

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF DUKE ENERGY KENTUCKY,)	
INC. FOR A CERTIFICATE OF PUBLIC)	CASE NO.
CONVENIENCE AND NECESSITY AUTHORIZING)	2025-00057
THE PHASE FOUR REPLACEMENT OF THE AM07)	
PIPELINE)	

DIRECT TESTIMONY OF
JEFFERSON “JAY” P. BROWN
ON BEHALF OF
DUKE ENERGY KENTUCKY, INC.

March 13, 2025

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I. INTRODUCTION AND PURPOSE

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

2 A. My name is Jefferson “Jay” P. Brown, and my business address is 139 East Fourth
3 Street, 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 of
6 Rates & Regulatory Planning for Duke Energy Kentucky, Inc. (Duke Energy
7 Kentucky or 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. PLEASE SUMMARIZE YOUR EDUCATIONAL BACKGROUND AND**
11 **PROFESSIONAL EXPERIENCE.**

12 A. I earned a Bachelor of Science degree in Business Administration with a major in
13 Business: Finance, Investment and Banking from the University of Wisconsin -
14 Madison. I began my career in January 2002 with The Alexander Companies, a real
15 estate development company, as an Assistant Project Manager managing and
16 developing real estate. Subsequently, in December 2003, I began working for Dell
17 Inc., mainly as a Financial Analyst in Worldwide Procurement Finance, accounting
18 for and reporting on supplier rebates. In January 2008, I began working for Bigfoot
19 Networks, a technology start-up. I was in charge of developing distribution, online
20 and retail channels for a new networking product. Beginning in April 2009, I also
21 served as a Financial Advisor for Edward Jones. In June 2011, I began working as
22 a contractor for Progress Energy and, since February 2012, I have been employed

1 by, and worked for, companies under what is now Duke Energy. The roles I have
2 held include Senior Business Finance Analyst and in December 2012, I took the
3 position of Manager, Nuclear Station Finance. I transitioned to the Rates and
4 Regulatory group as a Lead Rates & Regulatory Strategy Analyst in August of 2018
5 and was promoted to Manager of Rates and Regulatory Strategy in January of 2020.
6 I earned a Master of Business Administration from the University of North Carolina
7 Wilmington in July of 2020 and assumed my current role as Director, Rates and
8 Regulatory Planning, in October of 2020.

9 **Q. PLEASE SUMMARIZE YOUR RESPONSIBILITIES AS DIRECTOR,**
10 **RATES AND REGULATORY PLANNING.**

11 A. As Director of Rates and Regulatory Planning, I am responsible for the preparation
12 of financial and accounting data used in Duke Energy Kentucky and Duke Energy
13 Ohio retail rate filings and changes in various other rate recovery mechanisms.

14 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE KENTUCKY**
15 **PUBLIC SERVICE COMMISSION?**

16 A. Yes.

17 **Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY IN THIS**
18 **PROCEEDING?**

19 A. The purpose of my testimony is to discuss the financial aspects of the Company's
20 request for a Certificate of Public Convenience and Necessity (CPCN) to replace
21 the fourth phase of its AM07 transmission line, I also sponsor Exhibit 2 to the
22 Application.

II. DISCUSSION

1 **Q. PLEASE PROVIDE A BRIEF SUMMARY OF THE PROJECT AND ITS**
 2 **PURPOSE.**

3 A. As Duke Energy Kentucky witness Kelsey M. Pace explains in her direct testimony,
 4 Duke Energy Kentucky is proposing to replace approximately 2.5 miles of section
 5 of AM07 east of the current AM07 section that is currently being replaced via Phase
 6 Three. The new route, which is approximately 2.3 miles in, will be replaced with
 7 new, industry standard material that will comply with Pipeline and Hazardous
 8 Materials Safety Administration (PHMSA) regulations as detailed by Mr. Huey.

