

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) 2026-00086
THE PHASE FIVE REPLACEMENT OF THE AM07)
PIPELINE)

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

March 31, 2026

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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 fifth 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 David A. Klein explains in his direct testimony,
 4 Duke Energy Kentucky is proposing to replace approximately 1.42 miles of section
 5 of AM07 east of the AM07 section Phase Two. The new route, which is
 6 approximately 2.02 miles, will be made with new, industry standard material that
 7 will comply with Pipeline and Hazardous Materials Safety Administration
 8 (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 Mr. Klein, the fifth phase of the AM07 pipeline replacement
 16 project is estimated to cost approximately \$34.89 million. That sum comprises:

Task	Total (in millions)
Design	\$ 2.89
Land	\$ 3.80
Construction	\$24.47
Material	\$ 3.73
	<u>\$34.89</u>

17 The overall project is estimated to cost approximately \$230.7 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. As explained in the testimony of Company witness, David A. Klein, the Company
4 anticipates that there will be minimal (<\$10,000 per year) incremental operational
5 and maintenance expense (O&M) associated with the ongoing operation of the new
6 pipeline except for required periodic inspections and/or testing. The Company does
7 not anticipate that ongoing O&M expense will be different to maintain the new
8 pipeline than it is to maintain the old pipeline. Moreover, the Company does not
9 anticipate any incremental ongoing O&M savings from base rates as a result of this
10 project. As explained by Company witness Melton Huey, the Company must
11 continue to conduct periodic inspections of these newly constructed facilities in
12 accordance with applicable Federal Regulations. Installing this new pipeline is
13 intended to result in lower incremental expense than what would otherwise occur
14 if the Company deployed different, and more expensive and risky strategies to
15 address the AM07 integrity issues.

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

18 A. The Project is nearly all capital in nature because it is adding new facilities to serve
19 our natural gas customers and improve the reliability of the delivery system. The
20 costs will be accumulated in FERC account 107 (Construction Work in Progress)
21 during construction and will accrue Allowance for Funds Used During
22 Construction (AFUDC). Once completed, the Project will be placed in service

1 (initially to FERC account 106-Completed Construction not Classified) where it
 2 will begin being depreciated like any other asset that is used and useful.

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

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

8 A. The project will be placed in service in five phases. Expected in-service dates for
 9 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	1.4	October 2027

10 **Q. PLEASE EXPLAIN HOW THE COMPANY WILL RECOVER ITS COSTS**
 11 **OF CONSTRUCTION.**

12 A. The Company plans to recover its costs of the AM07 pipeline replacement project
 13 through the Pipeline Modernization Mechanism (Rider PMM) that was most
 14 recently approved as part of the comprehensive settlement in Case No. 2025-
 15 00125.¹ Rider PMM is adjusted annually for capital forecasted to be placed into
 16 service. Rider PMM uses forecasted 13-month average plant in-service balances
 17 for purposes of calculating the annual revenue requirement. Per the terms of the

¹ *In the Matter of 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, Order, pp. 5-7 and Appendix C, pp. 5-8 (Ky. P.S.C. Dec. 23, 2025).

1 settlement, the rate base included in the rider filing will not include Construction
2 Work In Process (CWIP) and plant in-service will include AFUDC consistent with
3 rate base calculations included in the Company's base rate case filings.² Rider
4 PMM is subject to an annual revenue requirement cap of no more than a 5 percent
5 increase in natural gas revenues per year.³ The Company makes annual Rider PMM
6 adjustment filings on or before July 1st each year, with rates intended to be
7 implemented the following first billing cycle in January.

8 In accordance with the settlement approved by the Commission in Case No.
9 2021-00190, the Company made its first Rider PMM filing in Case No. 2022-00229
10 on August 1, 2022 for Phase One,⁴ with the Commission authorizing rates to
11 become effective in June 2023.⁵ As part of its Order, the Commission clarified that
12 the Rider PMM should be trued-up based on the timing of plant additions and
13 retirements in 2023 and revenue collected in 2023, and that the true-up should be
14 fully explained and reflected as an under or over recovery when Duke Energy
15 Kentucky calculates its revenue requirement in its 2025 Rider PMM filing.
16 Consistent with the Commission's Order in Case No. 2022-00229, Rider PMM
17 rates will be calculated on a per ccf basis.⁶

18 The Company made its second Rider PMM filing on July 3, 2023, in Case

² *Id.*, Appendix C at 6.

³ *Id.*, at 7.

⁴ *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).

⁵ *Id.*, Final Order (Ky. P.S.C. May 26, 2023).

⁶ *Id.* at 10.

