

BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of Duke)
Energy Ohio, Inc., for Approval to Adjust) Case No. 22-0163-EL-RDR
its Power Future Initiatives Rider.)

DIRECT TESTIMONY OF

JAY P. BROWN

ON BEHALF OF

DUKE ENERGY OHIO, INC.

March 31, 2022

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Attachment:

JPB-1 – 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 Director of
6 Rates and Regulatory Planning. 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 in January 2002 with The Alexander Companies, a
14 real estate development company, as an Assistant Project Manager managing and
15 developing real estate. Subsequently, in December 2003, I began working for Dell
16 Inc., mainly as a Financial Analyst in Worldwide Procurement Finance,
17 accounting for and reporting on supplier rebates. In January 2008, I began
18 working for Bigfoot Networks, a technology start-up. I was in charge of
19 developing distribution, online and retail channels for a new networking product.
20 Beginning in April 2009, I also served as a Financial Advisor for Edward Jones.
21 In June 2011, I began working as a contractor for Progress Energy and, since
22 February 2012, I have been employed by, and worked for, companies under what

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

9 **Q. PLEASE DESCRIBE YOUR DUTIES AS DIRECTOR OF RATES AND**
10 **REGULATORY PLANNING.**

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

14 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE PUBLIC**
15 **UTILITIES COMMISSION OF OHIO?**

16 A. Yes. I have provided written testimony in several proceedings before the
17 Commission regarding Duke Energy Ohio's various rates and mechanisms. Most
18 recently, I provided written testimony in Case No. 21-012-EL-RDR, 21-618-GA-
19 RDR and testified in the Company's application for approval of an alternative
20 form of regulation, Case No. 19-0791-GA-ALT.

1 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THESE**
2 **PROCEEDINGS?**

3 A. The purpose of my testimony is to provide an overview of the revenue
4 requirement being proposed for recovery through the second component of the
5 Power Future Initiatives Rider (Rider PF). The second component recovers costs
6 associated with advance metering infrastructure (AMI) and data access, including
7 the provision of interval Customer Energy Usage Data (CEUD), the enablement
8 of PJM settlement data transfer enhancements, and the communication
9 infrastructure needed to support the AMI transition.

II. **DISCUSSION**

10 **Q. PLEASE EXPLAIN HOW THE REVENUE REQUIREMENT FOR THE**
11 **SECOND COMPONENT OF RIDER PF IS CALCULATED.**

12 A. As shown on Attachment JPB-1, the revenue requirement includes a return on
13 plant in service net of associated retirements, accumulated depreciation, and
14 accumulated deferred income taxes for costs associated with the second
15 component. It also includes recovery of ongoing depreciation and property tax
16 expense associated with those investments. The Company is proposing to
17 amortize the operation and maintenance (O&M) expenses incurred through
18 December 31, 2021 over a one-year period.

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

3 A. The Company will use its current Commission-approved authorized rate of return.
4 As approved in the most recent electric distribution base rate case, the Company
5 will use a 9.84 percent rate of return on equity.¹

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

9 A. As outlined in the direct testimony of Company witness Scott Nicholson, the
10 additional estimated costs, through December 31, 2021, for the implementation of
11 corrections to CEUD Phase III is approximately \$0.072 million in O&M
12 expenses. Also, as stated in the direct testimony of Company witness Scott
13 Nicholson, Phase IV will be implemented with the launch of the Customer
14 Connect project during 2022 and therefore the associated costs of Phase IV will
15 be included in the Company’s next filing.

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

19 A. As outlined in the direct testimony of Company witness Dana Adams, the costs
20 incurred associated with the completion of both Phase V.A. and Phase V.B.
21 include approximately \$2.6 million in capital costs. These capital costs were not

¹ *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 included in Case No. 21-0012-EL-RDR until the entire project was placed in
2 service in 2021.

3 **Q. PLEASE EXPLAIN HOW THE COSTS ASSOCIATED WITH THE**
4 **COMPANY'S ADVANCED METERING INFRASTRUCTURE PROGRAM**
5 **WILL BE INCLUDED IN RIDER PF.**

6 A. As outlined in the direct testimony of Company witness Bob Ries, the AMI costs
7 incurred from January 1, 2021, through December 31, 2021, were approximately
8 \$5.3 million consisting of \$0.3 million of capital costs and approximately \$5.0
9 million of O&M expenses. Total to date capital costs included through December
10 31, 2021, are \$2.3 million.

