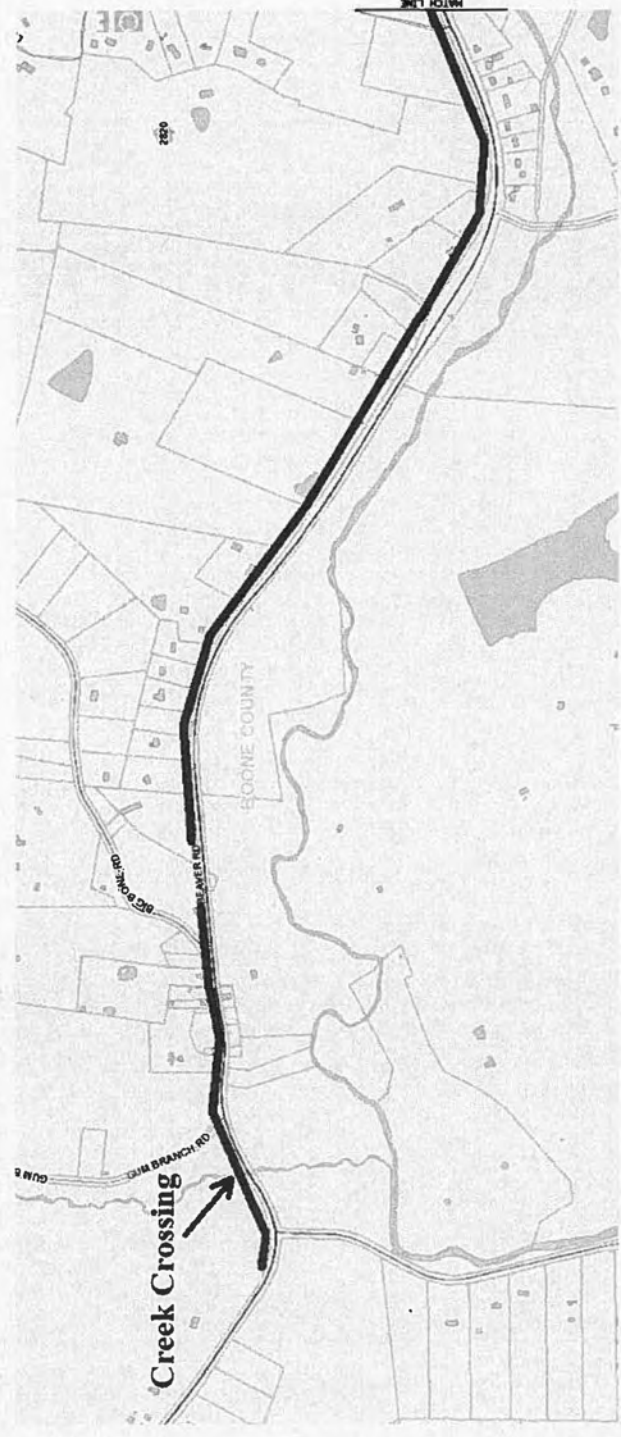
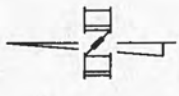


