COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE ELECTRONIC APPLICATION OF DUKE ENERGY KENTUCKY, INC., FOR: 1) AN ADJUSTMENT OF THE NATURAL GAS RATES; 2) APPROVAL OF NEW TARIFFS; AND 3) ALL OTHER REQUIRED APPROVALS, WAIVERS, AND RELIEF.	))))))	CASE NO. 2025-00125

REBUTTAL TESTIMONY OF

JEFFERSON "JAY" P. BROWN

ON BEHALF OF

DUKE ENERGY KENTUCKY, INC.

October 3, 2025

TABLE OF CONTENTS

PAGE

I. INTRODUCTION AND PURPOSE

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Jefferson "Jay" P. Brown, and my business address is 139 East Fourth Street, Cincinnati, Ohio 45202.

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

A. I am employed by Duke Energy Business Services LLC (DEBS) as Director Rates & Regulatory Planning. DEBS provides various administrative and other services to Duke Energy Kentucky, Inc., (Duke Energy Kentucky or Company) and other affiliated companies of Duke Energy Corporation (Duke Energy).

Q. ARE YOU THE SAME JEFFERSON "JAY" P. BROWN WHO FILED DIRECT TESTIMONY IN THIS PROCEEDING?

A. Yes.

ARE YOU SPONSORING ANY REBUTTAL ATTACHMENTS IN THIS PROCEEDING?

A. Yes, I am sponsoring the following Attachment:

- JPB-Rebuttal-1

Q. WAS ATTACHMENT JPB-REBUTTAL-1 PREPARED BY YOU OR UNDER YOUR SUPERVISION AND CONTROL?

A. Yes.

Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY IN THIS PROCEEDING?

A. The purpose of my rebuttal testimony is to respond to a number of the recommendations made by the Office of the Attorney General of the

Commonwealth of Kentucky (KYAG)'s witnesses Randy Futral and Lane Kollen. First, I will address adjustments that the Company does not oppose, some of which were identified during discovery, and the resulting revised revenue requirement. I then respond to additional recommendations that the Company does object to and recommends be rejected by the Commission. Specifically, I will address Mr. Futral's and Mr. Kollen's recommendations related to:

1) Proposal to increase Revenues by using unbilled revenues; and

2) Reducing Mains and Services Expense to Reflect Lower Leak and Locate Costs;

II. <u>TEST PERIOD AND RATE BASE</u>

Q. HAVE WITNESSES FOR THE KYAG MADE REVENUE REQUIREMENT ADJUSTMENT RECOMMENDATIONS THAT THE COMPANY ACCEPTS?

A. Yes. There are three adjustments that Mr. Futral is recommending which the Company is willing to accept. These adjustments were identified by the Company through the course of answering discovery or were recently decided by the Commission in the Company's most recent electric base rate case. These adjustments are: 1) Correcting the error for the amount of ADIT Applicable to Regulatory Assets; 2) Reducing Mains and Service Expense to Correct a Filing Error; and 3) Removing Regulatory Assets for Deferred Rate Case Expenses.

Q. PLEASE FURTHER EXPLAIN MR. FUTRAL'S ADJUSTMENTS THAT THE COMPANY IS WILLING TO ACCEPT.

A. While responding to data request AG-DR-01-073 the Company identified that some

Ohio leak costs were inadvertently budgeted to Kentucky, amounting to a $0.297 million overstatement in Kentucky leak costs that should be removed. After adjusting for costs that were previously removed through a proforma adjustment in Schedule D2.20, specifically in workpapers WPD-2.20b and WPD-2.20d and after the adjusted gross up factor calculated by Witness Futral, the impact to the revenue requirement would be a reduction of approximately $0.261 million.

Additionally while responding to data request AG-DR-02-045 the Company identified an additional credit of $92,240 to rate base related to the ADIT on regulatory assets included in rate base. This results in a reduction in the revenue requirement of approximately $0.009 million.

Finally, regarding Mr. Futral's recommendation to remove deferred rate case expenses from rate base, the Company recognizes that in the Commission's recent Order in Case No. 2024-00354 on page 7, it states "…the Commission finds that the adjustment proposed by the Attorney General to remove the rate case expense regulatory assets from rate base should be accepted…" because "…there was no basis offered that justifies a different treatment than that used in Duke Kentucky's 2019 rate case with respect to the inclusion of deferred rate case expense in rates."[1] Therefore, in this proceeding, the Company is willing to accept Mr. Futral's recommendation This results in a reduction of the revenue requirement of approximately $0.058 million.

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[1] *In the Matter of the Electronic Application of Duke Energy Kentucky, Inc., for: 1) An Adjustment of the 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. 2024-00354, Order, p. 7 (Ky. P.S.C. Oct. 2, 2025).

