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Daniel E. Logsdon Jr.
Commissioner

September 19, 2016

PARTIES OF RECORD

Re: Case No. 2016-00228

Attached is a copy of a memorandum which is being filed in the record of the above-referenced case. If you have any comments you would like to make regarding the contents of the memorandum, please do so within five days of receipt of this letter. Any questions regarding this memorandum should be directed to Molly Katen, Commission Staff Attorney, at (502) 782-2591.

Sincerely,

A handwritten signature in blue ink that reads "Talina R. Mathews".

Talina R. Mathews
Executive Director

MBK/ph

Attachment

INTRA-AGENCY MEMORANDUM

KENTUCKY PUBLIC SERVICE COMMISSION

TO: Case File No. 2016-00228

FROM: Molly Katen, Staff Attorney

DATE: September 12, 2016

RE: Informal Conference of September 12, 2016

Pursuant to the Commission's September 8, 2016 Order, an informal conference ("IC") was held in this matter on September 12, 2016. The IC was attended by representatives of Duke Energy Kentucky, Inc. ("Duke Kentucky"), Commission Staff, and the Attorney General of the Commonwealth of Kentucky, by and through his Office of Rate Intervention, who participated telephonically. Attached is a copy of the attendance roster and the presentation handout that was provided to attendees.

Commission Staff began the meeting by stating that the purpose of the IC was to discuss Duke Kentucky's Accelerated Service Replacement Program ("ASRP"); in particular, to give Duke Kentucky the opportunity to provide an update regarding its application with respect to projections for 2017, due to discoveries made while performing field reconnaissance. Duke Kentucky stated that, through its field reconnaissance, it has experienced two unanticipated trends. First, it has seen a lower renewal rate than anticipated, with only 70% of the services that it completes requiring replacement. Secondly, Duke Kentucky stated that its cost per renewal is lower than anticipated, with the actual cost being approximately \$3,500 per service in comparison to its original estimate of \$5,000 per service.

The current trend in Duke Kentucky's 2017 projections, including renewal of approximately 1,500 unknown curb to meter services for which it will seek Commission approval, places it at 8,500 to 9,500 total services renewals, at a total projected cost of \$34 to \$38 million instead of the \$50 million it had projected. Duke Kentucky states that these revisions to its ASRP project are based on new data resulting from field reconnaissance and ultimately result in decreased project costs and a shift in spending from capital costs to operating and maintenance costs.

In summary, Duke Kentucky stated that it would soon file a revision to its response to Staff's First Request for Information and include these updated projections.

There being no further issues to discuss, the conference was adjourned.

Attachments

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF DUKE ENERGY)
KENTUCKY, INC. FOR AN) CASE NO.
ADJUSTMENT TO RIDER ASRP) 2016-00228
AND FOR TARIFF APPROVAL)

September 12, 2016

Please sign in:

NAME

REPRESENTING

Molly Katen

PSC Legal

Virginia Dreyer

PSC Legal

Larry Cook

AG via telephone

Leah Faulkner

PSC - FA

Jim Livers

PSC - FA

Jason Hurt

PSC - Eng.

GARY GLOVER

PSC ENG

Nick Schach

Duke Energy

Chuck Session

" "

Rocco D'Ascenzo

Duke Energy

John Hill

Duke Energy

Minna Rolfes-Adkins

Duke Energy

Peaggy Lamb

Duke Energy

Mary E Purvis

PSC - FA

Matthew Baer

PSC - FA



KY Accelerated Service Replacement Program

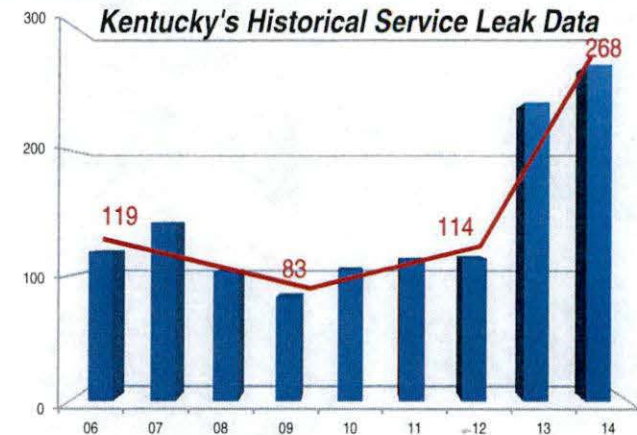
September 2016



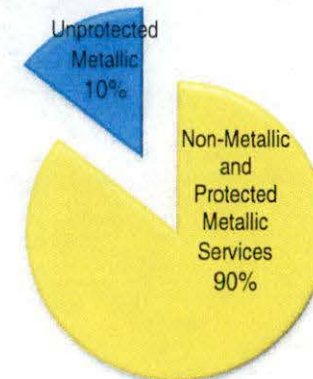
Accelerated Service Replacement Program

ASRP Overview

- Consistent with Distribution Integrity Management priorities
- Approximately 10,000 unprotected metallic services
- 5 year program
- Total estimated capital spend \$50M
- Continue successful partnership with PSC



