Errata Sheet

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In The Matter of:			
The Electronic Application of Duke Energy Kentucky, Inc., for: 1) An Adjustment of the Electric Rates; 2) Approval of New Tariffs; 3) Approval of Accounting Practices to Establish Regulatory Assets and Liabilities; and 4) All Other Required Approvals and Relief.) Case No. 2022-003	372	
FILING: Direct Testimony of Bruce L. Sailers, File	d December 1, 2022		
DATE CORRECTED: May 11, 2023			
CORRECTION		LINE	PAGE
Delete "75, 76,"		4	4

Bruce Z. Sailers Signature

5-15-23 Date

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

The Electronic Application of Duke)	
Energy Kentucky, Inc. for: 1) An)	
Adjustment of the Electric Rates; 2))	Case No. 2022-00372
Approval of New Tariffs; 3) Approval of)	
Accounting Practices to Establish)	
Regulatory Assets and Liabilities; and 4))	
All Other Required Approvals and Relief.)	

REVISED DIRECT TESTIMONY OF

BRUCE L. SAILERS

ON BEHALF OF

DUKE ENERGY KENTUCKY, INC.

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I. <u>INTRODUCTION</u>

1	O.	PLEASE ST	ATE YOUR	NAME AND	BUSINESS	ADDRESS.
1	♥•				DUBLIEDS	

- 2 A. My name is Bruce L. Sailers, and 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
- 7 Energy Kentucky or the Company) and Duke Energy Ohio, Inc. DEBS provides
- 8 various administrative and other services to Duke Energy Kentucky and other
- 9 affiliated companies of Duke Energy Corporation (Duke Energy).

10 Q. PLEASE BRIEFLY DESCRIBE YOUR EDUCATION AND

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

1 Q .	. Pl	LEASE	DESC	CRIBE	YOUR	DUTIES	AS	DIRE	CTOR	, JURIS	SDICT	IONA	L
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- 3 A. As Director, Jurisdictional Rate Administration, I am responsible for rate design, as well as certain duties related to tariff administration, billing, and revenue 4 5 reporting in Kentucky and Ohio. 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 TESTIMONY IN THIS
 19 PROCEEDING?
- A. I am responsible for Duke Energy Kentucky's proposed electric rate design. My
 testimony will demonstrate that the rates Duke Energy Kentucky proposes are just
 and reasonable, that they reflect appropriate rate making principles, and that they
 result in an equitable basis for recovery of Duke Energy Kentucky's revenue

requirements across its various customer classes and rate schedules. I describe changes that have been made to the Company's retail electric rate schedules, riders, and electric Service Regulations and quantify the effect of these changes to our retail electric customers. I sponsor Schedules L, L-1, L-2.1, L-2.2, M, M-2.1 through M-2.3 and N. I also sponsor Filing Requirements (FR) FR 16(1)(b)(3), FR 16(1)(b)(4), FR 16(8)(l), FR 16(8)(m) and FR 16(8)(n). The "L" series of schedules satisfy FR 16(1)(b)(3), FR 16(1)(b)(4), and FR 16(8)(l). The "M" series of schedules satisfies FR 16(8)(m), and the "N" schedule satisfies FR 16(8)(n). Finally, I sponsor the content required in the Company's publication notice under 807 KAR 5:001 Section 17, as reflected in FR 17(4).

II. SCHEDULES AND FILING REQUIREMENTS SPONSORED BY WITNESS

11 Q. PLEASE DESCRIBE SCHEDULE L.

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- 12 A. Schedule L has four parts. The first part, identified as Schedule L, is my
- "Narrative Rationale for Tariff Changes." This schedule describes the changes to
- Duke Energy Kentucky's current tariffs and the reasons for those changes.

15 O. PLEASE DESCRIBE SCHEDULE L-1.

- 16 A. Schedule L-1 shows the rate schedules that Duke Energy Kentucky proposes to
- implement. Please note that schedules related to the Company's Demand Side
- Management (DSM) programs are not presented here. No changes to the DSM
- schedules are proposed with this filing.

20 Q. PLEASE DESCRIBE SCHEDULE L-2.1.

- 21 A. Schedule L-2.1 contains Duke Energy Kentucky's current rate schedules indicating
- 22 through underlining where changes occur in the proposed rate schedules. Note that

- the following schedule sheet numbers do not contain any changes. There are no changes to these tariff schedules which include sheet numbers 01, 20, 21, 23, 24, 26, 27, 59, 65, 67, 70, 71, 75, 76, 77, 78, 79, 80, 89, 90, 93, 94, 96, 97, and 101. Similar to Schedule L-1, DSM program rate schedules are not presented. Note that new proposed rate schedules do not appear in Schedule L-2.1.
- 6 Q. PLEASE DESCRIBE SCHEDULE L-2.2.
- A. Schedule L-2.2 contains Duke Energy Kentucky's proposed rate schedules, showing the revisions that Duke Energy Kentucky proposes in this filing. Proposed changes are crossed out and underscored and coded by letter in the right-hand margin.

 Similar to Schedule L-1, DSM related rate schedules are not presented.
- 11 Q. PLEASE DESCRIBE SCHEDULE M.

A.

Schedule M is a one page, side-by-side comparison of Duke Energy Kentucky's test period revenues at current and proposed rates; noting that the current fuel adjustment clause (FAC) value is calculated to match fuel revenues in the Company's test period revenue requirement in order to remove any revenue variations sourced from fuel cost. In addition, the movement of some revenue collection from the Company's Environmental Surcharge Mechanism (Rider ESM) into base rates is captured. Schedule M shows that Duke Energy Kentucky is proposing a 21.2 percent increase in the Residential service class, a 15.8 percent increase in the Distribution Voltage service class, a 10.1 percent increase in the Transmission Voltage service class, and a 29.4 percent increase in the Lighting Service class. These average class level increases are based upon base rates which include the fuel cost adjustment expense and applicable riders.

