

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

In the Matter of:

APPLICATION OF DUKE ENERGY KENTUCKY, INC.    )  
FOR AN ADJUSTMENT TO RIDER NM RATES AND        ) CASE NO. 2023-00413  
FOR TARIFF APPROVAL                                    )

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

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April 17, 2024

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**ATTACHMENTS:**

Confidential Rebuttal Attachment BLS-1

**I. INTRODUCTION AND PURPOSE**

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

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 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. ARE YOU THE SAME BRUCE L. SAILERS THAT SUBMITTED DIRECT**  
11 **TESTIMONY IN THIS PROCEEDING?**

12 A. Yes.

13 **Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?**

14 A. The purpose of my rebuttal testimony is to address the comments and  
15 recommendations of Dr. Richard McCann on behalf of the Kentucky Solar Energy  
16 Society and Kentuckians for the Commonwealth (KSES) in this proceeding and to  
17 discuss certain updated Company data. Specifically, I address the comments and  
18 recommendations of Dr. McCann as they relate to several general comments and  
19 the avoided cost excess generation credit (ACEGC) including the topics of carbon,  
20 risk hedge, generation capacity, transmission capacity, and distribution capacity.  
21 In addition, I address Dr. McCann's comments on the Jobs and Economic  
22 Development Impact (JEDI) model. Finally, I address a topic from the Commission

1 Staff’s discovery questions related to updated Company data. The Company has  
2 recently assessed and revised the Peaker Method’s generation capacity avoided cost  
3 for use in the Company’s cogeneration tariff filing. Implications associated with  
4 these revised values are summarized in the ACEGC Generation Capacity section  
5 below. I will organize my testimony using the following section headings:

- 6 **I.** Introduction, Purpose, and General Comments
- 7 **II.** ACEGC - Carbon
- 8 **III.** ACEGC – Risk Hedge
- 9 **IV.** ACEGC – Generation Capacity
- 10 **V.** ACEGC – Transmission Capacity
- 11 **VI.** ACEGC – Distribution Capacity
- 12 **VII.** JEDI Model

13 **Q. IN GENERAL, ARE THERE ANY PRELIMINARY COMMENTS ABOUT**  
14 **DR. MCCANN’S TESTIMONY?**

15 A. Yes. There are two items the Company notes for the Commission upon review of  
16 Dr. McCann’s testimony. First, as it pertains to the avoided cost of excess  
17 generation credit (ACEGC), the value is for the cost that the Company avoids from  
18 new, NM II, customer-generator’s excess generation. Second, as of April 8, 2024,  
19 there are 2.1 MWs remaining before the Company reaches the statutory net  
20 metering cap.<sup>1</sup>

21 **Q. DO YOU HAVE ADDITIONAL COMMENTS ON THE RATE DESIGN**  
22 **TOPIC OF GRADUALISM?**

23 A. Yes. Dr. McCann references gradualism in his testimony and talks about smooth  
24 transitions for customers. I agree gradualism is an important rate design principle,

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<sup>1</sup> Pursuant to KRS 278.466(1), the Company “shall have no further obligation to offer net metering to any new customer-generator at any subsequent time” after the cumulative generating capacity of net metering systems reaches one percent (1%) of the Company’s single hour peak load during a calendar year.

1 both for net energy metering reform as well as core tariffs. Importantly, consistent  
2 with statutes, the Company is providing grandfathering for 25 years for customers  
3 who take service under the present (NM I) and new (NM II) net metering  
4 frameworks, pursuant to the terms in the proposed tariff sheets. Such a timeframe  
5 ensures that customers are not unduly subjected to changes in rate designs, but  
6 rather smoothly transitioned over time. Based on my experience, such a timeframe  
7 is more than adequate in terms of the normal considerations of gradualism in rate  
8 design. Further, the new net metering statutes have been in place since January 1,  
9 2020. Dr. McCann is aware of this given his participation in the Kentucky Power  
10 case dealing with net metering; Case No. 2020-00174. Additionally, the Company  
11 initiated information exchange through forums on net metering in 2023. Ample  
12 time has been provided to installers of rooftop solar generation to prepare their  
13 engagement with potential customer-generators for the Company’s compliance  
14 with the new net metering statutes.

