

**COMMONWEALTH OF KENTUCKY
BEFORE THE
KENTUCKY PUBLIC SERVICE COMMISSION**

In the Matter of:

The Application of Duke Energy Kentucky,)
Inc., for a Certificate of Public)
Convenience and Necessity Authorizing)
the Implementation of an Accelerated)
Service Line Replacement Program,) Case No. 2015-00210
Approval of Ownership of Service Lines,)
and a Gas Pipeline Replacement Surcharge)

APPLICATION

Now comes Duke Energy Kentucky, Inc. (Duke Energy Kentucky or the Company), pursuant to KRS 278.020, 278.509, 807 KAR 5:001, Sections 14 and 15, and other applicable law, and hereby respectfully requests from the Kentucky Public Service Commission (Commission) an Order granting a Certificate of Public Convenience and Necessity (CPCN) for approval to implement an accelerated service line replacement program (ASRP), relocate interior natural gas meters to an exterior location, take ownership of service lines, and create a gas service line replacement surcharge mechanism. In support of this Application, Duke Energy Kentucky respectfully states as follows:

Introduction

1. Pursuant to 807 KAR 5:001, Section 14(2), Duke Energy Kentucky is a Kentucky corporation originally incorporated on March 20, 1901, in good standing, and a public utility as that term is defined in KRS 278.010(3), and, therefore, is subject to the

Commission's jurisdiction. Duke Energy Kentucky is engaged in the business of furnishing natural gas and electric services to various municipalities and unincorporated areas in Boone, Bracken, Campbell, Gallatin, Grant, Kenton, and Pendleton Counties in the Commonwealth of Kentucky.

2. Duke Energy Kentucky's business address is 139 East Fourth Street, Cincinnati, Ohio 45202. The Company's local office address in Kentucky is Duke Energy Envision Center, 4580 Olympic Boulevard, Erlanger, Kentucky 41018.

3. Copies of all orders, pleadings and other communications related to this proceeding should be sent to:

Rocco O. D'Ascenzo
Associate General Counsel
Duke Energy Kentucky, Inc.
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Rocco.D'Ascenzo@duke-energy.com
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Background

4. Much of the nation's natural gas pipeline infrastructure was installed many decades ago and, although this infrastructure is required to supply the Company's customers with natural gas, some of the construction materials used are now obsolete and less reliable. Maintaining the safety and reliability of this infrastructure is of utmost importance – to Duke Energy Kentucky, its customers and communities, the Commission and federal regulators. In fact, maintaining safety and reliability of natural gas delivery systems prompted this Commission to approve the Company's Accelerated Main Replacement Program (AMRP) that also included replacing some aging service lines at

the same time as the Company replaced its gas mains.¹ Since then, the federal government has imposed upon local distribution companies such as Duke Energy Kentucky, additional regulations designed to ensure that their infrastructure is fit for service. The federal government has also, in response to recent pipeline safety incidents and failures, announced a pipeline safety action plan calling for pipeline operators, including local distribution companies, to accelerate their efforts to replace pipeline facilities and take other actions to enhance the integrity of network facilities.² Those programs are directed at the categories of infrastructure that are the subject of this filing.

5. Pipeline safety regulations have existed for decades, first taking effect in 1970. However, a series of catastrophic events caused the Pipeline and Hazardous Material Safety Administration (PHMSA) to promulgate additional federal regulations, including the Distribution Integrity Management Program (DIMP) regulations. The DIMP regulations, which were first imposed in 2011 upon local distribution companies, including Duke Energy Kentucky, are intended to enhance safety through the identification of, and reduction in, pipeline integrity risks. In short, the current federal regulations, including those addressing distribution integrity management, require detailed data analysis to identify and prioritize risks and to analyze potential threats to the Company's natural gas distribution system.³ Significantly, once an elevated risk is identified, Duke Energy Kentucky, as a prudent operator, must undertake reasonable measures to mitigate it.⁴

¹ *In the Matter of an Adjustment of the Gas Rates of the Union Light, Heat and Power Company*, Case No. 2005-00042 (Ky. P.S.C. Order, December 22, 2005) and *In the Matter of an Adjustment of the Gas Rates of the Union Light, Heat and Power Company*, Case No. 2001-00092 (Ky. P.S.C. Order, January 31, 2002).

