

**BEFORE**

**THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of Duke Energy Ohio, Inc., for Authority to Adjust its Power Future Initiatives Rider. ) ) Case No. 20-0666-EL-RDR )

**AMENDED DIRECT TESTIMONY OF**

**JAY P. BROWN**

**ON BEHALF OF**

**DUKE ENERGY OHIO, INC.**

June 9, 2020

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### **Attachment:**

JPB-1 Amended – Revenue Requirement

## **I. INTRODUCTION**

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

2   A.   My name is Jay P. Brown, and my business address is 139 East Fourth Street,  
3       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 a Rates &  
6       Regulatory Strategy Manager. DEBS provides various administrative and other  
7       services to Duke Energy Ohio, Inc., (Duke Energy Ohio or Company) and other  
8       affiliated companies of Duke Energy Corporation (Duke Energy).

9   **Q.   PLEASE   BRIEFLY   DESCRIBE   YOUR   EDUCATION   AND**  
10       **PROFESSIONAL EXPERIENCE.**

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

1 Energy. The roles I've held include Sr. Business Finance Analyst and in December  
2 2012, I took the position of Manager Nuclear Station Finance. In August of 2018,  
3 I transitioned to the Rates and Regulatory group as a Lead Rates & Regulatory  
4 Strategy Analyst and assumed my current role as a Manager of Rates and  
5 Regulatory Strategy in January of 2020.

6 **Q. PLEASE DESCRIBE YOUR DUTIES AS RATES & REGULATORY**  
7 **STRATEGY MANAGER.**

8 A. I am responsible for preparing financial and accounting data used in retail rate  
9 filings and various other rate recovery mechanisms for Duke Energy Ohio and  
10 Duke Energy Kentucky, Inc.

11 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE PUBLIC**  
12 **UTILITIES COMMISSION OF OHIO?**

13 A. Yes, I have filed written direct testimony in the Company's Construction  
14 Expenditure Program Rider (Rider CEP) application in Case No. 19-0791-GA-ALT  
15 and the Rider PF Infrastructure Modernization Plan in Case No. 19-1750-EL-UNC.

16 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THESE**  
17 **PROCEEDINGS?**

18 A. The purpose of my testimony is to provide an overview of the revised revenue  
19 requirement being proposed for recovery through the second component of the  
20 Power Future Initiatives Rider (Rider PF), formerly referred to as the Power  
21 Forward Rider. The second component recovers costs associated with advance  
22 metering infrastructure (AMI) and data access, including the provision of interval  
23 Customer Energy Usage Data (CEUD), the enablement of PJM settlement data

1 transfer enhancements, and the communication infrastructure needed to support the  
2 AMI transition. In addition, as noted in the Amended Application, the Company is  
3 seeking recovery of the Distribution System Planning Workgroup (PWG) and Data  
4 and Modern Grid Workgroup (DWG) facilitation expenditures approved for  
5 recovery in Case No. 18-1597-EL-GRD.<sup>1</sup>

6 **Q. WHY IS THE COMPANY FILING AN AMENDED APPLICATION?**

7 A. Subsequent to the original filing, the Company became aware that it had  
8 inadvertently omitted the PWG and DWG facilitation costs, which should be  
9 recovered through its grid modernization rider, from the Application filed in this  
10 case on March 31, 2020. Additionally, the Company seeks to correct a few  
11 inadvertent *de minimis* clerical errors in the original Application.

12 **Q. PLEASE DESCRIBE THE AMENDMENTS TO THE APPLICATION?**

13 A. PWG and DWG facilitation costs of \$188,399 have been added to Schedule 5, Line  
14 7. In addition to adding the PWG and DWG expenditures the Company became  
15 aware of three small additional adjustments that impact the revenue requirement by  
16 less than \$300 in aggregate. The Company is reducing the O&M expenses related  
17 to PJM SETTLEMENT SYSTEMS - Phase V by \$793, as well as O&M expenses  
18 related to AMI - Cost of Removal by \$3,148 in schedule 5, Lines 5 and 6  
19 respectively. These costs were inadvertently included in the original Application.  
20 Additionally, the Company has corrected the capital costs in Schedule 2, with an

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<sup>1</sup> *In the Matter of the PowerForward Data and Modern Grid Workgroup*, Case No. 18-1597-EL-GRD, Entry, p. 3 (November 28, 2018) (“The costs, including the invoices described in the RFP, shall be charged to and divided evenly among the EDUs. The EDUs may seek recovery of these costs through applicable grid modernization riders.”).

