

**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) Case No. 2015-00318
the Construction of a Gas Pipeline from)
Walton, Kentucky to Big Bone, Kentucky)

APPLICATION

Now comes Duke Energy Kentucky, Inc. (Duke Energy Kentucky or the Company), pursuant to KRS 278.020, and 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 of the construction of a new twelve-inch natural gas pipeline from Walton, Kentucky to Big Bone, Kentucky (Project). 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.
139 E. 4th St., Cincinnati, OH 45202
Rocco.D'Ascenzo@duke-energy.com
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Background

4. Duke Energy Kentucky has identified a need to construct a new twelve-inch natural gas pipeline, approximately ten miles in length, in Boone County, Kentucky extending from Walton, Kentucky to Big Bone, Kentucky. This Project is necessary due to load growth and from a system reliability standpoint.

5. Boone County is the fourth most populous county, and is one of the fastest developing counties in the Commonwealth of Kentucky.¹ Upon information and belief, this growth includes all three customer segments: residential; commercial; and industrial natural gas loads. This rapid growth has resulted in customer demand reaching near the limits of the Company's existing natural gas system's capacity. The Company is projecting growth to continue in this area, necessitating additional capacity construction to meet projected demand.

6. The Project will connect two existing pipeline segments on the Duke Energy Kentucky natural gas delivery system, namely, UL03 and AM03. The project

¹ <http://www.indexmundi.com/facts/united-states/quick-facts/kentucky/population-growth#chart>

will also connect UL03 to the existing delivery system in Richwood. UL03 is located on the western portion of the Company's service territory and is fed from Duke Energy Kentucky's Erlanger Station. UL03 extends south approximately 25 miles to serve about 21,000 customers in portions of Boone, Gallatin and Grant Counties. The AM03 pipeline is located more towards the center of Duke Energy Kentucky's delivery system and extends south approximately 25 miles to serve over 10,000 customers in the towns of Taylor Mill, Latonia Lakes, Independence, Walton, Crittenden, Dry Ridge and Williamstown. Presently these two pipelines connect at the southernmost point of Duke Energy Kentucky's service territory through a separate east-west line known as UL33.

7. The purpose of the Project is to construct necessary capacity to the Duke Energy Kentucky natural gas delivery system to meet anticipated demand and to provide greater reliability to the overall system. In their current configuration, the AM03 and UL03 lines cannot be operated separately without negatively impacting customers. This impact could occur either in the winter due to increased system demand or during summer months if there is a triggering event such as a pipeline breach caused by excavation or some other incident. The proposed pipeline will provide a new interconnection point between these two pipelines in the center of Duke Energy Kentucky's system, where additional reliability, supply and pressure are necessary to continue to provide customers with adequate natural gas service. The proposed connection from Big Bone to the existing system at Richwood will provide a needed and beneficial supply loop for this 100 plus square miles of service territory. The Project will also provide additional feeds to the system to support continued growth in southern Boone and Kenton Counties and will provide system flexibility to back-feed portions of

both the UL03 and AM03 segments in the event of scheduled or emergency work.

8. Duke Energy Kentucky anticipates that the majority of the project will be located in private easements that will be obtained following approval of this application. Where private easements are not possible, the Company will locate the Project within existing municipal road right-of-ways. Private easements are preferable in that it allows the Company to maintain greater control over the pipeline and to mitigate any impact to system integrity and reliability due to municipal street widening or improvement projects. The Company estimates that the Project can be completed by November 2017.

9. The current estimated project cost is approximately \$14 million dollars as detailed in the chart below:

<u>Task</u>	<u>Total</u>
Design	\$0.5M
Land	\$2.5M
Construction	\$9M
Material	\$2M
	<u>\$14M</u>

Request for Certificate of Public Convenience and Necessity

10. **807 KAR 5:001 Section 12(2)(a)-(i).** Duke Energy Kentucky is filing the following information in Exhibit 2, which is incorporated herein and made a part of this Application filed in this proceeding:

<u>Exhibit 2</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)
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)
4-6	Detailed Income Statement and Balance Sheet	12(2)(i)

11. 807 KAR 5:001, Section 15 sets forth the requirements to receive a CPCN.
- a. In accordance with Section 15(2)(a), the Application and supporting testimony describe the facts relied upon to show the Project is required by public convenience or necessity in that the Project is necessary from a reliability standpoint.
 - b. In accordance with Section 15(2)(b), the Company 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 to obtain a construction permit, the Company will follow such local regulations and obtain any necessary local permits prior to beginning any work.

- c. In accordance with Section 15(2)(c), which requires the Company to provide a full description of the proposed location, route, or routes of the proposed construction or extension, including a description of the manner in which the facilities will be constructed, Duke Energy Kentucky respectfully states that this information is provided in Exhibits 1, 3, and 4 to this Application and the Direct Testimony submitted in support thereof.
- d. In accordance with Section 15(2)(d)(1)-(2), requiring maps showing the location or route of the proposed construction or extension and plans and specifications and drawings of the proposed plant, equipment, and facilities, Duke Energy Kentucky respectfully states that Exhibits 1 and 4 contain a map and preliminary engineering, respectively, showing the proposed construction. Because the Company's Project is applicable only in the Company's service territory, the program will not compete with any public utilities, corporations, or persons. Exhibit 3 to this Application contains the preliminary work specifications for the Project.
- e. In accordance with Section 15(2)(e), the Company states that it proposes to finance the construction through continuing operations and debt instruments, as necessary.
- f. In accordance with Section 15(2)(f), the total estimated cost of construction for the Project is approximately \$14 million. The annual ongoing cost of operation of the Project once completed is expected to

be minimal, and less than \$5,000.

Testimony and Exhibits

12. Additional facts supporting this Application are set forth in the following Direct Testimony attached to this Application as Exhibits 5 through 8:

- a. Charles R. Whitlock, Senior Vice President of Midwest Delivery and Gas Operations for Duke Energy Kentucky, provides an overview of the Company's gas operations and the Project;²
- b. Gary Hebbeler, General Manager Gas Field and System Operations, discusses the Project construction and preliminary specifications;³
- c. John A. Hill, Jr., Director of Gas Engineering, discusses the need for the Project, system reliability, population growth in Boone County, pressure improvement and estimated costs of construction and ongoing operation;⁴ and
- d. Peggy A. Laub, Director of Rates and Regulatory Planning, discusses the estimated impacts to the Company's rates of the Project.⁵

WHEREFORE, Duke Energy Kentucky respectfully requests that the Commission:

- 1) Issue a CPCN for approval of the construction of a gas pipeline from Walton, Kentucky to Big Bone, Kentucky; and
- 2) Grant any other relief to which the Company may be entitled.

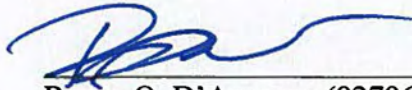
² Exhibit 5.

³ Exhibit 6.

⁴ Exhibit 7.

⁵ Exhibit 8.

Its Attorneys,



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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 electronic mail to the following party on this 28th day of September 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