

**VERIFICATION**

STATE OF OHIO )  
 ) SS:  
COUNTY OF HAMILTON )

The undersigned, Gary J. Hebbeler, GM, Gas & Field Systems, being duly sworn, deposes and says that he has personal knowledge of the matters set forth in the foregoing data requests, and that the answers contained therein are true and correct to the best of his knowledge, information and belief.

Gary J. Hebbeler  
Gary J. Hebbeler, Affiant

Subscribed and sworn to before me by Gary J. Hebbeler on this 2<sup>ND</sup> day of  
November 2015.

Adele M. Frisch  
NOTARY PUBLIC

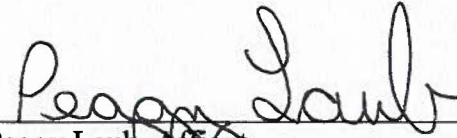
**ADELE M. FRISCH**  
Notary Public, State of Ohio  
My Commission Expires 01-05-2019

My Commission Expires: 1/5/2019

**VERIFICATION**

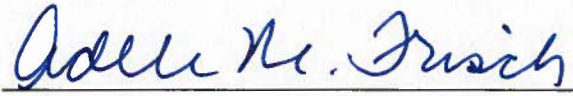
STATE OF OHIO )  
 ) SS:  
COUNTY OF HAMILTON )

The undersigned, Peggy Laub, being duly sworn, deposes and says that he has personal knowledge of the matters set forth in the foregoing data requests, and that the answers contained therein are true and correct to the best of his knowledge, information and belief.

  
Peggy Laub, Affiant

Subscribed and sworn to before me by Peggy Laub on this 2<sup>ND</sup> day of November 2015.

  
**ADELE M. FRISCH**  
Notary Public, State of Ohio  
My Commission Expires 01-05-2019

  
NOTARY PUBLIC

My Commission Expires: 1/5/2019



**VERIFICATION**

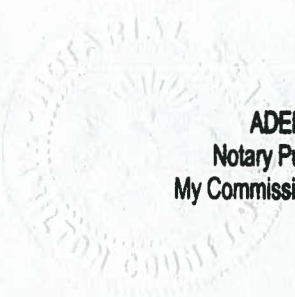
STATE OF OHIO )  
 ) SS:  
COUNTY OF HAMILTON )

The undersigned, William Don Wathen Jr, Director of Rates & Regulatory Strategy – Ohio/Kentucky being duly sworn, deposes and says that he has personal knowledge of the matters set forth in the foregoing data requests, and that the answers contained therein are true and correct to the best of his knowledge, information and belief.



William Don Wathen Jr, Affiant  
Director of Rates & Regulatory Strategy –  
Ohio/Kentucky

Subscribed and sworn to before me by William Don Wathen Jr on this 11<sup>th</sup> day  
of November 2015.



**ADELE M. FRISCH**  
Notary Public, State of Ohio  
My Commission Expires 01-05-2019



NOTARY PUBLIC

My Commission Expires: 1/5/2019

## TABLE OF CONTENTS

<u>DATA REQUEST</u>	<u>WITNESS</u>	<u>TAB NO.</u>
STAFF-DR-03-001	Gary Hebbeler .....	1
STAFF-DR-03-002	Gary Hebbeler .....	2
STAFF-DR-03-003	Gary Hebbeler .....	3
STAFF-DR-03-004	Gary Hebbeler .....	4
STAFF-DR-03-005	Peggy Laub .....	5
STAFF-DR-03-006	Gary Hebbeler/Peggy Laub/ Roger A. Morin, Ph.D./ William Don Wathen Jr.....	6

**STAFF-DR-03-001**

**REQUEST:**

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.

**RESPONSE:**

- a. The statement regarding information entered in the system incorrectly applies only to information on service installations from 2000 to the present. From 2000 to present, any copper and bare steel services needing replacement were replaced with plastic. There were no copper or bare steel services installed during this time period. Field reports confirmed this. The mistake was due to human error when entering data into the data system where the new plastic service material type was not noted and updated in the system resulting in the prior material type remaining listed incorrectly.
- b. Please see page 36 and Table 10 in Exhibit 4 to the Company's Application (a study performed by Lummus Consultants International titled "Condition Analysis of Kentucky Service Lines"). Duke Energy Kentucky has record researched service replacements performed in the 1980's and 1990's. No errors were discovered. However, the current snap shot in time indicates that the number of active copper services installed in the 1990's and 1980's are, 11 and 48 respectively. There were no bare steel services installed during in the 1980's to present.
- c. No. Duke Energy Kentucky has not installed any copper or bare steel services from 2000 to present.
- d. Duke Energy Kentucky did not install any bare steel and copper services from 2000 to the present.

