

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

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	:	Case No. 2022-00372
Regulatory Assets and Liabilities; and 4) All	:	
Other Required Approvals and Relief.	:	

REPLY BRIEF OF THE KROGER CO.

The Kroger Co. (“Kroger”) submits this Reply Brief in support of its recommendations with respect to Duke Energy Kentucky, Inc.’s (“Duke”) Application for an adjustment of its electric rates.

ARGUMENT

- 1. Duke Has Failed To Present A Compelling Argument In Opposition To Kroger’s Recommendation That The Commission Order The Company To Study And Propose A Conjunctive Billing Demand Pilot Program In Its Next General Rate Case.**

In its Initial Brief, Duke claims that a conjunctive billing program may be “discriminatory” against single-site customers, stating that a conjunctive demand rate design would “shift (i.e., increase) demand charges from larger multi-site customers to comparatively smaller customers.”¹ However, the fact that a change to Duke’s rate design would cause some customers to pay slightly more and others to pay slightly less does not make it discriminatory. Duke does not dispute that multi-site customers are currently charged more for generation and transmission service than

¹ Duke Initial Brief at 89.

same-sized single-site customers despite there not being any difference in the generation and transmission cost to serve. In fact, Duke has not made any cost-of-service argument in support of its objection to a conjunctive demand rate design.

Therefore, Duke's only criticism is not that Kroger's proposal is discriminatory, but rather that Kroger's accounts may benefit from its proposed change to Duke's rate design.² The fact that a party would benefit from its own proposal in an administrative proceeding is obviously not a valid reason for the rejection of that proposal. The Commission should endeavor to implement a rate design that more accurately assigns costs to the cost-causer and Duke has conceded that there is no difference in the generation and transmission cost to serve a single-site customer as a multi-site customer with the same amount of load spread over multiple locations.³ As explained in Mr. Bieber's Direct Testimony, a well-designed demand aggregation program places a customer with multiple locations on an equal footing with single-site customers, by charging participating multi-site customers for the amount of generation and transmission services that they actually use, thereby promoting equitable treatment of these customers.⁴

Duke's other reason for objecting to a conjunctive demand rate design is a general concern that such a change to Duke's billing system may be "administratively infeasible for the Company to implement."⁵ Duke witness, Mr. Ziolkowski initially testified to a more specific concern over billing feasibility in his Rebuttal Testimony, stating that electric rates "would need to be unbundled into distribution, transmission and generation functions..." and that "the Company's billing system is not designed to handle this..."⁶ However, at hearing, Mr. Ziolkowski acknowledged that Duke is *already* planning to unbundle its distribution rates from generation and transmission in this proceeding as explained in Duke witness Mr. Sailer's Direct Testimony.⁷

² Duke Initial Brief at 89-90.

³ TR May 10, 2023 at 9:22:00-9:23:00

⁴ Justin Bieber Direct at 18-19.

⁵ Duke Initial Brief at 89.

⁶ James E. Ziolkowski Rebuttal at 5.

⁷ See Bruce L. Sailers Direct at 10, lines 14-20.

And that Duke's planned unbundling "begins to address" the concern stated in Mr. Ziolkowski's Testimony.⁸

Duke's Initial Brief does not cite any specific reason that conjunctive demand billing would be overly complicated, only that it may be. A utility should not be able to avoid adopting a rate design that better reflects cost of service by vaguely referencing potential problems with its billing system when other utilities have successfully adopted similar programs.⁹ To the extent that there may be billing issues that need to be resolved before implementing a conjunctive billing rate design change, Duke will have more than sufficient time to address these as Kroger is merely proposing that conjunctive billing system be studied and proposed in the future. Kroger is not proposing that it be implemented in this proceeding.

Kroger therefore recommends that the Commission order the Company to study the feasibility of a multi-site aggregated demand commercial rate and propose a pilot program in its next rate case that would allow commercial customers to participate in a multi-site rate applicable to the portion of the demand charge associated with fixed *production* and *transmission* costs.

Respectfully submitted,

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⁸ TR May 10, 2023 at 9:27:00-9:27:34

⁹ Justin Bieber Direct at 18-19.