² <http://opsweb.phmsa.dot.gov/pipelineforum/docs/letters/Governors%20Letter%20from%20Secretary%20Ray%20LaHood.pdf>

³ 49 C.F.R. 192.911.

⁴ 49 C.F.R. 192.935.

6. Duke Energy Kentucky's focus on the safety and reliability of its distribution infrastructure pre-dated federal integrity management regulations. In 1987, the Company developed programs aimed at addressing risks in its natural gas infrastructure, such as its natural gas main replacement program. Over time, these programs evolved to include and identify risks associated with service lines. Likewise, this Commission has shared this safety focus, approving pipeline replacement programs for many of the Commonwealth's local distribution companies to improve the safety and reliability of their respective natural gas distribution systems.⁵

7. Duke Energy Kentucky has identified a need to replace natural gas service line infrastructure that is prone to corrosive forces and thus raises the risk for leakage or breakage. However, there still exists a significant number of these services on the Company's distribution system that were not replaced as part of the AMRP, primarily because the gas main associated with these services was not the focus of the AMRP.

8. The natural gas service lines situated in the Duke Energy Kentucky service territory are comprised of various materials (*e.g.*, steel, copper, cast iron, plastic), typical of the general industry standards and operating practices of the relevant time. Certain of these materials, although up-to-standard and widely accepted as safe and reliable at the time of installation, are now considered obsolete and present a safety risk. For example, cast iron is subject to cracking and breaking and is influenced by large temperature deviations and ground movement. Corrosion is also a concern for metallic pipe and is subject to mitigation efforts throughout the industry, mostly in the form of the

⁵ See *e.g.*, *In the Matter of the Application of Atmos Energy Corporation for an Adjustment of Rates*, Case No. 2009-00354 (Ky. P.S.C. Order, May 28, 2010) and *In the Matter of the Application of Louisville Gas and Electric Company for an Adjustment of its Electric and Gas Rates, a Certificate of Public Convenience and Necessity, Approval of Ownership of Gas Service Lines and Risers, and a Gas Line Surcharge*, Case No. 2015-00222 (Ky. P.S.C. Order, December 20, 2012).

development of materials with cathodic protection. But because cathodic protection was not mandated until 1970, there are pre-1971 metallic service lines that are not so protected.

9. A failure in a service line can have significant and serious safety consequences that can be quickly magnified by the fact that service lines are located in close proximity to inhabited structures.⁶ It is also worth noting that, in most cases, service lines, regardless of material, operate at the same pressure as the main to which they are attached. Through the ASRP, Duke Energy Kentucky proposes to address pre-1971 vintage services that are not cathodically protected, along with those services comprised of other unprotected metallic material and that were not replaced as part of the AMRP.

10. Historically, the Company has replaced service lines after a failure has occurred, a practice that continues to this day. These responses are site-specific (*i.e.*, concern only the premises at which the failed service line is located) and can involve premium labor dollars given that the circumstances give rise to an urgent situation. Additionally, Duke Energy Kentucky replaced some services as part of its AMRP, which concluded in 2010, and today continues to annually replace a limited number of service lines. The costs associated with both of these approaches are recovered through the Company's base rates. However, a more targeted and accelerated replacement schedule is necessary to mitigate the risks of increased failures of these services before a hazardous situation presents itself. The approval of the accelerated plan replaces these service lines in five years, as opposed to 50 years if the Company follows its existing plan that

⁶ *In the Matter of Louisville Gas & Electric Company Alleged Failure to Comply with KRS 278.495*, Case No. 2012-00239 (Ky. P.S.C. Order, June 26, 2012).

replaces service lines annually.

11. Duke Energy Kentucky estimates that approximately 10,000 pre-1971, steel and other unprotected metallic service lines remain in its natural gas system. Absent implementation of an accelerated program, the removal and replacement of targeted service lines would continue under the Company's current standard capital replacement program or, on an emergency basis, upon discovery of a leak. However, the Company's current program only allows for the replacement of approximately 200 service lines per year. Under that schedule, it could reasonably take Duke Energy Kentucky approximately 50 years to replace this targeted infrastructure. This means that some of Duke Energy Kentucky's service lines would be well over 100 years old before they would be replaced in the ordinary course. Such an outcome is antithetical to PHMSA's regulations, as well as the Commission's own objective of ensuring safe and reliable natural gas distribution service. Indeed, measures to identify system integrity risks and replace such hazards are now required on both the state and federal levels, and the same Commission objectives present under the AMRP are equally applicable in this case in order to mitigate the risk associated with the service lines.

