COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE ELECTRONIC APPLICATION OF EAST	)	
KENTUCKY POWER COOPERATIVE, INC.	)	
FOR A GENERAL ADJUSTMENT OF RATES,	)	Case No.
APPROVAL OF DEPRECIATION STUDY,	)	2025-00208
AMORTIZATION OF CERTAIN REGULATORY	)	
ASSETS, AND OTHER GENERAL RELIEF	)	

REBUTTAL TESTIMONY OF JEFFREY W. WERNERT, JR.
PRINCIPAL
THE PRIME GROUP, LLC.
ON BEHALF OF EAST KENTUCKY POWER COOPERATIVE, INC.

Filed: December 2, 2025

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE ELECTRONIC APPLICATION OF EAST KENTUCKY POWER COOPERATIVE, INC. FOR A GENERAL ADJUSTMENT OF RATES, APPROVAL OF DEPRECIATION STUDY, AMORTIZATION OF CERTAIN REGULATORY ASSETS, AND OTHER GENERAL RELIEF	))))))	Case No. 2025-00208

VERIFICATION OF JEFFREY W. WERNERT, JR.

COMMONWEALTH OF KENTUCKY)
)
COUNTY OF OLDHAM)

Jeffrey W. Wernert, Jr., being duly sworn, states that he has supervised the preparation of his Rebuttal Testimony and certain filing requirements in the above-referenced case and that the matters and things set forth therein are true and accurate to the best of his knowledge, information and belief, formed after reasonable inquiry.

Jeffrey W. Wernert, Jr.

The foregoing Verification was signed, acknowledged and sworn to before me this 1st day of December, 2025, by Jeffrey W. Wernert, Jr.

Notary Commission No. KYNP 30954

Commission expiration: Jun 26 29

ANGELA GAGEL
Notary Public - State at Large
Kentucky
My Commission Expires Jun. 26, 2029
Notary ID KYNP30954

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Jeffrey W. Wernert, Jr. My business address is 2604 Sunningdale Place East, La Grange, Kentucky 40031.

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

A. I am a principal with The Prime Group, LLC, a firm located in La Grange, Kentucky, providing consulting and educational services in the areas of utility regulatory analysis, revenue requirement support, cost of service, rate design and economic analysis.

Q. ON WHOSE BEHALF ARE YOU TESTIFYING IN THESE PROCEEDINGS?

A. I am testifying on behalf of East Kentucky Power Cooperative, Inc. ("EKPC"), which is a Generation and Transmission ("G&T") cooperative that provides electric service in central and eastern Kentucky.

Q. DID YOU SUBMIT DIRECT TESTIMONY IN THIS PROCEEDING?

A. Yes.

Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?

A. The purpose of my rebuttal testimony is to address certain class cost of service issues raised in the direct testimony of Kentucky Office of the Attorney General's and Nucor Steel Galatin's ("AG-Nucor") witness Mr. Stephen J. Baron.

Q. PLEASE EXPLAIN THE RECOMMENDATIONS IN MR. BARON'S TESTIMONY.

A. Mr. Baron makes six recommendations in his testimony to correct what he classifies as "errors" in EKPC's filed cost of service study ("COSS"):

1. To match the interruptible revenue credit received by the Large Special Contract class to the expense reduction credited to the same class in the COSS
2. Proposed an alternative treatment of the Economic Development Rate ("EDR") credits in the COSS
3. Proposed an alternative treatment of the Fuel Adjustment Clause ("FAC") revenues and expenses in the COSS
4. Correct an error in the Non-Coincident Peak Demand for Rate G in the Excess Demand allocation factor
5. Correct the 12CP allocator for transmission demand-related costs
6. Proposed to modify the COSS to reflect AG-Nucor's Weather Normalization adjustment