1 increase of \$16,705 and corrected an error in the timing of the plant additions in  
2 Schedule 2a.

## II. DISCUSSION

3 **Q. PLEASE EXPLAIN HOW THE REVENUE REQUIREMENT FOR THE**  
4 **SECOND COMPONENT OF THE POWER FUTURE INITIATIVES RIDER**  
5 **IS CALCULATED.**

6 A. As shown on Attachment JPB-1 Amended, the revenue requirement includes a  
7 return on plant in service net of associated retirements, accumulated depreciation,  
8 and accumulated deferred income taxes for costs associated with the second  
9 component. It also includes recovery of ongoing depreciation and property tax  
10 expense associated with those investments. The Company is proposing to amortize  
11 the operation and maintenance (O&M) expenses incurred through December 31,  
12 2019 over a one-year period.

13 **Q. WHAT RATE OF RETURN DO YOU PROPOSE TO USE FOR THE**  
14 **RIDER?**

15 A. The Company will use its current Commission-approved authorized rate of return.  
16 As approved in the most recent electric distribution base rate case, the Company  
17 will use a 9.84 percent rate of return on equity.<sup>2</sup>

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<sup>2</sup> *In the Matter of the Application of Duke Energy Ohio, Inc., for an Increase of its Electric Distribution Rates*, Case No. 17-0032-EL-AIR, *et al.*, p. 92, Opinion and Order, (December 19, 2018).

1   **Q.   PLEASE EXPLAIN HOW THE COSTS ASSOCIATED WITH THE**  
2       **COMPANY’S CUSTOMER ENERGY USAGE DATA PROGRAM WILL**  
3       **BE INCLUDED IN RIDER PF.**

4   A.   As outlined in the direct testimony of Company witness Scott Nicholson, the  
5       estimated costs, through December 31, 2019, for the implementation of the CEUD  
6       Phases I and II are approximately \$0.4 million in O&M expenses.

7   **Q.   PLEASE EXPLAIN HOW THE COSTS ASSOCIATED WITH THE**  
8       **COMPANY’S PJM SETTLEMENT DATA TRANSFER ENHANCEMENTS**  
9       **WILL BE INCLUDED IN RIDER PF.**

10  A.   As outlined in the direct testimony of Doug Hils, the estimated costs, through  
11       December 31, 2019, for the PJM settlement data transfer enhancements Phase V.A  
12       are approximately \$0.5 million in O&M expenses.

13  **Q.   PLEASE EXPLAIN HOW THE COSTS ASSOCIATED WITH THE**  
14       **COMPANY’S ADVANCED METERING INFRASTRUCTURE PROGRAM**  
15       **WILL BE INCLUDED IN RIDER PF.**

16  A.   As outlined in the direct testimony of Company witness Bob Ries, the AMI cost is  
17       approximately \$4.2 million consisting of \$0.8 million of capital and \$3.4 million of  
18       O&M expenses.

19  **Q.   PLEASE EXPLAIN HOW THE COSTS ASSOCIATED WITH THE PWG**  
20       **AND DWG WILL BE INCLUDED IN RIDER PF.**

21  A.   The costs for the PWG and DWG are approximately \$0.2 million in O&M contract  
22       expenses.

1   **Q.   PLEASE EXPLAIN THE NATURE OF PWG AND DWG EXPENDITURES**  
2       **THAT WILL BE INCLUDED IN RIDER PF.**

3   A.   The costs relate to the Company’s equal share of consultant charges related to the  
4       facilitation of the working groups initiated from the PowerForward proceedings.  
5       The consultant invoices submitted for recovery were previously approved for  
6       payment by the Staff and subsequently paid in 2019.