Q. PLEASE DESCRIBE SCHEDULE M-2.1.

A.

A. Schedule M-2.1 shows test period base revenue dollars at current rates with the calculated FAC value and the percentage distribution among the various rate classes, as well as a breakdown of total revenue. Schedule M-2.1 also shows the

actual base revenue average rates per kilowatt-hour (kWh) for each rate class.

6 Q. PLEASE DESCRIBE SCHEDULES M-2.2 AND M-2.3.

Schedule M-2.2, page 1, shows the test period bills in summary form, base revenues under current rates, current total revenues, and proposed base revenue increases, all broken down by rate and revenue class. The billing determinants used on these schedules is normalized sales for the twelve months ended June 30, 2024. Schedule M-2.2, pages 2 through 23, contains a detailed calculation of test period numbers using current rates as well as the proposed revenue increase, by rate and revenue class, as summarized on Schedule M-2.2, page 1. Schedule M-2.3 is almost identical to M-2.2, page 1, except that it shows the revenue summary and detailed data calculated at the rates proposed in this case. Schedule M-2.3 does contain a page 24 for the proposed Rate RS-TOU-CPP. However, there are no revenues captured on this page.

O. PLEASE DESCRIBE SCHEDULE N.

A. Schedule N shows monthly bill comparisons for various consumption levels under each of Duke Energy Kentucky's primary tariff schedules, Rates RS, DS, DT, DP, and TT. This schedule allows comparisons and assessment of how these changes impact customers' bills. The movement of some Rider ESM revenue recovery into base rates is captured in the Riders columns.

1 Q. PLEASE DESCRIBE FR 16(1)(b)(3).

- 2 A. FR 16(1)(b)(3) shows the proposed tariffs in a form complying with 807 KAR
- 3 5:011 Section 6. The effective dates of these tariffs are not less than 30 days from
- 4 the date of the filing of the application in the present case. This filing requirement
- 5 is met by the L series of schedules I previously described.

6 Q. PLEASE DESCRIBE FR 16(1)(b)(4).

- 7 A. FR 16(1)(b)(4) consists of Duke Energy Kentucky's current tariffs in a
- 8 comparative form showing proposed changes. The changes are reflected by
- 9 underscoring additions and striking over deletions. This filing requirement is also
- met by the L series of schedules I previously described.

11 Q. PLEASE DESCRIBE FR16(8)(I).

- 12 A. FR16(8)(1) includes a narrative description and explanation of all proposed tariff
- changes. This filing requirement is also met by the L series of schedules I
- 14 previously described.

15 Q. PLEASE DESCRIBE FR 16(8)(m).

- 16 A. FR 16(8)(m) shows the revenue summary for both the base period and the
- forecasted period with supporting schedules that provide detailed billing analysis
- for all customer classes. These schedules show the amount of change requested in
- dollars and the resulting percentage increase for each customer classification and
- by each rate classification to which the change will apply. In the present case,
- Duke Energy Kentucky proposes an overall revenue increase including riders of
- 22 17.8 percent, which breaks down as previously described. This filing requirement
- is met by the M series of schedules.

1 Q. PLEASE DESCRIBE FR 16(8)(n).

- 2 A. FR 16(8)(n) shows the typical bill comparison under present and proposed rates
- for customer classes, current and proposed rates for each customer class, and the
- 4 rate schedule to which the change would apply. This filing requirement is met by
- 5 the N schedules previously described.

6 Q. PLEASE DESCRIBE FR 17(4)(a).

- 7 A. FR 17(4)(a) shows the proposed effective date and the date the proposed rates are
- 8 expected to be filed with the Commission. In this case, the effective date is
- 9 January 3, 2023, and the dates the proposed rates are expected to be filed are
- 10 December 1, 2022.

11 Q. PLEASE DESCRIBE FR 17(4)(b).

- 12 A. FR 17(4)(b) shows the present rates and proposed rates for each customer
- classification to which the proposed rates will apply.

14 Q. PLEASE DESCRIBE FR 17(4)(c).

- 15 A. FR 17(4)(c) shows the amount of the change requested in both dollar amounts and
- percentage change for each customer classification to which the proposed rates
- will apply.

18 Q. PLEASE DESCRIBE FR 17(4)(d).

- 19 A. FR17(4)(d) shows the amount of the average usage and the effect on the average
- bill for each customer classification to which the proposed rates will apply.

21 Q. PLEASE DESCRIBE FR 17(4)(e) THROUGH (j).

- 22 A. FR17(4)(e) through (j) are statements required for inclusion in the Company's
- 23 notice to customers, including that customers may examine the Company's

1	application at its offices, at the Commission's offices, or on its website. The
2	statements include instructions for submittal of comments to the Commission and
3	that the rates are only proposed and could be changed by the Commission, as well
4	as instructions for intervention. As evidenced by the Company's Notice,
5	Attachment BLS-1, these various statements are included.

III. RETAIL ELECTRIC RATE SCHEDULES AND RIDERS

A. RATE DESIGN AND MAJOR RETAIL ELECTRIC RATE SCHEDULES

6 Q. HOW DID YOU DESIGN THE VARIOUS RATE SCHEDULES IN THIS

CASE?