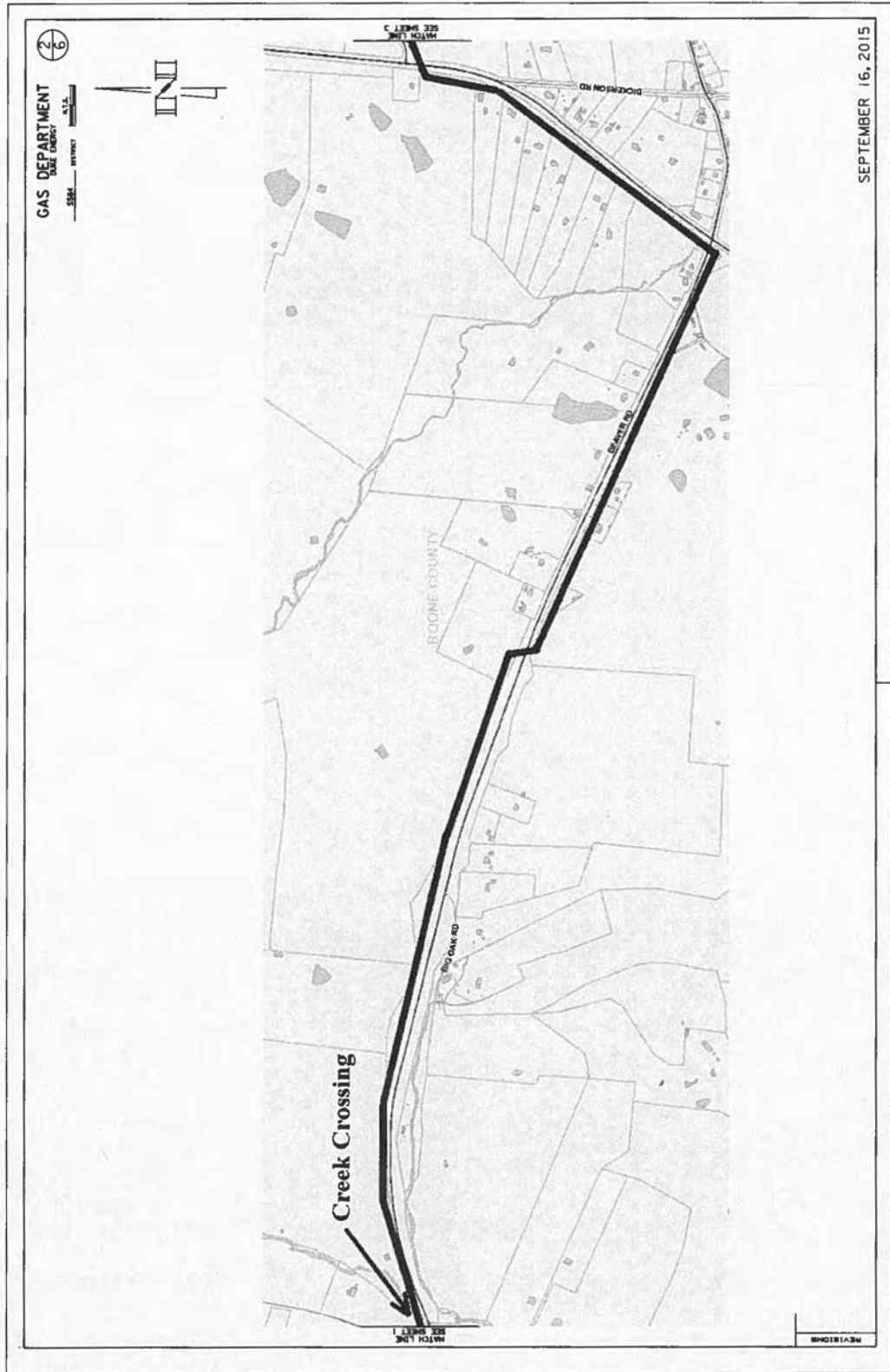


GAS DEPARTMENT
BOONE COUNTY
S.S.A. DISTRICT

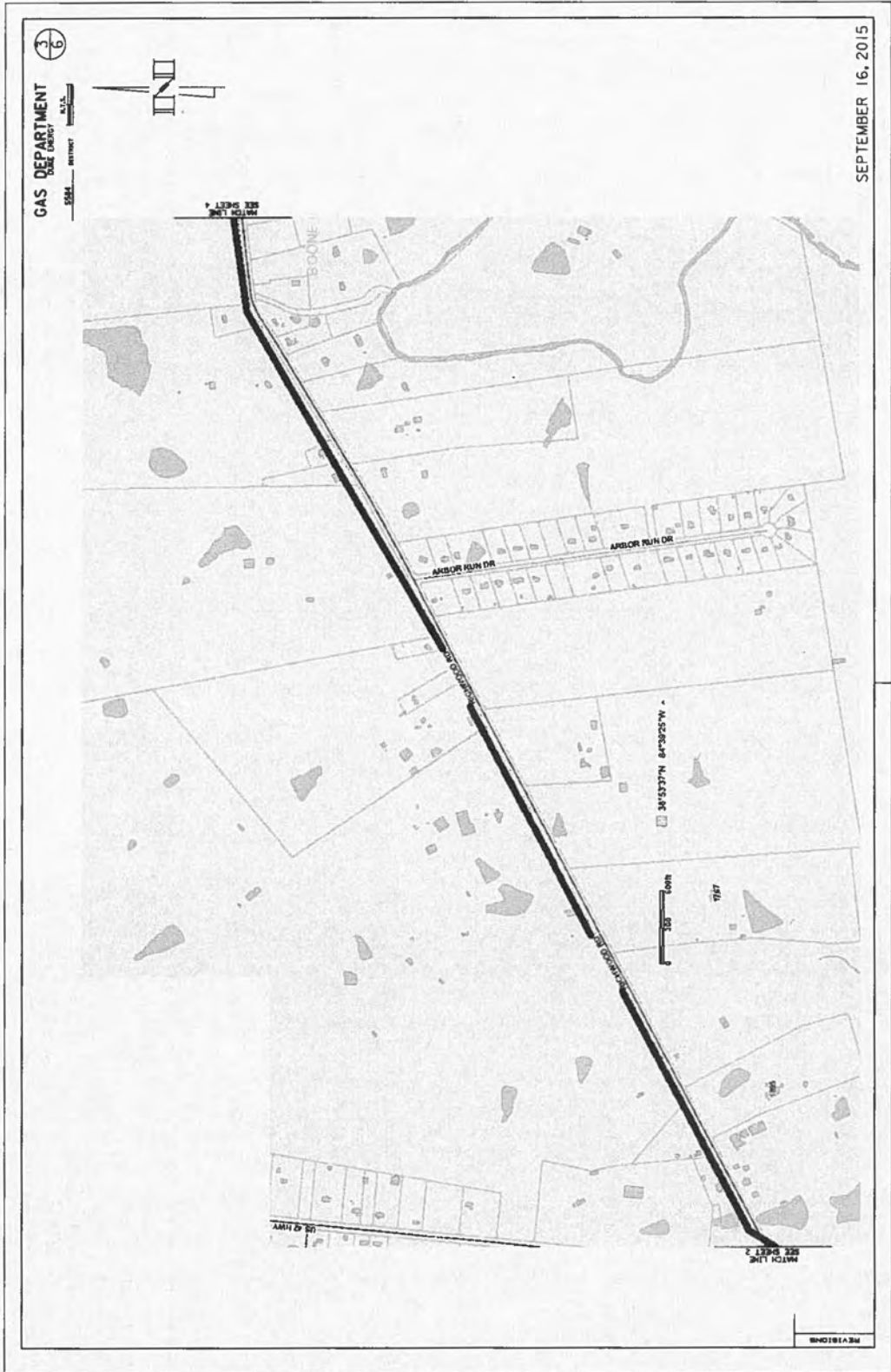


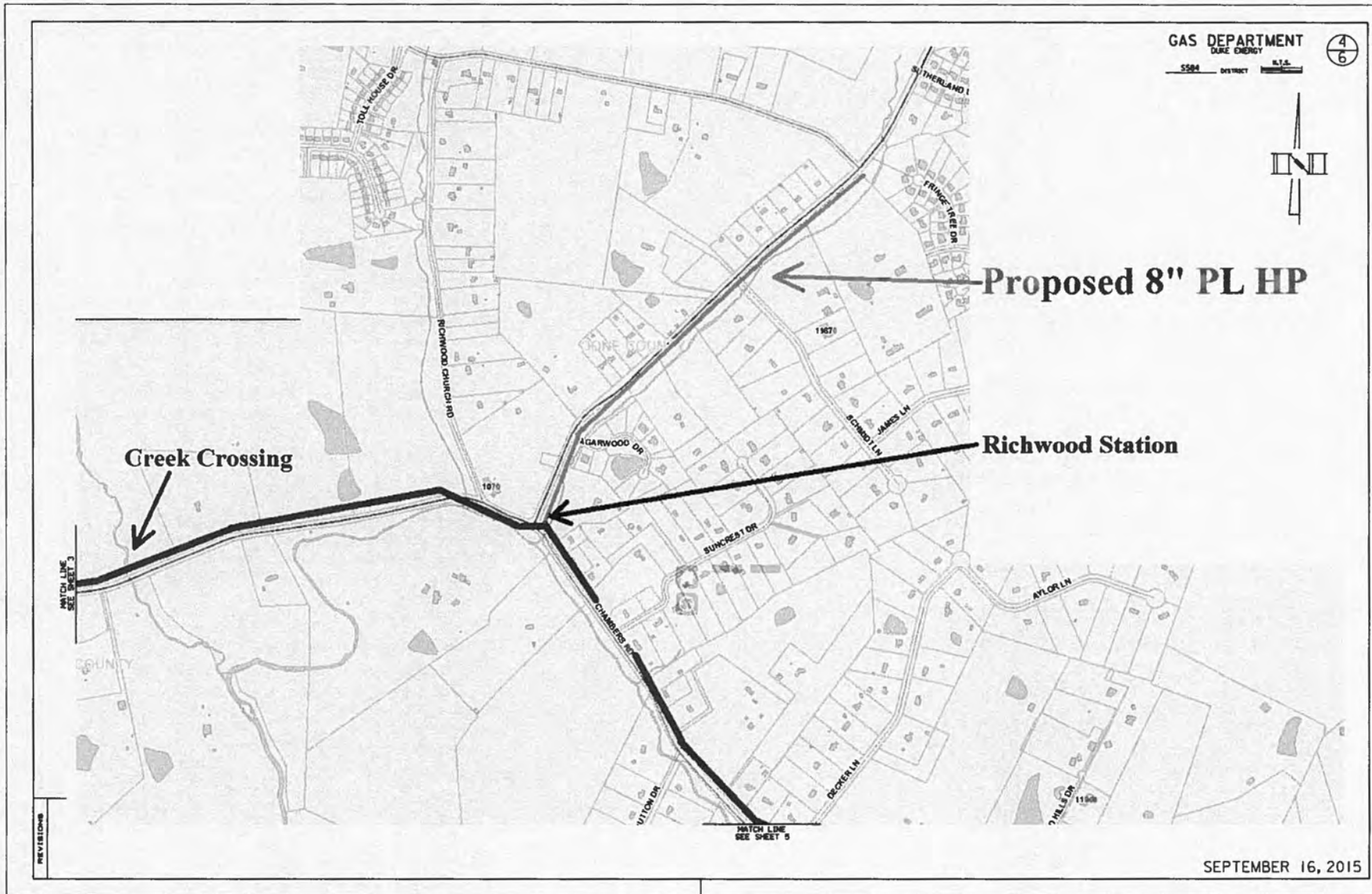
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REVISIONS