12. Similar to the Company's previous experience and success with the AMRP, and realizing the need to accelerate the replacement of service lines, Duke Energy Kentucky is targeting service lines of a vintage earlier than 1971 that are not cathodically protected, along with those comprised of other, unprotected metallic material. Specifically, where the main-to-curb and curb-to-meter segments of a service line falls under either of these categories, the Company intends to replace such service lines in a cost-effective, and accelerated manner.

13. Upon the replacement of such service lines, Duke Energy Kentucky also seeks continued Commission authorization to assume ownership of these customer-owned service lines thereby relieving individual customers of the obligation and cost of expensive repairs.⁷ Moreover, this will assure that future repairs to damaged service lines will be undertaken in a consistent and workman-like manner. The ASRP, therefore, will enable Duke Energy Kentucky to efficiently upgrade components of its natural gas delivery system and improve safety and reliability, all while limiting customers' potential future liability for service line repairs.

The ASRP Initiative

14. In response to Duke Energy Kentucky's commitment to providing safe, reliable, and cost-effective natural gas, the Company's customers' expectations for safe supply, federal mandates to address identified system risks, and to adhere to the policies of the commonwealth as implemented by the Commission, Duke Energy Kentucky proposes a service pipeline replacement program and recovery mechanism, Rider ASRP. This new service program identifies, addresses, and accelerates replacement of these main-to-curb and associated curb-to-meter service lines. Under the ASRP initiative, Duke Energy Kentucky will, in a systematic approach like that followed in its very successful AMRP initiative,⁸ methodically replace pre-1971, steel and other metallic unprotected services that still remain on the Company's natural gas delivery system.

15. Duke Energy Kentucky's AMRP was successful and allowed the Company to significantly reduce the amount of cast iron or bare steel natural gas mains in its distribution system. Duke Energy Kentucky's customers and the public at large

⁷ *In the Matter of an Adjustment of the Gas Rates of the Union Light, Heat and Power Company*, Case No. 2005-00042 (Ky. P.S.C. Order, December 22, 2005).

⁸ *Id.*

benefited from the reduction in leaks and enhancement of safety and reliability as a direct result of the AMRP. Customers and the public will experience similar benefits as a direct result of the ASRP.

16. Additionally, as part of the service replacement under the ASRP, Duke Energy Kentucky is seeking Commission approval to relocate any interior natural gas meters attached to these services to an external location at the premises. Currently, Duke Energy Kentucky has approximately 35,000 interior natural gas meters in its service territory. These interior services are expensive to maintain and present logistical difficulties for both the Company and its customers. These meters require access and customer coordination for meter reading, normal maintenance, and inspection. Scheduling access with customers is challenging and can result in several months of estimated readings. The Company must also inspect these interior meters every three years,⁹ which is complicated by the same difficulty in gaining access to the meter. Relocating these interior services and meters is a benefit to customers as it reduces the number of estimated readings, and allows the Company ready access to its equipment outside the customer premises.

Commission Authority to Approve the ASRP

17. The Commission has authority to approve Duke Energy Kentucky's ASRP initiative and cost recovery mechanism through express statutory authorization and also under its plenary rate-making authority.

18. KRS 278.509 explicitly authorizes the Commission to approve a gas pipeline replacement program and provide for the recovery of costs thereof that are not

⁹ 807 KAR 5:006, Section 26(5)(a)(2).

recovered in the existing rates of a regulated utility, providing that the Commission determines the costs of the program are fair, just, and reasonable.