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- I used the cost of service information provided by Duke Energy Kentucky witness James E. Ziolkowski as a basis for the rate design. As more fully described in his testimony, the cost of service information provided for the allocation of costs to the various classes, separation of customer and demand components of cost, and further reduced subsidy/excess revenue by 5 percent. Generally, I used this information to increase the volumetric charges in each rate schedule in proportion to the revenue recovery under current rates.
- 15 Q. PLEASE DESCRIBE ANY OTHER CONSIDERATIONS THAT GUIDED
 16 YOUR RATE DESIGN.
 - A. First, Duke Energy Kentucky supports the general concept that rates charged to core markets, which includes customers in the residential, commercial, industrial and other public authority classes, should approximate the cost of providing these customers with service. This is because it is intrinsically fair that customers should pay rates that reflect the cost that the utility incurs to provide the service. Duke

Energy Kentucky's proposed rates in this case make reasonable movement toward reflecting the cost of service developed and sponsored by Mr. Ziolkowski. As noted above, the revenue requirement from the COSS is allocated predominately to the demand/energy charges (block steps where applicable) of the rates considering both the current rate design and the new COSS results. Lighting rates and Rate DT, although generally following this description, receive modified treatment and are discussed separately below. Customer charges are unchanged except for a proposed small increase in the Rate RS customer charge of \$0.40.

A.

Second, the Company's current rate design has served Duke Energy Kentucky customers well and is based on sound rate design principles. Few structural changes in the design of the rates are being proposed in these proceedings. However, the Company does propose to update the structure of Rate DT and the Load Management Rider (Rider LM) in recognition of potential future customer technology adoption regarding electric vehicle charging and the associated reasonable recovery of revenue. Changes to Rate DT and Rider LM are discussed separately below.

17 Q. WHAT ARE THE COMPANY'S MAJOR RETAIL ELECTRIC RATE 18 SCHEDULES?

The Company's major retail electric rate schedules include: Rate RS - Residential Service (Rate RS); Rate DS – Service at Secondary Distribution Voltage (Rate DS); Rate DP – Service at Primary Distribution Voltage (Rate DP); Rate DT - Time of Day Rate for Service at Distribution Voltage (Rate DT); and Rate TT – Time of Day Rate for Service at Transmission Voltage (Rate TT). Together, these

1		rate schedules comprise a substantial portion of the Company's retail electric
2		revenue requirement. These rate schedules together are referred to as the "power
3		rate schedules" or "power rates".
4	Q.	HAVE YOU PREPARED RATE SCHEDULES FOR THE POWER
5		RATES?
6	A.	Yes. Again, there are no significant structural changes beyond the items
7		mentioned above for Rate DT, Rider LM, and Lighting rates. The design
8		objective of the power rates was to collect the revenue requirement while
9		maintaining the existing structural characteristics of the rate schedules. More
10		information can be found below and on Schedule L.
		B. RATE DT
11	Q.	WHAT CHANGES TO SHEET NO. 41, RATE DT, TIME-OF-DAY RATE
12		FOR SERVICE AT DISTRIBUTION VOLTAGE, DOES THE COMPANY
13		PROPOSE AS PART OF THIS PROCEEDING?
14	A.	Recognizing the off-peak structure of Rate DT and the potential in future years
15		for customers to adopt electric vehicle off peak charging behavior, the Company
16		proposes to create a separate demand charge for recovery of the cost-of-service
17		study's distribution demand revenue component while reducing the other charges
18		commensurately. The proposed distribution demand charge targets the recovery of

removed from the other rate components.

C. LIGHTING RATES

1	Q.	WHAT CHANGES TO THE COMPANY'S STREET LIGHTING RATES
2		ARE BEING REQUESTED AS PART OF THIS PROCEEDING?
3	A.	Duke Energy Kentucky is proposing the same increase across all the street
4		lighting rates to recover revenues allocated by the cost of service study except for
5		Rate LED and changes made to Rate TL.
6	Q.	PLEASE DESCRIBE THE COMPANY'S RATE DESIGN OBJECTIVES
7		FOR RATE SL – STREET LIGHTING SERVICE; RATE NSU – STREET
8		LIGHTING SERVICE FOR NON-STANDARD UNITS; RATE SC -
9		STREET LIGHTING SERVICE CUSTOMER OWNED; RATE SE -
10		STREET LIGHTING SERVICE, OVERHEAD EQUIVALENT; RATE TL
11		– TRAFFIC LIGHT SERVICE; RATE UOLS – UNMETERED OUTDOOR
12		LIGHTING ELECTRIC SERVICE; AND RATE LED – LED OUTDOOR
13		LIGHTING ELECTRIC SERVICE.
14	A.	The rate design objective for these rate schedules, similar to the other rate classes,
15		is to allocate the increased cost of service revenue requirement to the Distribution
16		Energy & Equipment charges and Pole Rates of the rate schedules. Generally, the
17		Company proposes a proportional increase in all charges in the lighting schedules.
18		However, there are exceptions for Rate LED and Rate TL.
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1	O.	CAN	YOU	DISCUSS	WHY	RATE	LED	IS	AN	EXCEPTION	TO	THE

2 PROPORTIONAL LIGHTING CHARGE INCREASE MENTIONED

3 **ABOVE?**

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- 4 A. Yes. A number of factors have prompted a detailed review of Rate LED, such as implementation of the Company's new billing system, obsolescence of older
- 6 lighting technologies (i.e., mercury vapor, metal halide, and sodium vapor), and
- 7 rapidly changing LED lighting fixtures and options and their associated costs. All
- 8 of these factors have contributed to a significant revision of the Rate LED tariff
- 9 sheet. The non-charge revisions are described below. All of the charges for Rate
- 10 LED, other than the volumetric kWh energy charge (which is increased
- proportionally consistent with lighting charges from the other lighting tariff
- sheets), have been recalculated (i.e., reset) based on current costs for fixtures,
- poles, maintenance and all other options included on the tariff sheet.

14 Q. HOW HAVE THE RATE LED CHARGES OTHER THAN THE

VOLUMETRIC ENERGY CHARGE BEEN REVISED?

