

**COMMONWEALTH OF KENTUCKY**

**BEFORE THE 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    | ) | Case No. 2019-00388 |
| of a Gas Pipeline from Erlanger, Kentucky     | ) |                     |
| to Hebron, Kentucky                           | ) |                     |

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**PETITION OF DUKE ENERGY KENTUCKY, INC. FOR CONFIDENTIAL  
TREATMENT OF INFORMATION CONTAINED IN ITS RESPONSES  
TO STAFF'S FIRST SET OF DATA REQUESTS**

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Duke Energy Kentucky, Inc. (Duke Energy Kentucky or Company), pursuant to 807 KAR 5:001, Section 13, respectfully requests the Commission to classify and protect certain information provided by Duke Energy Kentucky in its Responses to Commission Staff's (Staff) First Request for Information issued on December 20, 2019. Specifically, the Company requests confidential treatment for the responses to Staff's Information Request Nos. 2 and 3 (Confidential Information). The information that Duke Energy Kentucky seeks confidential treatment on generally includes the name of a specific customer and certain operating characteristics of its natural gas pipelines.

In support of this Petition, Duke Energy Kentucky states:

1. The Kentucky Open Records Act exempts from disclosure certain critical infrastructure information per KRS 61.878(1)(m). To qualify for this exemption and, therefore, maintain the confidentiality of the information, a party must establish that disclosure of the record would expose a vulnerability in providing the location of public utility critical systems. Public disclosure of the information identified herein would, in fact, prompt such a result for the reasons set forth below.

2. The information submitted and for which the Company is seeking confidential protection relates to the operation of Duke Energy Kentucky's natural gas pipelines in Northern Kentucky. It identifies the pattern for the flow of natural gas throughout the system and also provides specific information regarding the observed, nominal and targeted pressures for some of these pipelines. If made public, this information would disclose "the location, configuration, or security of critical systems, including public utility critical systems," which is unacceptable under KRS 61.978(1)(m)1.f. Pipeline information has previously been recognized by the Commission as being confidential in nature.<sup>1</sup> In addition, the Confidential Information identifies the name of a specific prospective customer of Duke Energy Kentucky and the costs to serve that customer. Here again, the Commission has previously recognized that construction costs associated with a natural gas pipeline are confidential.<sup>2</sup>

3. The Confidential Information is distributed within Duke Energy Kentucky, only to those who must have access for business reasons and is generally recognized as confidential and proprietary in the energy industry.

4. The Confidential Information for which Duke Energy Kentucky is seeking confidential treatment is not known outside of Duke Energy Corporation.

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<sup>1</sup> See *In the Matter of the Purchased Gas Adjustment Filing of Atmos Energy Corporation*, Order, Case No. 2018-00337 (Ky. P.S.C. Jan. 24, 2019); *In the Matter of the Electronic 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*, Order, Case No. 2016-00168 (Ky. P.S.C. July 27, 2017).

<sup>2</sup> *In the Matter of the Electronic 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*, Order, Case No. 2016-00168 (Ky. P.S.C. July 27, 2017).

5. Duke Energy Kentucky does not object to limited disclosure of the Confidential Information described herein, pursuant to an acceptable protective agreement, with the Attorney General or other intervenors with a legitimate interest in reviewing the same for the purpose of participating in this case.

6. This information was, and remains, integral to Duke Energy Kentucky's effective execution of business decisions and safety of its systems. And such information is generally regarded as confidential or proprietary. Indeed, as the Kentucky Supreme Court has found, "information concerning the inner workings of a corporation is 'generally accepted as confidential or proprietary.'" *Hoy v. Kentucky Industrial Revitalization Authority*, 904 S.W.2d 766, 768 (Ky. 1995).

7. In accordance with the provisions of 807 KAR 5:001, Section 13(3), the Company is filing one copy of the Confidential Information separately under seal, and one copy without the confidential information included.

8. Duke Energy Kentucky respectfully requests that the Confidential Information be withheld from public disclosure for a period of ten years. This will assure that the Confidential Information – if disclosed after that time – will no longer be commercially sensitive so as to likely impair the interests of the Company or its customers if publicly disclosed.