15 **Q. DOES DR. MCCANN DISCUSS GRADUALISM IN DISCOVERY?**

16 A. Yes. In DEK-DR-01-029 Dr. McCann confirms that he does not recommend an  
17 immediate adoption of the ACEGC values he calculates. But instead recommends  
18 continuing the Company’s net metering program unchanged; ignoring the revisions  
19 to the net metering statutes.

20 **Q. ON PAGE 15 OF HIS TESTIMONY, DR. MCCANN STATES THAT “DEK  
21 IN TESTIMONY AND DATA RESPONSES ERRONEOUSLY ASSERTS  
22 THAT ROOFTOP SOLAR GENERATION IS “RANDOM AND  
23 INTERMITTENT”.” DID THE COMPANY MAKE THIS CLAIM?**

1 A. No. In my direct testimony I referred to “random, intermittent, non-dispatchable  
2 rooftop solar **exports**” (emphasis added) on pages 19 and 20.<sup>2</sup> The difference is  
3 not trivial. Much of Dr. McCann’s testimony discusses a valuation approach which  
4 is entirely beside the point because of this important difference – generation from  
5 a solar rooftop facility is not the same as exports from a net metered solar customer.  
6 Indeed, to state again a point I made in my direct testimony, under the Company’s  
7 proposal, net metering customers will continue to receive the full retail rate for solar  
8 production for self-consumed energy (*i.e.*, energy not exported to the grid). That  
9 full retail rate necessarily includes the value of transmission and distribution assets;  
10 again, as I made clear in my direct testimony and Dr. McCann ignores. The key  
11 difference is that exported energy is not the same as the total solar production from  
12 the rooftop system.

13 **Q. WHY IS EXPORTED ENERGY DIFFERENT FROM SOLAR**  
14 **PRODUCTION AND WHY DOES THE COMPANY CHARACTERIZE IT**  
15 **AS “RANDOM”?**

16 A. Exported energy refers to the kWh generated by the solar facility that, at a given  
17 point in time, exceeds the customer’s consumption and flows back onto the grid –  
18 that is, through the meter and back onto the Company’s wires. As an example, if a  
19 customer is producing 7 kW of solar generation at a given moment and consuming  
20 8 kW, the customer is fully using their solar generation and no energy is exported  
21 to the grid. However, if that same customer were to turn off an electric oven or  
22 electric dryer and their usage decreases to 6 kW, they would immediately start

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<sup>2</sup> Direct Testimony of Bruce L. Sailors, pp. 19-20 (Dec. 11, 2023).

1 exporting energy; in this example, 1 kW. It is therefore easy to see why the  
2 Company considers exported energy to be both random and intermittent – a flip of  
3 a switch in a customer’s home can swing them from a state of importing to  
4 exporting in a short time. Combined with the potential for swings in solar  
5 generation due to passing cloud cover, the amount of energy that will ultimately be  
6 exported is indeed random and intermittent. By conflating total generation with  
7 exports to the grid, Dr. McCann is attempting to address a position that I did not  
8 make in my testimony.

## II. ACEGC - CARBON

9 **Q. CAN YOU SUMMARIZE DR. MCCANN’S COMMENTS ON CARBON?**

10 A. Yes. In summary, on page 28 of his testimony Dr. McCann concludes that the cost  
11 of carbon capture that should be applied to the ACEGC is \$0.0466 per kilowatt-  
12 hour of exported energy.<sup>3</sup> As reference, the values for carbon the Commission  
13 ordered in Case Nos. 2020-00174 and 2020-00349 are \$0.00578 / kWh and  
14 \$0.01338 / kWh, respectively.<sup>4</sup>

15 **Q. HAS THE COMPANY PREVIOUSLY CONSIDERED THE IMPACTS OF**  
16 **A CARBON TAX?**

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<sup>3</sup> See Direct Testimony of Richard McCann, PH.D, p. 28 (Mar. 13, 2024).