19. Duke Energy Kentucky's ASRP initiative, like its predecessor, the AMRP, constitutes a pipeline replacement program consistent with and authorized by KRS 278.509, which provides in relevant part:

Notwithstanding any other provision of law to the contrary, upon application by a regulated utility, the commission may allow recovery of costs for investment in natural gas pipeline replacement programs which are not recovered in the existing rates of a regulated utility. No recovery shall be allowed unless the costs shall have been deemed by the commission to be fair, just, and reasonable.¹⁰

20. The Kentucky Supreme Court has affirmed this Commission's authority to approve such a program and cost recovery methodology under its broad, plenary ratemaking authority, holding:

...We agree with the view that the PSC had the plenary authority to regulate and investigate utilities and to ensure that rates charged are fair, just, and reasonable under KRS 278.030 and KRS 278.040. This authority allowed the PSC to allow the rider and to re-calculate the dollar amount of the surcharge in expedited annual proceedings even before the effective date of KRS 278.509, which expressly clarified (but did not create) the PSC's authority to allow recovery of the cost of natural gas pipeline replacement not covered by existing rates so long as the rates are fair, just, and reasonable.¹¹

21. Moreover, the Kentucky Supreme Court affirmed that the Commission can approve this type of mechanism outside of a general rate case.

...The plain language of KRS 278.190 does not actually require the PSC proceed with a general rate case or other particular process every time some new rate or change in rates is requested. To the

¹⁰ KRS 278.509.

¹¹ *Kentucky Public Service Commission v. Commonwealth of Kentucky ex. rel. Jack Conway*, 324 S.W.3d 373, 383 (Ky. 2010).

contrary, the statute simply provides that upon filing of the schedule of new rates, the PSC “may” conduct a “hearing concerning the reasonableness of the new rates” on its own motion or if the complaint is filed by any person challenging the rates as unreasonable or otherwise contrary to the law under KRS 278.260.¹²

22. Duke Energy Kentucky respectfully submits that its ASRP initiative is a natural gas pipeline replacement program not covered by existing rates and the corresponding surcharge mechanism to recover costs under the program is fair, just, and reasonable.

The Attributes of the ASRP Are Just and Reasonable

23. The proposed ASRP would result in the replacement of approximately 9.6 percent of the Company’s existing service lines and would, thereby, eliminate the potential for most, if not all, of the corrosion, natural forces, and material/weld leaks on the Company’s system, resulting in a reduction of approximately 56.6 percent of the total current service leaks on the system. However, the Company is aware that available data is not comprehensive due to the fact that it does not currently own all service lines in its service territory. Therefore, as part of the ASRP, the Company will seek to identify the age and material of a substantial number of customer-owned curb-to-meter service lines for which available data may be unreliable or incomplete. This survey will involve an initial records review and then, as necessary, physical visits to expose service lines and confirm their composition.

24. Following the example of the successful AMRP program, Duke Energy Kentucky will use objective criteria, such as operating pressure, material type, and year of installation, to assist in the prioritization of replacement work. Geographical areas will

¹² *Id.*, at 378.

also be reviewed so as to optimize and coordinate efforts toward scheduling and completing the necessary work.

25. The ASRP initiative reflects a systematic approach to accelerating the replacement of both pre-1971, steel service lines and, also, other unprotected metallic service lines currently integrated into the Company's natural gas distribution system, through coordination with qualified, outside contractors and Company crews that will improve system integrity, reduce overall program costs, and minimize disruption to and outages for customers.

26. The Company's ASRP responds to a class of hazardous risks inherent in a category of service lines that have been identified as having a high risk to leak or break. Duke Energy Kentucky's proposal is based upon analysis that shows that leak rates on service lines will increase if bare steel, cast iron, and corrosive service lines remain in place. Also, the ASRP will expand the Company's ownership of service lines – an outcome that will provide a benefit to customers by insulating them from the personal expense and inconvenience of future repairs on the service lines.

27. The ASRP would also allow an opportunity, where applicable, to efficiently and economically relocate meters that are currently inside a structure to a suitable external location. By relocating these natural gas meters, the Company will be able to avoid some future costs associated with mandatory inspections and surveys on inside jurisdictional piping. Specifically, the Company will be able to exclude from federally mandated inspections on inside jurisdictional piping, the piping associated with meters that have been relocated to an exterior location under the ASRP. As a result, the triennial inspections will involve a lesser amount of indoor piping, allowing for those

inspections to be completed using fewer hours of labor. In addition, relocating meters to an external location will substantially reduce customer inconvenience and will improve the customer's experience, as the Company will no longer have to enter a customer's premises to, among other things, conduct mandatory atmospheric corrosion inspections and leak surveys. Further, it is economically advantageous to incorporate this relocation activity into a larger, planned program such as ASRP, thereby, saving time and money and avoiding fragmented, expensive relocations in the future.