9. To the extent the Confidential information becomes generally available to the public, whether through filings required by other agencies or otherwise, Duke Energy Kentucky will notify the Commission and have its confidential status removed, pursuant to 807 KAR 5:001 Section 13(10)(a).

WHEREFORE, Duke Energy Kentucky, Inc., respectfully requests that the Commission classify and protect as confidential the specific information described herein.

Respectfully submitted,



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Rocco O. D'Ascenzo (92796)  
Deputy General Counsel  
Duke Energy Business Services LLC  
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Cincinnati, Ohio 45201-0960  
Phone: (513) 287-4320  
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E-mail: rocco.d'ascenzo@duke-energy.com

**CERTIFICATE OF SERVICE**

This is to certify that the foregoing electronic filing is a true and accurate copy of the document being filed in paper medium; that the electronic filing was transmitted to the commission on January 7, 2020; that there are currently no parties that the Commission has excused from participation by electronic means in this proceeding; and that a copy of the filing in paper medium is being delivered via 2<sup>nd</sup> day delivery to the Commission on the 7<sup>th</sup> day of January, 2020 and a copy of the filing is also being mailed to the following:

Hon. Justin McNeil  
Hon. Larry Cook  
The Office of the Attorney General  
Utility Intervention and Rate Division  
700 Capital Avenue, Ste. 20  
Frankfort, Kentucky 40601



Rocco O. D'Ascenzo

**VERIFICATION**

STATE OF NORTH CAROLINA        )  
  )     SS:  
COUNTY OF MECKLENBURG        )

The undersigned, Martin P. Petchul, General Manager, Gas Asset Management and Engineering, 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.



Martin P. Petchul Affiant

Subscribed and sworn to before me by Martin P. Petchul on this 20<sup>th</sup> day of December, 2020.

|  |
|--|
| SHANNON L. WALL<br>Notary Public, North Carolina<br>Mecklenburg County<br>My Commission Expires<br>June 28, 2022 |
|--|


  
\_\_\_\_\_  
NOTARY PUBLIC

My Commission Expires: 6/28/22

**VERIFICATION**

**STATE OF NORTH CAROLINA**    )  
  )  
**COUNTY OF MECKLENBURG**    )    **SS:**

The undersigned, Amy D. Presson, General Manager, Gas Major Projects, being duly sworn, deposes and says that she 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 her knowledge, information and belief.

  
\_\_\_\_\_  
Amy D. Presson Affiant

Subscribed and sworn to before me by Amy D. Presson on this 16<sup>th</sup> day of January, 2020.

  
\_\_\_\_\_  
NOTARY PUBLIC

My Commission Expires:



**KyPSC Case No. 2019-00388**  
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**Duke Energy Kentucky**  
**Case No. 2019-00388**  
**Staff First Set Data Requests**  
**Date Received: December 20, 2019**

**STAFF-DR-01-001**

**REQUEST:**

Refer to the application, page 3, in which Duke Kentucky states that it is projecting growth to continue, which is necessitating additional capacity construction to meet projected demand. Provide all documentation demonstrating that Duke Kentucky is projecting growth.

**RESPONSE:**

We continue to see steady customer growth in the Duke Energy Kentucky service area. During 2017 and 2018, we added 791 and 821 residential and commercial customers, respectively. Furthermore, the Company forecasted the addition of 922 residential and commercial customers for 2019. With the addition of the new Amazon Air Hub in northern Kentucky, we expect this growth to continue.

**PERSON RESPONSIBLE:** Martin P. Petchul

**REQUEST:**

Refer to the application, page 3; the Direct Testimony of Victor M. Gaglio, pages 5-6; and the Direct Testimony of Martin P. Petchul, page 3.