<sup>4</sup> *Electronic Application of Kentucky Power Company for (1) A General Adjustment of its Rates for Electric Service; (2) Approval of Tariffs; (3) Approval of Accounting Practices to Establish Regulatory Assets and Liabilities; (4) Approval of a Certificate of Public Convenience and Necessity; and (5) All Other Required Approvals and Relief*, Case No. 2020-00174, p. 36, Order (May 14, 2021); *Electronic Application of Kentucky Utilities Company for an Adjustment of its Electric Rates, a Certificate of Public Convenience and Necessity to Deploy Advanced Metering Infrastructure, Approval of Certain Regulatory and Accounting Treatments, and Establishment of a One-Year Surcredit*, Case No. 2020-00349, p. 56, Order (Sep. 24, 2021).

1 A. Although the Company has considered the possible impacts of a carbon tax scenario  
2 in the past, no direct carbon tax has been imposed on the Company to date, and the  
3 Company does not believe that such a scenario is likely at this time.

4 **Q. DOES THE COMPANY OR DR. MCCANN KNOW WHAT A FUTURE  
5 CARBON TAX WOULD BE OR HOW IT WOULD BE APPLIED?**

6 A. No. Legislation incorporating a carbon tax on the Company has not been passed.  
7 It is unknown whether a carbon tax will be passed in the future and if passed what  
8 the tax will be.

9 **Q. WHAT IS THE COMPANY'S GOAL RELATED TO CARBON FREE  
10 GENERATION?**

11 A. The Company's publicly stated goal is to have net zero carbon emissions from  
12 generation by 2050. This goal is, of course, subject to the specific state regulations  
13 and Commission orders in all the service areas the Company operates, including  
14 Kentucky. This nuance is noted by Duke Energy CEO Lynn Good in a news  
15 release, which stated, that "[t]he steps and timeline for this transition will be unique  
16 in each state we serve," and that the Company would collaborate with regulators,  
17 among others.<sup>5</sup>

18 **Q. HAVE THERE BEEN RECENT UPDATES TO KENTUCKY STATUTES  
19 THAT MIGHT IMPACT RETIREMENT DATES OF FOSSIL FUEL  
20 GENERATION?**

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<sup>5</sup> See *Duke Energy aims to achieve net-zero carbon emissions by 2050* (September 17, 2019), available at <https://news.duke-energy.com/releases/duke-energy-aims-to-achieve-net-zero-carbon-emissions-by-2050> (accessed April 17, 2024).



1 A. Yes. Kentucky Revised Statutes 278.262 and 278.264 went into effect on March  
2 29, 2023, setting out a framework for Commission review of proposed retirements  
3 of fossil fuel-fired generation units. The Company will comply with the new  
4 statutory provisions and incorporate such compliance into its planning, where  
5 applicable.

6 **Q. DOES DR. MCCANN'S RELIANCE ON CARBON CAPTURE APPEAR**  
7 **REASONABLE FOR THE COMPANY?**

8 A. No. This is only one alternative that may or may not fit with planning for Duke  
9 Energy Kentucky.

10 **Q. DO YOU AGREE WITH DR. MCCANN'S RECOMMENDATION**  
11 **REGARDING AVOIDED COSTS OF CARBON?**

12 A. No. As discussed above, there is insufficient evidence to support additional  
13 avoided costs at this time, beyond what is already inherently embedded in the  
14 Company's proposal related to the IRA.

15 **Q. IN THE EVENT THE COMMISSION AGREES WITH DR. MCCANN'S**  
16 **CARBON PRICE CLAIMS, DO YOU BELIEVE NET METERING SOLAR**  
17 **IS THE ONLY CARBON FREE RESOURCE THAT QUALIFIES FOR**  
18 **SUCH AN AVOIDED COST?**

19 A. No. The Company acknowledges that the Commission has included a separate  
20 avoided cost for carbon in other utility excess generation credit values as referenced  
21 above. As discussed in Witness Kalemba's direct testimony, the intent of the IRA  
22 is to incentivize adoption of non-carbon emitting resources which has the same  
23 impact on reducing carbon emissions as a carbon tax would have. Because the IRA

1 is included in the modeling to develop LMP forecasts, any carbon reduction impacts  
2 are already included in the LMP forecast.