Q. WHICH OF MR. BARON'S RECOMMENDATIONS WILL YOU BE ADDRESSING?

A. I will address recommendations one, two, four, and five listed above.

Q. PLEASE EXPLAIN MR. BARON'S FIRST RECOMMENDATION.

A. The first recommendation is to correct the 10-minute interruptible credit used to calculate the expense reduction for the Large Special Contract rate class in the COSS. EKPC provides a credit of $6.22/kW for each kW of 10-minute interruptible load in the Large Special Contract class for demand that makes itself available for interruption. This has the effect of reducing the revenues collected from members in the Large Special Contract rate class and therefore a corresponding expense reduction is necessary to properly reflect the ability for EKPC to interrupt these loads when called upon. The expense reduction applied to interruptible kW in the COSS for 10-minute interruptible load was $5.60/kW which was based on the calculation of avoided cost sponsored by Mr. Jacob Watson in Exhibit JRW-3 which showed the imputed savings of $5.54/kW. This resulted in a $0.62/kW difference between the revenue credits applied to 10-minute interruptible kW and the imputed expense savings applied in the COSS. Mr. Baron recommends setting the imputed savings equal to the $6.22/kW credit for the 10-minute interruptible load for the Large Special Contract rate class.

Q. WHEN WAS THE CURRENT 10-MINUTE INTERRUPTIBLE CREDIT ($6.22/KW) IMPLEMENTED BY EKPC?

A. The $6.22/kW interruptible credit was agreed too by EKPC and intervenors as a part of the settlement in Case No. 2010-00167. In that case, Mr. Baron recommended that EKPC increase the interruptible credit for the Large Special Contract class from $5.60/kW to $6.22/kW which applied an additional 12% reserve margin requirement to the existing credit to reflect the interruptible load's avoidance of capacity reserves in the calculation of avoid capacity cost.[1]

Q. HAS EKPC'S RESERVE MARGIN CHANGED SINCE THE 10-MINUTE INTERRUPTIBLE CREDIT WAS ESTABLISHED?

A. Yes. As discussed in the direct testimony of Ms. Julia J. Tucker, EKPC's current Capacity Planning Reserve Margin is 7%.[2]

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1 Direct Testimony of Stephen Baron in Case No. 2010-00167, pages 29-31
2 Direct Testimony of Julia J. Tucker in Case No. 2024-00310, page 12, lines 13-16.

Q. DOES THE REDUCTION IN RESERVE MARGIN RESULT IN A LOWER AVOIDED COST VALUE BASED ON MR. BARON'S RECOMMENDATION IN EKPC'S 2010 RATE CASE?

A. Yes. If we were to apply the same logic used by Mr. Baron in EKPC's 2010 rate case, this would result in a current 10-minute interruptible credit of $5.94/kW.

Q. DO YOU AGREE WITH MR. BARON'S RECOMMENDATION THAT 10-MINUTE INTERRUPTIBLE IMPUTED EXPENSE SAVINGS IN THE COSS SHOULD BE SET AT $6.22/KW?

A. No. While I disagree with the premise that capacity reserves should be included in the imputed savings applied to interruptible loads in the COSS, if we utilize EKPC's current 7% capacity reserve margin, the maximum imputed savings that could be applied to the Large Special Contract class under Mr. Baron's methodology is $5.94/kW. While this is higher than the credit applied in EKPC's COSS, it would still result in a $0.28/kW difference between the credit currently given to 10-minute interruptible load by EKPC and the imputed savings that load gives to EKPC.

Q. PLEASE EXPLAIN MR. BARON'S SECOND RECOMMENDATION.

A. The second recommendation is to treat EDR credits given to members by EKPC in the same manner as interruptible credits in the EKPC COSS. Mr. Baron argues that these EDR credits should result in similar imputed savings to the rate classes that take advantage of these offerings from EKPC as interruptible demand.

Q. DO INTERRUPTIBLE DEMANDS PROVIDE A DIRECT BENEFIT TO EKPC?

A. Yes. Members who allow their loads to be interrupted when called upon by EKPC provide benefits in the form of a reduction in the amount of generation capacity EKPC must build in order to serve its native load. These benefits ultimately accrue to all members on EKPC's system in the form of lower generation capacity costs. The revenue credits provided by EKPC are applied in the COSS via a reduction in expenses for the rate classes in which interruptible load is served under and the cost of those credits is then spread to all rate classes based on their allocated Excess demands in the Average and Excess ("A&E") allocation methodology.