28. Duke Energy Kentucky proposes that the ASRP be implemented over a period of five years, beginning in 2016. The Company projects the total capital and operations and maintenance (O&M) expenditures under the ASRP to be approximately \$50 million, assuming three percent inflation and including the costs of moving applicable meters outside and surveying an additional main to curb service lines.¹³ Absent the ASRP, the Company projects total capital expenditures of approximately \$64 million, in 2015 dollars, to replace service lines under current programs or upon their failure. This dollar figure does not consider the potential increase in O&M expenses applicable to inside meters or the increased hazard that comes with being reactive rather than proactive concerning the safety and reliability of the natural gas distribution system.

29. Duke Energy Kentucky proposes to assume ownership of the customer-owned service lines replaced under the ASRP. This will shift responsibility for maintenance and repair of service lines to the Company and provide a safer and more reliable system going forward.

¹³ The Company does not presently have complete records for some of these services because of their age and historic written records may not be available and the fact that the Company acquired some of these systems decades ago from previous operators who did not have or maintain sufficient records.

Request for Certificate of Public Convenience and Necessity and Waivers

30. Duke Energy Kentucky is requesting a CPCN pursuant to KRS 278.020 and 807 KAR 5:001, Section 15 for its ASRP initiative. Duke Energy Kentucky proposes to implement the ASRP for the reasons set forth above. Under the proposed ASRP, Duke Energy Kentucky will replace existing metallic service lines that do not have cathodic protection.

31. The ASRP will not result in a wasteful duplication of facilities. The ASRP is intended to replace existing service lines identified as an integrity risk.

32. **807 KAR 5:001 Section 12(2)(a)-(i)**. Duke Energy Kentucky is filing the following information in Exhibit 1, which is incorporated herein and made a part of this Application filed in this proceeding:

<u>Exhibit 1</u> <u>Page</u>	<u>Description</u>	<u>807 KAR 5:001</u> <u>Section Reference</u>
	Financial Exhibit	12 (2)
1	Amount and kinds of stock authorized	12(2)(a)
1	Amount and kinds of stock issued and outstanding	12(2)(b)
1	Terms of preference or preferred stock	12(2)(c)
1	Brief description of each mortgage on property of Duke Energy Kentucky	12(2)(d)
1-2	Amount of bonds authorized and issued and related information	12(2)(e)
2	Notes outstanding and related information	12(2)(f)
2-3	Other indebtedness and related information	12(2)(g)

3-4	Dividend information	12(2)(h)
5-6	Detailed Income Statement and Balance Sheet	12(2)(i)

33. In accordance with Section 15(2)(a), the Application and supporting testimony provides the evidence to show that the ASRP is required by public convenience or necessity. The program will allow Duke Energy Kentucky to continue to provide safe, reliable, and reasonably priced retail natural gas service to customers by replacing known aging equipment that has demonstrated a high risk for leakage and breakage. Upon replacement, the Company will take over ownership of these service lines and be responsible for future repair if needed.

34. In accordance with Section 15(2)(b), regarding the filing of franchise agreements, the Company states that it has previously filed with the Commission the applicable franchises from the proper public authorities. Additionally, to the extent a local city or municipality requires the Company obtain a construction permit, the Company will follow such local regulations and obtain any necessary local permits prior to beginning any work.

35. In accordance with Section 15(2)(c), which requires the Company to provide a full description of the proposed location, route, or routes, including a description of the manner in which the facilities will be constructed, Duke Energy Kentucky respectfully states that the ASRP program will be implemented throughout the Company's seven-county natural gas service territory. Exhibit 2 includes a map of the Company's service territory that will be impacted by this program. Because the Company's ASRP is applicable only in the Company's service territory, the program will not compete with any public utilities, corporations, or persons.