9 **Q. PLEASE EXPLAIN HOW THE COMPANY IS FUNDING THE COST OF**
 10 **CONSTRUCTION FOR THE PROJECT.**

11 A. In response to 807 KAR 5:001, Section 15(2)(e), the Company is proposing to
 12 finance the construction through continuing operations and, if necessary, through
 13 debt issuances.

14 **Q. WHAT IS THE PROJECTED COST OF THE PROJECT?**

15 A. As explained by Ms. Pace, the fourth phase of the AM07 pipeline replacement
 16 project is estimated to cost approximately \$43.1 million. That sum comprises:

Task	Total (in millions)
Design	\$ 2.2
Land	\$ 3.9
Construction	\$32.4
Material	\$ 4.6
	<u>\$43.1</u>

17 The overall project is estimated to cost approximately \$227.6 million spread
 18 out over five phases.

1 **Q. WHAT IS THE PROJECTED ONGOING COST OF OPERATION OF THE**
2 **PROJECT ONCE COMPLETED?**

3 A. The Company anticipates that there will be minimal (<\$10,000 per year)
4 incremental operational and maintenance expense (O&M) associated with the
5 ongoing operation of the new pipeline except for required periodic inspections
6 and/or testing. The Company does not anticipate that ongoing O&M expense will
7 be different to maintain the new pipeline than it is to maintain the old pipeline.
8 Moreover, the Company does not anticipate any incremental ongoing O&M
9 savings from base rates as a result of this project. As explained by Company witness
10 Melton Huey, the Company must continue to conduct periodic inspections of these
11 newly constructed facilities in accordance with applicable Federal Regulations.
12 Installing this new pipeline is intended to result in lower incremental expense than
13 what would otherwise occur if the Company deployed different, and more
14 expensive and risky strategies to address the AM07 integrity issues.

15 **Q. PLEASE EXPLAIN HOW THE PIPELINE WILL BE TREATED FROM AN**
16 **ACCOUNTING PERSPECTIVE.**

17 A. The Project is nearly all capital in nature because it is adding new facilities to serve
18 our natural gas customers and improve the reliability of the delivery system. The
19 costs will be accumulated in FERC account 107 (Construction Work in Progress)
20 during construction and will accrue Allowance for Funds Used During
21 Construction (AFUDC). Once completed, the Project will be placed in service
22 (initially to FERC account 106-Completed Construction not Classified) where it
23 will begin being depreciated like any other asset that is used and useful.

1 There will be an immaterial impact to the Company's ongoing O&M in
 2 terms of incremental cost of operation. The Company only tracks O&M by FERC
 3 account number, not by specific project, and these costs are recorded to FERC
 4 Account 863.

5 **Q. WHAT IS THE ESTIMATED IN-SERVICE DATE OF EACH PHASE?**

6 A. The project will be placed in service in five phases. Expected in-service dates for
 7 each phase is below:

PHASE	Est. Miles Replaced	Est. in-service date
1	2.0	December 2023
2	3.2	October 2024
3	4.3	October 2025
4	2.5	October 2026
5	1.7	October 2027
TOTAL	13.7	

8 **Q. PLEASE EXPLAIN HOW THE COMPANY WILL RECOVER ITS COSTS**
 9 **OF CONSTRUCTION.**

10 A. The Company plans to recover its costs of the AM07 pipeline replacement project
 11 through the Pipeline Modernization Mechanism (Rider PMM) that was approved
 12 as part of the comprehensive settlement in Case No. 2021-00190. Rider PMM is
 13 adjusted annually for capital placed into service following the test year in Case No.
 14 2021-00190. Rider PMM uses forecasted 13-month average plant in-service
 15 balances for purposes of calculating the annual revenue requirement. Per the terms
 16 of the settlement, the rate base included in the rider filing will not include
 17 Construction Work In Process (CWIP) and plant in-service will include Allowance
 18 for Funds Used During Construction (AFUDC) consistent with rate base

1 calculations included in the Company’s base rate case filings. Rider PMM is subject
2 to an annual revenue requirement cap of no more than a 5 percent increase in natural
3 gas revenues per year. The Company makes annual Rider PMM adjustment filings
4 on or before July 1st each year, with rates intended to be implemented the following
5 January.

