

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

**ELECTRONIC APPLICATION OF DELTA
NATURAL GAS COMPANY, INC. FOR ITS
PIPE REPLACEMENT FILING**

CASE NO. 2024-00332

**TESTIMONY OF
JONATHAN MORPHEW
DIRECTOR OF OPERATIONS
DELTA NATURAL GAS COMPANY, INC.**

Filed: October 15, 2024

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 most recent rate case, Case No. 2021-00185. I also submitted
3 testimony in Pipe Replacement Program (“PRP”) annual filings in Case Nos. 2023-00343
4 and 2022-00341. I also filed written testimony in Case Nos. 2022-00085 and 2022-00295,
5 both of which involved Certificates of Public Convenience and Necessity to construct
6 natural gas pipelines.

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

8 A. My testimony describes Delta’s PRP, the projects that Delta plans to complete during 2025,
9 and the remaining work to complete the program.

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

11 A. Delta’s PRP was first approved by the Commission in Case No. 2010-00116.¹ As initially
12 approved, the PRP accelerated the recovery of the cost of replacing Delta’s bare steel pipe
13 and included replacement of service lines, curb valves, meter loops, and mandated pipe
14 relocations. As part of Case No. 2018-00086,² the Commission permitted Delta to expand
15 the program to include the replacement of pre-1983 vintage plastic pipe, known as Aldyl-
16 A, with all work under the PRP to be completed by 2033. The Commission also approved
17 Delta’s suggested revision to the manner in which property tax expense is calculated under
18 the program.

19 In Case No. 2021-00185,³ the Commission approved Delta’s proposed revisions to
20 its PRP tariff that transitioned Delta’s PRP to utilize a forecasted PRP with a true-up period.

¹ *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).

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

³ *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 The Commission also instructed Delta to alter the PRP from a per meter charge to a
2 volumetric charge moving forward.

3 **Q. Please summarize Delta’s first prospective annual filing in Case No. 2022-00341.**

4 A. Delta submitted its first prospective annual PRP filing in October 2022. It included an
5 estimate for 2022 PRP expenditures that exceeded the amount assumed for recovery in
6 Case No. 2021-00185. The estimate included actual expenditures incurred in 2022, as well
7 as an estimate of the work to be performed by year-end 2023. Delta subsequently trued-
8 up the actual costs from the 2022 calendar year.

9 In its August 11, 2023 Order, the Commission held that Delta must utilize a 13-
10 month average rate base for its PRP and excluded from the surcharge PRP costs from 2022
11 that exceeded the amount rolled into rates in Case No. 2021-00185. The Commission did
12 not exclude the projects from recovery in a rate case, however.

13 **Q. Does Delta’s 2025 annual filing utilize the 13-month average for PRP rate base?**

14 A. Yes.

15 **Q. Is Delta carrying forward into this calculation any balancing amounts, expenses, or
16 under-recoveries relating to any PRP costs incurred during 2022?**

17 A. No.

18 **Q. In Delta’s second prospective annual filing in Case No. 2023-00343, did the
19 Commission determine that Delta should change how income taxes are calculated in
20 its PRP return?**

21 A. Yes, the Commission determined that Delta should not gross up the interest portion of the
22 PRP return for income taxes.⁴

⁴ *In the Matter of: Electronic Application of Delta Natural Gas Company, Inc. for Annual Pipe Replacement Program* (Case No. 2023-00343) (Ky. PSC Dec. 22, 2023).

1 **Q. Did Delta gross up the interest portion of the PRP return for income taxes in this**
2 **proceeding?**

3 A. No. Consistent with the Commission’s order, Delta has only grossed up the equity portion.

4 **Q. Please describe Delta’s PRP projects for the remainder of 2024.**

5 A. As of October 14, 2024, Delta successfully installed 75,259’ of PRP project footage this
6 year. Delta anticipates completing a total of 84,966’ feet in 2024, meaning Delta plans to
7 install 9,707 additional feet by year-end. This work primarily consists of distribution mains
8 and services in Stanton, Owingsville, and Barbourville. This work is detailed in the Excel
9 file titled “Sch IV 2024” submitted with Delta’s Application.

10 **Q. Can you please explain the work that Delta plans to complete during 2025?**

11 A. Certainly. The most significant work during 2025 will be concentrated in Delta’s London,
12 Stanton, and Nicholasville service areas as depicted on the Excel file titled “Sch IV 2025”
13 filed with the Application. Schedule IV details the approximately 28,942 feet of vintage
14 plastic pipe and approximately 35,534 feet of steel pipe Delta plans to replace during 2025
15 (for a total of 64,476 feet). Delta’s current estimate of 2025 PRP expenses is \$4,832,323.

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

17 A. Delta continually searches for the most economical and operationally safe contract
18 construction labor available. Historically, all construction companies utilized by Delta
19 have provided safe and reliable service. Delta strives to maintain the lowest possible labor
20 rates for these services. In doing so, Delta competitively bids PRP projects with at least
21 three pipeline construction companies, and Delta is always looking for additional vendors
22 who are interested in submitting bids.

1 Delta's primary contractor for PRP work performed in 2024 was Martin
2 Construction, Inc, and expects to continue using Martin Construction, Inc. for the
3 remainder of 2024. Delta plans to submit a request for proposal in early 2025 for work to
4 be performed during next year's construction season.

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

6 A. Yes. As Schedule VI shows, Delta estimates having 514,081feet (97.4 miles) yet to be
7 replaced as of June 30, 2024. That would be approximately 10 miles per year through
8 2033. The company is currently averaging replacement mileage in excess of this annual
9 rate.

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

11 A. Yes, it does.

VERIFICATION

**COMMONWEALTH OF KENTUCKY)
) SS:
 COUNTY OF CLARK)**

The undersigned, **Jonathan W. Morpheu**, being duly sworn, deposes and says he is Director of Operations of Delta Natural Gas Company, Inc., that he has personal knowledge of the matters set forth in the foregoing testimony, and the answers contained therein is true and correct to the best of his information, knowledge, and belief.



JONATHAN W. MORPHEW

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 14th day of October, 2024.

JENNIFER PAGE BINGHAM NOTARY PUBLIC STATE AT LARGE KENTUCKY COMM. # KYNP74158 MY COMMISSION EXPIRES JUNE 19, 2027
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 (SEAL)
 Notary Public

My Commission Expires:

June 19, 2027