Q. PLEASE SUMMARIZE THE COMPANY'S REVISED REVENUE REQUIREMENT BASED ON THE CHANGES DISCUSSED IN YOUR REBUTTAL TESTIMONY.

A. The overall impact is a reduction of the revenue requirement of approximately $0.320 million. The revised revenue requirement increase after adjustments is $26,058,663.

III. OTHER ADJUSTMENTS

Q. PLEASE EXPLAIN MR. KOLLEN'S RECOMMENDATION REGARDING INCREASING REVENUES BY USING UNBILLED REVENUES?

A. Mr. Kollen recommends that the Commission use unbilled revenues to calculate current revenues and the resulting revenue deficiency, in order to determine the overall revenue requirement increase needed by the Company. Using Mr. Kollen's methodology reduces the Company's requested revenue requirement increase by approximately $0.050 million.

Q. PLEASE EXPLAIN WHY THIS ADJUSTMENT IS UNREASONABLE AND SHOULD BE REJECTED BY THE COMMISSION.

A. I disagree with Mr. Kollen's recommendation. First, calculating the revenue requirement based on billed revenues is the most precise and accurate measurement of total revenues. Billed revenues represent the total amount billed in a given period. The unbilled revenue calculation is simply a non-cash accounting adjustment to accrue for revenues earned not yet billed that gets reversed and re-established monthly. There is no reason to add this layer of complexity into the calculation by adding in these amounts. The Company's revenue estimates in this proceeding are based on 12 months of revenues. Adding in this adjustment just adds another level of complexity that is not necessary to still get to an estimate of 12 months of revenues. The unbilled revenue accounting adjustment is made at the beginning and end of a year (and a month and quarter) to ensure that the accrual basis of accounting is employed for accounting purposes. But it is not something that is necessary or appropriate to use when setting rates. Customer rates should be based on the actual billed usage of a customer.

Notably, Mr. Kollen argues that "The revenue requirement is properly calculated using the unbilled revenue methodology which accrues revenues based on service provided/delivered to match the accrued expenses based on service provided/delivered in that same time period…,"[2] however his own analysis is deficient. Mr. Kollen's adjustment only changes revenues to the unbilled methodology. Here Mr. Kollen is cherry picking only one side of the equation. He has conveniently ignored that the Company's rates in this proceeding are based on billed (not delivered) mcf which he himself acknowledges on page 23 of his testimony stating that "… the revenues at proposed rates on Schedule M being calculated using mcf billed during the test year instead of the mcf delivered…".[3] His adjustment is one sided and inconsistent. The Company should use billed revenues and billed mcf. His analysis only updates the revenue and ignores the

[2] Direct Testimony of Lane Kollen, p. 24 (Sept. 3, 2025).

[3] *Id.* p. 23.

mcf in the Company's schedule M's resulting in a deficient recommendation.

Additionally, Mr. Kollen's proposal goes against Commission precedent in computing rates for the Company. The existing billed-revenue methodology has been used in all of the Company's electric and natural gas rate cases for as far back as the Company has records. Mr. Kollen has participated in all of those cases since 2017 and only recently made this recommendation. There is no need for a decades old reasonable process to be changed only because in this one instance, the adjustment goes in Mr. Kollen's favor. Depending on timing of usage earned and usage billed, this adjustment could be positive or negative in any given month or test-year. Mr. Kollen is once again cherry-picking adjustments that go in the favor of reducing the Company's revenue requirement. If the Commission adopts this recommendation, it should be consistently applied going forward, no matter if the unbilled adjustment is positive or negative. However, as I noted earlier, there is no need to make this adjustment. It is simply another extra unnecessary step that adds complexity to the process. The Company's calculation is reasonable, based on decades of precedent and provides a reasonable 12 month estimate of total revenues for a given year. The Commission should reject this recommendation.

Q. HAS THE COMMISSION RECENTLY RULED ON THIS SAME RECOMMENDATION IN THE COMPANY'S MOST RECENT ELECTRIC BASE RATE CASE? IF SO, PLEASE SUMMARIZE THE ORDER.

A. Yes, In Case No. 2024-00354 on page 29 of the Order, the Commission rejected Mr. Kollen's recommendation stating that "…Unbilled revenues and billed revenues are lagged the same amount on either end of the year such that both provide 12 months of revenue. There is no guarantee that this change would not increase rates in the next case and does appear to be a results-oriented adjustment. Thus, having reviewed the record and being otherwise sufficiently advised, the Commission finds that Duke Kentucky has utilized the appropriate methodology for forecasted billed revenues including the pro forma adjustment of $330,788. Consequently, the Commission will reject the Attorney General's adjustment to test year revenues."[4] For the same reasons, the Commission should reject Mr. Kollen's recommendation in this proceeding.

[4] *In the Matter of the Electronic Application of Duke Energy Kentucky, Inc., for: 1) An Adjustment of the 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. 2024-00354, Order, p. 29 (Ky. P.S.C. Oct. 2, 2025).

Q. PLEASE EXPLAIN MR. FUTRAL'S RECOMMENDATION TO REDUCE MAINS AND SERVICES EXPENSE TO REFLECT LOWER LEAK AND LOCATE COSTS.

A. Mr. Futral recommends that the Commission reduce mains and services expense to reflect lower leak and locate costs, which, in his calculation, would reduce the Company's requested revenue requirement increase by $0.671 million.

Q. PLEASE EXPLAIN WHY THIS ADJUSTMENT IS UNREASONABLE AND SHOULD BE REJECTED BY THE COMMISSION.

A. First, Mr. Futral conflates Company statements regarding the base period to justify his proposed reduction to the forecasted test year. His testimony poses the question on page 16 of his testimony that "…did the Company describe another potential overstatement in the level of **expense in the test year**".[5] He then answers this question by quoting the Company's response regarding the **base period** where the Company responded that "leak and locate costs have not escalated at the rate assumed, leading to lower actual leak and locate costs for the first 6 months of the base year."[6] Regarding the Company's response for the **forecasted test year** leak and locate costs, the Company stated in that same data request, AG-DR-02-073, that the locate cost was escalated for an assumed increase in tickets and price. As explained in Company Witness Mr. Adam Long's

[5] Direct Testimony of Randy A. Futral, p. 16 (Sept. 3, 2025).

[6] *Id.*

Rebuttal Testimony, the Company is properly forecasting an increase in price related to an upcoming bid event for leak and locate cost.[7]

Mr. Futral also incorrectly imputes a budget value for leak and locate costs with no evidence that it is correct. His adjustment assumes an unjustified and unexplained three percent inflation rate during 2025 and 2026 based on 2024 costs and does not properly reflect the Company's stated increase for locate tickets and price. There is no evidence that 2024 was the proper base to use when forecasting 2026 and Mr. Futral uses a general three percent inflation rate without any evidence that leak and locate costs will increase at the same pace as general inflation.

Additionally, Mr. Futral is once again cherry picking only one line item where the costs included in the budgeted forecast period are higher than those in the base period actuals. There are additional utility accounts that have higher actual costs in the base period than what is budgeted in the test year (see Attachment JPB-Rebuttal-1 for one example). However, Mr. Futral conveniently ignores those accounts and assumes the Company's forecasting process correctly accounts for the lower costs but does not accept the Company's assumed higher cost of locate prices. The Commission should reject Mr. Futral's recommendation regarding leak and locate costs because he provided no evidence that the budget is unreasonable and he himself incorrectly imputes a budget value based on past costs without any justification or evidence that his budget values are a reasonable approximation of forecasted 2026 cost.

[7] Rebuttal Testimony of Adam Long, p. 3 (Oct. 3, 2025).

IV. CONCLUSION

Q. DOES THIS CONCLUDE YOUR PRE-FILED REBUTTAL TESTIMONY?

A. Yes.

VERIFICATION

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

The undersigned, Jefferson "Jay" P. Brown, Director Rates & Regulatory Planning, being duly sworn, deposes and says that he has personal knowledge of the matters set forth in the rebuttal testimony, and that the answers contained therein are true and correct to the best of his knowledge, information, and belief.

____
Jefferson "Jay" P. Brown, Affiant

Subscribed and sworn to before me by Jefferson "Jay" P. Brown this 3rd day of October, 2025.

____
NOTARY PUBLIC

My Commission Expires: July 8, 2027

NOTARY PUBLIC STATE OF OHIO

EMILIE SUNDERMAN
Notary Public
State of Ohio
My Comm. Expires
July 8, 2027

Duke Energy Kentucky
Case No. 2025-00125
STAFF's Fourth Request for Information
Date Received: August 28, 2025

STAFF-DR-04-002

REQUEST:

Refer to Duke Kentucky's response to Staff's First Request, Item 3, Attachment. Identify and explain what regulatory asset was fully amortized in April 2025.

RESPONSE:

Generally speaking, all regulatory asset amortization is forecasted only to accounts 404200, even though actuals are recorded to Accounts 404200, 407305, 407355, 407394 and 407409. When preparing the response to this request, the Company uncovered an error related to the regulatory asset account 182715 for integrity management expenses originally approved to be deferred in Case No. 2016-00159 and then amortized over a ten-year period in Case No. 2018-00261. The amortization began in April 2019 and will end in March 2029. The Company inadvertently excluded the amortization in its forecast and therefore the revenue requirement requested in this proceeding is understated by $359,102. All other regulatory asset amortization expense has been reflected in proforma adjustments D-2.17 and D-2.29.

PERSON RESPONSIBLE: Jefferson "Jay" P. Brown