1 No. 2023-00209 for the 2024 Rider PMM rates.⁷ The Commission authorized the
2 implementation of Rider PMM rates by Order dated April 15, 2024, to become
3 effective in April 2024.⁸

4 The Company made its third Rider PMM filing on July 3, 2023, in Case No.
5 2024-00191 for the 2025 Rider PMM rates.⁹ The Commission authorized the
6 implementation of Rider PMM rates by Order dated March 11, 2025, to become
7 effective April 2025.¹⁰

8 The Company made its 2025 Rider PMM filing on July 3, 2025, in Case
9 No. 2025-00229 for the 2026 Rider PMM rates¹¹ which included the true-up as
10 directed in Case No. 2022-00229. The Commission authorized the implementation
11 of Rider PMM rates by Order dated December 16, 2025, to become effective
12 January 2025.¹² The Commission also approved the Company's request to defer
13 costs over the 5 percent cap.

14 The Company will make its 2026 Rider PMM filing on or before July 1,
15 2026, and will include the forecasted plant in service for Phase Five of AM07 as
16 well as a true up for 2025 plant in service.

⁷ *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).

⁸ *Id.*, Final Order (Ky. P.S.C. Apr. 15, 2024).

⁹ *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. 2024-00191, Application (July 1, 2024).

¹⁰ *Id.*, Final Order (Ky. P.S.C. Mar. 11, 2025).

¹¹ *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. 2025-00229, Application (July 3, 2025).

¹² *Id.*, Final Order (Ky. P.S.C. Dec., 16 2025).

1 **Q. PLEASE DESCRIBE ANY CHANGES AS A RESULT OF CASE NO. 2025-**
2 **00125.**

3 A. On December 23, 2025, the Commission filed an Order approving new base rates
4 as well as certain changes to Rider PMM. There were four main changes to Rider
5 PMM as a result of the Order.¹³

6 1. Schedule 1.2: The ROE used to calculate Rider PMM was updated to 9.7
7 percent and a new and capital structure was approved. The new capital
8 structure is 52.649 percent equity, 44.086 percent long-term debt, and 3.265
9 percent short term debt. Cost of short-term and long-term debt is 3.784
10 percent and 5.051 percent, respectively. The after-tax Rate of Return (ROR)
11 is 7.458 percent, and the pre-tax ROR is 9.154 percent.

12 2. Schedule 2.0: Depreciation rates have changed for two of the three FERC
13 accounts. Land remains at zero percent per year however, FERC account
14 376 was changed to 2.10 percent per year (was 1.49 percent per year) and
15 FERC account 378 was changed to 3.02 percent per year (was 2.04 percent
16 per year).

17 3. Schedule 1.0: The approved rate schedule allocation was updated in the base
18 rate case. See below for a comparison of the changes:

¹³ See generally *In the Matter of 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, Order, pp. 3-7 and Appendix C, pp. 5-8 (Ky. P.S.C. Dec. 23, 2025).

<u>Rate Schedule</u>	<u>Weighted Gross Distribution Plant Approved KY PSC Case No. 2021-00190</u>	<u>Weighted Gross Distribution Plant Approved KY PSC Case No. 2025-00125</u>
RS- Residential	86.932%	84.200%
GS - General Service	12.506%	14.854%
FT - Firm Transportation (Includes DGS)	0.341%	0.753%
IT - Interruptible Transportation	0.221%	0.193%
Total	100.000%	100.000%

1 4. The revenues the Company uses to calculate the annual cap have been
 2 updated. The approved baseline revenues are now 175,624,988. To
 3 calculate the 5 percent cap, the company adds the previous filings revenue
 4 requirement to the baseline revenues approved in Case No. 2025-0125 and
 5 multiplies the sum of those two numbers by 5 percent.

6 **Q. PLEASE EXPLAIN THE ESTIMATED RATE IMPACTS OF THE AM07**
 7 **TO CUSTOMERS OF RIDER PMM.**

8 A. Phase Five is the final phase of the AM07 project. Therefore, the Company expects
 9 limited increases related to AM07 after 2027. Any actual plant placed in service in
 10 2028 will be related to trailing charges to the project. Based on current approved
 11 revenue baseline and the current projections for AM07 the Company expects
 12 customer rates to increase at a rate below the cap approved in Case No. 2025-00125.
 13 Estimated rate increases related to AM07 for each year shown below:

14	2027	2.3%
15	2028	1.3%

III. FILING REQUIREMENTS SPONSORED BY WITNESS

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

3 A. I am the sponsor of Exhibit 2.

4 **Q. PLEASE EXPLAIN EXHIBIT 2.**

5 A. Exhibit 2 is the financial statement for month ending December 31, 2025, as
6 required by 807 KAR 5:001, Section 12.

IV. CONCLUSION

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

9 A. Yes.

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

11 A. Yes.