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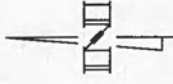




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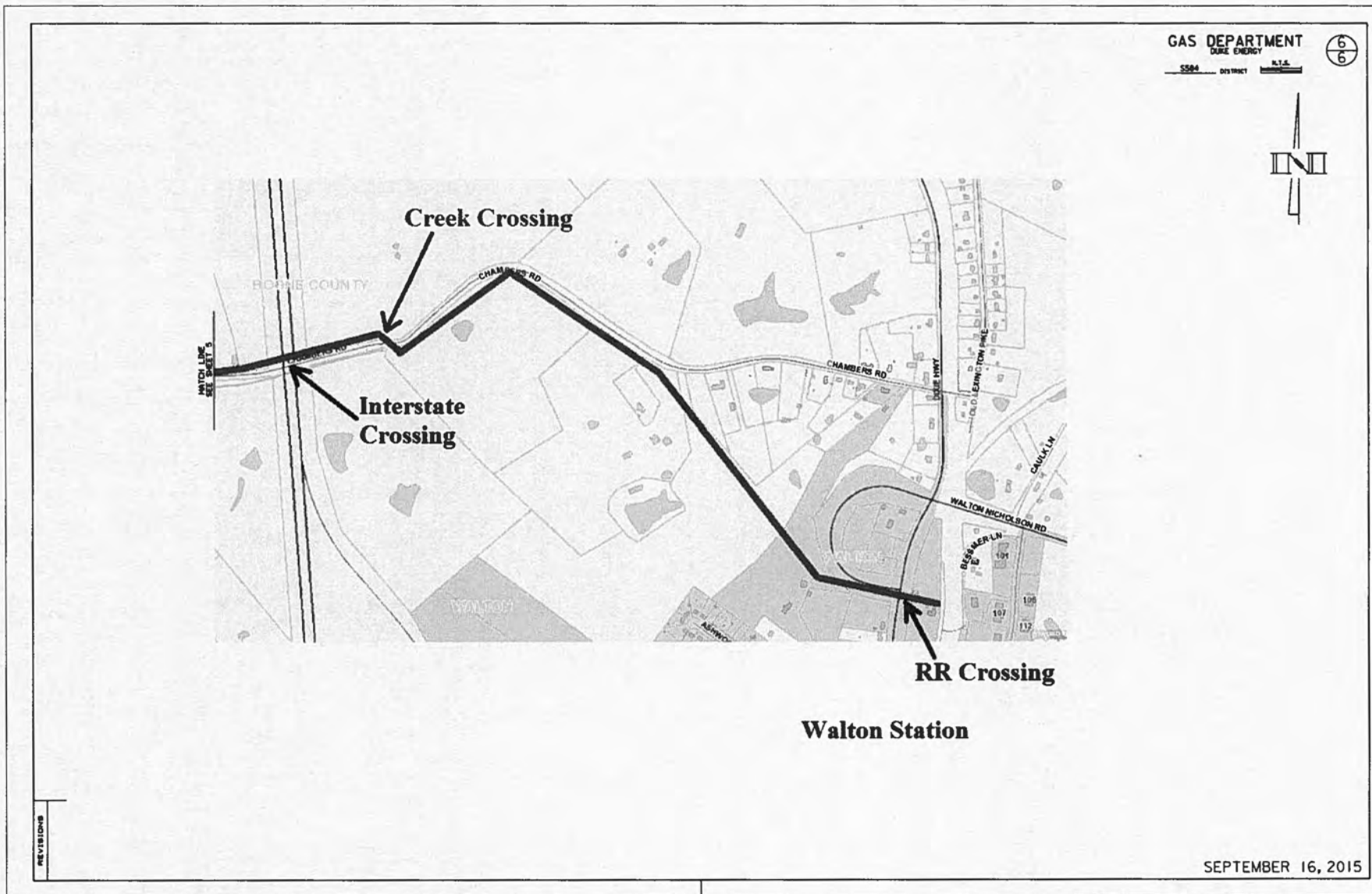
GAS DEPARTMENT
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SEPTEMBER 16, 2015

REVISIONS



**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 Construction of a Gas Pipeline from)
Walton, Kentucky to Big Bone, Kentucky)

Case No. 2015-00318

**DIRECT TESTIMONY OF
CHARLES R. WHITLOCK
ON BEHALF OF
DUKE ENERGY KENTUCKY, INC.**

September 28, 2015

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I. INTRODUCTION AND PURPOSE

1 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2 A. My name is Charles R. Whitlock, and my business address is 139 East Fourth
3 Street, Cincinnati, Ohio 45202.