- 16 A. Consistent with the terms and conditions for Rate LED, these charges use current
- 17 costs of LED lighting fixtures, poles, and other equipment including overheads
- and then utilize a levelized fixed charge rate (LFCR) to establish a monthly
- 19 charge. The LFCR derivation is provided in Attachment BLS-2. Calculations for
- the equipment charges are provided in Confidential Attachment BLS-3. This
- 21 attachment contains confidential information from vendors on costs of the
- fixtures, poles, and other equipment categories. In addition, current expected costs
- for LED maintenance are provided in Confidential Attachment BLS-4.

Q. ARE THERE ADDITIONAL CHANGES TO RATE LED?

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A. Yes. As mentioned above, older lighting technologies, now including sodium vapor fixtures, are becoming increasingly unavailable and obsolete. Provisions already exist in some of the Company's lighting tariff sheets related to obsolescence of mercury vapor and metal halide lighting fixtures. For this reason, the Company is proposing to initiate a transition from older lighting technologies to LED technology under Rate LED. This transition will be implemented as older technology light fixtures and poles fail. They will no longer be replaced with fixtures under the old lighting tariffs such as Rate SL. Instead, failed fixtures will be replaced with similar LED fixtures under Rate LED. The Company's proposed 10 changes to Rate LED include new fixtures and equipment options (i.e., pole foundations, brackets, shrouds, and wiring options) and additional information describing aspects of the Rate LED tariff. These proposed changes are intended to 14 make the transition to Rate LED less impactful to customers. Part of the transition 15 also includes carrying forward from the older lighting rate sheets charges for poles that are not currently offered under Rate LED. This will provide for an 16 easier transition if the current pole can still be utilized when the light fixture fails.

ARE THERE ADDITIONAL LIGHTING TARIFF CHANGES? 0.

Yes. Consistent with the LED transition described above, as applicable, language has been added to the older lighting tariff sheets regarding the transition. Further, clarifying language regarding vegetation management related to lighting fixtures has been added. This language does not change current practice for vegetation management but clarifies for customers that vegetation obstructing light output

1	from the fixture is not managed by the Company unless it falls under the
2	Company's current distribution reliability vegetation management practices. And
3	finally, a minor change is made on several lighting tariff sheets to remove the
4	requirement of a "written" agreement. To help with the LED transition and in
5	general to recognize electronic signature options, the word "written" is removed
6	in multiple locations from the applicable sheets.

7 Q. WHAT CHANGES ARE PROPOSED FOR TRAFFIC LIGHTING 8 SERVICE, RATE TL?

The Company proposes to eliminate rate options (b) and (c). This will effectively eliminate Company-provided maintenance services for traffic lights. The Company's maintenance services do not include any significant repair or replacement of traffic signals but diagnosing and addressing a traffic signal issue can result in delays in the time to return the signal to a working state. The Company maintenance options can cause confusion and delay when traffic signals require repair. The Company proposes to transition all traffic lights under option (c) to option (a), energy only charge. Currently, no customers take service under option (b).

D. **NEW TARIFFS**

18 Q. WHAT NEW TARIFF SHEETS DOES THE COMPANY PROPOSE IN

19 THIS CASE?

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A.

20 A. Duke Energy Kentucky is proposing several new tariff sheets including optional 21 residential Sheet No. 35, Rate RS-TOU-CPP, Sheet No. 57, Rider GTM, Sheet 22 No. 81, Rider CEC, Sheet No. 84, Rate MRC, Sheet No. 85, Rate EVSE, and

2 0. DO YOU SPONSOR THESE NEW TARIFF SHEETS? 3 A. Yes. I wholly or partially sponsor the six proposed new tariff sheets as described 4 below. 5 Q. CAN DESCRIBE RATE RS-TOU-CPP. **EXPERIMENTAL** YOU RESIDENTIAL SERVICE - TIME OF USE WITH CRITICAL PEAK 6 7 PRICING? 8 Yes. Rate RS-TOU-CPP is a new optional, time-based, dynamic rate for A. 9 residential service. The primary features of Rate RS-TOU-CPP are: 10 The TOU structure of Rate RS-TOU-CPP includes daily Super Off-Peak 11 (i.e., called Discount), Off-Peak, On-Peak, and potentially Critical Peak 12 periods. The seasonal structure comprises a revised Summer season, which 13 14 includes the month of May (May 1 – September 30) and Non-summer season (October 1 – April 30). 15 16 The dynamic design recognizes significant load periods through Critical Peak Pricing (CPP) and the declaration of Critical Peak Days (CPDs), 17 18 which are limited to 10 CPDs annually absent a system emergency to 19 prompt an additional CPD. 20 • CPD notices are provided to customers through email and optionally 21 through text message at the Customer's option, providing customers the 22 opportunity to lower their consumption and reduce their bills. 23 WHAT BENEFITS ARE PROVIDED TO CUSTOMERS BY RATE RS-Q. 24 **TOU-CPP?** 25 In addition to the Company more fully utilizing the capabilities of smart meters, A. 26 Rate RS-TOU-CPP recognizes and facilitates the continuing customer adoption of 27 technology such as electric vehicles (EVs) and internet-enabled smart thermostats. 28 Rate RS-TOU-CPP provides customers the opportunity to lower their electric bill 29 through adjustments to electric consumption behaviors. The new TOU structure

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Sheet No. 126, Rate ILIC.

provides a shorter on-peak period facilitating greater customer response opportunities. For customers who can shift load to the year-round 1 am to 6 am Discount period (e.g., EV customers are excellent candidates), bill savings can be realized. Finally, utilizing technology and/or behavior change, price signals will enable customers to contribute to avoiding reliability-based issues during the highest electricity demand periods and reduce their carbon footprints.

A.

7 Q. WILL 10 CRITICAL PEAK DAYS BE IMPLEMENTED EACH YEAR?

A. Not necessarily. Rate RS-TOU-CPP is designed to be revenue neutral based on 5

CPD implementations each year. On average, the Company would expect 5 CPDs

per year. Weather variation, both mild and harsh, will be the dominant factor

dictating the actual number of CPDs implemented to be fewer than or more than

five. Over time, the Company would expect an average of five CPDs per year.