- a. Duke Kentucky asserts that the proposed project provides a critical and necessary restoration of pressure along the high-pressure distribution system in northern Kentucky that is required to provide reliable service during severe winter weather. Provide further detailed information to support this statement that demonstrates a need for the proposed project, including historic and projected pressures.
- b. Duke Kentucky contends that the proposed project will also increase available capacity throughout Boone, Kenton, Grant, and Gallatin Counties.
  - (1) Provide detailed information that more capacity is needed in these counties.
  - (2) Explain why the proposed project will not increase available capacity for Campbell County.
- c. Duke Kentucky asserts that the proposed project will allow the greater utilization of the UL57 and UL58 pipeline projects to support higher growth in the southernmost sections of Boone County. Provide further explanation of this assertion.
- d. Duke Kentucky states that the proposed project provides the capacity to serve any potential customers identified for the Boone County Opportunity Zone that was

created in Northern Kentucky as part of the Tax Cuts and Jobs Act of 2017. Explain whether Duke Kentucky has any customers associated with the above-referenced opportunity zone.

- e. Explain how the proposed project enables Duke Kentucky to perform future integrity management work on the nearby UL02.
- f. Explain how the proposed project will not result in wasteful duplication of facilities.
- g. Explain in detail whether Duke Kentucky explored reasonable alternatives to the proposed project and provide all analyses performed.

**RESPONSE:**

**CONFIDENTIAL PROPRIETARY TRADE SECRET**

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

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[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

- b. (1) See response to (a) above, as well as the response to STAFF-DR-01-001.  
(2) This project will not increase capacity into Campbell County, because the natural gas system in Campbell County is hydraulically upstream of the proposed project. See STAFF-DR-01-002 Attachment.
- c. UL57 & UL58 are hydraulically downstream of the proposed project. By decreasing the pressure losses along UL02, more pressure and therefore more capacity will be available for the downstream system which includes UL03, UL10, UL33, UL57, & UL58. See STAFF-DR-01-002 Attachment.
- d. This economic development zone is located within Duke Energy Kentucky's existing service territory. Duke Energy Kentucky currently serves approximately 1,200 natural gas customers in this area. Approximately half of these are commercial and industrial customers, and the other half residential. The proposed project will enable us to continue to safely and reliably serve our existing customers, in addition to future customers.
- e. The federal regulations regarding the new transmission rule require traceable, verifiable, and complete pressure test and material records for transmission pipelines. These new requirements are in addition to the on-going integrity assessment work.

UL02 is a critical feed south into the Duke Energy Kentucky service territory. Taking UL02 out of service during most of the year would be difficult or nearly impossible to perform integrity-related pipeline work. Construction of the proposed project would allow Duke Energy Kentucky a more flexible construction window, thus allowing UL02 to be taken out of service during lower demand times (typically in the spring, summer or fall) with minimal to no impact to customers.

- f. See response to (a). The existing UL02 pipeline is projected to no longer provide enough capacity to serve downstream customers and additional facilities are required to provide safe and reliable service. This project serves a necessary restoration of pressures along the high-pressure distribution system. The investment is reasonable in relation to the amount of capacity available to serve new and existing customers and the project will not compete or interfere with other utilities' facilities.
- g. Duke Energy Kentucky found no other reasonable alternatives to this project. Other alternatives were eliminated very early during high-level preliminary screening due to obvious cost, length, and route considerations.

Four key factors dictated the selection of this solution:

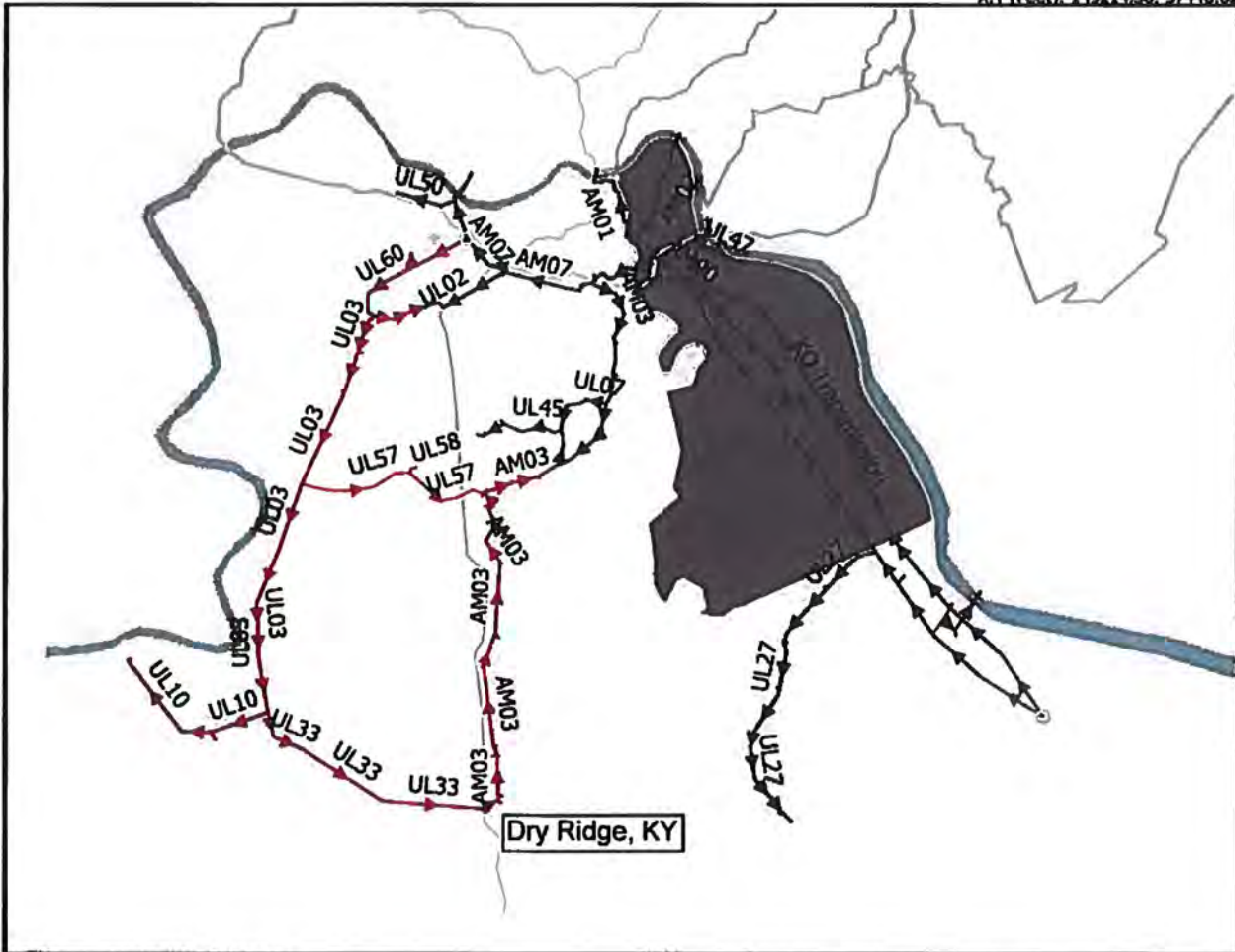
- Recouping high-pressure loss along UL02.
- Minimize piping/routing (AM03 corridor routes - longer for the same benefit).
- Proximity to the nearest interstate suppliers.
- Projected future large volume customers along the route.

**PERSON RESPONSIBLE:** Martin P. Petchul

# UL60 Trace



X,Y (Feet): 149214.50, 37446.62



X,Y (Feet): -141690.04, -185414.27

0 26,000 52,000 78,000 104,000 Feet



Scale: 1 = 460,200

**Legend**

**Polygons Symbols**

- Campbell County

**Facilities Color By**

- Upstream UL60
- Downstream UL60

**REQUEST:**

Refer to the application, page 4, in which Duke Kentucky states that the proposed project also accommodates new customer load that will need service by January 1, 2021.

- a. Provide the name of the new customer.
- b. Explain whether Duke Kentucky has a contract in place with the new customer, and, if so, provide the new contract. If not, explain why not.
- c. Provide the monetary amount that Duke Kentucky is spending to provide service to the new customer.
- d. Explain whether the new customer is making monetary contributions towards the proposed project, and, if so, provide the monetary amounts. If not, explain why not.

**RESPONSE:**

**CONFIDENTIAL PROPRIETARY TRADE SECRET**

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- b. The Company is in ongoing negotiations with the customer regarding a minimum use contract and anticipates filing the contract with the Commission upon execution and prior to commencement of construction.
- c. The capital costs for the service line portion of the project required to support the delivery requirements for ██████████ is ██████████

- d. See response to part (b). The Company and the customer are engaged in ongoing discussions regarding a minimum annual usage agreement, that among other things would recover the customer's responsibility for its portion of incremental facility costs over a negotiated term.

**PERSON RESPONSIBLE:** Amy D. Presson



**REQUEST:**

Refer to the application, page 4, in which Duke Kentucky states that the timing of the proposed project, including the priority of completion of the project in two phases, is to accommodate the new customer load desired to be in service by January 1, 2021.

- a. Provide detailed information concerning the proposed project having two phases, and include how costs are distributed between the phases.
- b. Explain in detail whether Duke Kentucky is requesting approval of only one phase or both phases of the proposed project in the pending application.
- c. Confirm that the first phase has an estimated construction timeline of no longer than nine months. If this cannot be confirmed, explain in detail.

**RESPONSE:**

- a. The project is a single project that has been split into two phases to accommodate the customer's requested in-service need, and projected initial load requirements as of the date of January 1, 2021 (Phase 1) and then to also allow for the needed time to secure all necessary land rights on Phase 2 to ensure the Company is able to maintain reliable service for the natural gas delivery system and accommodate anticipated future load growth once the customer reaches its full load projections. Phase 1 is projected to begin construction in April of 2020 (pending KYPSA approval) and be in-service by January 1<sup>st</sup>, 2021. Phase 2 will begin construction

immediately following phase 1 and is projected to be complete by the end of 2021. Phase 1 is estimated to cost approximately \$40.2 million based on current information. Phase 2 is projected to cost approximately \$23.7 million based on current information, excluding contingencies.

- b. Duke Energy Kentucky is requesting approval for the entire project (both phases) as the overall purpose of the project cannot be fulfilled until both phases are complete.
- c. Phase 1 is planned to be in service on or before January 1, 2021. Construction has an estimated timeline of no longer than nine months. Post-construction, restoration will be monitored and remediated, if necessary, to ensure stormwater permitting requirements are met.

**PERSON RESPONSIBLE:** Amy Presson

**REQUEST:**

Refer to the application, page 5; and the Direct Testimony of Amy D. Presson (Presson Testimony), page 8; in which Duke Kentucky states that the proposed project is estimated to cost \$63 million.

- a. Provide a detailed breakdown of the estimated cost.
- b. Confirm that the estimated \$63 million is the cost for both phases of the proposed project.

**RESPONSE:**

a.

**Phase 1 Estimate**

|  |                      |
|--|----------------------|
| Engineering                                | \$ 1,850,000         |
| Land                                       | \$ 4,550,000         |
| Materials/Equipment                        | \$ 4,750,000         |
| Construction                               | \$ 20,450,000        |
| Field Inspections                          | \$ 1,500,000         |
| Company Labor                              | \$ 500,000           |
| Other Direct Costs                         | \$ 65,000            |
| AFUDC Debt                                 | \$ 1,701,000         |
| Overhead and Allocations                   | \$ 4,873,000         |
| <b>Total Direct Cost</b>                   | <b>\$ 40,239,000</b> |
| Project Contingency                        | \$ 4,514,583         |
| <b>Project Total Including Contingency</b> | <b>\$ 44,753,583</b> |

**Phase 2 Estimate**

|  |                      |
|--|----------------------|
| Engineering                                | \$ 844,500           |
| Land                                       | \$ 2,698,500         |
| Materials/Equipment                        | \$ 2,760,916         |
| Construction                               | \$ 10,492,445        |
| Field Inspections                          | \$ 1,402,800         |
| Company Labor                              | \$ 321,000           |
| Other Direct Costs                         | \$ 50,000            |
| AFUDC Debt                                 | \$ 1,906,254         |
| Overhead and Allocations                   | \$ 3,173,654         |
| <b>Total Direct Cost</b>                   | <b>\$ 23,650,069</b> |
| Project Contingency                        | \$ 3,757,524         |
| <b>Project Total Including Contingency</b> | <b>\$ 27,407,593</b> |

- b. The total project (both phase 1 and 2) is currently projected to cost approximately \$63.9 million, excluding contingencies.

**PERSON RESPONSIBLE:** Amy Presson

**Duke Energy Kentucky  
Case No. 2019-00388  
Staff First Set Data Requests  
Date Received: December 20, 2019**

**STAFF-DR-01-006**

**REQUEST:**

Refer to the application, page 8, in which Duke Kentucky states that the proposed Project is necessary to maintain sufficient natural gas system pressures to respond to an identified integrity risk to its natural gas delivery system that Duke Kentucky must do to comply with state and federal regulations. Provide further information as to the identified integrity risk and how the proposed project will assist in complying with state and federal regulations.

**RESPONSE:**

See response to STAFF-DR-01-002(e).

**PERSON RESPONSIBLE:** Martin P. Petchul

**Duke Energy Kentucky**  
**Case No. 2019-00388**  
**Staff First Set Data Requests**  
**Date Received: December 20, 2019**

**STAFF-DR-01-007**

**REQUEST:**

Refer to the application, page 8; and the Presson Testimony, page 8; in which Duke Kentucky states that the annual ongoing cost of operation of the proposed project once completed is expected to be less than \$10,000, except for required periodic inspections or testing. Provide the monetary amount of the annual ongoing cost of operation for the proposed project including the required periodic inspections or testing.

**RESPONSE:**

The ongoing maintenance of the UL60 pipeline itself will cost approximately \$10,000. This includes quarterly leak surveys, semi-annual line walks, corrosion inspections, and vegetation management of the right of way. In addition, testing of valves at regulator stations and inspection of the entire line via in-line inspection will also need to be performed. The annual cost of valve testing and inspection for all facilities related to the UL60 property is approximately \$30,000 a year. The in-line inspection must be done once every seven years accordingly to Federal regulation. That cost will be approximately \$500,000 which is about \$71,500 per year if broken out into an annual average cost.

**PERSON RESPONSIBLE:** Amy Presson

STAFF-DR-01-008

**REQUEST:**

Refer to the application, Exhibit 3. Explain whether the project name ‘G7UL02PH1’ signifies that the proposed pipeline shown is Phase 1 of the proposed project.

**RESPONSE:**

The pipeline shown in Exhibit 3 represents both phases I and II of the proposed UL60 pipeline.

The full project name is UL60 Pipeline. The *project name* section in exhibit 3 should say “UL60 Pipeline”. ‘G7UL02PH1’ refers to the internal funding code associated with Phase 1 of UL60 Pipeline. ‘G7UL02PH2’ is associated with the internal funding code used for Phase 2.

**PERSON RESPONSIBLE:** Amy Presson

**Duke Energy Kentucky  
Case No. 2019-00388  
Staff First Set Data Requests  
Date Received: December 20, 2019**

**STAFF-DR-01-009**

**REQUEST:**

Refer to the Presson Testimony, page 7. Explain why Duke Kentucky plans to award construction contracts before the anticipated approval of its application.

**RESPONSE:**

Due to the schedule constraints to meet a customer contract in-service date of January 1, 2021, Duke Energy Kentucky plans to bid Phase 1 of the project out for construction subject to regulatory approval of the CPCN to achieve the planned project schedule. Duke Energy Kentucky will only sign a contract following regulatory approval of the CPCN. No pipeline construction work will be started until approval of the application.

**PERSON RESPONSIBLE:** Amy Presson