ASRP Target Infrastructure



Trends in Completions to Date

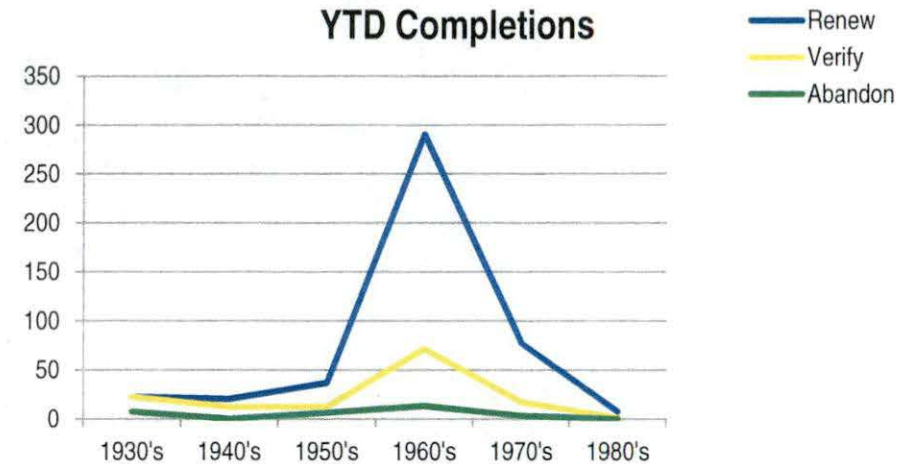
Lower Renewal Rate than Anticipated

- Renewing 70% of the Services that we complete
- Remaining 30% are verifications or abandoned

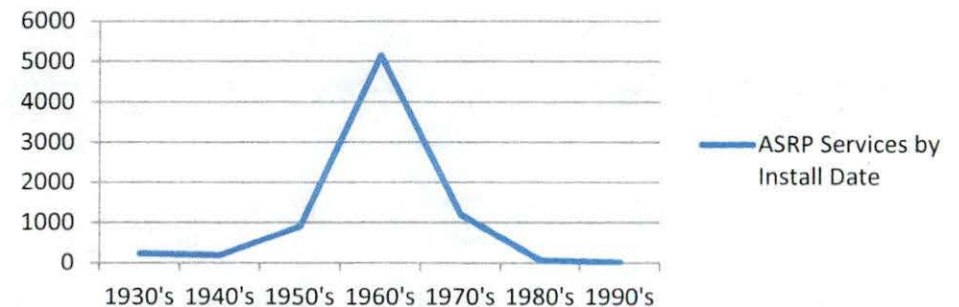
Cost Per Renew is lower than Anticipated

- Estimate based on average of \$5,000 per service
- Actual cost is about \$3,500 per service

YTD Completions



ASRP Services by Install Date



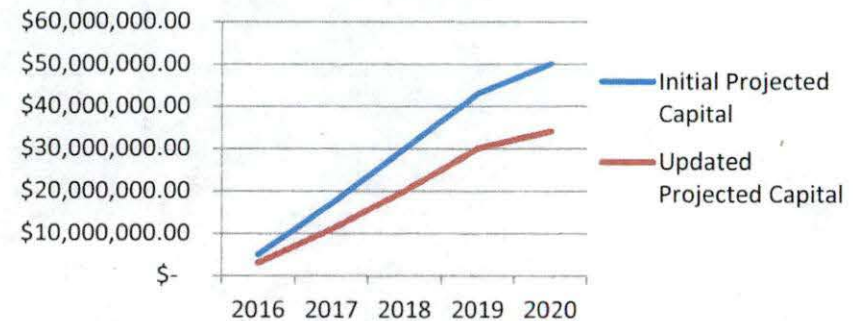
Breakdown of the Approx. 97,000 M-C Gas Services in the State of Kentucky

	Number of Services	M-C Material Type Company Owned	C-M Material Type Customer Owned
ASRP (M-C,C-M)	10,000	Known Metallic or Unprotected	Unknown/ Known Mix
Reconnaissance (M-C,C-M)	447 (originally 689)	Unknown	Unknown
Reconnaissance (C-M)	4800	Known Non Metallic or Protected	Unknown
Remainder of Services	81,753	Known Non Metallic or Protected	Known Non Metallic or Protected

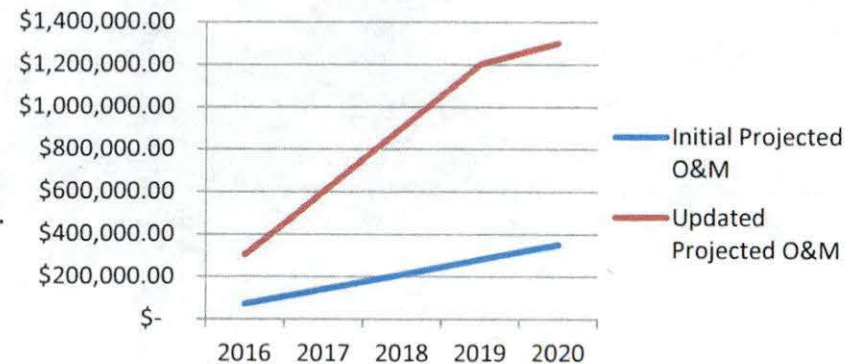
Conclusions

- The Initial Filing indicated Company would:
 - Complete approx. 10,000 (M-C,C-M) Services;
 - Evaluate approx. 689 (M-C,C-M) services and renew if met ASRP criteria; and
 - Evaluate approx. 4800 additional Unknown C-M services through field reconnaissance. Once identified, if C-M met the ASRP criteria, Company would develop process/schedule for eventual renewal.
- Updated Projections:
 - We expect between 7,000 and 8,000 of the original 10,000 will be renewed;
 - 689 of unknown services reduced to 447, expect 70% will require renewal;
 - We expect 25% -30% of the 4800 unknown C-M will require renewal;
 - Current trends, including renewal of approx. 1,500 unknown C-M, place us at 8,500 to 9,500 total services renewals, at \$34M to \$38M, instead of the \$50M originally projected in Initial Filing.

Capital Spend



O&M Spend





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Cincinnati, OH 45202

*Rocco O D'Ascenzo
Duke Energy Kentucky, Inc.
139 East Fourth Street
Cincinnati, OH 45201