4 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

5 A. I am employed by Duke Energy Business Services LLC (DEBS) as Senior Vice
6 President Midwest Delivery and Gas Operations. DEBS provides various
7 administrative and other services to Duke Energy Kentucky, Inc., (Duke Energy
8 Kentucky or the Company) and other affiliated companies of Duke Energy
9 Corporation (Duke Energy).

10 **Q. PLEASE BRIEFLY DESCRIBE YOUR EDUCATIONAL BACKGROUND
11 AND PROFESSIONAL EXPERIENCE.**

12 A. I am a graduate of the University of Alaska at Anchorage with a Bachelor of
13 Business Studies Degree in Accounting. I am also a graduate of the Mahler
14 School Advanced Management Skills Program and the Center for Creative
15 Leadership Developing Strategic Leadership Program. I have also taken
16 advanced course work in business management at Harvard University.

17 Prior to joining Cinergy Corp. (Cinergy), I was a Senior Trader for Statoil
18 Energy. I also held various positions with Vitol Gas and Electric, which included
19 responsibilities for energy trading, marketing and risk management. I joined
20 Cinergy in May 2000 as a power trader for Cinergy Services, Inc. I held positions
21 of increasing responsibility within the trading organization, culminating in the
22 position of Vice President, Power Trading. In 2004, I became Vice President,

1 Portfolio Optimization. In this role, I managed the commodity exposure related to
2 the generation assets. I remained in this position through the merger with Duke
3 Energy. I was named President of Midwest Commercial Generation in October
4 2009. In March of 2014, I assumed the role of Vice President of Gas Operations.
5 In June of 2015, I assumed my current position, becoming Senior Vice President
6 Midwest Delivery and Gas Operations and added the responsibility for the electric
7 distribution business in Kentucky, Ohio, and Indiana.

8 **Q. PLEASE SUMMARIZE YOUR RESPONSIBILITIES AS SENIOR VICE**
9 **PRESIDENT, MIDWEST DELIVERY AND GAS OPERATIONS.**

10 A. One of my main responsibilities, and the reason I am providing this testimony, is
11 because of my leadership role in Gas Operations where I provide leadership and
12 strategic direction for the natural gas operations of Duke Energy Kentucky and
13 Duke Energy Ohio, Inc. In this role, I am responsible for organizations that
14 deliver the safe, reliable, and economic supply of natural gas throughout our
15 distribution and transmission operations. This organization includes construction
16 and maintenance, gas engineering, gas supply, integrity management,
17 performance and compliance management, and our service delivery organization.
18 Additionally, I have responsibility for all electric distribution operations,
19 construction and maintenance in Kentucky, Ohio and Indiana for Duke Energy's
20 three Midwest electric utility operating companies.

21 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE KENTUCKY**
22 **PUBLIC SERVICE COMMISSION?**

1 A. No. However, I recently provided testimony in support of the Company's
2 Application for a Certificate of Public Convenience and Necessity and Cost
3 Recovery of an Accelerated Service Line Replacement Program, in Case No.
4 2015-00210.

5 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS**
6 **PROCEEDING?**

7 A. My testimony provides a brief overview of Duke Energy Kentucky and its natural
8 gas operations. I provide a summary of the Company's request in this proceeding
9 for a Certificate of Public Convenience and Necessity (CPCN) and also discuss
10 the need for and reasonableness of our proposal to construct a gas pipeline from
11 Walton, Kentucky to Big Bone, Kentucky (Project), including the benefits to
12 customers.

II. OVERVIEW OF DUKE ENERGY KENTUCKY

13 **Q. PLEASE GENERALLY DESCRIBE DUKE ENERGY KENTUCKY'S**
14 **OPERATIONS.**

15 A. Duke Energy Kentucky is a regulated utility operating company that provides
16 retail electric services in five counties and natural gas service in seven counties in
17 northern Kentucky. Duke Energy Kentucky's local business office is in Erlanger,
18 Kentucky, with the main business office in Cincinnati, Ohio. In addition, Duke
19 Energy Kentucky has operational facilities in Covington and Erlanger, Kentucky.
20 Duke Energy Kentucky serves a relatively densely populated territory that, though
21 not heavily industrialized, includes a fairly diverse mix of industrial customers.

1 Duke Energy Kentucky currently provides natural gas distribution service
2 to approximately 97,000 customers in Boone, Bracken, Campbell, Gallatin, Grant,
3 Kenton, and Pendleton Counties in northern Kentucky. The Company also owns,
4 operates, and maintains approximately 1,490 miles of mains on our natural gas
5 distribution system. Duke Energy Kentucky's gas and electric service territories
6 encompass approximately 563 and 700 square miles, respectively.

7 Duke Energy's Gas Operations business is organized into the following
8 functional groups: construction and maintenance, gas engineering, gas supply,
9 integrity management, performance and compliance management, and our service
10 delivery organization. These functional groups are designed to ensure the safe,
11 reliable, and economic supply of natural gas services to Duke Energy Kentucky's
12 customers. Gas Operations employs approximately 400 individuals who manage
13 the day-to-day operations of both the Kentucky and Ohio businesses.
14 Additionally, Gas Operations has approximately 400 contract employees to assist
15 in our mission.

III. DUKE ENERGY KENTUCKY'S APPLICATION TO CONSTRUCT A PIPELINE

16 **Q. PLEASE BRIEFLY SUMMARIZE DUKE ENERGY KENTUCKY'S**
17 **APPLICATION AND THE RELIEF REQUESTED IN THIS**
18 **PROCEEDING.**

19 **A.** Duke Energy Kentucky is requesting the Commission issue a CPCN to begin
20 construction of a new natural gas pipeline.

21 **Q. PLEASE DESCRIBE THE CONSTRUCTION PROPOSED IN THIS**
22 **APPLICATION.**

1 A. Duke Energy Kentucky is proposing to construct a new high pressure 12-inch
2 steel natural gas pipeline that will flow west to east across the southern part of the
3 Company's service territory. Once completed, the pipeline is estimated to be
4 approximately 10 miles in total length.

5 **Q. WHY IS THE PROJECT NEEDED?**

6 A. The project will add much needed supply and improved reliability in the southern
7 portion of the Company's natural gas delivery system in an area that is seeing
8 rapid growth. Although Duke Energy Kentucky has been able to meet customer
9 needs with safe and reliable natural gas service, the Company must still properly
10 time its investments to respond to anticipated needs of our customers and to
11 alleviate stresses to the overall distribution system. This project is necessary to
12 respond to the needs of our customers and maintain existing levels of quality
13 service and enhance reliability.