36. In accordance with Section 15(2)(d)(1)-(2), requiring maps showing the location of facilities and plans and specifications and drawings of the proposed plant, equipment, and facilities, Duke Energy Kentucky respectfully states that Exhibit 2 contains a map of the Company's service territory that includes the five-year construction plan of implementation of the ASRP. The Company respectfully submits that since it is replacing approximately 10,000 services throughout its service territory, it is impractical to provide detailed maps of each and every service location. As explained below, the Company will provide annual updates of its construction plans. Exhibit 3 to this Application contains the work specifications for the service line replacements. Each service line is a unique installation and will require its own individual drawing to be made at the time and after actual replacement for record purposes. However, all service installations will be constructed in accordance to Duke Energy Kentucky's standards and procedures. Until such time as this Application is approved and the Company has implemented this program, there are no specific drawings to be submitted.

37. In accordance with Section 15(2)(e), the Company states that it will finance this new construction through the proposed surcharge mechanism as authorized by KRS 278.509. On an annual basis, the Company will file an application using a forecasted period of anticipated capital expenditures and true-up, if necessary, the prior year's actual expenditures.

38. In accordance with Section 15(2)(f), the Company states that in terms of O&M expense, there are no incremental operating costs associated with ASRP once the program is completed. Once installed, these new service lines will constitute new plant in service and eventually will be rolled into base rates at the time of the Company's next

base natural gas rate case.

39. Consistent with the Commission's Order in Case No. 2008-00408, the Company continuously evaluates opportunities for energy efficiency and demand side management (DSM) to meet its resource needs.¹⁴ However, since this case is not intended to add a new source of gas supply, but rather to make certain that the gas the Company currently delivers is handled safely and economically, energy efficiency and DSM consideration are not applicable to this proceeding.

40. Duke Energy Kentucky respectfully states that the ASRP is needed to respond to an identified integrity risk to its natural gas delivery system that the Company must address to comply with state and federal regulations. The Company further states that the program is necessary to continue to provide safe and reliable service for the benefit of all its natural gas customers. Moreover, the ASRP will not result in a wasteful duplication of facilities. The ASRP is intended to replace existing service lines identified as presenting an integrity risk, so as to mitigate the conditions and risks set forth above. Exhibit 4 to the Company's Application is a study performed by Lummus Consultants International titled "Condition Analysis of Kentucky Service Lines" that discusses the condition of the Company's service lines target for replacement, the risk assessment, analysis supporting the need for the project.

¹⁴ *In the Matter of the Consideration of the New Federal Standards of the Energy Independence and Security Act*, Case No. 2008-00408, Order at p.18 (July 24, 2012).

Request for Implementation of a Surcharge and Other Necessary Approvals

41. The policy statements included by the General Assembly in the laws governing natural gas utilities could not be clearer. Safety is important. The policy of the Commonwealth of Kentucky, as set forth in KRS 278.509, recognizes that flexible regulatory treatment is necessary for the efficient upgrading of natural gas delivery systems, thereby yielding safer and more reliable service to customers.

42. In connection with the ASRP initiative, Duke Energy Kentucky is also seeking approval of Rider ASRP as a surcharge recovery mechanism. It will allow the Company to track and recover the costs of the ASRP in a manner that is consistent with, but avoids the administrative and financial burden of, annual and/or multiple rate cases. Specifically, the Company proposes to provide the Commission, on an annual basis, with the following: (1) the proposed survey work with projected costs for the coming year (12 months); (2) the proposed construction plans, including areas of construction, with projected costs for the coming year (12 months); (3) the proposed meter relocation work with projected costs for the coming year (12 months); (4) the actual service line construction results and corresponding costs for the prior year (12 months); (5) the actual meter relocation results and corresponding costs for the prior year (12 months); (6) the actual survey results and corresponding costs for the prior year (12 months); (7) a calculation to derive monthly customer charges for the coming year (12 months); and (8) any other information that the Commission deems appropriate. The proposed tariff language for Rider ASRP is attached to the Direct Testimony of Peggy A. Laub, as Attachment PAL-2.

43. The Company seeks initial Commission approval of Rider ASRP as described in the Direct Testimony of Company witness Peggy A. Laub and as set forth in Attachment PAL-2 based upon forecasted expenditures in 2016. For each subsequent year of the program, the Company will submit an application and supporting schedules on or about October 1st reflecting its intent to update the Rider ASRP monthly charges based upon anticipated expenditures for the next calendar year and to true-up for the current/previous years' actual expenditures. The annual application will, among other things, reflect actual costs incurred as of October 1st and estimated costs for the balance of the year. Assuming that Commission approval is granted, the new monthly charges become effective the following January 1st.

