



**Background**

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**Q. Please state your name and business address.**

A. My name is Jonathan Morpew. My business address is 3617 Lexington Road, Winchester, Kentucky 40391.

**Q. By whom are you employed and in what capacity?**

A. I am employed by Delta Natural Gas Company, Inc. (“Delta”) as its Director of Operations.

**Q. Please briefly describe your professional history with Delta.**

A. My career with Delta dates back to 1987, when I began as an SR Engineering Technician. I was promoted to Lead Engineer in 1989 and Director – Engineering in 1995. In 2003, I was promoted to Manager – Engineering with oversight over the Corrosion and Measurement & Regulation departments. In 2016, I was promoted to SR Manager – Distribution and managed the Engineering, Construction, Corrosion, Measurement & Regulation, and Distribution departments. I was promoted to Delta’s Vice President – Operations in 2018 with oversight over Delta’s Engineering, Construction, Corrosion, Measurement & Regulation, Distribution, Transmission, and Safety Operations. Effective May 1, 2021, my title changed to Director of Operations. My responsibilities as Director of Operations remained the same as they were when I served as Vice President – Operations until a corporate reorganization effective April 2022 assigned the Transmission, Measurement and Regulation departments to the Director – Gas Control and Transmission.

**Q. Please briefly describe your educational background.**

A. I attended Morehead State University and received a Bachelor of Science degree in Industrial Technology in 1985. I was employed by Nucor Steel in Grapeland, Texas and Palmer Engineering in Winchester, Kentucky before beginning my career at Delta in 1987.

**Q. Have you previously testified before this Commission?**

1 A. Yes. I presented testimony before the Kentucky Public Service Commission  
2 (“Commission”) in Delta’s recent rate case, Case No. 2021-00185. I also filed written  
3 testimony in Case No. 2022-00085, in which Delta received a Certificate of Public  
4 Convenience and Necessity to construct a natural gas pipeline to serve Nicholasville and  
5 Wilmore, Kentucky. I also filed testimony in Case No. 2022-00295, which is Delta’s  
6 pending request to construct a natural gas pipeline in Lincoln and Rockcastle Counties,  
7 Kentucky.

8 **Q. What is the purpose of your testimony?**

9 A. My testimony describes Delta’s Pipe Replacement Program (“PRP”), the remaining work  
10 to complete to the program, and the projects that Delta plans to complete during 2023.

11 **Q. Please describe Delta’s PRP.**

12 A. Delta’s PRP was first approved by the Commission in Case No. 2010-00116.<sup>1</sup> As initially  
13 approved, the PRP accelerated the recovery of the cost of replacing Delta’s bare steel pipe  
14 and included replacement of service lines, curb valves, meter loops, and mandated pipe  
15 relocations. The Commission ordered Delta to set out the PRP charges separately on the  
16 customers’ bills and also ordered that the PRP fixed-charge adjustment should be allocated  
17 based on the proportion of rate base revenue contribution.

18 As part of Case No. 2018-00086,<sup>2</sup> Delta proposed revisions to its PRP and most  
19 were approved by the Commission. The Commission permitted Delta to expand the  
20 program to include the replacement of pre-1983 vintage plastic pipe, known as Aldyl-A,  
21 with all work under the PRP to be completed by 2033. The Commission also approved

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<sup>1</sup> *In the Matter of: Application of Delta Natural Gas Company, Inc. for an Adjustment of Rates* (Case No. 2010-00116) (Ky. PSC Oct. 21, 2010).

<sup>2</sup> *In the Matter of: Electronic Adjustment of the Pipe Replacement Program Rider of Delta Natural Gas Company, Inc.* (Ky. PSC Aug. 21, 2018).

1 Delta's suggested revision to the manner in which property tax expense is calculated under  
2 the program. The only revision that the Commission did not accept was Delta's proposal  
3 to limit annual spending under the program to \$7.8 million, absent Commission approval.  
4 While the Commission rejected the spending cap, it stated that Delta was to look for  
5 opportunities to minimize expenses eligible for recovery through the PRP, while still  
6 meeting the goal of eliminating bare steel and Aldyl-A pipe from its system by 2033.

7 In Case No. 2021-00185,<sup>3</sup> Delta proposed revisions to its PRP tariff. Given that  
8 Delta had begun utilizing a forecasted test period in its base rate cases, it proposed to utilize  
9 a forecasted PRP with a true-up period. The Commission approved Delta's proposal to file  
10 the projected costs for the upcoming 2023 calendar year by October 15, 2022 to become  
11 effective with meter readings on and after the first billing cycle in January 2023. Delta  
12 will then submit a balancing adjustment by March 31, 2023 to true-up the actual costs from  
13 the 2022 calendar year. The Commission accepted Delta's proposal to reset the PRP rate  
14 to \$0 in Case No. 2021-00185 and included in Case No. 2021-00185 the estimate of  
15 average PRP expenditures for 2022. Delta has included in this filing an estimate for 2022  
16 PRP expenditures that exceed the amount assumed for recovery in Case No. 2021-00185,  
17 as shown on Schedule IV 2022-Summary. The estimate included in this filing includes  
18 actual expenditures incurred in 2022, as well as an estimate of the work to be performed  
19 by year-end. Delta will submit a true-up adjustment in March 2023 for the amount the  
20 estimate of calendar 2022 PRP expenditures differ from actual expenditures. The  
21 Commission also instructed Delta to alter the PRP from a per meter charge to a volumetric  
22 charge moving forward.