3 If ultimately the Commission’s order in this case includes an additional  
4 avoided cost value for carbon, this avoided cost value should also be considered in  
5 the avoided cost values used in cost-effectiveness consideration for all energy  
6 efficiency and demand side management (DSM) programs. Also for consideration,  
7 Company solar proposals such as Community Solar would apply. Of particular  
8 note regarding Community Solar, these programs enable renters, low-income  
9 customers, and those customers with homes that can’t support the expense of  
10 rooftop solar to participate in a solar program that can provide many of the same  
11 value streams such as carbon avoidance.

### III. ACEGC – RISK HEDGE

12 **Q. DO YOU AGREE WITH DR. MCCANN’S COMMENTS ON THE RISK**  
13 **HEDGING VALUE OF NET METERING CUSTOMER-GENERATORS?**

14 A. No. While hedging can be a useful tool in financial planning, Dr. McCann does  
15 not approach hedging correctly based on Commission order.<sup>6</sup> Dr. McCann  
16 apparently believes the Company operates like a personal financial advisor  
17 performing day trading for individuals. See Dr. McCann’s footnote 33 on page 19.<sup>7</sup>  
18 This may indicate a lack of understanding by Dr. McCann of the Company’s  
19 hedging practices and recent Commission precedent.<sup>8</sup>

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<sup>6</sup> See *infra* n.1010 and accompanying text.

<sup>7</sup> Direct Testimony of Richard McCann, PH.D, p. 19 n.33 (Mar. 13, 2024).

<sup>8</sup> See *infra* n.10 and accompanying text.

1 **Q. DO YOU AGREE WITH DR. MCCANN’S RISK HEDGE VALUE OF NET**  
2 **METERING CUSTOMER-GENERATORS?**

3 A. No. Dr. McCann opines on page 20 lines 1 through 7 that “...the hidden cost of  
4 market volatility in market gas price appears to be \$1.50 to \$2.50 per MMBtu.”<sup>9</sup>  
5 He references a 2012 study from the Rocky Mountain Institute. The Company  
6 performed a search for these values in the study which returned no results. Further  
7 review of the report would suggest that Dr. McCann may be referencing the specific  
8 prices, \$1.38/mmbtu and \$2.38/mmbtu, a Colorado utility paid as premiums in the  
9 Anadarko contract. These premiums are specific to the contract. This single  
10 reference to an old contract from Colorado has little, if any, material value to the  
11 instant proceeding. Dr. McCann’s proposed value should be rejected.

12 **Q. HAS THE COMMISSION APPROVED HEDGING PRACTICES FOR THE**  
13 **COMPANY RELATED TO GAS PURCHASES FOR ELECTRIC**  
14 **GENERATING STATIONS?**

15 A. No. Financial hedging practices related to gas and coal purchases have generally  
16 not been accepted by the Commission. In that regard, it’s contradictory for Dr.  
17 McCann to suggest there is an avoided cost of hedging gas prices when the  
18 Company does not hedge gas prices. Recently in Case No. 2022-00372, the  
19 Commission approved limited hedging activities the Company can perform related  
20 to LMP and scheduled plant outages, but denied approval for hedging forced  
21 outages and economic purchases. The Commission explained: “The Commission  
22 does not agree that ratepayers have similar risks in all situations. The FAC limits

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<sup>9</sup> Direct Testimony of Richard McCann, PH.D, p. 20 (Mar. 13, 2024).

1 recovery of replacement generation for forced outages. While Duke Kentucky  
2 demonstrated the volatility and highest prices of the day ahead and real time energy  
3 market, it did not explain why economic purchases should be hedged. The  
4 Commission finds that Duke Kentucky’s proposal to hedge forced outages and  
5 economic purchases should be denied. The Commission also finds that Duke  
6 Kentucky’s proposal to hedge scheduled outages should be approved.”<sup>10</sup>

7 **Q. FURTHER, IS THE ACEGC PROPOSED FOR CUSTOMER-**  
8 **GENERATORS REVISED TO REFLECT CHANGING FUEL PRICING**  
9 **OVER TIME, INCLUDING NATURAL GAS?**

10 A. Yes.

11 **Q. IF THE ACEGC PAID TO SOLAR CUSTOMER-GENERATORS**  
12 **UPDATES REGULARLY TO REFLECT FUEL MARKETS, IS IT**  
13 **REASONABLE TO BELIEVE THAT THE SOLAR ACTUALLY**  
14 **PROVIDES A HEDGE VALUE FOR FUEL?**

15 A. No, it is not reasonable. If the prices the Company pays for solar energy tracks  
16 with fuel, then such solar purchases cannot be said to insulate the Company or other  
17 customers from fuel price volatility.