**PERSON RESPONSIBLE:** Gary J. Hebbeler

**Duke Energy Kentucky  
Case No. 2015-00210  
Staff Third Set Data Requests  
Date Received: October 30, 2015**

**STAFF-DR-03-002**

**REQUEST:**

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.

**RESPONSE:**

The Company misstated its response to Staff-DR-02-005. Excess flow valves will be installed on single family residential services that are served off of mains operating at intermediate or higher pressures. The excess flow valves will be installed on single family services that meet the criteria based on service line size, gas system pressure and length.

**PERSON RESPONSIBLE:** Gary J. Hebbeler



**STAFF-DR-03-003**

**REQUEST:**

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.

**RESPONSE:**

- a. Yes.
- b. There is no detailed breakdown. The cost is a unit cost for contractor labor, equipment, administrative fees, and all incidentals.

**PERSON RESPONSIBLE:** Gary J. Hebbeler

**STAFF-DR-03-004**

**REQUEST:**

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.

**RESPONSE:**

- a. Duke Energy Kentucky intends to relocate approximately 2,200 interior meters in five years under the ASRP. The original estimate to move 1,000 meters per year was a conservative estimate and assumed there were more interior meters on Duke Energy Kentucky's system. After further review, Duke Energy Kentucky was able to determine that of the approximate 10,000 services identified for the ASRP, approximately 2,200 of them have inside meters.

- b. No. Duke Energy Kentucky does not rely upon that original estimate. After further review, Duke Energy Kentucky was able to determine that of the approximate 10,000 services identified for the ASRP, approximately 2,200 of them have inside meters.
- c. The O&M amount related to the relocation of the meters is \$75,860.40 and is based on the estimate to move 440 meters out per year.

**PERSON RESPONSIBLE:** Gary J. Hebbeler

**STAFF-DR-03-005**

**REQUEST:**

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.

**RESPONSE:**

- a. Yes, it is our belief that the July 1<sup>st</sup> projected data would be reasonably comparable to the October 1<sup>st</sup> projected data.

b. Under this proposal, the Company would file the following year projection by July 1<sup>st</sup> with rates to be effective on January 1<sup>st</sup> of the year of the projected data. For each subsequent year, the Company would calculate the revenue requirement based on the following year projected revenue data and a reconciliation of the prior calendar year actual spend to the projected data.

Under this scenario, the Company does not have any concerns.

**PERSON RESPONSIBLE:** Peggy Laub

**STAFF-DR-03-006**

**REQUEST:**

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"<sup>1</sup> 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.

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<sup>1</sup> 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.

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 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.

**RESPONSE:**

- a. Confirmed. The number of services at issue in Ohio is almost six times that of Duke Energy Kentucky.
- b. Duke Energy Kentucky did not propose a residential rate cap for the ASRP given the relative size of the program in Kentucky to that of Ohio. The Company is willing to work with Staff on potential caps for Kentucky residential customers.
- c. Duke Energy Kentucky does believe the safety gains justify the proposed five year time frame. The purpose of the accelerated program is to stay ahead of the deterioration rate. Duke Energy Kentucky proposed a five year term based upon

the number of services needing replaced, and the desire to replace services at a rate that was faster than the rate of deterioration and in a manner comparable to the annual scope of work completed as part of Duke Energy Kentucky's successful AMRP.

- d. As Dr. Morin states in his testimony filed on October 23, 2015, in Duke Energy Ohio's ASRP proceeding, "[b]ased on the results of various methodologies, current capital market conditions, and current economic industry conditions, a reasonable ROE range applicable to Duke Energy Ohio's natural gas distribution operations is 9.8% to 10.7% with a midpoint of 10.3%. In short, the 9.84% ROE established by the Commission in 2013 remains within the reasonable range under current capital market conditions, albeit near the bottom of what I consider a reasonable range."

As Dr. Morin's testimony in that Ohio proceeding indicates, Duke Energy Ohio could justify a much higher ROE for its gas operations, but obviously has elected not to do so. Traditionally, in Ohio, riders designed to recover capital-related costs use an ROE based on the most recent rate case. Dr. Morin's testimony in the Duke Energy Ohio ASRP filing confirmed that the 9.84% approved in the most recent rate case continued to be within the 'current' range of reasonableness.

**PERSON RESPONSIBLE:** (a) and (c) Gary J. Hebbeler  
(b) Peggy Laub  
(d) Roger A. Morin, PhD/William Don Wathen Jr.