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<sup>3</sup> *In the Matter of: Electronic Application of Delta Natural Gas Company, Inc. for an Adjustment of Its Rates and Certificate of Public Convenience and Necessity (Case No. 2021-00185)*

1 **Q. Is the present filing the first PRP filing Delta has made since the changes to the tariff**  
2 **were approved in Case No. 2021-00185?**

3 A. Yes, it is. In this filing, Delta is presenting the costs for the actual and projected PRP work  
4 for calendar year 2022, less the amounts included for recovery in Case No. 2021-00185, as  
5 well as all of the planned PRP projects in calendar year 2023. In Case No. 2021-00185,  
6 half of the estimated PRP work for calendar year 2022 was included in the revenue  
7 requirement and the PRP was reset to \$0. As such, Delta needs to include the remaining  
8 estimated 2022 expenditures in this proceeding. When Delta files its PRP filing in October  
9 2023, that filing will only include the projected costs for 2024.

10 **Q. Is Delta carrying forward into this calculation any balancing amounts, expenses, or**  
11 **under-recoveries relating to any PRP costs incurred or revenue granted prior to**  
12 **2022?**

13 A. No, the adjustment does not include any amounts prior to 2022.

14 **Q. Please describe Delta's PRP projects for the remainder of 2022.**

15 A. As of October 7, 2022, Delta has successfully installed 93,897' of PRP project footage this  
16 year. Approximately 13,900' of piping remains to be completed by year-end involving two  
17 projects already in progress. The aforementioned 2022 PRP projects are located in the  
18 Delta service areas of Mt. Olivet, Owingsville, Berea, Jeffersonville, Camargo, Clay City,  
19 Corbin, London, Manchester and Williamsburg.

20 **Q. Please describe Delta's PRP expenses in 2022.**

21 A. In Case No. 2021-00185, which was Delta's most recent rate case, Delta estimated  
22 incurring \$6,564,808 in PRP expenses in 2022. As shown on Schedule IV, current  
23 estimated expenses for 2022 are \$9,115,869. Due to favorable weather conditions during

1 the construction season, Delta estimates completing 100,138' feet of PRP work during  
2 2022, as compared to Delta's estimate of 84,480' feet at the time of the rate case. In  
3 addition to being able to complete 18% more feet than initially expected, Delta encountered  
4 more rock than anticipated, which further increased costs.

5 **Q. Can you please explain the work that Delta plans to complete during 2023?**

6 A. The most significant work during 2023 will be concentrated in Delta's Nicholasville,  
7 Owingsville, and Berea service areas. Schedule IV details the approximately 97,000 feet  
8 of vintage plastic pipe and approximately 8,000 feet of steel pipe Delta plans to replace  
9 during 2023.

10 **Q. Please explain why the projected expenditures in 2023 have increased from Delta's**  
11 **last PRP filing.**

12 A. Delta's last PRP adjustment filing was Case No. 2021-00098. In that proceeding, Delta  
13 provided its forecast PRP expenses through 2033, which is the projected end of the  
14 program. In that filing, Delta estimated that its 2023 PRP expenses would be \$7,500,000.<sup>4</sup>  
15 As set forth in this filing, Delta's current estimate for 2023 PRP expenses is \$8,074,114.  
16 The principal reason for the increase in estimated costs from February 2021 (when Delta's  
17 2021 PRP was filed) to October 2022 is the increases in materials that Delta has  
18 experienced during this period of rising inflation.

19 **Q. How does Delta minimize the costs associated with PRP projects?**

20 A. Delta continually searches for the most economical and operationally safe contract  
21 construction labor available. Historically, all construction companies utilized by Delta  
22 have provided safe reliable service. Delta's Construction Department strives to maintain

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<sup>4</sup> The associated projected revenue was estimated to be \$6,495,415.

1 the lowest possible labor rates for these services. In doing so, Delta competitively bids PRP  
2 process projects with at least three pipeline construction companies, and Delta is always  
3 looking for additional vendors who are interested in submitting bids. For example, in 2017  
4 Delta solicited multiple construction companies to competitively bid on an annual  
5 construction agreement. The successful contractor performed exceptionally well. In 2018  
6 Delta was successful in negotiating the contract with the same contractor with no increase  
7 in pricing. In 2019 Delta repeated the competitive bidding procedure. The successful  
8 contractor performed well and again Delta successfully negotiated the same contractor for  
9 2020 and 2021 as well, with no increase in pricing. In 2022 the contract was competitively  
10 bid. It is Delta's intention to try to negotiate the 2023 contract with the same contractor  
11 with no price increase

12 **Q. Is Delta expected to be on track to complete all of the PRP work by 2033?**

13 A. Yes. As Schedule VI shows, Delta estimated having 624,305 feet (118.2 miles) remaining  
14 to replace as of December 31, 2021. That would be approximately 10 miles per year  
15 through 2033. The company is currently averaging replacement mileage in excess of this  
16 annual rate.

17 **Q. Does this conclude your testimony?**

18 A. Yes, it does.