6 In accordance with the settlement approved by the Commission in Case No.
7 2021-00190, the Company made its first Rider PMM filing in Case No. 2022-00229
8 on August 1, 2022 for Phase One,¹ with the Commission authorizing rates to
9 become effective in June 2023.² As part of its Order, the Commission clarified that
10 the Rider PMM should be trued-up based on the timing of plant additions and
11 retirements in 2023 and revenue collected in 2023, and that the true-up should be
12 fully explained and reflected as an under or over recovery when Duke Energy
13 Kentucky calculates its revenue requirement in its 2025 Rider PMM filing.
14 Consistent with the Commission’s Order in Case No. 2022-00229, Rider PMM
15 rates will be calculated on a per ccf basis.

16 The Company made its second Rider PMM filing on July 3, 2023, in Case
17 No. 2023-00209 for the 2024 Rider PMM rates.³ The Commission recently
18 authorized the implementation of Rider PMM rates by Order dated April 15, 2024,
19 to become effective in April 2024.⁴

¹ *In the Matter of the Electronic Application of Duke Energy Kentucky for an Adjustment to Rider PMM Rates and for Tariff Approval*, Case No. 2022-00229, Application (Aug. 1, 2022).

² *Id.*, Final Order (May 26, 2023).

³ *In the Matter of the Electronic Application of Duke Energy Kentucky, Inc., for an Adjustment to Rider PMM Rates and for Tariff Approval*, Case No. 2023-00209, Application (Jun. 3, 2023).

⁴ *Id.*, Final Order (Apr. 15, 2024).

1 The Company will make its 2025 Rider PMM filing in the coming months,
 2 which will include the true-up as directed in Case No. 2022-00229.

3 **Q. PLEASE EXPLAIN THE ESTIMATED RATE IMPACTS TO CUSTOMERS**
 4 **OF RIDER PMM.**

5 A. Because the project will be constructed in phases and placed in service over several
 6 years, the rate impact will be spread out over those years. Based on current
 7 projections the Company expects customer rates to increase each year as shown
 8 below:

9	2023	0.3%
10	2024	4.3%
11	2025	4.8%
12	2026	3.8%
13	2027	2.8%
14	2028	1.5%

III. **FILING REQUIREMENTS SPONSORED BY WITNESS**

15 **Q. PLEASE LIST AND DESCRIBE THE FILING REQUIREMENT AND**
 16 **EXHIBIT TO THE APPLICATION THAT YOU ARE SPONSORING.**

17 A. I am the sponsor of Exhibit 2.

18 **Q. PLEASE EXPLAIN EXHIBIT 2.**

19 A. Exhibit 2 is the financial statement for month ending December 31, 2024, as
 20 required by 807 KAR 5:001, Section 12.

IV. CONCLUSION

1 **Q. WAS EXHIBIT 2 PREPARED UNDER YOUR DIRECTION AND**
2 **CONTROL?**

3 **A. Yes.**


4 **Q. DOES THIS CONCLUDE YOUR PRE-FILED DIRECT TESTIMONY?**

5 **A. Yes.**

VERIFICATION

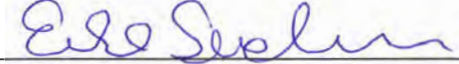
STATE OF OHIO)
)
COUNTY OF HAMILTON) **SS:**

The undersigned, Jefferson P. Brown, Director of Rates & Regulatory Planning, being duly sworn, deposes and says that he has personal knowledge of the matters set forth in the foregoing testimony, and that it is true and correct to the best of his knowledge, information, and belief.



Jefferson Brown Affiant

Subscribed and sworn to before me by Jefferson Brown on this 24th day of February, 2025.



NOTARY PUBLIC

My Commission Expires: July 8, 2027