13 Q. WHY DOES THE COMPANY LABEL RATE RS-TOU-CPP AS 14 EXPERIMENTAL?

The Company labels Rate RS-TOU-CPP as experimental to suggest that elements of the rate will be reviewed and may change in the future. Notably, the seasons and the daily periods could be adjusted over time. The Company did not label the rate as a pilot since the Company does not envision this rate being cancelled at any specific date in the future.

1 Q. COULD THE COMPANY EXPERIENCE LOST REVENUE FROM

- 2 CUSTOMER TRANSITION TO RATE RS-TOU-CPP?
- 3 A. Potentially, yes. To limit this exposure, a maximum participation of 1,000
- 4 customers is proposed. In addition, the Company requests a deferral for lost
- 5 revenue for recovery in the Company's next electric rate case.

6 Q. ARE THERE CONSIDERATIONS REGARDING THE CALCULATION

- 7 OF LOST REVENUES?
- 8 A. Yes. The Company will assess the revenue comparison between Rate RS and Rate
- 9 RS-TOU-CPP directly. However, potential conservation impacts of the rate
- structure may be hidden without analysis. The Company proposes to use internal
- staff to analyze this impact and report the results to the Commission in a future
- electric rate case or demand side management filing. At that time, the Company
- may propose a transition of the rate to a DSM program, removing the
- 14 participation limit, or other reasonable changes. The Company may request the
- 15 conservation impacts be added to the deferral amount for requested recovery in a
- 16 future rate case.

17 Q. WHAT REVENUE CALCULATIONS DO YOU OFFER IN SUPPORT OF

- 18 THE RATE RS-TOU-CPP CHARGES?
- 19 A. Attachment BLS-5 supports the calculation of the Rate RS-TOU-CPP charges.
- 20 Rate RS-TOU-CPP is calculated as revenue neutral to Rate RS.

Q. IS THE COMPANY REQUESTING ANY WAIVERS TO IMPLEMENT

RATE RS-TOU-CPP?

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Yes. The Company will need a waiver of rule 807 KAR 5:006 Section 7(a)(3) regarding the manner in which usage is displayed on a customer's bill under the proposed RS-TOU-CPP as it relates to providing the beginning and ending meter reading for this new interval-billed rate. The Company requests authorization to allow the Company to provide usage information only on the monthly bill. The inclusion of meter readings was more meaningful under traditional rate structures; however, with interval usage data comes more dynamic pricing structures; the beginning and ending meter readings are no longer relevant to the customer bills under interval-billed structures. The customer bills will continue to provide information regarding usage that occurred during relevant bill periods. Furthermore, as a result of the Company's deployment of its new Advanced Metering Infrastructure (AMI), customers have even greater access to actual usage information in near real-time via the Company's website. Therefore, even though the Company is proposing not to include this information on the bill going forward, customers who desire that information will have the mean to access it themselves upon demand. The Commission previously granted similar treatment for interval-billed rates as part of the Company's last electric rate case proceeding.¹

¹ See In the Matter Of: Electronic Application of Duke Energy Kentucky, Inc. for 1) An Adjustment of the Electric Rates; 2) Approval of New Tariff; 3) Approval of Accounting Practices to Establish Regulatory Assets and Liabilities; and 4) All Other Required Approvals and Relief, Case No. 2019-00271, pg. 72, (KY.P.S.C. April 27, 2020).

1	Q.	PLEASE DESCRIBE DUKE ENERGY KENTUCKY'S PROPOSED
2		SHEET NO. 57, RIDER GTM, GENERATION ASSET TRUE UP
3		MECHANISM.
4	A.	As more fully explained by Duke Energy Kentucky witness Sarah E. Lawler,
5		Duke Energy Kentucky proposes Sheet No. 57, Rider GTM – Generation Asset
6		True-Up Mechanism. Rider GTM will enable the Company to reconcile any
7		remaining undepreciated plant balances following future retirements of its
8		generating assets. Upon retirement, it is likely that there will be some remaining
9		balance, positive or negative, that will need to be trued-up in customer rates.
10		Creating this rider now provides a mechanism to ensure that customers pay no
11		more or no less than the actual costs incurred by the Company for these assets.
12		Proposed Rider GTM will be applicable to all electric customers. See Ms.
13		Lawler's testimony for a complete description.
14	Q.	PLEASE DESCRIBE DUKE ENERGY KENTUCKY'S PROPOSED
15		SHEET NO. 81, RIDER CEC, CLEAN ENERGY CONNECTION TARIFF
16		SHEET.
17	A.	As more fully explained by Duke Energy Kentucky witness Paul L. Halstead,
18		Duke Energy Kentucky proposes Sheet No. 81, Rider CEC - Clean Energy
19		Connection (Optional Solar Program). Rider CEC will allow the expansion of
20		solar power to the Company's customers in two ways. First, by leveraging the
21		utility's buying power, the CEC Program allows customers to utilize additional
22		solar resources in Kentucky at a lower price than if they install their own solar

generation. Second, the CEC Program allows customers who cannot (i.e., due to

1	roof orientation or shading) or do not want to put solar on their premise to
2	participate in a solar energy program. See Mr. Halstead's testimony for a
3	complete description.

4 O. DO YOU PROVIDE SUPPORTING CALCULATIONS FOR RIDER CEC

5 TARIFF CHARGES?

A.

- No. At this time, costs of the utility solar facility are unspecified. The Company is requesting approval of the tariff as a placeholder tariff at this time. If the placeholder tariff is approved in this proceeding, the Company would file a Certificate for Public Convenience and Necessity (CPCN) for specific project approval and implementation. Costs would be calculated at that time and included in the CPCN for approval by the Commission. However, Company witness Mr. Halstead discusses the value stack in his testimony for the Commission's review and provides an example calculation of charges and credits. This value stack resembles the avoided cost categories the Commission has established in net metering cases including generation capacity, energy, ancillary services, transmission, distribution, environmental, and carbon. See Mr. Halstead's testimony for more detailed information. Also see Ms. Lawler's testimony for additional details on the Rider CEC proposal.
- 19 Q. PLEASE DESCRIBE DUKE ENERGY KENTUCKY'S PROPOSED
 20 SHEET NO. 83, RATE MRC, ELECTRIC VEHICLE SITE MAKE READY
 21 SERVICE.
- As more fully explained by Duke Energy Kentucky witness Cormack C. Gordon,

 Duke Energy Kentucky proposes Sheet No. 83, Rate MRC Electric Vehicle Site

1		Make Ready Service. Rate MRC will enable the expansion of EV adoption by
2		providing credits to customers to prepare their site for installation of EV
3		equipment (i.e., a charger). See Mr. Gordon's testimony for a complete
4		description and more detailed information on the proposed credits.
5	Q.	PLEASE DESCRIBE DUKE ENERGY KENTUCKY'S PROPOSED
6		SHEET NO. 84, RATE EVSE, ELECTRIC VEHICLE SERVICE
7		EQUIPMENT.
8	A.	As more fully explained by Mr. Gordon, Duke Energy Kentucky proposes Sheet
9		No. 84, Rate EVSE – Electric Vehicle Service Equipment. Rate EVSE will enable
10		the expansion of EV adoption by providing a turnkey solution for EV charger
11		installation at the customer's site and at a reasonable monthly charge.
12	Q.	WHAT CALCULATIONS DO YOU OFFER IN SUPPORT OF THE RATE
13		EVSE CHARGES?
14	A.	Confidential Attachment BLS-8 supports the calculation of the Rate EVSE
15		charges. This attachment contains sensitive vendor cost information for the EV
16		chargers to which a fixed charge rate is applied to determine the monthly charges.
17	Q.	PLEASE DESCRIBE DUKE ENERGY KENTUCKY'S PROPOSED
18		SHEET NO. 126, RIDER ILIC, INCREMENTAL LOCAL INVESTMENT
19		CHARGE.
20	A.	As more fully explained by Ms. Lawler, Duke Energy Kentucky proposes Sheet
21		No. 126. Rider ILIC – Incremental Local Investment Charge. Rate ILIC wil

require Public Authorities, as defined in the tariff sheet, to enter into agreements

with the Company for any incremental local investments that are outside the

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Company's regular system-wide construction plans absent the Public Authority's ordinance, franchise, or other directive requiring such investment. These agreements will be submitted to the Commission for determination of cost allocation to Company's customers in general or only the Company's customers within the boundaries of the Public Authority.

6 Q. HOW DOES THE COMPANY PROPOSE TO CALCULATE CHARGES 7 FOR INCREMENTAL LOCAL INVESTMENT?

A.

If by determination of the Commission the incremental local investment should be recovered from all the Company's customers, the incremental local investment charge will be determined through application of a levelized fixed charge rate until the Company's next rate case when the investment will be placed in rate base. Until incorporated into base rates, the monthly charge for each customer will equal the monthly total charge for the investment divided by the number of the Company's customers or otherwise directed by the Commission. If by determination of the Commission the incremental local investment should be recovered from only the Company's customers within the boundaries of the Public Authority, the same approach will be used except the number of customers will be only the customers within the boundaries of the Public Authority. Allocation of revenue collection by rate class or otherwise may be considered as agreed between the Public Authority and the Company and as approved by the Commission.

IV. OTHER TARIFF CHANGES

1	Q.	WHAT OTHER TARIFF CHANGES IS THE COMPANY PROPOSING IN
2		THIS CASE?
3	A.	Duke Energy Kentucky is proposing changes to the tariff sheets listed below as
4		well as less significant text changes as captured in Schedule L. Changes to the
5		following sheets are described below.
6		• Sheet No. 22, Service Regulations Section III – Customer's Installations,
7		• Sheet No. 25, Service Regulations Section VI – Billing and Payment,
8		• Sheet No. 72, Rider X Line Extension Policy,
9		• Sheet No. 73, Rider LM, Load Management Rider,
10		• Sheet No. 85, Rider BR, Brownfield Redevelopment Rider,
11		• Sheet No. 86, Rider DIR, Development Incentive Rider,
12		• Sheet No. 87 Rider GSA, Green Source Advantage,
13		• Sheet No. 88, Rider GP, GoGreen Kentucky,
14		• Sheet No. 91, Charge for Reconnection of Service,
15		• Sheet No. 92, Rate DPA, Distribution Pole Attachments,
16		• Sheet No. 95, Local Government Fee, and
17		• Sheet No. 98 and 100, Emergency Procedures for Long-Term Fuel
18		Shortages and Emergency Procedures respectively.

1	Q.	DO YOU PROPOSE TO CANCEL AND WITHDRAW ANY TARIFF
2		SCHEDULES?
3	A.	Yes. There are two tariff schedules that are proposed to be combined within other
4		tariff schedules and therefore cancelled and withdrawn. Sheet No. 98, Electricity
5		Emergency Procedures for Long-Term Fuel Shortages, is folded into Sheet
6		Number 100, Emergency Electric Procedures. Recognizing the age of this tariff
7		sheet and the current involvement of PJM in emergency procedures, the Company
8		proposes this consolidation. In addition, Sheet No. 85, Brownfield
9		Redevelopment Rider, is proposed to be combined into Sheet No. 86,
10		Development Incentive Rider.
11	Q.	WHAT CHANGES TO SHEET NO. 22, DOES THE COMPANY PROPOSE
12		AS PART OF THIS PROCEEDING?
13	A.	The Company proposes to utilize the Company's Line Extension Policy to assess
14		charges to customers resulting from material changes in the Customer's
15		Installation.
16	Q.	WHAT CHANGES TO SHEET NO. 25, DOES THE COMPANY PROPOSE
17		AS PART OF THIS PROCEEDING?
18	A.	The Company clarifies the bill payment methods available to customers by
19		removing reference to payment at the Company's office. The Company has not
20		processed payments at its offices for many years. The Company also reduces the
21		5% late payment fee reference to 2.3%. The Company's witness Jacob S. Colley

provides a description and support for this reduction in his testimony.