18 **Q. IN CONCLUSION, DOES DR. MCCANN’S PROPOSED HEDGING**  
19 **VALUE APPEAR REASONABLE?**

20 A. No. First, the Company does not hedge gas prices and therefore, there is no avoided  
21 cost. Second, if the Company hedges electric prices for scheduled outages, which

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<sup>10</sup> *In the Matter of Electronic Application of Duke Energy Kentucky, Inc., for (1) An Adjustment of 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. 2020-00372, p.87, Order (October 12, 2023).*

1 typically occur during the shoulder months of the year when LMPs are relatively  
2 low, Dr. McCann's value based on the source he cites is not applicable and not  
3 restricted to only scheduled outage periods. Finally, as the ACEGC is updated with  
4 embedded revised forecasts for fuel, Dr. McCann's proposed hedge cannot be said  
5 to insulate the Company or other customers from fuel price volatility. Dr.  
6 McCann's recommendation should be rejected.

#### IV. ACEGC – GENERATION CAPACITY

7 **Q. HAS THE COMPANY RECENTLY REVIEWED AND REVISED THE**  
8 **PEAKER METHOD CAPACITY COSTS OF A CT FOR THE TWO-YEAR**  
9 **REVISION TO THE COMPANY'S COGENERATION TARIFFS?**

10 A. Yes. The Company has recently prepared revised cogeneration tariff sheets with  
11 updated avoided capacity costs for qualifying facilities (QF), pursuant to 807 KAR  
12 5:054, Section 5(1)(a).

13 **Q. DOES THE COMPANY FEEL THIS COULD BE RELEVANT TO THE**  
14 **INSTANT PROCEEDING?**

15 A. Yes. The Company acknowledges that the recently reviewed avoided cost of  
16 generation capacity value could be used as an update to the associated avoided cost  
17 value for this proceeding. In that regard, the Company reviewed Mr. Sailers'  
18 testimony attachment Confidential BLS-3 to identify updates that would impact the  
19 avoided generation capacity values. In addition to a potential update to the cost of  
20 a CT from the Peaker Method, PJM has also recently released revised ELCC values  
21 for Fixed Solar for use in the 2025/2026 Base Residual Auction (i.e., revising 31%  
22 to 9%). The Company provides CONFIDENTIAL Rebuttal Attachment BLS-1 to

1 show the impact of these two potential updates. In summary, the original avoided  
2 generation capacity value included with the application in this proceeding is  
3 \$0.015063 / kWh. The revised value is \$0.008998 / kWh. The change in the PJM  
4 ELCC value more than offsets the increase in the avoided capacity value resulting  
5 in a net decrease in the ACEGC generation capacity component. This change  
6 results in a total ACEGC value for residential customer generators = \$0.051067 /  
7 kWh.

8 **Q. DOES THIS NEW INFORMATION ALTER THE COMPANY'S POSITION**  
9 **ON NET CONE?**

10 A. The Company does not dispute that the PJM Net CONE value is similar to the  
11 Company's revised avoided cost of generation. The Company proposes that the  
12 Peaker Method is a better source for avoided generation capacity cost for the  
13 Company with the resulting value for the ACEGC. If the Commission orders the  
14 use of Net CONE or the Company's revised avoided generation cost value, the  
15 ELCC value should be revised too.