Q. DO EDR CREDITS PROVIDE SIMILAR DIRECT BENEFITS TO EKPC?

A. No. The EDR credits administered by EKPC are designed to promote additional economic activity through an incentive rate for various changes in operations and/or expansion of existing facilities. While these benefits are certainly tangible for the communities served by EKPC in the form of additional capital investment and jobs, there is no direct benefit to the rest EKPC's system from the EDR credits given to specific members.

Q. IF EDR CREDITS WERE TREATED SIMILAR TO INTERRUPTIBLE CREDITS, WOULD THIS RESULT IN OTHER RATE CLASSES SHOWING LOWER RATES OF RETURN IN THE COSS?

A. Yes. If EDR credits were treated the same as interruptible credits, it would result in other rate classes with no EDR credits, most notably Rate E, bearing most of the costs associated with the members who receive the credits. This would negatively impact those same other rate classes in EKPC's COSS in the form of lower rates of return and necessitate higher base rate increases to cover the deficiencies shown in the COSS.

Q. HAS THE COMMISSION OPINED ON THE IMPACT EDRS SHOULD HAVE ON NONPARTICIPATING RATEPAYERS?

A. Yes. In Commission Administrative Order No. 327 which established the guidelines surrounding EDRs for electric and gas utilities, the Commission sought to ensure that nonparticipating ratepayers were not negatively impacted by discounted rates. On page 17 of that same Order, the Commission states:

> "The Commission concludes that EDRs which are designed to recover all marginal costs and make a contribution to a utility's system fixed costs will benefit all nonparticipating ratepayers. Furthermore, the ratepayers of Kentucky are likely to enjoy additional benefits as a result of increased economic activity in the state. For these reasons, the Commission finds that a specific risk sharing mechanism designed to allocate revenue deficiencies to utility ratepayers and shareholders would be inappropriate and unnecessary. ***However, the Commission will continue to require all utilities with EDR contracts to demonstrate during rate proceedings that nonparticipating ratepayers are not adversely affected by EDR customers.***"[3] *(emphasis added)*

Q. DO YOU AGREE WITH MR. BARON'S SECOND RECOMMENDATION TO CHANGE THE TREATMENT OF EDR CREDITS IN THE COSS?

A. No. I believe this recommendation would adversely affect other classes in EKPC's

3 Kentucky Public Service Commission Administrative Order 327, page 17.

COSS who do not receive EDR credits in a manner that is at odds with Administrative Order 327. It is my recommendation that no change in the treatment of EDR credits is warranted in the COSS in this proceeding.

Q. PLEASE EXPLAIN MR. BARON'S FOURTH RECOMMENDATION.

A. Mr. Baron's fourth recommendation is to correct an error with Rate G's Non-coincident peak demand allocator which was used in the development of EKPC's A&E allocation factor.

Q. DO YOU AGREE WITH MR. BARON'S RECOMMENDATION TO CORRECT THE RATE G NCP DEMAND?

A. Yes. EKPC acknowledged this error in the response AG-Nucor's second data request, question 28. As a part of that response, an updated COSS and A&E allocation summary were provided in Excel format which corrected the Rate G NCP demand value incorporating Mr. Baron's recommendation.

Q. PLEASE EXPLAIN MR. BARON'S FIFTH RECOMMENDATION.

A. Mr. Baron's fifth recommendation is to correct an error in EKPC's 12-month Coincident Peak ("12CP") allocation factor used in the COSS to allocate demand-related transmission costs. Mr. Baron states that "it appears that EKPC inadvertently used each rate class's NCP demand rather than its 12CP demand to allocate transmission demand-1 related costs." [4]

Q. DO YOU AGREE WITH MR. BARON'S RECOMMENDATION TO

4 Direct testimony of Stephen J. Baron in Case No. 2025-00208, page 17 line 23 through page 18 line 1.

CORRECT THE DEMAND VALUE USED TO ALLOCATE TRANSMISSION DEMAND-RELATED COSTS?

A. Yes. While I was unable to verify the 12CP value utilized by Mr. Baron in making his recommendation, it was EKPC's intention to use a 12CP demand allocation methodology for transmission demand-related costs, not a demand allocation factor based on a twelve-month NCP value. I believe this recommendation is reasonable.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes, it does.