1 Q. WHAT CHANGES TO SHEET NO. 72, DOES THE COMPANY PROPOSE

AS PART OF THIS PROCEEDING?

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3 A. The Company proposes several revisions to clarify line extension cost treatment. First, mention of transmission line extensions is included in the tariff sheet to 4 5 clarify for customers that transmission line extension costs are subject to the 6 Federal Energy Regulatory Commission (FERC) rules. However, as applicable, 7 transmission line extensions will follow the guidelines set forth in the Company's 8 line extension policy. Second, the Company proposes to utilize the line extension 9 policy guidelines to assess customer charges for material changes in the 10 customer's installation as well as the traditional line extension for new customer 11 locations. Finally, the Company proposes new line extension guidelines and an 12 early termination paragraph that can apply to new customers who never start the proposed new operations or do not fulfill the full load additions anticipated. 13

Q. WHAT CHANGES TO SHEET NO. 73, DOES THE COMPANY PROPOSE AS PART OF THIS PROCEEDING?

Recognizing the on-peak provision of Rider LM for Rates DS and DP customers and the potential in future years for customers to adopt electric vehicle off peak charging behavior, the Company proposes to add a provision to limit the avoidance of demand charges for off-peak demand by changing the determination of billing demand under Rider LM from only the on-peak period to the higher of the on-peak period demand or 50 percent of the off-peak period demand.

1 Q. WILL THIS CHANGE TO RIDER LM HAVE A REVENUE IMPACT IN 2 THE TEST PERIOD? 3 A. The Company reviewed all Rate DP Rider LM participants and a sample of Rate 4 DS Rider LM participants and found no revenue impact for Rate DP customers 5 and only immaterial impacts of 27 additional billed kW for Rate DS customers. 6 Although immaterial, the 27 kW of additional revenue is added to the revenue 7 numbers for Rate DS in Schedule M-2.3 page 3 of 23. WHAT CHANGES TO SHEET NO. 86 DOES THE COMPANY PROPOSE 8 Q. 9 AS PART OF THIS PROCEEDING? 10 A. The Company proposes multiple changes for Rider DIR, Development Incentive 11 Rider, to increase the flexibility of potential development incentive offers, add 12 criteria to evaluate prospects, and enhance the potential benefit to the prospective 13 customer. The changes are consistent with recent approval or proposed changes in 14 the Company's Rider DIR provisions for Indiana and Ohio. The proposed changes 15 will improve Duke Energy Kentucky's competitiveness in the region. Proposed 16 changes are described below. 17 Brownfield Redevelopment Program - Company's Sheet No. 85, Rider 18 BR, is folded into Rider DIR and proposed to follow the same guidelines 19 for development incentives as described below. 20 Net Monthly Billing – The Company proposes to change the current "up to 50 percent" reduction of the customer's total bill less riders for 12 21 months to an "up to 30 percent" reduction in the customer's monthly bill 22 23 excluding excess facility charges, applicable taxes, and rider amounts for 24 up to 60 months. This change is focused on making proposals more 25 competitive. However, the resulting rate net of the discount provided must cover the marginal cost to provide service to the customer. Additional 26

flexibility is also added to provide the prospective customer up to a 36-

month period to establish operations before the discount is applied.

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1 2 3 4 5 6 7 8 9 10 11 11 12 13		 Evaluation Criteria – The Company proposes to use a list of criteria to establish the percentage discount offer to prospective customers adding structure to the determination. Verification of Performance – The Company proposes the ability to review customer performance under Rider DIR. If the customer does not fulfill their commitments under the Rider DIR contract with the Company terms of the contract may be renegotiated or terminated. Other Terms and Conditions – The Company proposes three additional changes. First, if the prospective customer should cease operations during a 10-year period after the rider contract is signed, a repayment structure of the discounts provided is established. Second, the minimum load factor criterion is reduced from 40 percent to 35 percent. And finally, the employment and investment minimum criteria for consideration is reduced since these factors are now a part of the Evaluation Criteria.
15	Q.	WHAT CHANGES TO SHEET NO. 87 DOES THE COMPANY PROPOSE
16		AS PART OF THIS PROCEEDING?
17	A.	The Company proposes to change the Green Source Advantage rider's limit or
18		the maximum annual amount of renewable capacity from 125% of the Customer's
19		maximum annual demand to 100% of the Customer's annual energy consumption
20		This allows customers to more closely match their total annual consumption with
21		total annual generation from renewable resources.
22	Q.	WHAT CHANGES TO SHEET NO. 88 DOES THE COMPANY PROPOSE
23		AS PART OF THIS PROCEEDING?
24	A.	The Company proposes to create an option for larger customers to negotiate a
25		price for renewable energy credits (RECs) as part of the GoGreen Kentucky rider
26		Residential and small commercial customers on Rate DS would remain eligible
27		for the current GoGreen Rate while larger customers will have the option to

negotiate a price for RECs with the Company.

1	Q.	WHAT CHANGES ARE MADE TO THE COMPANY'S CHARGE FOR
2		RECONNECTION OF SERVICE, SHEET NO. 91?
3	A.	Consistent with cost calculations provided in Confidential Attachment BLS-6, the
4		Company proposes to decrease the remote reconnection charge to \$5.60. All other
5		reconnection charges remain unchanged.
6	Q.	DESCRIBE THE SUPPORT INFORMATION PRESENTED IN
7		CONFIDENTIAL ATTACHMENT BLS-6, CALCULATION OF
8		RECONNECTION FEES.
9	A.	The remote reconnection fee calculation uses a fully loaded labor rate and
10		estimated labor hours to complete a remote reconnection request. The estimated
11		completion times are based on actual historical practice. The file is marked
12		confidential since it also contains vendor pricing.
13	Q.	WHAT CHANGES ARE MADE TO THE COMPANY'S CHARGE FOR
14		POLE ATTACHMENTS, SHEET NO. 92?
15	A.	The Company acknowledges that Case No. 2022-00105 is pending a Commission
16		decision and notes that the tariff sheet pending in that proceeding may be
17		approved in the future. Therefore, the Company only updates the pole attachment
18		charge in this proceeding using the most recent FERC Form 1 data. All other

changes proposed in Case No. 2022-00105 are subject to the Commission's

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approval in that proceeding.

1	Q.	DESCRIBE THE SUPPORT INFORMATION PRESENTED IN
2		ATTACHMENT BLS-7, CALCULATION OF POLE ATTACHMENT
3		CHARGES.
4	A.	The Company is revising the per foot charge in the DPA rate using the
5		Commission-designated calculation process set forth on September 17, 1982, in
6		Administrative Case No. 251. Calculations for the new per foot pole attachment
7		charges are presented in Attachment BLS-7.
8	Q.	WHAT CHANGES ARE PROPOSED TO THE COMPANY'S LOCAL
9		GOVERNMENT FEE, SHEET NO. 95?
10	A.	The Company clarifies the use of Sheet No. 95 versus new proposed Sheet No
11		126. Sheet No. 95 addresses a fee or cost that a local government may assess
12		directly on the Company such as a franchise fee. However, a material cost or
13		investment that a local government imposes on the Company through
14		requirements embedded in a franchise or other ordinance is addressed in
15		Company's proposed Sheet No. 126; see above.
16	Q.	WHAT CHANGES ARE PROPOSED TO THE COMPANY'S
17		EMERGENCY PROCEDURES IN SHEET NOS. 98 AND 100?
18	A.	The Company proposes to cancel and withdraw Sheet No. 98, Electricity
19		Emergency Procedures for Long-Term Fuel Shortages. After review, the

Company has folded Sheet No. 98 into Sheet No. 100 recognizing the intricate

interaction with PJM during emergency conditions such as fuel shortages. Sheet

No. 98 is no longer applicable as written. Sheet No. 100, Emergency Electric

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1	Procedures is revised with text recognizing the close interaction with PJM during
2	system emergency conditions.

Q. IS THE COMPANY PROPOSING REVISIONS TO ITS NET METERING

TARIFF SHEET IN THIS CASE?

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No. The Company intends to update its net metering tariff in the very near future and intends to file an application in a separate proceeding, similar to how the Commission has addressed net metering issues with other electric utilities. The Company believes addressing those issues separately makes sense and the Commission's prior decisions to separate those issues are reasonable and appropriate. In Case Nos. 2020-00174 and 2021-00350, the Commission opted to separate net metering from the rest of the referenced rate cases given the complexities and time requirements to fully address net metering topics. Accordingly, The Company acknowledges this approach and intends to file a successor tariff sheet for net metering within 60 days of the conclusion of this case. This bifurcated approach enables the Company to utilize the approved cost of service study from this proceeding in the preparation of the net metering revisions. Currently, net metering customers receive a 1:1 credit for their energy from Duke Energy Kentucky's rates so they are not harmed by the Company's proposal to address net metering separately.

The Company believes that there are strong parallels in the values of avoided costs of solar generation as it relates to capacity, energy, ancillary services, transmission and distribution system investments, and environmental attributes between net metering and what the Company is proposing with its CEC

Program and having the Commission's input in that program will greatly assist the Company in proposing a reasonable net metering program for its customers. During the interim, the Company intends to kick off a stakeholder engagement process among willing participants to discuss relevant net metering issues including potential post cap solar adoption. Further, the Company will utilize the Commission's review, comments, and ultimate resolution of the Company's proposed CEC community solar program value stack and allocation of benefits to non-participants for guidance, as applicable, in the future net metering filing. For more information on these value stack items for transmission and distribution connected community solar installations, see Mr. Halstead's testimony.

V. <u>CONCLUSION</u>

- 11 Q. HOW DOES THE COMPANY PROPOSE THAT ITS TARIFFS,
- 12 INCLUDING THE PREVIOUSLY DISCUSSED RATES AND CHARGES,
- **BE IMPLEMENTED?**
- 14 A. We propose that the revised tariff, including the rates and charges complying with
- the Commission's order in this Case, be established effective January 3, 2023, for
- all customers.

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- 17 Q. WERE SCHEDULES L, L-1, L-2, L-2.2, M, M-2.1 THROUGH M-2.3 AND N
- 18 AS WELL AS, FR 16(1)(b)(3), FR 16(1)(b)(4), FR 16(8)(l), FR 16(8)(m), FR
- 19 16(8)(n), AND FR 17(4), AND CONFIDENTIAL ATTACHMENTS BLS-3,
- 20 BLS-4, BLS-6, AND BLS-8, AND ATTACHMENTS BLS-1, BLS-2, BLS-5,
- 21 AND BLS-7, PREPARED BY YOU OR UNDER YOUR SUPERVISION?
- 22 A. Yes.

- 1 Q. IS THE INFORMATION CONTAINED IN THOSE SCHEDULES AND
- 2 FILING REQUIREMENTS ACCURATE TO THE BEST OF YOUR
- 3 KNOWLEDGE AND BELIEF?
- 4 A. Yes.
- 5 Q. DOES THIS CONCLUDE YOUR PRE-FILED DIRECT TESTIMONY?
- 6 A. Yes.