

**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. 2016-00168
the Construction of a Gas Pipeline from)
Walton, Kentucky to Big Bone, Kentucky)

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

May 11, 2016

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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. In my role as Senior Vice President, Midwest Delivery and Gas Operations, one
11 of my main responsibilities, and the reason I am submitting this testimony, is to
12 provide leadership and strategic direction for the natural gas operations of Duke
13 Energy Kentucky and Duke Energy Ohio, Inc. I am responsible for the
14 organizations that deliver the safe, reliable, and economic supply of natural gas
15 throughout our distribution and transmission operations. These operations include
16 construction 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 (CPCN) and
3 Cost 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 CPCN and also discuss the need for and reasonableness of our proposal to
10 construct a gas pipeline and associated facilities from Walton, Kentucky to Big
11 Bone, Kentucky (Project), including the benefits to customers.

II. OVERVIEW OF DUKE ENERGY KENTUCKY

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

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

20 Duke Energy Kentucky currently provides natural gas distribution service
21 to approximately 100,000 customers in Boone, Bracken, Campbell, Gallatin,
22 Grant, Kenton, and Pendleton Counties in northern Kentucky. The Company also

1 owns, operates, and maintains approximately 1,490 miles of mains on our natural
2 gas distribution system. Duke Energy Kentucky's gas and electric service
3 territories encompass approximately 563 and 700 square miles, respectively.

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

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

13 **Q. PLEASE BRIEFLY SUMMARIZE DUKE ENERGY KENTUCKY'S**
14 **APPLICATION AND THE RELIEF REQUESTED IN THIS**
15 **PROCEEDING.**

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

18 **Q. PLEASE DESCRIBE THE CONSTRUCTION PROPOSED IN THIS**
19 **APPLICATION.**

20 **A.** Duke Energy Kentucky is proposing to construct a new high pressure twelve-inch
21 steel natural gas pipeline that will flow west to east across the central part of the
22 Company's service territory. Once completed, the Project is estimated to be

1 approximately ten miles in total length. Additionally, the Company is proposing
2 to construct a 4,000 foot, eight-inch pipeline to serve our Richwood distribution
3 system. The project will require two pressure regulating stations. The station at
4 Richwood Church Road will reduce the pressure to sixty pounds per square inch
5 gauge (psig) for the Richwood distribution system. The east regulating station
6 will provide over pressurization for AM-03.

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

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

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

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

1 Q. PLEASE EXPLAIN HOW THE PROJECT WILL IMPROVE
2 SATISFACTION AND CONVENIENCE TO CUSTOMERS.

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

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

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

16 Q. DO YOU BELIEVE THE PROJECT IS REASONABLE AND
17 NECESSARY?

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

IV. CONCLUSION

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

2 A. Yes.

VERIFICATION

STATE OF OHIO)
) SS:
COUNTY OF HAMILTON)

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

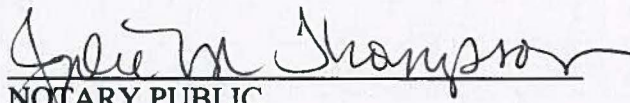


Charles R. Whitlock, Affiant

Subscribed and sworn to before me by Charles R. Whitlock on this 11TH day of MAY,
2016.



Julie M. Thompson
Notary Public, State of Ohio
My Commission Expires 11-19-2020



NOTARY PUBLIC

My Commission Expires: 11-19-2020

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DIRECT TESTIMONY OF

GARY J. HEBBELER

ON BEHALF OF

DUKE ENERGY KENTUCKY, INC.

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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 DESCRIBE YOUR EDUCATIONAL BACKGROUND
12 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 supporting the construction maps, plans, and 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, approximate nine and a
17 half mile in length, twelve-inch steel natural gas pipeline that will flow west to
18 east across the central part of the Company's service territory. In addition, a 4,000
19 foot, eight-inch plastic pipe will be installed to serve the Richwood distribution
20 system. Finally, the project will require two pressure regulating stations. The
21 station at Richwood Church Road will reduce the pressure to 60 pounds per
22 square inch gauge (psig) for the Richwood distribution system. The east

1 regulating station will provide over pressurization for AM-03. Duke Energy
2 Kentucky intends to commence construction upon approval and complete the
3 Project in advance of the 2017 winter heating season. The Project will add much
4 needed supply and pressure to the Company's natural gas delivery system in an
5 area that is seeing growth. The Project will connect two existing pipeline
6 segments on the Duke Energy Kentucky natural gas delivery system, namely,
7 UL03 and AM03. Exhibits 3, 4(a) and 4(b) to the Application contain a map of
8 the Company's natural gas delivery system and engineering plans of the Project,
9 respectively. Exhibit 3 shows the connection of the new route to the existing
10 delivery system. Exhibit 4(a) shows the design and proposed route for the new 12
11 inch steel pipeline. Exhibit 4(b) shows the design and proposed route for the new
12 8 inch plastic pipeline. Due to the sensitive nature of gas utility infrastructure,
13 copies of Exhibit 4(a) and Exhibit 4(b) are being provided under petition for
14 confidential treatment.

15 **Q. IS THE DESIGN OF THE PROJECT COMPLETE?**

16 A. Yes. Duke Energy Kentucky has submitted stamped engineering drawings for the
17 Project depicting the design and route for the Project. The route is based upon
18 best available information at this time, acknowledging that Duke Energy
19 Kentucky must still complete negotiations and acquisitions for private easements
20 where applicable along the route. The Company anticipates that there may be
21 minor deviations in the estimated length and location of the pipe due to not
22 wanting to interfere with trees, fences, power poles, sewers, water mains,
23 municipal right of way issues, and in accordance with any restrictions in acquired

1 easements that are yet to be determined.

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

4 A. Duke Energy Kentucky anticipates approximately 70% of the project will be
5 located in private easements that will be obtained concurrent with the approval of
6 this Application. Where private easements are not feasible, the Company will
7 locate the Project within existing road right-of-ways.

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

10 A. Yes. There are several permits that Duke Energy Kentucky has or is in the process
11 of obtaining. Duke Energy Kentucky witness John A. Hill, Jr. fully describes the
12 required state and federal permits in his Direct Testimony.

13 Duke Energy Kentucky has active natural gas franchises in many of the
14 communities that will be affected by the pipeline construction. It is my
15 understanding that those franchises are filed with the Commission. To the extent
16 any of these local communities require additional construction permitting, the
17 Company will follow those local rules and work with the communities to obtain
18 any and all necessary permits prior to beginning actual construction.

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
3 specifications is included as Exhibits 5(a) through (h) to the Company's
4 Application in this proceeding. Company and contractor crews are trained on the
5 work and design specifications prior to installing any facilities. Duke Energy
6 Kentucky personnel will provide oversight to any contractor crews installing
7 facilities on the 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 AMRP. Duke Energy Kentucky will use industry standard equipment, materials,
15 and designs to construct the pipeline in accordance with the work specifications.

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

18 A. The estimated timeline is dependent upon the approval of the project. Duke
19 Energy Kentucky has developed the below timeline with key milestones to ensure
20 the Project is completed in time for the 2017 winter heating season. This schedule
21 is based upon the Company receiving CPCN approval in third quarter 2016, to
22 allow sufficient time to make necessary procurements and commence
23 construction in the spring of 2017.

Project Schedule

September 2015	Design began
November 2015	Town meeting held with area property owners
April 2016	Design completed Easement negotiations begin Permits are filed
September 2016	Bid construction work
October 2016	Anticipated CPCN approval Order material for project
November 2016	Award construction contract
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 data that is responsive to the filing requirements in accordance with 807
6 KAR 5:001, Section 15(2)(c) and (d)(1)-(2): Full description of the proposed
7 location, route, or routes, including a description of the manner in which the
8 facilities will be constructed, and map of the construction area, and work
9 specifications. The details of these requirements are contained in Exhibits 3, 4(a),
10 and 4(b), and 5(a) through (h), to the Company's Application.

IV. CONCLUSION

1 **Q. WERE EXHIBITS 3, 4a AND 4b, AND 5(a) THROUGH (h), TO THE**
2 **COMPANY'S APPLICATION PREPARED BY YOU OR UNDER YOUR**
3 **DIRECTION AND CONTROL?**

4 **A. Yes.**

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

6 **A. Yes.**

VERIFICATION

STATE OF OHIO)
) SS:
COUNTY OF HAMILTON)

The undersigned, Gary J. Hebbeler, General Manager, Gas Field and System Operations, being duly sworn, deposes and says that he has personal knowledge of the matters set forth in the foregoing testimony 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 11TH day of MAY, 2016.

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

GARY J. HEBBELER DIRECT

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DIRECT TESTIMONY OF

JOHN A. HILL, JR.

ON BEHALF OF

DUKE ENERGY KENTUCKY, INC.

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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 Integrity Management, Engineering and Growth 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 DESCRIBE YOUR EDUCATIONAL BACKGROUND
12 AND PROFESSIONAL EXPERIENCE.**

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

1 in Electric Generation and Environmental, Health & Safety and, in 2010, joined
2 the Gas Engineering Department as Director of Engineering.

3 **Q. PLEASE SUMMARIZE YOUR RESPONSIBILITIES AS DIRECTOR,**
4 **INTEGRITY MANAGEMENT, ENGINEERING AND GROWTH.**

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

14 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE KENTUCKY**
15 **PUBLIC SERVICE COMMISSION?**

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

21 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS**
22 **PROCEEDING?**

1 A. The purpose of my testimony is to discuss the Company's need to construct a new
2 twelve inch pipeline and associated facilities (Project) from both a system
3 reliability and capacity expansion standpoint. I will discuss the permits required
4 for the Project and the status of such permits. I also support the estimated costs of
5 construction and the ongoing costs of operation for the pipeline project. Finally, I
6 sponsor several filing requirements submitted as part of the Company's
7 Application.

II. PIPELINE PROJECT

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

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

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

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

17 **Q. PLEASE EXPLAIN THE PRESSURE NEEDS DRIVING THIS NEW**
18 **PIPELINE CONSTRUCTION.**

19 A. As outlined in Mr. Whitlock's direct testimony, this Project has been
20 contemplated for nearly 10 years due to load growth in this area. Winter
21 pressures continue to decline in this area as Boone County's population grows.
22 Within a few years, customer outages could occur if this pipeline is not installed.
23 This Project would also provide an alternate natural gas feed for Duke Energy

1 Kentucky's largest natural gas customer, which happens to be located in
2 Richwood, Kentucky. As stated previously, customers are also susceptible to
3 unacceptable pressure drops/loss if either current gas line is out of service for
4 scheduled or emergency projects.

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

7 A. The project was first contemplated as development trends extending south along
8 the I-75/71 corridor were happening in Boone and Kenton Counties. We
9 anticipate this growth continuing and extending further south past Richwood.
10 This pipeline will support the anticipated growth in this area.

11 **Q. WHAT IS THE ESTIMATED COST OF CONSTRUCTION FOR THE**
12 **PROJECT?**

13 A. The current estimated project cost is approximately \$13.5 million dollars as
14 detailed in the chart below:

Task	Total
Design	\$0.8M
Land	\$1.7M
Construction	\$9M
Material	\$2M
	<u>\$13.5M</u>

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

16 A. This Class 4 (-30%/+50%) estimate is based on the pricing Duke Energy
17 Kentucky has already received for design services and anticipated expenses for
18 easement acquisition and construction (labor and material). Duke Energy

1 Kentucky compared these figures to other recently completed projects and it is
2 confident in the estimate being provided.

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

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

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

11 A. Yes. Duke Energy Kentucky will have to obtain the following permits/approvals
12 to complete the Project:

13 a) Kentucky Transportation Cabinet permit to cross state and federal roads
14 and to install the pipeline inside road right-of-way; .

15 b) CSX Railroad crossing permit;

16 c) Energy and Environmental Protection Cabinet Division of Water,
17 Section 401 of the Clean Water Act of 1977 permit for stream and
18 wetland crossings;

19 d) U.S. Army Corps of Engineers Section 404 Notification for wetland and
20 stream crossings;

21 e) Boone County permit to cross county roads;

22 f) Coordination with the Kentucky Heritage Council (KHC) regarding
23 cultural resources, including cultural resource investigations/digs along

1 the project route; and
2 g) Additional construction related permits/notifications will be required
3 and obtained by the contractor immediately prior to the actual
4 commencement of construction. This includes: construction storm
5 water, hydrostatic test water discharge, and water withdrawal permits.

6 Duke Energy Kentucky has applied for each of the above listed permits (except
7 for the permits required immediately before actual construction occurs). Duke
8 Energy Kentucky has not yet received approval for these permits; however, there
9 has been no indication that these will not be approved in the near future. The
10 Company's applications for each permit are attached as Exhibits 2(a) through (e)
11 of the Application. In order to complete construction for the 2017 heating season,
12 the Company must begin construction by March 1, 2017, and thus must submit
13 our CPCN filing prior to all of the permits being obtained. The Company will
14 supplement the filing once the permits are received.

III. FILING REQUIREMENT SPONSORED BY WITNESS

15 **Q. PLEASE DESCRIBE THE FILING REQUIREMENTS CONTAINED IN**
16 **THE COMPANY'S APPLICATION FOR A CERTIFICATE OF PUBLIC**
17 **CONVENIENCE AND NECESSITY THAT YOU ARE SPONSORING**
18 **AND SUPPORTING.**

19 A. I sponsor the need for the program in response to 807 KAR 5:001, Section
20 15(2)(a) and the estimated cost of construction of the Project and ongoing costs of
21 operation upon completion in response to 807 KAR 5:001, Section 15(2)(f). I

1 also sponsor the filing requirements in accordance with 807 KAR 5:001, Section
2 15(2)(b), permits required for construction.

3 **IV. CONCLUSION**

4 **Q. WERE EXHIBITS 2(a) THROUGH (e) TO THE COMPANY'S**
5 **APPLICATION PREPARED BY YOU OR UNDER YOUR DIRECTION**
6 **AND CONTROL?**

7 A. Yes.

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

9 A. Yes.

VERIFICATION

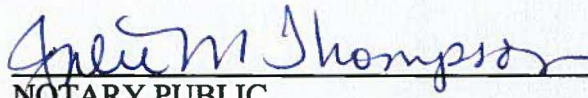
STATE OF OHIO)
) SS:
COUNTY OF HAMILTON)

The undersigned, John A. Hill, Jr., Director, Integrity Management, Engineering and Growth, being duly sworn, deposes and says that he has personal knowledge of the matters set forth in the foregoing testimony are true and correct to the best of his knowledge, information and belief.



John A. Hill, Jr., Affiant

Subscribed and sworn to before me by John A. Hill, Jr. on this 11TH day of MAY, 2016.



NOTARY PUBLIC



Julie M. Thompson
Notary Public, State of Ohio
My Commission Expires 11-19-2020

My Commission Expires: 11-19-2020

**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. 2016-00168
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.

May 11, 2016

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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 DESCRIBE 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 IN THIS**
14 **PROCEEDING?**

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

II. DISCUSSION

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

1 A. In response to 807 KAR 5:001, Section 15(2)(e), Duke Energy Kentucky is
2 funding the Project through continuing operations and debt instruments as
3 necessary.

4 **Q. PLEASE EXPLAIN HOW THE PIPELINE WILL BE TREATED FROM**
5 **AN ACCOUNTING PERSPECTIVE.**

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

15 **Q. WILL THE ESTIMATED \$13.5 MILLION IN CAPITAL COSTS FOR**
16 **THE PROJECT HAVE AN IMMEDIATE IMPACT ON CUSTOMER**
17 **RATES?**

18 A. No.

19 **Q. PLEASE EXPLAIN.**

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

III. CONCLUSION

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

2 A. Yes.

VERIFICATION

STATE OF OHIO)
) **SS:**
COUNTY OF HAMILTON)

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

Peggy A. Laub
Peggy A. Laub, Affiant

Subscribed and sworn to before me by Peggy A. Laub on this 11TH day of MAY 2016.

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