**V. ACEGC – TRANSMISSION CAPACITY**

16 **Q. CAN YOU SUMMARIZE DR. MCCANN'S COMMENTS ON AVOIDED**  
17 **TRANSMISSION CAPACITY VALUES INCLUDED IN THE ACEGC?**

18 A. Yes. First and foremost, Dr. McCann argues that avoided transmission cost should  
19 be included in the ACEGC value. Second, starting on line 10 page 22 and going  
20 through page 25, Dr. McCann discusses a valuation methodology based on the  
21 Company's FERC filings.<sup>11</sup> He states that PJM reports suggest 20% of

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<sup>11</sup> Direct Testimony of Richard McCann, PH.D, pp. 22-25 (Mar. 13, 2024).

1 transmission investment is driven by new generation and that 80% is to evolve the  
2 transmission system. Quite summarily, he then opines that the 80% is due to  
3 generation mix changes, which is not supported by the PJM report cited and ignores  
4 maintenance of existing lines and new lines built to improve the reliability of the  
5 system.<sup>12</sup> Dr. McCann's figure of 80% appears to be unsupported.

6 **Q. DO YOU AGREE WITH DR. MCCANN'S AVOIDED TRANSMISSION**  
7 **COST VALUE?**

8 A. No. The Company does not agree that there is avoided transmission capacity cost,  
9 for the reasons given originally in my Direct Testimony.

10 **Q. IF THE COMMISSION DETERMINES THAT TRANSMISSION**  
11 **AVOIDED COST IS APPROPRIATE TO INCLUDE IN THE ACEGC, DO**  
12 **YOU AGREE WITH DR. MCCANN'S VALUATION?**

13 A. No. The Company has presented information based on historical transmission costs  
14 related to load growth transmission projects that has been reviewed and approved  
15 for use with the cost effectiveness analysis of DSM programs. If the Commission  
16 determines that avoided transmission capacity value should be included in the  
17 ACEGC, the value utilized associated with DSM, appropriately adjusted as shown  
18 in CONFIDENTIAL Attachment BLS-3 to my Direct Testimony, provides a better  
19 and consistent estimate for use in this proceeding.

## **VI. ACEGC – DISTRIBUTION CAPACITY**

20 **Q. CAN YOU SUMMARIZE DR. MCCANN'S COMMENTS ON AVOIDED**  
21 **DISTRIBUTION CAPACITY VALUES INCLUDED IN THE ACEGC?**

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<sup>12</sup> *Id.*, p. 22.

1 A. Yes. Although Dr. McCann's testimony starting on page 28 line 1 is somewhat  
2 confusing as it argues that distribution load growth is often overestimated and the  
3 Company's load is flat, Dr. McCann concludes summarily that avoided distribution  
4 cost should be included in the ACEGC value at the value proposed by the Company  
5 if the Commission should determine that avoided distribution capacity cost should  
6 be included in the ACEGC.

7 **Q. DO YOU AGREE WITH DR. McCANN'S ASSESSMENT?**

8 A. No, in two respects. First, the Company does not agree with the portrayal of the  
9 DEK service area. But Dr. McCann may not be familiar with the details  
10 surrounding the Company's distribution system. Second, and more importantly,  
11 the Company does not agree that there is avoided distribution capacity cost.

12 **Q. DO YOU AGREE WITH DR. MCCANN'S AVOIDED DISTRIBUTION  
13 COST VALUE?**

14 A. The Company does not agree that there is avoided distribution capacity cost. The  
15 valuation in focus is for the avoided cost associated with the excess generation from  
16 the solar facility for customer-generators enrolling in the Net Metering II tariff.  
17 Distribution capacity should not rely upon intermittent, non-dispatchable customer-  
18 generator exports to ensure reliable distribution service because they may not be  
19 available at the peak time.

20 **Q. IF THE COMMISSION DETERMINES THAT DISTRIBUTION  
21 CAPACITY AVOIDED COST IS APPROPRIATE TO INCLUDE IN THE  
22 ACEGC, DO YOU AGREE WITH DR. MCCANN'S VALUATION?**

23 A. Yes. The Company's calculations are the source of Dr. McCann's proposal.



## VII. JEDI MODEL

1 Q. DOES DR. MCCANN PROVIDE INFORMATION FROM THE JEDI  
2 MODEL IN HIS TESTIMONY?

3 A. Yes. Starting on page 28 of his testimony, Dr. McCann discusses several sets of  
4 information from the JEDI model.