14 **Q. PLEASE DESCRIBE THE BENEFITS OF THE PROJECT.**

15 A. This new pipeline will provide additional reliability to Duke Energy Kentucky's
16 natural gas delivery system by connecting two existing north-south pipelines with
17 another west-east pipeline at the southern part of the Company's service territory.
18 This project will allow additional natural gas pipeline capacity in areas of the
19 service territory that are close to capacity. This area is experiencing low pressure
20 in times of high consumption and the new pipeline will alleviate this pressure
21 issue by increasing access to supply.

22 **Q. PLEASE EXPLAIN HOW THE PROJECT WILL IMPROVE**
23 **SATISFACTION AND CONVENIENCE TO CUSTOMERS.**

1 A. The additional capacity will allow the Company to continue to accommodate load
2 growth in the area and enhance levels of reliability during periods of high
3 consumption. In addition, this additional pipeline will provide a level of system
4 redundancy in terms of creating a back-feed capability when there are supply
5 constraints along either of the existing pipelines due scheduled or emergency
6 outages. This back-feed capability will reduce the likelihood of customer outages
7 that could occur without this capability.

8 **Q. YOU MENTIONED THAT THE PROJECT WILL PROVIDE A LEVEL**
9 **OF SYSTEM REDUNDANCY; ARE YOU SUGGESTING THAT THIS**
10 **WILL RESULT IN DUPLICATION OF FACILITIES?**

11 A. Not at all. By system redundancy, I am speaking from a reliability standpoint and
12 referring to the capability being able to continue the flow of natural gas on the
13 delivery system if one leg of the system experiences an outage.

14 **Q. DO YOU BELIEVE THE PROJECT IS REASONABLE AND**
15 **NECESSARY?**

16 A. Yes. This project is one that has been on the Company's planning horizon since
17 2007. As I mentioned, the reasons for this project include supporting the load
18 growth in the area and maintaining and improving the Company's overall system
19 reliability.

IV. CONCLUSION

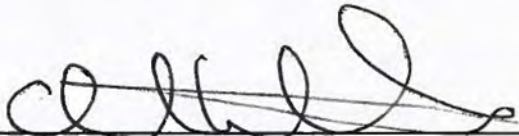
20 **Q. DOES THIS CONCLUDE YOUR PRE-FILED DIRECT TESTIMONY?**

21 A. Yes.

VERIFICATION

STATE OF OHIO)
) SS:
COUNTY OF HAMILTON)

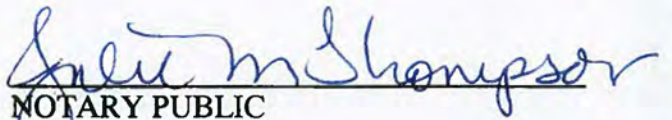
The undersigned, Charles R. Whitlock, being duly sworn, deposes and says that he has personal knowledge of the matters set forth in the foregoing testimony, and that the answers contained therein are true and correct to the best of his knowledge, information and belief.


Charles R. Whitlock, Affiant

Subscribed and sworn to before me by Charles R. Whitlock on this 22 day of September 2015.



Julie M. Thompson
Notary Public, State of Ohio
My Commission Expires 11-19-2016


NOTARY PUBLIC

My Commission Expires: 11-19-15

**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)

DIRECT TESTIMONY OF

GARY J. HEBBELER

ON BEHALF OF

DUKE ENERGY KENTUCKY, INC.

September 28, 2015

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I. INTRODUCTION AND PURPOSE

1 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2 A. My name is Gary J. Hebbeler, and my business address is 139 East Fourth Street,
3 Cincinnati, Ohio 45202.

4 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

5 A. I am employed by Duke Energy Business Services LLC (DEBS) as General
6 Manager, Gas Field and System Operations, for Duke Energy Kentucky, Inc.,
7 (Duke Energy Kentucky or Company) and Duke Energy Ohio, Inc. (Duke Energy
8 Ohio). DEBS provides various administrative and other services to Duke Energy
9 Kentucky and other affiliated companies of Duke Energy Corporation (Duke
10 Energy).

11 **Q. PLEASE BRIEFLY SUMMARIZE YOUR EDUCATIONAL**
12 **BACKGROUND AND PROFESSIONAL EXPERIENCE.**

13 A. I am a graduate of the University of Kentucky, where I obtained my Bachelor of
14 Science in Civil Engineering. In 1994, I obtained my license as a Professional
15 Engineer in the Commonwealth of Kentucky and, by reciprocity, later in the State
16 of Ohio.

17 I began working for The Cincinnati Gas & Electric Company (CG&E),
18 and the Union Light Heat and Power Company (ULH&P), the predecessor to the
19 Company, in 1987 as an engineer in the Gas Engineering Department. I initially
20 worked as a project engineer and was responsible for designing gas mains and
21 water lines, coordinating projects with governmental agencies and consulting
22 firms, calculating pipe capacity and stress, and evaluating company paving

1 standards and designs. Until 1998, I worked for CG&E/ULH&P, and later for
2 Cinergy Services, Inc., all of which were subsidiaries of Cinergy Corp. I was
3 Vice President for Michels Concrete Construction, Inc., during 1998 and returned
4 to Cinergy Corp.'s Gas Engineering Department in 1999. In 2000, I was
5 promoted to Manager, Contractor Construction. In this position, I helped design
6 the Accelerated Main Replacement Program (AMRP) for both Kentucky and
7 Ohio. I also managed the construction activities for replacing the cast iron and
8 bare steel pipe under the AMRP. In 2002, I was promoted to Manager, Gas
9 Engineering. I was responsible for managing the engineering activities and the
10 capital expenditures for Gas Operations in the gas distributions systems of Duke
11 Energy Kentucky and Duke Energy Ohio. In 2006, I was promoted to General
12 Manager, Gas Engineering. In addition to my continued responsibilities for gas
13 engineering activities and capital expenditures, I was responsible for construction
14 activities for the AMRP, street improvements, pressure improvements, and major
15 projects. In September 2010, I was promoted to my current position of General
16 Manager, Gas Field and System Operations.

17 **Q. PLEASE SUMMARIZE YOUR RESPONSIBILITIES AS GENERAL**
18 **MANAGER, GAS FIELD AND SYSTEM OPERATIONS.**

19 **A.** I am responsible for managing the construction, installation, operation, and
20 maintenance of the natural gas distribution systems of Duke Energy Kentucky and
21 Duke Energy Ohio. Approximately 800 Duke Energy and contractor personnel
22 are involved in these activities on behalf of Duke Energy Kentucky and Duke
23 Energy Ohio.

1 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE KENTUCKY**
2 **PUBLIC SERVICE COMMISSION?**

3 A. Yes. I have testified before the Kentucky Public Service Commission
4 (Commission) on several occasions, most recently as part of the Company's
5 Application for Approval of a Certificate of Public Convenience and Necessity
6 (CPCN) to implement an Accelerated Service Line Replacement Program in Case
7 No. 2015-00210.

8 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS**
9 **PROCEEDING?**

10 A. The purpose of my testimony is to discuss and support Duke Energy Kentucky's
11 request for approval of a CPCN to construct an extension of a gas pipeline from
12 Walton, Kentucky to Big Bone, Kentucky (Project). I describe how Duke Energy
13 Kentucky will implement and execute the Project, including but not limited to,
14 construction specifications.

II. OVERVIEW OF THE PROJECT

15 **Q. PLEASE DESCRIBE THE COMPANY'S PROPOSAL.**

16 A. Duke Energy Kentucky is proposing to construct a new 9.5 mile, 12 inch steel
17 natural gas pipeline that will flow west to east across the southern part of the
18 Company's service territory. A 4,000 foot, 8 inch plastic pipe will also be
19 installed to the Richwood distribution system. Once completed, the pipeline is
20 estimated to be approximately 10 miles in overall length. Duke Energy Kentucky
21 intends to commence construction upon approval and complete the project in
22 advance of the 2017 winter heating season. The project will add much needed
23 supply and pressure to the Company's natural gas delivery system in an area that

1 is seeing growth. The Project will connect two existing pipeline segments on the
2 Duke Energy Kentucky natural gas delivery system, namely, UL03 and AM03.
3 Exhibits 1 and 4 to the Application contain a map of the Company's natural gas
4 delivery system and preliminary engineering of the Project that together, detail the
5 approximate location of the proposed pipeline. Exhibit 1 shows the connection of
6 the new route to the existing delivery system. Exhibit 4 shows the preliminary
7 engineering of the proposed route for the new pipeline. Duke Energy Kentucky
8 Witness Mr. Hill fully describes the routes of the new pipeline in his Direct
9 Testimony.

10 **Q. YOU STATED THAT THE MAP SHOWS THE APPROXIMATE**
11 **LOCATION OF THE NEW PIPELINE; WHY IS IT APPROXIMATE?**

12 A. The final design will be determined once the Commission approves the
13 Company's Application in this proceeding. Duke Energy Kentucky has completed
14 preliminary engineering and modeling analysis in order to develop and estimate
15 the approximate location and costs. The final design will require surveying of
16 each property along the proposed route to make sure that the optimal route is
17 determined. Duke Energy Kentucky must also negotiate private easements where
18 applicable along the anticipated/preliminary route. The preliminary route is based
19 upon best available information at this time. The Company anticipates that minor
20 deviations in the estimated length may occur due to not wanting to interfere with
21 sewer and water mains, municipal right of way issues, and easement restrictions.

22 **Q. WILL THE NEW PIPELINE BE PHYSICALLY LOCATED IN ROAD**
23 **RIGHT-OF-WAY OR IN PRIVATE EASEMENTS?**

1 A. Duke Energy Kentucky anticipates the majority of the project will be located in
2 private easements that will be obtained following approval of this Application.
3 Where private easements are not possible, the Company will locate the Project
4 within existing road right-of-ways. Private easements are preferable in that it
5 allows the Company to maintain greater control over the pipeline and to mitigate
6 any impact to integrity due to municipal street widening or improvement projects.

7 **Q. WILL THE COMPANY NEED TO OBTAIN ANY PERMITS FOR**
8 **CONSTRUCTION OF THE PROJECT?**

9 A. Duke Energy Kentucky has active natural gas franchises in many of the
10 communities that will be affected by the pipeline construction. It is my
11 understanding that those franchises are filed with the Commission. To the extent
12 any of these local communities require additional construction permitting, the
13 Company will follow those local rules and work with the communities to obtain
14 any and all necessary permits prior to beginning actual construction. Because this
15 program is not yet been approved by the Commission, the Company has not yet
16 contacted any of these communities to obtain any necessary construction permits.
17 However, the Company commits to do so once this proceeding is approved and
18 prior to the Company beginning construction in a particular community.

19 **Q. HAS THE COMPANY DEVELOPED CONSTRUCTION**
20 **SPECIFICATIONS TO BE USED IN THE PROJECT?**

21 A. Yes.

22 **Q. PLEASE EXPLAIN.**

1 A. The new pipeline will be constructed in accordance to Duke Energy Kentucky's
2 work specifications, standards, and procedures. A copy of these work preliminary
3 specifications is included as Exhibit 3 to the Company's Application in this
4 proceeding. Company and contractor crews are trained on the work and design
5 specifications prior to installing any facilities. Duke Energy Kentucky personnel
6 will provide oversight to any contractor crews installing facilities on the
7 Company's behalf.

8 **Q. PLEASE BRIEFLY DESCRIBE HOW THE COMPANY WILL EXECUTE**
9 **AND COMPLETE CONSTRUCTION UNDER THE PROJECT.**

10 A. Duke Energy Kentucky will use both Company and contractor crews where
11 appropriate to complete this project. If contractor crews are deployed, awarding
12 of contracts will be accomplished through a bidding process similar to that the
13 Company has successfully employed in prior construction projects, such as its
14 Accelerated Main Replacement Program. Duke Energy Kentucky will use
15 industry standard equipment, materials, and designs to construct the pipeline in
16 accordance with the work specifications.

17 **Q. WHAT IS THE ESTIMATED TIMELINE FOR CONSTRUCTION OF**
18 **THE PROJECT?**

19 A. The estimated timeline is dependent upon the approval of the project. Duke
20 Energy Kentucky has developed the below timeline with key milestones to ensure
21 the Project is completed in time for the 2017 winter heating season.

September 2015	Preliminary engineering starts
December 2015	Town hall meetings with area property owners
April 2016	Begin easement discussion/negotiations
February 2017	Bid construction work
March 2017	Construction begins
November 2017	Construction complete

III. FILING REQUIREMENT SPONSORED BY WITNESS

1 **Q. PLEASE DESCRIBE THE FILING REQUIREMENTS CONTAINED IN**
2 **THE COMPANY’S APPLICATION FOR A CERTIFICATE OF PUBLIC**
3 **CONVENIENCE AND NECESSITY THAT YOU ARE SPONSORING**
4 **AND SUPPORTING.**

5 **A. I sponsor the following filing requirements in accordance with 807 KAR 5:001,**
6 **Section 15(2):**

- 7 • 15(2)(b): Permits required for construction;
- 8 • 15(2)(c) and (d)(1)-(2): Full description of the proposed location, route, or
- 9 routes, including a description of the manner in which the facilities will be
- 10 constructed, and map of the construction area contained in Exhibits 1, 3, and 4
- 11 to the Company’s Application;

IV. CONCLUSION

12 **Q. WERE EXHIBIT 1, 3, AND 4 TO THE COMPANY’S APPLICATION**
13 **PREPARED BY YOU OR UNDER YOUR DIRECTION AND CONTROL?**

14 **A. Yes.**

15 **Q. DOES THIS CONCLUDE YOUR PRE-FILED DIRECT TESTIMONY?**

16 **A. Yes.**

VERIFICATION

STATE OF OHIO)
) SS:
COUNTY OF HAMILTON)

The undersigned, Gary J. Hebbeler, being duly sworn, deposes and says that he has personal knowledge of the matters set forth in the foregoing testimony, 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 24th day of September 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

**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)

DIRECT TESTIMONY OF

JOHN A. HILL, JR.

ON BEHALF OF

DUKE ENERGY KENTUCKY, INC.

September 28, 2015

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I. INTRODUCTION AND PURPOSE

1 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2 A. My name is John A. Hill, Jr., and my business address is 139 East Fourth Street,
3 Cincinnati, Ohio 45202.

4 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

5 A. I am employed by the Duke Energy Business Services LLC (DEBS) as Director,
6 Gas Engineering for Duke Energy Kentucky, Inc., (Duke Energy Kentucky or
7 Company) and Duke Energy Ohio, Inc. (Duke Energy Ohio). DEBS provides
8 various administrative and other services to Duke Energy Kentucky and other
9 affiliated companies of Duke Energy Corporation (Duke Energy).

10 **Q. PLEASE BRIEFLY SUMMARIZE YOUR EDUCATIONAL
11 BACKGROUND AND PROFESSIONAL EXPERIENCE.**

12 A. I graduated from the University of Cincinnati with a Bachelor of Science in Civil
13 & Environmental Engineering and later obtained an MBA from the University of
14 Kentucky. In 1996, I obtained my license as a Professional Engineer in the
15 Commonwealth of Kentucky and, by reciprocity, later in the State of Ohio. I
16 started my career as an engineering consultant focused mainly on completing
17 geotechnical and environmental projects for various companies and public
18 agencies. I then worked for an investor-owned water utility, overseeing new
19 development and pipeline extension projects as well as asset mapping/records. I
20 joined Cinergy Corp. in 2001 and held various management/leadership positions
21 in Generation and Environmental, Health & Safety and, in 2010, joined the Gas
22 Engineering Department as Director of Engineering.

1 **Q. PLEASE SUMMARIZE YOUR RESPONSIBILITIES AS DIRECTOR,**
2 **GAS ENGINEERING.**

3 A. As Director, Gas Engineering, I oversee multiple engineering disciplines (Civil,
4 Mechanical, Electrical/Controls, and Corrosion) and technical functions
5 responsible for gas pipeline activities such as design, system monitoring, system
6 design, meter/regulator design, integrity management and corrosion services. I
7 also provide planning and oversight for the Gas Operations capital budget. In
8 addition, I represent Gas Operations on Corporate and Industry
9 initiatives/committees. I also provide subject matter expertise for Duke Energy
10 Kentucky and Duke Energy Ohio's integrity management programs.

11 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE KENTUCKY**
12 **PUBLIC SERVICE COMMISSION?**

13 A. No. However, I recently submitted Direct Testimony in the Company's
14 Application for Approval of a Certificate of Public Convenience and Necessity
15 (CPCN) to Implement an Accelerated Service Line Replacement Program in Case
16 No. 2015-00210.

17 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS**
18 **PROCEEDING?**

19 A. The purpose of my testimony is to discuss the need for construction of the new
20 high pressure pipeline from both a system reliability and capacity expansion
21 standpoint. I also support the estimated costs of construction and the ongoing
22 costs of operation for the pipeline project. Finally, I sponsor several filing
23 requirements submitted as part of the Company's Application.

II. PIPELINE PROJECT

1 **Q. PLEASE PROVIDE A BRIEF OVERVIEW OF THE COMPANY'S**
2 **PROPOSED PIPELINE PROJECT.**

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

15 **Q. PLEASE EXPLAIN THE NEED FOR THIS NEW PIPELINE.**

16 A. The purpose of the Project is to construct necessary capacity to the Duke Energy
17 Kentucky natural gas delivery system to meet anticipated demand and to provide
18 greater reliability to the overall system. In their current configuration, the AM03
19 and UL03 lines cannot be separated without negatively impacting customers. This
20 impact could occur either in the winter due to increased system demand or during
21 summer months if there is a triggering event such as a pipeline breach caused by
22 excavation or some other incident. The proposed pipeline will provide a new

1 interconnection point between these two pipelines in the center of Duke Energy
2 Kentucky's system where additional reliability, supply and pressure are
3 necessary to continue to provide customers with adequate natural gas service.
4 The proposed connection from Big Bone to the existing system at Richwood will
5 provide a beneficial supply loop for this 100 plus square miles of service territory.
6 The Project will also provide additional feeds to the system to support continued
7 growth in southern Boone and Kenton Counties and will provide system
8 flexibility to back-feed portions of both the UL03 and AM03 segments in the
9 event of scheduled or emergency work.

10 **Q. PLEASE EXPLAIN THE PRESSURE NEEDS DRIVING THIS NEW**
11 **PIPELINE CONSTRUCTION.**

12 A. As outlined in Mr. Whitlock's testimony, this Project has been contemplated for
13 nearly 10 years due to load growth in this area. Winter pressures continue to
14 decline in this area as Boone County's population grows. Within a few years,
15 customer outages could occur if this pipeline is not installed. This project would
16 also provide an alternate natural gas feed for Duke Energy Kentucky's largest
17 natural gas customer, which happens to be located in Richwood, Kentucky. As
18 stated previously, customers are also susceptible to unacceptable pressure
19 drops/loss if either current gas line is out of service for scheduled or emergency
20 projects.

21 **Q. PLEASE EXPLAIN THE LOAD GROWTH AND CAPACITY NEED**
22 **THAT IS DRIVING THIS NEW PIPELINE CONSTRUCTION.**

23 A. The project was first contemplated as development trends extending south along

1 the I-75/71 corridor were happening in Boone and Kenton Counties. We
2 anticipate this growth continuing and extending further south past Richwood.
3 This pipeline will support the anticipated growth in this area.

4 **Q. WHAT IS THE ESTIMATED COST OF CONSTRUCTION FOR THE**
5 **PROJECT?**

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

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

8 **Q. HOW WAS THAT ESTIMATE DERIVED?**

9 A. This preliminary Class 4 estimate is based on preliminary/high level work with
10 plans with limited milestone detail. A more detailed cost estimate will be
11 completed once the final design is completed. Upon approval of the Company's
12 CPCN, Duke Energy Kentucky will competitively bid the project to multiple
13 contractors to develop a final cost estimate before construction.

14 **Q. WHAT IS THE ESTIMATED ONGOING COST OF OPERATION OF**
15 **THE NEW PIPELINE ONCE CONSTRUCTED?**

16 A. The Company anticipates that there will be minimal (<\$5,000 per year)
17 incremental operational and maintenance expense (O&M) associated with the
18 ongoing operation of the new pipeline except for required periodic inspections
19 and/or testing.

III. FILING REQUIREMENT SPONSORED BY WITNESS

1 **Q. PLEASE DESCRIBE THE FILING REQUIREMENTS CONTAINED IN**
2 **THE COMPANY'S APPLICATION FOR A CERTIFICATE OF PUBLIC**
3 **CONVENIENCE AND NECESSITY THAT YOU ARE SPONSORING**
4 **AND SUPPORTING.**

5 **A. I sponsor the need for the program in response to 807 KAR 5:001, Section**
6 **15(2)(a) and the estimated cost of construction of the Project and ongoing costs of**
7 **operation upon completion in response to 807 KAR 5:001, Section 15(2)(f).**

IV. CONCLUSION

8 **Q. DOES THIS CONCLUDE YOUR PRE-FILED DIRECT TESTIMONY?**

9 **A. Yes.**

**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)

DIRECT TESTIMONY OF

PEGGY A. LAUB

ON BEHALF OF

DUKE ENERGY KENTUCKY, INC.

September 28, 2015

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I. INTRODUCTION AND PURPOSE

1 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2 A. My name is Peggy A. Laub, and my business address is 139 East Fourth Street,
3 Cincinnati, Ohio 45202.

4 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

5 A. I am employed by Duke Energy Business Services LLC, (DEBS) an affiliate
6 service company of Duke Energy Kentucky, Inc., (Duke Energy Kentucky or
7 Company) as Director, Rates and Regulatory Planning. DEBS provides various
8 administrative and other services to Duke Energy Kentucky, Inc., (Duke Energy
9 Kentucky or the Company) and other affiliated companies of Duke Energy
10 Corporation (Duke Energy).

11 **Q. PLEASE BRIEFLY SUMMARIZE YOUR EDUCATIONAL BACKGROUND
12 AND PROFESSIONAL EXPERIENCE.**

13 A. I received a Bachelor of Business Administration Degree with a major in
14 accounting from the University of Cincinnati. I began my career with The
15 Cincinnati Gas & Electric Company in the Accounting Department in 1981. I
16 worked in various departments including Tax, Regulated Business Unit's
17 financial group and Fixed Assets. In May 2006, following the merger with Duke
18 Energy Corporation, I transferred to the Midwest US Franchised Electric & Gas
19 accounting group. In November 2008, I transferred to the Midwest wholesale
20 accounting group as Manager of Wholesale and Bulk Power Marketing
21 accounting. In May 2010, I transferred to the Rate Department and to my current

1 position as Director, Rates & Regulatory Planning in the Ohio/Kentucky Rate
2 Department.

3 **Q. PLEASE SUMMARIZE YOUR DUTIES AS DIRECTOR OF RATES AND**
4 **REGULATORY PLANNING.**

5 A. As Director of Rates and Regulatory Planning, I am responsible for the
6 preparation of financial and accounting data used in Duke Energy Kentucky and
7 Duke Energy Ohio, Inc., retail rate filings and changes in various other rate
8 recovery mechanisms.

9 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE KENTUCKY**
10 **PUBLIC SERVICE COMMISSION?**

11 A. Yes. I have previously testified in a number of cases before this and other
12 regulatory commissions.

13 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

14 A. The purpose of my testimony is to explain and support the Company's proposal to
15 construct a gas pipeline in Boone County, Kentucky (Project). Specifically, I
16 discuss the Company's accounting treatment of the Project and its future rate
17 treatment.

II. DISCUSSION

18 **Q. PLEASE EXPLAIN HOW THE COMPANY IS FUNDING THE COST OF**
19 **CONSTRUCTION FOR THE PROJECT.**

20 A. Duke Energy Kentucky is funding the project through continuing operations and
21 debt instruments as necessary.

1 **Q. PLEASE EXPLAIN HOW THE PIPELINE WILL BE TREATED FROM**
2 **AN ACCOUNTING PERSPECTIVE.**

3 A. The Project is nearly all capital in nature because it is adding new facilities to
4 serve our natural gas customers and improve the reliability of the delivery system.
5 There will be an immaterial impact to the Company's operations and maintenance
6 expense (O&M) in terms of incremental cost of operation. The costs will be
7 accumulated in FERC account 107 (Construction Work in Progress) during
8 construction and will accrue Allowance for Funds Used During Construction
9 (AFUDC). Once completed, the Project will be placed in service (initially to
10 FERC account 106-Completed Construction not Classified) where it will begin
11 being depreciated like any other asset that is used and useful.

12 **Q. WILL THE ESTIMATED \$14 MILLION IN CAPITAL COSTS FOR THE**
13 **PROJECT HAVE AN IMMEDIATE IMPACT ON CUSTOMER RATES?**

14 A. No.

15 **Q. PLEASE EXPLAIN.**

16 A. Because the Project is capital, once in service, the Project will be added to the
17 Company's Plant in Service and ultimately in rate base in the Company's next
18 rate case. Until that time, there should be no incremental increase in costs to
19 customers related to the Project.

III. CONCLUSION

20 **Q. DOES THIS CONCLUDE YOUR PRE-FILED DIRECT TESTIMONY?**

21 A. Yes.

VERIFICATION

STATE OF OHIO)
) SS:
COUNTY OF HAMILTON)

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

Peggy Laub
Peggy Laub, Affiant

Subscribed and sworn to before me by Peggy Laub on this 18th day of September 2015.

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

Adele M. Frisch
NOTARY PUBLIC

My Commission Expires: 1/5/2019