11 **Q. ARE EXPENSES ASSOCIATED WITH RIDER PF INCLUDED IN**
12 **CURRENT BASE RATES?**

13 A. No. All expenditures that the Company is proposing for recovery in Rider PF are
14 incremental to base rates and are not being recovered through current riders. The
15 Company has filed an electric distribution base rate case, Case No. 21-887-EL-
16 AIR with a date certain of June 30, 2021. The Company has proposed to amend
17 Rider PF rates to exclude capital costs through June 30, 2021 when an order is
18 received in that case. That case remains pending, however, and no order has yet
19 been received.

1 **Q. HAS THE PUBLIC UTILITIES COMMISSION OF OHIO GRANTED**
2 **THE COMPANY RECOVERY OF THESE COSTS THROUGH RIDER**
3 **PF?**

4 A. The Company is proposing these costs be recovered through Rider PF as “the
5 second component of Rider PF - Data Access,” as outlined in the Order and
6 Opinion in Cases No. 17-32-EL-AIR, *et al.* “for the recovery of costs associated
7 with advanced metering infrastructure (AMI) and data access, including the
8 provision of interval CEUD to customers, CRES providers and third parties; the
9 enablement of PJM settlement data transfer enhancements, as detailed in
10 Stipulation Attachment F”.²

11 **Q. HOW WILL DUKE ENERGY OHIO UPDATE ITS RIDER PF GOING**
12 **FORWARD?**

13 A. Duke Energy Ohio will file an application for any future adjustments to its Rider
14 PF to account for changes and additional phases of the second component as the
15 company completes the functionality set out in the Stipulation Attachment F
16 through the term of the Company’s recently approved ESP. In addition, as Rider
17 PF has multiple components, to the extent any of the other two components are
18 implicated by either a Commission directive (Component 1) or for recovery of the
19 Company’s Infrastructure Modernization Plan (Component 3) the Company will
20 file a separate application to adjust Rider PF.

² The Stipulation provides on page 18 that “[t]he Company may adjust the work plan proposed in Stipulation Attachment F, as needed to accommodate resource availability and manage cost controls.”

III. EXPLANATION OF ATTACHMENTS AND SCHEDULES

1 **Q. PLEASE EXPLAIN ATTACHMENT JPB - 1.**

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

IV. CONCLUSION

12 **Q. IS ATTACHMENT JPB-1 TRUE AND ACCURATE TO THE BEST OF**
13 **YOUR KNOWLEDGE?**

14 A. Yes.

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

17 A. Yes.

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

19 A. Yes.

**Duke Energy Ohio
Rider Power Future Initiatives
Revenue Requirement
December 31, 2021**

Line	Description	December 31, 2021	Reference
1	Gross Plant	\$4,953,361	Schedule 1
2	Accumulated Depreciation	(701,890)	Schedule 2
3	Net Plant in Service	<u>\$4,251,471</u>	Line (1) + Line (2)
4	Accum Def Income Taxes on Plant	(\$65,524)	Schedule 3
5	Capitalized Incentives	(\$14,375)	Schedule 4
6	Rate Base	<u><u>\$4,171,571</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)	\$372,938	Line (6) * Line (7)
9	Operation and Maintenance Expenses	5,130,851	Schedule 5
10	Depreciation Expense	540,201	Schedule 2a
11	Annualized Property Tax Expense	48,037	Schedule 6
12	Revenue Requirement Before CAT	<u>\$6,092,028</u>	Lines (8) through (11)
13	Commercial Activities Tax	\$15,881	{{1/(1-CAT)-1} * Line (12)}
14	Total Rider PF Revenue Requirement	<u>\$6,107,909</u>	Line (12) + Line (13)
15	Residential @ 61.99648%	\$ 3,786,689	Line (14) * 61.99648% Footnote (2)
16	Non Residential	<u>\$ 2,321,220</u>	Line (14) - Line (15)
17	Total	<u>\$ 6,107,909</u>	Line (15) + Line (16)
18	Residential Bill Count February 2021 - January 2022	8,023,419	
19	Non-Residential Bill Count February 2021 - January 2022	<u>802,220</u>	
20	Total Bill Count	8,825,639	Line (18) + Line (19)
21	Residential Fixed cost per bill	0.47	Line (15)/Line (18)
22	Non-Residential Fixed cost per bill	2.89	Line (16)/Line (19)

(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) Allocation percentage set per Stipulation in Case No. 20-666-EL-RDR

Duke Energy Ohio

Rider Power Future Initiatives

Plant in Service Summary by Major Property Groupings

December 31, 2021

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	\$2,319,886	\$2,319,886
2	303	3030	Miscellaneous Intangible	\$0	\$0	\$0	\$0	\$2,633,475	\$0	\$2,633,475
3	Total General Plant			\$0	\$0	\$0	\$0	\$2,633,475	\$2,319,886	\$4,953,361

Duke Energy Ohio

Rider Power Future Initiatives

Accumulated Depreciation by Major Property Groupings

December 31, 2021

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	\$307,664	\$307,664
2	303	3030	Miscellaneous Intangible	\$0	\$0	\$0	\$0	\$394,226	\$0	\$394,226
3				\$0	\$0	\$0	\$0	\$394,226	\$307,664	\$701,890

Duke Energy Ohio
Rider Power Future Initiatives
Gross Plant & Accumulated Depreciation Detail
December 31, 2021

Line No.	FERC ACCT	CO. ACCOUNT	Project	ACCOUNT TITLE	Rate	202012	202101	202102	202103	202104	202105	202106	202107	202108	202109	202110	202111	202112	Cumulative Total	2018 Totals	2019 Totals	2020 Totals	2021 Totals
1	397	3970	AMI	Communication Equipment		19,784	40,815	24,640	55,627	19,271	41,439	25,391	(41,422)	(4,313)	9,568	29,244	22,621	18,739	2,319,886	517,904	251,036	1,309,326	241,619
2				Gross Plant Cumulative Total		2,078,266	2,119,081	2,143,721	2,199,348	2,218,619	2,260,058	2,285,449	2,244,027	2,239,714	2,249,282	2,278,526	2,301,146	2,319,886					
3				Monthly Depreciation Expense	6.67%	11,497	11,665	11,847	12,070	12,278	12,447	12,633	12,588	12,461	12,476	12,584	12,728	12,843	307,664	8,582	49,673	100,790	148,619
4				Accumulated Depreciation		159,045	170,710	182,557	194,627	206,905	219,352	231,985	244,573	257,034	269,510	282,093	294,821	307,664					
5	303	3030	PJM	Miscellaneous Intangible		317,261	-	-	-	2,316,214	-	-	-	-	-	-	-	-	2,633,475	-	-	317,261	2,316,214
6				Gross Plant Cumulative Total		317,261	317,261	317,261	317,261	2,633,475	2,633,475	2,633,475	2,633,475	2,633,475	2,633,475	2,633,475	2,633,475	2,633,475					
7				Monthly Depreciation Expense	20.00%	2,644	5,288	5,288	5,288	24,589	43,891	43,891	43,891	43,891	43,891	43,891	43,891	43,891	394,226	-	-	2,644	391,583
8				Accumulated Depreciation		2,644	7,932	13,219	18,507	43,096	86,988	130,879	174,770	218,661	262,553	306,444	350,335	394,226					

**Duke Energy Ohio
Rider Power Future Initiatives
Accumulated Deferred Income Taxes - AMI Program
December 31, 2021**

[illegible]

**Duke Energy Ohio
Rider Power Future Initiatives
Accumulated Deferred Income Taxes - Phase V
December 31, 2021**

[illegible]

Duke Energy Ohio
Rider Power Future Initiatives
Capitalized Earnings Based Incentives
December 31, 2021

Project	Property, Plant and Equipment (Capital)											
	2018	2019	2020	2021								
PF Capital Incentives	\$744	\$2,954	(\$5,826)	\$16,572								
Cumulative Gross Plant	744	3,698	(2,128)	14,444								
Depreciation Expense	25	148	52	411								
Accumulated Depreciation	(\$25)	(\$173)	(\$225)	(\$636)								
Accumulated Deferred Income Tax	(\$1)	(\$4)	(\$2)	(\$9)								
Total Adjustment	718	3,521	(2,356)	13,798								
	Book Life	Tax Life										
	15	20										
	20 Yr MACRS	Cap Additions	Tax Deprecation on				Total Tax Depr	Book Depreciation	Gross Plant	Accumulated Depreciation	Deferred Tax	ADIT
			2018 Spend	2019 Spend	2020 Spend	2021 Spend						
2018	3.75%	\$744	\$28				28	\$25	744	\$25	1	1
2019	7.22%	2,954	54	\$111			164	148	3,698	173	3	4
2020	6.68%	(5,826)	50	213	(\$218)		44	52	(2,128)	225	(2)	2
2021	6.18%	16,572	46	197	(421)	\$621	444	411	14,444	636	7	9
		\$14,444	\$177	\$521	(\$639)	\$621	\$681	\$636		\$1,059	9	17

Duke Energy Ohio
Rider Power Future Initiatives
Capitalized Earnings Based Incentives
December 31, 2021

Project	Property, Plant and Equipment (Capital)			
	2018	2019	2020	2021
PF Capital Incentives	\$0	\$0	\$450	\$203
Cumulative Gross Plant	-	-	450	653
Depreciation Expense	-	-	15	37
Accumulated Depreciation	\$0	\$0	(\$15)	(\$52)
Accumulated Deferred Income Tax	\$0	\$0	1	(24)
Total Adjustment	-	-	436	577
	Book Life	Tax Life		
	5	3		

Duke Energy Ohio
Rider Power Future Initiatives
Operation and Maintenance Expenses
December 31, 2021

Line No.	Project	Operation and Maintenance Expenses
1	OHIO CUSTOMER ENERGY USAGE DATA - Phase I	-
2	OHIO CUSTOMER ENERGY USAGE DATA - Phase II	-
3	OHIO CUSTOMER ENERGY USAGE DATA - Phase III	71,722
4	OHIO CUSTOMER ENERGY USAGE DATA - Phase IV	-
5	PJM SETTLEMENT SYSTEMS - Phase V	-
6	AMI - Cost of Removal	5,030,549
7	PWG and DWG Consultant Costs	34,305
8	Total Operation and Maintenance Expenses	\$5,136,576
9	Less Incentives related to earnings	(5,725)
10	Total Operation and Maintenance Expenses	<u>\$5,130,851</u>

Duke Energy Ohio
Rider Power Future Initiatives
Personal Property Tax
December 31, 2021

Line	Description	Total Company	Reference
1	Plant in Service (General Plant) - Vintage 2021	\$ 241,619	Schedule 2a, Footnote(1)
2	Plant in Service (General Plant) - Vintage 2020	\$ 1,309,326	Schedule 2a
3	Plant in Service (General Plant) - Vintage 2019	\$ 251,036	Schedule 2a
4	Plant in Service (General Plant) - Vintage 2018	\$ 517,904	Schedule 2a
5	Real Property	\$ -	Schedule 2a
6	Net Cost of Taxable Personal Property	\$ 2,319,886	Line (1) through Line (5)
7	True Value Percentage - Vintage 2021	96.7%	
8	True Value Percentage - Vintage 2020	90.0%	
9	True Value Percentage - Vintage 2019	83.3%	
10	True Value Percentage - Vintage 2018	76.7%	
11	True Value of Taxable Personal Property - Vintage 2021	\$ 233,646	Line (1) x Line (7)
12	True Value of Taxable Personal Property - Vintage 2020	\$ 1,178,393	Line (2) x Line (8)
13	True Value of Taxable Personal Property - Vintage 2019	\$ 209,113	Line (3) x Line (9)
14	True Value of Taxable Personal Property - Vintage 2018	\$ 397,233	Line (4) x Line (10)
15	Total True Value of Taxable Personal Property]	\$2,018,385	Line (11) + Line (12) + Line (13) + Line (14)
16	Assessment Percentage	24.0%	
17	Assessment Value	\$484,412	Line (15) x Line (16)
18	Personal Property Tax Rate	9.9166%	
	Personal Property Tax	\$48,037	Line (17) x Line (18)

(1) PJM Phase V asset location is Charlotte, NC. Property tax is not paid on custom software assets in North Carolina.

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Case No(s). 22-0163-EL-RDR

Summary: Testimony Direct Testimony of Jay P. Brown on Behalf of Duke Energy Ohio, Inc. electronically filed by Mrs. Tammy M. Meyer on behalf of Duke Energy Ohio Inc. and D'Ascenzo, Rocco and Vaysman, Larisa and Kingery, Jeanne W. and Akhbari, Elyse Hanson