7   **Q.   ARE EXPENSES ASSOCIATED WITH RIDER PF INCLUDED IN**  
8       **CURRENT BASE RATES?**

9   A.   No. All expenditures that the Company is proposing for recovery in Rider PF are  
10       incremental to base rates and are not being recovered through current riders.

11   **Q.   HAS THE PUBLIC UTILITIES COMMISSION OF OHIO GRANTED THE**  
12       **COMPANY RECOVERY OF THESE COSTS THROUGH RIDER PF?**

13   A.   The Company is proposing these costs be recovered through Rider PF as “the  
14       second component of Rider PF - Data Access,” as outlined in the Order and Opinion  
15       in Cases No. 17-32-EL-AIR, *et al.* “for the recovery of costs associated with  
16       advanced metering infrastructure (AMI) and data access, including the provision of  
17       interval CEUD to customers, CRES providers and third parties; the enablement of  
18       PJM settlement data transfer enhancements, as detailed in Stipulation Attachment  
19       F.”

20   **Q.   HOW WILL DUKE ENERGY OHIO UPDATE ITS RIDER PF GOING**  
21       **FORWARD?**

22   A.   Duke Energy Ohio will file an application for any future adjustments to its Rider  
23       PF to account for changes and additional phases of the second component as the



1 company meets the milestones set in the Stipulation Attachment F through the term  
2 of the Company's recently approved ESP. In addition, as Rider PF has multiple  
3 components, to the extent any of the other two components are implicated by either  
4 a Commission directive (Component 1) or for recovery of the Company's  
5 Infrastructure Modernization Plan (Component 3) the Company will file a separate  
6 application to adjust Rider PF.

### **III. EXPLANATION OF ATTACHMENTS AND SCHEDULES**

7 **Q. PLEASE EXPLAIN ATTACHMENT JPB – 1 AMENDED.**

8 A. Attachment JPB-1 Amended shows the revenue requirement associated with the  
9 investments being proposed for Rider PF recovery in this application along with  
10 supporting schedules listed below. Schedule 1 is a summary of the gross plant in-  
11 service by major property groupings. Schedule 2 is a summary of the accumulated  
12 depreciation by major property groupings. Schedule 2a provides the monthly detail  
13 of gross plant in-service and accumulated depreciation. Schedule 3 details the  
14 accumulated deferred income tax offset. Schedule 4 calculates the required rate  
15 base offset for capitalized incentives related to earnings. Schedule 5 details the  
16 recoverable O&M expenses by project. Schedule 6 calculates the personal property  
17 tax related to the plant in-service.

### **IV. CONCLUSION**

18 **Q. IS ATTACHMENT JPB-1 AMENDED TRUE AND ACCURATE TO THE**  
19 **BEST OF YOUR KNOWLEDGE?**

20 A. Yes.

1    **Q.    WAS ATTACHMENT JPB-1 AMENDED PREPARED BY YOU OR UNDER**  
2           **YOUR DIRECTION AND CONTROL?**

3    A.    Yes.

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

6    A.    Yes.

**Duke Energy Ohio**  
**Rider Power Future Initiatives**  
**Revenue Requirement**  
**December 31, 2019**

| Line | Description                                 | December 31, 2019           | Reference                      |
|------|---|-----------------------------|--------------------------------|
| 1    | Gross Plant                                 | \$848,393                   | Schedule 1                     |
| 2    | Accumulated Depreciation                    | (63,334)                    | Schedule 2                     |
| 3    | Net Plant in Service                        | <u>\$785,059</u>            | Line (1) + Line (2)            |
| 4    | Accum Def Income Taxes on Plant             | (\$1,232)                   | Schedule 3                     |
| 5    | Capitalized Incentives                      | (\$3,521)                   | Schedule 4                     |
| 6    | Rate Base                                   | <u><u>\$780,306</u></u>     | Line (3) + Line (4) + Line (5) |
| 7    | Return on Rate Base (Pre-Tax %)             | 8.94%                       | Footnote (1)                   |
| 8    | Return on Rate Base (Pre-Tax)               | \$69,759                    | Line (6) * Line (7)            |
| 9    | Operation and Maintenance Expenses          | 4,522,095                   | Schedule 5                     |
| 10   | Depreciation Expense                        | 54,751                      | Schedule 2a                    |
| 11   | Annualized Property Tax Expense             | 18,718                      | Schedule 6                     |
| 12   | Revenue Requirement Before CAT              | <u>\$4,665,324</u>          | Lines (8) through (11)         |
| 13   | Commercial Activities Tax                   | \$12,161                    | {{(1/(1-CAT))-1} * Line (11)}  |
| 14   | Total Rider PF Revenue Requirement          | <u>\$4,677,485</u>          | Line (12) + Line (13)          |
| 15   | Annual Base Distribution Revenue            | <u><u>\$452,055,948</u></u> | Footnote (2)                   |
| 16   | DEO Percentage of Base Distribution Revenue | 1.035%                      | Line (14) ÷ Line (15)          |

(1) Return on Rate Base (Pre-Tax %) set per Stipulation in Case No. 17-32-EL-AIR.  
Upon the Tax Cut and Jobs Act of 2017 becoming law the Return on Rate Base (Pre-Tax %)  
has been adjusted to reflect a reduction of the Corporate tax rate from 35% to 21%.

(2) Total retail distribution revenue from Stipulation Attachment D as filed and approved  
in Case No. 17-32-EL-AIR, et al. less transmission and miscellaneous revenue.

Duke Energy Ohio  
Rider Power Future Initiatives  
Plant in Service Summary by Major Property Groupings  
December 31, 2019

| Line No.               | Account Number |         | Account Title           | OHIO CUSTOMER ENERGY USAGE DATA |          |           |          | PJM SETTLEMENT SYSTEMS | AMI       | Total Company |
|------------------------|----------------|---------|-------------------------|---------------------------------|----------|-----------|----------|------------------------|-----------|---------------|
|                        | FERC           | Company |                         | Phase I                         | Phase II | Phase III | Phase IV | Phase V                |           |               |
| General Plant Accounts |                |         |                         |                                 |          |           |          |                        |           |               |
| 1                      | 397            | 3970    | Communication Equipment | \$0                             | \$0      | \$0       | \$0      | \$0                    | \$848,393 | \$848,393     |
| 2                      |                |         | Total General Plant     | \$0                             | \$0      | \$0       | \$0      | \$0                    | \$848,393 | \$848,393     |

Duke Energy Ohio  
Rider Power Future Initiatives  
Accumulated Depreciation by Major Property Groupings  
December 31, 2019

| Line No.               | Account Number |         | Account Title           | OHIO CUSTOMER ENERGY USAGE DATA |          |           |          | PJM SETTLEMENT SYSTEMS | AMI      | Total Company |
|------------------------|----------------|---------|-------------------------|---------------------------------|----------|-----------|----------|------------------------|----------|---------------|
|                        | FERC           | Company |                         | Phase I                         | Phase II | Phase III | Phase IV | Phase V                |          |               |
| General Plant Accounts |                |         |                         |                                 |          |           |          |                        |          |               |
| 1                      | 397            | 3970    | Communication Equipment | \$0                             | \$0      | \$0       | \$0      | \$0                    | \$63,334 | \$63,334      |
| 2                      |                |         |                         | \$0                             | \$0      | \$0       | \$0      | \$0                    | \$63,334 | \$63,334      |

Duke Energy Ohio  
Rider Power Future Initiatives  
Gross Plant & Accumulated Depreciation Detail  
December 31, 2019

| Line No. | FERC ACCT | CO. ACCOUNT | Project | ACCOUNT TITLE                | Rate  | 201808 | 201809  | 201810  | 201811  | 201812  | 201901  | 201902  | 201903  | 201904  | 201905  | 201906  | 201907  | 201908    | 201909    | 201910    | 201911    | 201912    | Cumulative Total | 2018 Totals | 2019 Totals |
|----------|-----------|-------------|---------|------------------------------|-------|--------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|-----------|-----------|-----------|-----------|-----------|------------------|-------------|-------------|
| 1        | 397       | 3970        | AMI     | Communication Equipment      |       | -      | 378,632 | 55,691  | 37,838  | 45,743  | 11,403  | 7,596   | 13,143  | 2,256   | 6,433   | 173     | 724     | 521,703   | 102,337   | 272,423   | 144,155   | (751,857) | 848,393          | 517,904     | 330,489     |
| 2        |           |             |         | Gross Plant Cumulative Total |       | -      | 378,632 | 434,323 | 472,161 | 517,904 | 529,307 | 536,903 | 550,046 | 552,302 | 558,735 | 558,908 | 559,632 | 1,081,335 | 1,183,672 | 1,456,095 | 1,600,250 | 848,393   |                  |             |             |
| 3        |           |             |         | Monthly Depreciation Expense | 6.67% | -      | 1,052   | 2,259   | 2,519   | 2,752   | 2,910   | 2,963   | 3,021   | 3,064   | 3,088   | 3,106   | 3,109   | 4,561     | 6,295     | 7,336     | 8,494     | 6,805     | 63,334           | 8,582       | 54,751      |
| 4        |           |             |         | Accumulated Depreciation     |       | -      | 1,052   | 3,312   | 5,831   | 8,582   | 11,493  | 14,456  | 17,477  | 20,540  | 23,628  | 26,734  | 29,843  | 34,403    | 40,698    | 48,035    | 56,529    | 63,334    |                  |             |             |

Duke Energy Ohio  
Rider Power Future Initiatives  
Accumulated Deferred Income Taxes  
December 31, 2019

|                                 |  | Property, Plant and Equipment (Capital) |               |                    |            |                |                   |             |                          |              |         |
|---------------------------------|--|---|---------------|--------------------|------------|----------------|-------------------|-------------|--------------------------|--------------|---------|
| Project                         |  | 2018                                    | 2019          |                    |            |                |                   |             |                          |              |         |
| PF Capital Expenditure          |  | \$517,904                               | \$330,489     |                    |            |                |                   |             |                          |              |         |
| Cumulative Gross Plant          |  | 517,904                                 | 848,393       |                    |            |                |                   |             |                          |              |         |
| Depreciation Expense            |  | 8,582                                   | \$54,751      |                    |            |                |                   |             |                          |              |         |
| Accumulated Depreciation        |  | (\$8,582)                               | (63,334)      |                    |            |                |                   |             |                          |              |         |
| Accumulated Deferred Income Tax |  | (\$2,276)                               | (\$1,232)     |                    |            |                |                   |             |                          |              |         |
|                                 |  |   |               |                    |            |                |                   |             |                          |              |         |
|                                 |  | Book Life                               | Tax Life      |                    |            |                |                   |             |                          |              |         |
|                                 |  | 14.99                                   | 20.00         |                    |            |                |                   |             |                          |              |         |
|                                 |  |   |               |                    |            |                |                   |             |                          |              |         |
| Total                           |  | 20 Yr MACRS                             | Cap Additions | Tax Deprecation on |            | Total Tax Depr | Book Depreciation | Gross Plant | Accumulated Depreciation | Deferred Tax | ADIT    |
|                                 |  |   |               | 2018 Spend         | 2019 Spend |                |                   |             |                          |              |         |
|                                 |  | 2018                                    | 3.75%         | \$517,904          | \$19,421   | 19,421         | \$8,582           | 517,904     | \$8,582                  | 2,276        | \$2,276 |
|                                 |  | 2019                                    | 7.22%         | 330,489            | \$12,393   | 49,781         | 54,751            | 848,393     | 63,334                   | (1,044)      | 1,232   |
|                                 |  |   |               | \$848,393          | \$12,393   |                |                   |             |                          | \$1,232      |         |

Duke Energy Ohio  
Rider Power Future Initiatives  
Capitalized Earnings Based Incentives  
December 31, 2019

| Project                         | Property, Plant and Equipment (Capital) |                 |
|---------------------------------|---|-----------------|
|                                 | 2018                                    | 2019            |
| PF Capital Incentives           | <u>\$744</u>                            | <u>\$2,954</u>  |
| Cumulative Gross Plant          | 744                                     | 3,698           |
| Depreciation Expense            | 25                                      | \$148           |
| Accumulated Depreciation        | (\$25)                                  | (\$173)         |
| Accumulated Deferred Income Tax | (\$1)                                   | (\$4)           |
| Total Adjustment                | 718                                     | 3,521           |
|                                 |   |                 |
|                                 | <b>Book Life</b>                        | <b>Tax Life</b> |
|                                 | 14.99                                   | 20.00           |
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**Duke Energy Ohio**  
**Rider Power Future Initiatives**  
**Operation and Maintenance Expenses**  
**December 31, 2019**

| Line No. | Project                                     | Operation and<br>Maintenance<br>Expenses |
|----------|---|--|
| 1        | OHIO CUSTOMER ENERGY USAGE DATA - Phase I   | \$275,133                                |
| 2        | OHIO CUSTOMER ENERGY USAGE DATA - Phase II  | 151,088                                  |
| 3        | OHIO CUSTOMER ENERGY USAGE DATA - Phase III | -  |
| 4        | OHIO CUSTOMER ENERGY USAGE DATA - Phase IV  | -  |
| 5        | PJM SETTLEMENT SYSTEMS - Phase V            | 518,299                                  |
| 6        | AMI - Cost of Removal                       | 3,398,636                                |
| 7        | PWG and DWG Consultant Costs                | 188,399                                  |
| 8        | Total Operation and Maintenance Expenses    | \$4,531,555                              |
| 9        | Less Incentives related to earnings         | (9,460)                                  |
| 10       | Total Operation and Maintenance Expenses    | <u>\$4,522,095</u>                       |

**Duke Energy Ohio**  
**Rider Power Future Initiatives**  
**Personal Property Tax**  
**December 31, 2019**

| Line | Description  | Total Company          | Reference                 |
|------|--|------------------------|---------------------------|
| 1    | Plant in Service (General Plant) - Vintage 2019        | \$330,489              |                           |
| 2    | Plant in Service (General Plant) - Vintage 2018        | 517,904                |                           |
| 3    | Real Property  | <u>0</u>               |                           |
| 4    | Net Cost of Taxable Personal Property                  | <u>\$848,393</u>       | Line (1) through Line (3) |
| 5    | True Value Percentage - Vintage 2019                   | 96.7%                  |                           |
| 6    | True Value Percentage - Vintage 2018                   | 90.0%                  |                           |
| 7    | True Value of Taxable Personal Property - Vintage 2019 | \$319,583              | Line (1) x Line (5)       |
| 8    | True Value of Taxable Personal Property - Vintage 2018 | <u>466,114</u>         | Line (2) x Line (6)       |
| 9    | Total True Value of Taxable Personal Property]         | \$785,696              | Line (7) + Line (8)       |
| 10   | Assessment Percentage                                  | 24.0%                  |                           |
| 11   | Assessment Value                                       | <u>\$188,567</u>       | Line (9) x Line (10)      |
| 12   | Personal Property Tax Rate                             | 9.9263%                |                           |
| 13   | Personal Property Tax                                  | <u><u>\$18,718</u></u> | Line (11) x Line (12)     |

**This foregoing document was electronically filed with the Public Utilities**

**Commission of Ohio Docketing Information System on**

**6/9/2020 4:30:57 PM**

**in**

**Case No(s). 20-0666-EL-RDR**

Summary: Testimony Amended Testimony of Jay P. Brown on behalf of Duke Energy Ohio, Inc. electronically filed by Dianne Kuhnell on behalf of Duke Energy Ohio, Inc. and Vaysman, Larisa M. and Rocco D'Ascenzo