

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF DUKE ENERGY KENTUCKY, INC.)	
FOR A CERTIFICATE OF PUBLIC CONVENIENCE AND)	
NECESSITY AUTHORIZING THE IMPLEMENTATION)	CASE NO.
OF AN ACCELERATED SERVICE LINE REPLACEMENT)	2015-00210
PROGRAM, APPROVAL OF OWNERSHIP OF SERVICE)	
LINES, AND A GAS PIPELINE REPLACEMENT)	
SURCHARGE)	

COMMISSION STAFF'S THIRD REQUEST FOR INFORMATION
TO DUKE ENERGY KENTUCKY, INC.

Duke Energy Kentucky, Inc. ("Duke Kentucky"), pursuant to 807 KAR 5:001, is to file with the Commission the original and two copies in paper medium and an electronic version of the following information. The information requested herein is due within 14 days of the date of this request. Responses to requests for information in paper medium shall be appropriately bound, tabbed and indexed. Each response shall include the name of the witness responsible for responding to the questions related to the information provided.

Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association or a governmental agency, be accompanied by a signed certification of the preparer or the person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

Duke Kentucky shall make timely amendment to any prior response if it obtains information which indicates that the response was incorrect when made or, though correct when made, is now incorrect in any material respect. For any request to which Duke Kentucky fails or refuses to furnish all or part of the requested information, it shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

Careful attention should be given to copied material to ensure that it is legible. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this request. When filing a document containing personal information, Duke Kentucky shall, in accordance with 807 KAR 5:001, Section 4(10), encrypt or redact the document so that personal information cannot be read.

1. Refer to the response to Commission Staff's Second Request for Information ("Staff's Second Request"), Item 2, and Table 10 in the Lummus Consultants' report ("Report"), Table 10, included as Exhibit 4 of the application. Beginning at the middle of the second line, the response reads as follows: "The information was incorrectly entered in the system. Several copper and bare steel services in question have been updated within the GIS system. The remaining copper and bare steel services identified as being installed from 2000 to present, have been record researched and found that plastic service lines were installed from main to curb and curb to meter."

a. Explain whether the statement regarding information entered in the system incorrectly applies only to information on installations from 2000 to the present, or if it also applies to installations in the earlier periods of time in Table 10 of the Report.

b. If information was entered incorrectly on installations prior to 2000, provide the correct numbers of installations using copper piping or bare steel for the earlier time periods in Table 10 of the Report.

c. Explain whether the sentence beginning, "The remaining . . ." means that services identified as being installed since 2000 other than those referred to in this sentence were actually copper and bare steel.

d. Provide the correct numbers of bare steel and copper installations from 2000 to the present.

2. Refer to the response to Staff's Second Request, Item 5. Identify the number of single-family residential service lines to be replaced from main to curb which operate at a pressure greater than 60 psig and, for each, identify all applicable conditions under Title 49 of the Code of Federal Regulations, Part 192, Section 383(b), which eliminate the requirement for installing an excess flow valve.

3. Refer to the response to Staff's Second Request, Item 6.a., specifically, the two full paragraphs on page 2 of the response.

a. Based on the first sentence in the first paragraph regarding Duke Kentucky's average 2015 year-to-date meter reading costs, is it accurate to conclude that the annual average cost equates to roughly \$6 per meter?

b. Provide a detailed breakdown of the \$25 per-unit cost for triennial inspections of interior meters referenced in the second paragraph.

4. Refer to the response to Staff's Second Request, Item 8.b.

a. Given that Duke Kentucky intends to relocate approximately 2,200 interior meters in five years under the Accelerated Service Line Replacement Program ("ASRP"), explain why it had an "original estimate to move 1,000 meters per year."

b. Explain whether Duke Kentucky still relies on this original estimate. If so, explain why. If not, provide the current estimate and explain when it changed the original estimate.

c. If a current estimate of the annual number of interior meters Duke Kentucky intends to relocate under the ASRP has been developed, provide the amount, rather than \$172,411, of annual operation and maintenance expense it expects to incur.

5. Refer to the responses to Staff's Second Request, Item 13, and Commission Staff's Initial Request for Information ("Staff's First Request"), Item 7.

a. Explain whether the response to Staff's Second Request, Item 13, reflects Duke Kentucky's belief that it would be able to make an annual ASRP filing on July 1 in which the projected data would be reasonably comparable to what it would include if it made its annual ASRP filing three months later, on October 1.

b. With the proposed ASRP based on projections for the following calendar year, Item 7 of Staff's First Request inquired about Duke Kentucky's possible concerns with, or interest in, an earlier filing date such as July 1, with a true-up of the prior year's actual expenditures and the projected data for the following year being the basis for the amount to be recovered via the ASRP. Identify and describe any specific concerns or problems Duke Kentucky envisions under such an approach, which would postpone trueing-up the current year's expenditures until the next annual filing; would not

reflect any costs, actual or estimated, for the year of the filing; and would reflect projected data for the upcoming calendar year in the same manner as in the proposed ASRP.

6. Refer to the response to Item 14 of Staff's Second Request, including Attachments A and B.

a. Confirm that Duke Energy Ohio, Inc. ("Duke Ohio") proposed that its ASRP be implemented over a period of ten years, as shown on page 11 of 23 of Attachment A.

b. State whether Duke Kentucky considered proposing a residential rate cap for the ASRP as Duke Ohio proposed on page 13 of 23 of Attachment A, and explain the decision to not propose a residential rate cap.

c. Attachment B lists, among other things, the Public Utilities Commission of Ohio ("PUCO") Staff Report filed on June 5, 2015, in Duke Ohio's ASRP docket, which is available on the PUCO Web site. Page 7 of that report summarizes the results of PUCO Staff's research of the federal Pipeline and Hazardous Materials Safety Administration's ("PHMSA") database of "reportable incidents"¹ involving service lines for the period 2004 through 2014. The report states that over the 11-year period there were nationwide 12 reportable service line incidents attributed to corrosion, 22 for material and welds, and 28 for natural forces. Considering this information as well as the information in the attachment to Duke Kentucky's response to Item 4 of Staff's First Request, page 3 of 3, showing the number of hazardous and total leaks on its system in

¹ The report references PHMSA's regulations which require that operators report all incidents on their systems involving a release of gas that result in death, injury to a person that requires hospitalization, property damage of \$50,000 or more, or an unintentional estimated loss of three million cubic feet or more of gas.

2014, state whether Duke Kentucky believes that the safety gains to be realized from its proposed ASRP justify the proposed five-year accelerated time frame for its service line replacement program, or whether the proposed program could be extended to ten years instead.

d. Following the receipt of Duke Kentucky's response to Staff's Second Request, including Item 14, Attachment B, the PUCO Web site shows that Duke Ohio filed direct testimony of its witnesses in its ASRP proceeding on October 23, 2015. Confirm that page 4 of the Testimony of Roger A. Morin, Ph.D., indicates that the previously approved 9.84 percent return on equity is within the reasonable range for the cost of Duke Ohio's common equity under current capital market conditions, even though it is at the low end of the recommended range.



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cc: Parties of Record

Case No. 2015-00210

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