5 Q. DO YOU AGREE WITH THE INFORMATION PRESENTED?

6 A. I don't necessarily agree or disagree with Dr. McCann's results other than to say  
7 that they are not applicable to the Company's service area, which differs materially  
8 from other service areas in Kentucky. Among other things, the JEDI model's  
9 assumption of relatively large amounts of generation is inapposite for Duke Energy  
10 Kentucky's service area. The Company does not believe that Dr. McCann's model  
11 demonstrates a basis for including job benefits as an export rate component in the  
12 ACEGC.

## IX. CONCLUSION

13 Q. DO YOU AGREE WITH DR. MCCANN'S PROPOSAL THAT  
14 "RESIDENTIAL CUSTOMER-GENERATORS RECEIVE A CREDIT OF  
15 \$0.1627 PER KILOWATT-HOUR AND COMMERCIAL/NON-  
16 RESIDENTIAL A CREDIT OF \$0.1630 PER KILOWATT-HOUR"?

17 A. No. I believe the Company's proposal remains appropriate although it could be  
18 updated consistent with Confidential Rebuttal Attachment BLS-1. The Company's  
19 proposal is that net metering customers continue to receive the full retail value of  
20 energy produced by their solar systems that is self-consumed. The ACEGC value  
21 proposed by the Company applies only to exported energy. Dr. McCann's

1 testimony completely misses this important point – his entire argument focuses on  
2 the value of solar generation in total and fails to distinguish between exported  
3 energy (which flows back to grid via the Company’s assets in a random,  
4 intermittent fashion) and energy that is generated and self-consumed by the net  
5 metering customer.

6 **Q. DR. MCCANN DISCUSSES THE VALUATION OF ROOFTOP SOLAR IN**  
7 **RELATION TO PURCHASE POWER AGREEMENTS AND UTILITY-**  
8 **SCALE SOLAR GENERATION. DO YOU BELIEVE THE VALUATION**  
9 **APPROACH FOR SOLAR ENERGY SHOULD BE INDEPENDENT OF**  
10 **WHETHER IT IS GENERATED ON A ROOFTOP OR IN A**  
11 **CENTRALIZED PLANT?**

12 A. In general, related to avoided cost in customer programs, yes. For example, if the  
13 KYPSC sees fit to adopt valuation practices proposed by Dr. McCann pertaining to  
14 rooftop solar, such approaches should be considered as appropriate for utility-scale  
15 solar such as Community Solar programs. However, in the case of net metering and  
16 the Company’s proposal in this proceeding, the comparison is helpful only to a  
17 point. Utility-scale solar is 100% “export” – that is, the purpose of the facility is  
18 solely exporting power to the grid. In contrast, net metering solar facilities are  
19 designed primarily for self-consumption. Indeed, the Company’s present Rider  
20 NM states that the customer-generator’s generating facility “has the primary  
21 purpose of supplying all or part of the customer’s own electricity requirements”. In  
22 other words, the export of excess energy is, or should be, largely incidental and  
23 dependent upon a temporary mismatch in consumption and generation. While the

1 value of the full solar generation from a rooftop system as compared to a utility-  
2 scale system should be similarly treated for distribution-connected utility-scale  
3 solar, Dr. McCann erroneously applies this logic to the exports of these systems,  
4 which are fundamentally different, by design.

5 **Q. WAS CONFIDENTIAL REBUTTAL ATTACHMENT BLS-1 DEVELOPED**  
6 **BY YOU OR AT YOUR DIRECTION?**

7 A. Yes.

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

9 A. Yes.

**VERIFICATION**

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

The undersigned, Bruce Sailors, 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. Sailors  
Bruce Sailors Affiant

Subscribed and sworn to before me by Bruce Sailors on this 17<sup>th</sup> day of April,  
2024.

Brian Pokrywka  
NOTARY PUBLIC



Brian Pokrywka, Attorney At Law  
NOTARY PUBLIC - STATE OF OHIO  
My commission has no expiration date  
Sec. 147.03 R.C.

My Commission Expires: