvarez Testimony at pg. 33-34.

1 **Q. DO YOU HAVE OTHER COMMENTS ON THE ASSUMPTIONS MR.**  
2 **ALVAREZ USES IN HIS EFFECTIVENESS REVIEW OF HIS PROPOSED**  
3 **FULL PTR PROGRAM?**

4 A. I do. First, Mr. Alvarez suggests cost estimates, some derived from information  
5 provided by the Company and some estimated by him independently.<sup>14</sup> His cost  
6 estimates are based on a program participation rate that is much higher than the  
7 participation rates found in the PTR Pilot program and therefore should be adjusted  
8 for a 1.5% participation rate assumption.

9 Second, much like the program participation rate Mr. Alvarez uses, he  
10 provides an energy conservation estimate sourced from a secondary research study  
11 that summarizes other research studies.<sup>15</sup> A quick review of the referenced study  
12 shows a range of impacts reported from -5% to over 20% with the reported average  
13 of 4%. Given the significance of this benefit to Mr. Alvarez's review, the 4%  
14 average should be scrutinized since small deviations would change the cost benefit  
15 result significantly.

16 In my opinion, it would be unnecessarily risky for the Commission to  
17 approve a full PTR program with the expectation of a 4% conservation impact when  
18 an alternative approach is proposed (i.e., terminating the current pilot to reassess  
19 the design, potentially, if funding is available, to review the data already collected  
20 during the PTR Pilot to estimate the conservation impact observed).

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<sup>14</sup> *Id.* at pg. 31-32.

<sup>15</sup> *Id.* at pg. 29, lines 11-17.

1           Finally, Mr. Alvarez provides no ramp period to achieving the proposed  
2           20% participation.<sup>16</sup> This is unrealistic. Accepting for the moment the premise that  
3           significantly increased marketing efforts will lead to increased participation, it is  
4           unrealistic to assume this happens in a short period of time. Mr. Alvarez assumes  
5           in his analysis that 20% is achieved instantly which significantly impacts the  
6           results.

7           **Q.    WHAT IS THE INCENTIVE PAYMENT ISSUE?**

8           A.    In the PTR Pilot EM&V report, Appendix E to the Application, Resource  
9           Innovations discusses several PTR pilot programs where significant amounts of  
10          incentives are paid to customers who did not reduce load as a result of a PTR  
11          event.<sup>17</sup> These excess incentive payments come from two sources, free ridership  
12          and individual customer load variation. Resource Innovations controls for this  
13          issue in their load reduction estimates since their load reduction estimate is  
14          performed at the group level using a control group instead of the individual  
15          customer level.

16                However, in contrast, to calculate payments to participants who reduce load  
17          in response to the PTR event notice, the incentive payment must be based on an  
18          estimate of load reduction from the individual participant in order to reward  
19          customers who reduce load as a result of program participation. This exposes the  
20          incentive calculation process to customer's load variance and to customers who  
21          coincidentally happened to reduce load based on ordinary events in their life that  
22          coincided with the PTR Event. Essentially, given the variability in individual

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<sup>16</sup> *Id.* at pg. 28.

<sup>17</sup> Application, Appendix E at pg. 78-79.

1 customer loads, it is challenging for a PTR program to reward individual customers  
2 correctly.

3 **Q. CAN YOU PROVIDE AN EXAMPLE OF THE CHALLENGE TO**  
4 **REWARD INDIVIDUAL CUSTOMERS CORRECTLY?**

5 A. A straight-forward example is a customer who leaves for vacation on Monday and  
6 adjusts their thermostat to a setting that will conserve energy while they are gone.  
7 On Tuesday, a PTR event is implemented. A baseline is calculated for this customer  
8 and compared to the actual energy consumption finding that the customer has  
9 reduced load. However, the customer did not reduce load in response to the PTR  
10 event implementation. The load reduction was a result of normal behaviors across  
11 the customer base on any given day. On any given day there is significant  
12 variability for any individual customer's energy consumption based on a long list  
13 of potential consumption impacts from events such as HVAC breakdowns, leaving  
14 the door open accidentally, visitors staying at the home, etc. Combine this  
15 variability with the inherent variance in any baseline estimate of an individual  
16 customer's load absent the PTR event, and you have a situation where multiple  
17 pieces of the incentive calculation (*i.e.*, actual load and estimated baseline load) can  
18 both have significant variability. This makes it challenging to provide an accurate  
19 level of incentives to the correct participants providing the load reduction.

20 **Q. CAN YOU PROVIDE ADDITIONAL INFORMATION TO SHOW THIS**  
21 **IMPACT?**

22 A. Yes. If incentive calculations were perfect, a process could be run to calculate  
23 incentives on a day when a PTR event was not implemented and the resulting

1 incentive calculations would show \$0 payments. However, the process is subject  
2 to all the variability described above. Performing an example credit calculation  
3 process on a non-PTR-event day can provide insight into the magnitude of this  
4 issue.

5 **Q. HAS THE COMPANY PERFORMED AN EXAMPLE CREDIT**  
6 **CALCULATION ON A DAY WHEN A PTR EVENT WAS NOT**  
7 **IMPLEMENTED?**

8 A. Yes. The Company selected July 22, 2022 as a day similar to other PTR event days  
9 but on which no event was implemented. Using the credit calculation model for  
10 the summer of 2022 for this date, results are calculated for each participant. For  
11 the original group of PTR Pilot participants, \$351 of credits were calculated and  
12 49% of participants would have received a credit; on a day when no event was  
13 implemented. This was an average credit of \$0.51 per participant. For comparison,  
14 over all event days, the average participation was 55% and an average credit of  
15 \$0.84 per participant.

16 **Q. WHAT IS YOUR CONCLUSION?**

17 A. My conclusion is that there are inherent challenges to providing the correct  
18 participants who provide load reduction resulting from program implementation  
19 with the appropriate credits. The incentive payment issue can be significant. As a  
20 PTR program increases in size, the revenue payment to participants who are not  
21 providing load reduction as a result of the event notification can result in significant

1 incentive overpayment. At the same time, participants who are providing load  
2 reduction but not receiving commensurate incentives can become dissatisfied.

3 **Q. DOES MR. ALVAREZ ADDRESS THIS ISSUE IN HIS RECOMMENDED**  
4 **FULL PTR PROGRAM?**

5 A. He discusses it but does not offer concrete measures to mitigate it. On pages 35 and  
6 36 of his testimony, Mr. Alvarez suggests that this incentive payment issue is  
7 outweighed by the benefits a universal program would provide. He also suggests  
8 that it can be solved through better baseline development and rebate processes but  
9 provides no specific examples of such an effort.

10 **Q. BASED ON YOUR REVIEW OF MR. ALVAREZ'S COST BENEFIT**  
11 **ANALYSIS, DOES HE DIRECTLY INCORPORATE ANY IMPACTS TO**  
12 **ADDRESS THE INCENTIVE ISSUE?**

13 A. No. Mr. Alvarez assumes a perfect match between load reduction provided and  
14 corresponding incentive payments. He does add cost for program improvements<sup>18</sup>  
15 but it is not apparent that any significant effort to specifically estimate the costs  
16 required to address the incentive issue was undertaken.

17 **Q. DID THE COMPANY MAKE ADJUSTMENTS FOR THIS ISSUE?**

18 A. No. The Company had not investigated the issue quantitatively at the time, but  
19 recognized it as mentioned in the EM&V report. Because the program was already  
20 found to be not cost effective and any adjustment would merely make it even more

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<sup>18</sup> Alvarez Testimony at pg. 22.

1 cost ineffective, the Company did not need to determine the precise magnitude of  
2 such an adjustment.

3 **Q. HOW COULD THE INCENTIVE ISSUE IMPACT PARTICIPATION**  
4 **OVER TIME?**

5 A. It is unclear. Certainly, participants who provide load reduction as a result of  
6 program event implementation but do not receive commensurate incentives may  
7 become less motivated over time and eventually terminate participation. On the  
8 other hand, customers receiving incentives for load reductions they did not provide  
9 or load reduction that would have been provided anyway without event  
10 implementation, might be encouraged to remain on the program and continue  
11 receiving incentives as free riders. Elimination of this incentive issue is most  
12 directly addressed through a metered time-based rate such as a time of use or critical  
13 peak pricing rate. However, other solutions may be available as well.

**C. STATEMENTS BY MR. ALVAREZ REGARDING DUKE ENERGY OHIO**  
**ARE NOT RELEVANT TO THIS PROCEEDING**

14 **Q. DOES MR. ALVAREZ MAKE IRRELEVANT STATEMENTS**  
15 **REGARDING A PTR PROGRAM IN DUKE ENERGY OHIO'S SERVICE**  
16 **AREA?**

17 A. Yes. Starting on page 14, line 20, and page 26 line 8, and page 24 line 6, and page  
18 28 line 7, and page 30 line 11, the footnotes on page 18, and page 37 line 2, Mr.  
19 Alvarez repeatedly talks about the potential for increased benefits for Duke Energy  
20 Kentucky customers if Duke Energy Ohio offers a PTR program. He also talks  
21 about the increased likelihood that Duke Energy Ohio will launch a PTR program  
22 if one is launched in Duke Energy Kentucky. These statements are irrelevant to



1 this proceeding and are provided to increase the perception of benefit to the launch  
2 of a Full PTR program in Kentucky. As confirmed by Mr. Alvarez in discovery,  
3 he is aware that the State of Ohio does not currently support DSM programs for  
4 Duke Energy Ohio. He also ignores the uncertainty of regulatory approval of such  
5 a program in Ohio. The statements Mr. Alvarez makes about Duke Energy Ohio  
6 are simply irrelevant and should not provide assurance that his recommended Full  
7 PTR program will be aided by Duke Energy Ohio in achieving cost effectiveness.

**D. DUKE ENERGY KENTUCKY DOES NOT HAVE A DISINCENTIVE TO OFFER DSM PROGRAMS**

8 **Q. DOES MR. ALVAREZ MAKE STATEMENTS REGARDING THE**  
9 **COMPANY’S MOTIVATION TO OFFER DSM PROGRAMS?**

10 A. Yes. He contends that the Company is financially discouraged from maximizing  
11 DSM benefits to customers and that “The Company’s conclusion that Peak-Time  
12 Rebate is not cost effective should not be relied upon.”<sup>19</sup>

13 **Q. DOES MR. ALVAREZ SUBSTANTIATE HIS CONTENTION**  
14 **REGARDING THIS SUPPOSED DISINCENTIVE?**

15 A. No. Mr. Alvarez claims that the Company is financially harmed by reducing  
16 volumetric sales and refers to this as the Throughput Incentive.<sup>20</sup> But his argument  
17 lacks foundation. Importantly, nowhere in Mr. Alvarez’s response does he  
18 acknowledge that Kentucky Revised Statutes 278.285(1)(c) specifically addresses

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<sup>19</sup> Alvarez Testimony at pg. 20 (capitalization altered).

<sup>20</sup> AG’s Response to Duke Energy Kentucky’s First Request, Item 22.

1           this “Throughput Incentive,” by directing the Commission to consider lost revenues  
2           resulting from DSM in cost recovery proceedings.<sup>21</sup>

3                       Also, contrary to Mr. Alvarez’s implication, the Company’s past DSM  
4           efforts suggest the Company has proposed more DSM activity than the  
5           Commission has been willing to approve.<sup>22</sup> .

6   **Q.   DO YOU BELIEVE THAT EARLIER INTRODUCTION OF TEXT**  
7   **MESSAGE NOTIFICATIONS WOULD HAVE MADE THE PTR PILOT**  
8   **PROGRAM COST-EFFECTIVE?**

9   A.   I believe it is very unlikely, and Mr. Alvarez offers no evidence to support such a  
10       conclusion.

11 **Q.   DO YOU BELIEVE THAT PROVIDING ADDITIONAL CPE REDUCTION**  
12 **TIPS TO CUSTOMERS WOULD HAVE MADE THE PTR PILOT**  
13 **PROGRAM COST-EFFECTIVE?**

14 A.   I believe it is very unlikely, and Mr. Alvarez offers no evidence to support such a  
15       conclusion.

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<sup>21</sup> KRS 278.285 1(c) (“A utility’s proposal to recover in rates the full costs of demand-side management programs, any net revenues lost due to reduced sales resulting from demand-side management programs, and incentives designed to provide positive financial rewards to a utility to encourage implementation of cost effective demand-side management program”).

<sup>22</sup> See, e.g., Case No. 2017-00427, *Electronic Annual Cost Recovery Filing for Demand Side Management by Duke Energy Kentucky, Inc.* (Ky. PSC September 13, 2018), Order at pg. 17 (ordering Duke Energy Kentucky to turn an opt-out program into an opt-in program).