44. Duke Energy Kentucky further proposes that this process, including the annual reconciliation and rider true-up, continue until the ASRP is fully integrated into base rates, with the final filing to be made in the year following full completion of the ASRP-related infrastructure replacement.¹⁵

Testimony and Exhibits

45. Additional facts supporting this Application are set forth in the following Direct Testimony attached to this Application as Exhibits 5 through 9:

a. Charles R. Whitlock, Senior Vice President of Midwest Delivery and Gas Operations for Duke Energy Kentucky, discusses the Company's operations and integrity management programs and the need for the project;¹⁶

¹⁵ Notwithstanding this proposal, Duke Energy Kentucky appreciates that there may exist, independent of the capital expenditures to be made in connection with the ASRP, a need for a base rate case adjustment during the course of the proposed ASRP term. Such a base rate case and the associated, detailed review would enable the Commission, through its staff, to examine the overall financial structure of the Company. If the Company makes such a base rate case filing during the term of the ASRP, the then-existing investment in the ASRP will be incorporated into base rates and Rider ASRP will be reset to \$0.00.

¹⁶ Exhibit 5.

b. Peggy A. Laub, Director of Rates and Regulatory Planning Ohio/Kentucky, discusses the ASRP surcharge mechanism, its calculation, annual filings and true-up, as well as the likely rate impact of the surcharge mechanism;¹⁷

c. Gary Hebbeler, General Manager Gas Field and System Operations, discusses the ASRP construction and specifications;¹⁸

d. John A. Hill, Jr., Director of Gas Engineering, discusses the state and federal regulations driving the Company's integrity management programs, how programs are identified and budgeted, how costs are managed, and how the ASRP is consistent with those regulations;¹⁹ and

e. Edward A. McGee, with Lummus Consultants International, discusses the analysis supporting the need for the project²⁰ and sponsors Exhibit 4 to this Application, Condition Analysis of Kentucky Service Lines.

WHEREFORE, Duke Energy Kentucky respectfully requests that the Commission:

- 1) Issue a CPCN for replacement of the service lines described herein for relocation of certain interior meters and services, and Company ownership of said equipment;
- 2) Authorize the implementation of a surcharge mechanism to be known as Rider ASRP; and
- 3) Grant any other relief to which the Company may be entitled.

¹⁷ Exhibit 6.

¹⁸ Exhibit 7.

¹⁹ Exhibit 8.


²⁰ Exhibit 9.

VERIFICATION

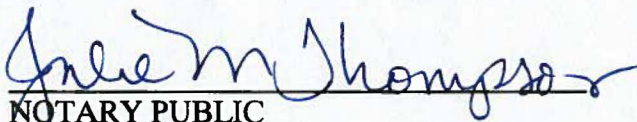
STATE OF OHIO)
) SS:
COUNTY OF HAMILTON)

The undersigned, Charles R. Whitlock being duly sworn, deposes and says that he is the Senior Vice President of Midwest Delivery and Gas Operations of Duke Energy Kentucky, Inc., that he has personal knowledge of the matters set forth in the foregoing, and that the information contained therein is true and correct to the best of his knowledge, information and belief.

DUKE ENERGY KENTUCKY

By: 
Charles R. Whitlock, Affiant
Senior Vice President, Midwest Delivery and Gas
Operations of Duke Energy Kentucky, Inc.

Subscribed and sworn to before me by Charles R. Whitlock, Senior Vice President of Midwest Delivery and Gas Operations, Duke Energy Kentucky, Inc., on this 26 day of June 2015.


NOTARY PUBLIC

My Commission Expires: 11-19-15



Julie M. Thompson
Notary Public, State of Ohio
My Commission Expires 11-19-2015

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CERTIFICATE OF SERVICE

This is to certify that a copy of the foregoing Application of Duke Energy Kentucky, Inc. has been served via overnight mail to the following party on this 6th day of July 2015.

Hon. Jennifer Hans
Office of the Attorney General
Utility Intervention and Rate Division
1024 Capital Center Drive
Frankfort, Kentucky 40601



Rocco O. D'Ascenzo