## E. SUMMARY

1 Q. DOES DUKE ENERGY KENTUCKY HAVE ANY CONCERNS WITH  
2 IMPLEMENTING WHAT MR. ALVAREZ CALLS A “FULL PTR  
3 PROGRAM”?

4 A. Yes. There are significant concerns with Mr. Alvarez’s recommendation that the  
5 Commission “[o]rder DEK to launch a full PTR program,”<sup>23</sup> Mr. Alvarez has  
6 clarified that, by this, he means a “peak-time rebate program for which participation  
7 is made available to all residential and small commercial customers in the  
8 Company’s service area.”<sup>24</sup>

9 Of primary concern is the risk of achieving a breakeven participation, much  
10 less a minimum 20% participation suggested by Mr. Alvarez. The PTR Pilot  
11 program design was not even close to being cost effective. Tweaks around the  
12 edges of the design will not make it cost effective. Significant changes will be  
13 needed and the only responsible request by the Company at this time is to terminate  
14 the design and reassess the program. There is no directly applicable evidence to  
15 suggest that 20% participation is achievable to the extent that the results of the  
16 Company’s pilot should be ignored and replaced with such an estimate. Further,  
17 the conservation impact estimates provided by Mr. Alvarez are not supported by  
18 the referenced summary paper of other studies which concentrate on time of use  
19 rates. In addition, PTR programs inherently include an incentive payment issue to  
20 correctly identify customers who earn an incentive resulting from event  
21 implementation. Combining these concerns with Mr. Alvarez’s questionable

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<sup>23</sup> Alvarez Testimony at pg. 39.

<sup>24</sup> AG Response to Duke Energy Kentucky First Request, Item 11.

1 assumption about instantaneous participation, results in my conclusion that Mr.  
2 Alvarez's recommendation should be rejected.

3 **Q. CAN YOU ELABORATE ON THE COMPANY'S RECOMMENDATION?**

4 A. Yes. While the Company recommends termination of the PTR Pilot program, the  
5 Company is sincere about reassessing the program focusing on program  
6 improvements that result in a cost-effective offer for customers. It would also be  
7 incomplete not to acknowledge that as of December 1, 2022, the Company has  
8 proposed a Critical Peak Pricing rate as part of an electric rate case filing.  
9 Mechanisms related to lost revenues are also requested in that filing. The Company  
10 views this proposal as a piece of a continuing effort to derive benefits from AMI  
11 implementation and testing what customers find attractive. This is not an  
12 instantaneous process. Pieces of the puzzle continue to fall into place including the  
13 anticipated release of the bill comparison tool currently scheduled for April or May,  
14 2023.

15 The Company has not concluded, as Mr. Alvarez has, that time-based rates  
16 such as critical peak pricing are destined for failure. As customers continue to adopt  
17 more and more sophisticated technology such as smart thermostats, electric  
18 vehicles, and rooftop solar, such rates may be of considerable interest to customers.  
19 Finally, the Company welcomes more interactive discussion with the Attorney  
20 General in the collaborative process and is willing to meet with the collaborative in  
21 a special session to discuss alternative approaches to PTR and other time-based  
22 rates.

**III. CONCLUSION**

1 **Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?**

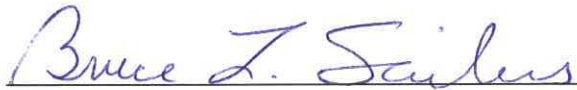
2 **A. Yes.**

**VERIFICATION**

STATE OF OHIO                    )  
  )  
COUNTY OF HAMILTON        )

SS:

The undersigned, Bruce L. Sailers, Director Jurisdictional Rate Administration, being duly sworn, deposes and says that he has personal knowledge of the matters set forth in the foregoing rebuttal testimony and that it is true and correct to the best of his knowledge, information and belief.

  
\_\_\_\_\_  
Bruce L. Sailers, Affiant

Subscribed and sworn to before me by Bruce L. Sailers, on this 9<sup>th</sup> day of December, 2022.

  
\_\_\_\_\_  
NOTARY PUBLIC

My Commission Expires: July 8, 2027



EMILIE SUNDERMAN  
Notary Public  
State of Ohio  
My Comm. Expires  
July 8, 2027