

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) Case No. 2019-00388
the Construction of a Gas Pipeline from)
Erlanger, Kentucky to Hebron, Kentucky)

DIRECT TESTIMONY OF
VICTOR M. GAGLIO
ON BEHALF OF
DUKE ENERGY KENTUCKY, INC.

November 6, 2019

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I. INTRODUCTION AND PURPOSE

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

2 A. My name is Victor M. Gaglio and my business address is 4720 Piedmont Row
3 Drive, Charlotte, North Carolina, 28210.

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 and Chief Operations Officer, Natural Gas Business on behalf of Duke
7 Energy Corporation (Duke Energy) Natural Gas Business Unit (NGBU).

8 **Q. PLEASE BRIEFLY DESCRIBE YOUR EDUCATIONAL BACKGROUND
9 AND PROFESSIONAL EXPERIENCE.**

10 A. I graduated from Virginia Polytechnic Institute and State University with a B.S. in
11 Engineering Science and Mechanics. I have attended development programs at
12 the University of Virginia's Darden School of Business, University of
13 Pennsylvania's Wharton School of Business and the University of Michigan's
14 Ross School of Business. I serve on the Board of Directors for the Interstate
15 Natural Gas Association of America (INGAA) and I have previously held various
16 leadership positions on technical committees for the Southern Gas Association
17 (SGA) and the American Gas Association (AGA). From 1981 until 2012, I
18 served in various positions with Columbia Gas and NiSource culminating in my
19 final position with that company of Senior Vice President of Operations for
20 NiSource Gas Transmission and Storage. I joined Piedmont Natural Gas
21 Company, Inc. (Piedmont) in 2012. I held the position of Senior Vice President
22 and Chief Utility Operations Officer at Piedmont until the business combination

1 transaction between Duke Energy and Piedmont, at which point I was promoted
2 to my current position.

3 **Q. PLEASE SUMMARIZE YOUR RESPONSIBILITIES AS SENIOR VICE**
4 **PRESIDENT AND CHIEF OPERATIONS OFFICER, NATURAL GAS**
5 **BUSINESS.**

6 A. In my role as Senior Vice President and Chief Operations Officer, Natural Gas
7 Business, I am responsible for design, construction, operation, and maintenance of
8 the distribution and transmission system assets for the Duke Energy Natural Gas
9 Business Unit.

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

12 A. No.

13 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS**
14 **PROCEEDING?**

15 A. My testimony provides a brief overview of Duke Energy Kentucky and its natural
16 gas operations. I provide a summary of the Company's request in this proceeding
17 for a Certificate of Public Convenience and Necessity (CPCN) and also discuss
18 the need for and reasonableness of our proposal to construct a new twenty-four-
19 inch pipeline and associated facilities, referred to as the UL60 pipeline, from
20 Erlanger Kentucky to Hebron, Kentucky (Project), including the benefits to
21 customers.

II. OVERVIEW OF DUKE ENERGY KENTUCKY

1 **Q. PLEASE GENERALLY DESCRIBE DUKE ENERGY KENTUCKY'S**
2 **OPERATIONS.**

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

9 Duke Energy Kentucky currently provides natural gas distribution service
10 to approximately 100,000 customers in Boone, Bracken, Campbell, Gallatin,
11 Grant, Kenton, and Pendleton Counties in northern Kentucky. The Company also
12 owns, operates, and maintains approximately 1,490 miles of mains on our natural
13 gas distribution system. Duke Energy Kentucky's gas and electric service
14 territories encompass approximately 563 and 700 square miles, respectively.

15 Duke Energy's Gas Operations business is organized into the following
16 functional groups: construction and maintenance, gas engineering, gas supply,
17 integrity management, performance and compliance management, and our service
18 delivery organization. These functional groups are designed to ensure the safe,
19 reliable, and economic supply of natural gas services to Duke Energy Kentucky's
20 customers. Gas Operations employs approximately 400 individuals who manage
21 the day-to-day operations of both the Kentucky and Ohio businesses.

1 Additionally, Gas Operations has approximately 400 contract employees to assist
2 in our mission.

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

3 **Q. PLEASE BRIEFLY SUMMARIZE DUKE ENERGY KENTUCKY'S**
4 **APPLICATION AND THE RELIEF REQUESTED IN THIS**
5 **PROCEEDING.**

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

8 **Q. PLEASE DESCRIBE THE CONSTRUCTION PROPOSED IN THIS**
9 **APPLICATION.**

10 A. Duke Energy Kentucky is proposing to construct a new high pressure twenty-
11 four-inch steel natural gas pipeline that will flow north to south across the central
12 part of the Company's service territory. Once completed, the Project is estimated
13 to be approximately seven miles in total length. The project will require four
14 pressure regulating stations.

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

16 A. The Project will add much needed supply and improved reliability in the central
17 portion of the Company's natural gas delivery system in an area that is seeing
18 rapid growth. Although Duke Energy Kentucky has been able to meet customer
19 needs with safe and reliable natural gas service, the Company must properly time
20 its infrastructure investments to respond to anticipated needs of our customers,
21 improve the system integrity, and to alleviate stresses to the overall distribution

1 system. The Project is necessary to respond to the needs of our customers and
2 maintain existing levels of quality service and enhance reliability.

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

4 A. This new pipeline will provide additional reliability to Duke Energy Kentucky's
5 natural gas delivery system by looping an existing north-south pipeline that
6 connects a primary east-west line with a pipeline that feeds the central and
7 southern extents of the Company's service territory. The Project will allow
8 additional natural gas pipeline capacity in areas of the service territory that are
9 close to full utilization. These areas are experiencing low pressure in times of high
10 consumption and the new pipeline will alleviate this pressure issue by increasing
11 access to supply.

12 **Q. PLEASE EXPLAIN HOW THE PROJECT WILL IMPROVE**
13 **SATISFACTION AND CONVENIENCE TO CUSTOMERS.**

14 A. The additional capacity will allow the Company to continue to accommodate load
15 growth in the area and enhance levels of reliability during periods of high
16 consumption. In addition, this additional pipeline will provide a level of system
17 redundancy in terms of looping capability when there are constraints along the
18 existing pipeline due to scheduled or emergency outages. This capability will
19 reduce the likelihood of customer outages that could occur without this capability.

20 **Q. DO YOU BELIEVE THE PROJECT IS REASONABLE AND**
21 **NECESSARY?**

22 A. Yes. This project provides a critical and necessary restoration of pressure along
23 the high-pressure distribution system in northern Kentucky that is required to

1 provide reliable service during severe winter weather. The Project also increases
2 available capacity throughout Boone, Kenton, Grant and Gallatin Counties. It also
3 allows the greater utilization of the UL57 & UL58 “Big Bone” pipeline projects
4 to support higher growth in the southernmost sections of Boone County. The
5 Project also has available capacity to serve any potential customers identified for
6 the Boone County Opportunity Zone that was created in Northern Kentucky as
7 part of the Tax Cuts and Jobs Act of 2017. This project is also necessary to
8 accommodate new customer load desired to be in service by January 1, 2021.

9 **Q. WILL THE PROJECT INTERFERE WITH ANY OTHER UTILITY’S**
10 **OPERATIONS.**

11 **A.** No, the Project will not interfere with any other utility’s operations.

12 **Q. WILL THE PROJECT DUPLICATE THE FACILITIES THAT DUKE**
13 **ENERGY KENTUCKY ALREADY HAS IN PLACE?**

14 **A.** No.

15 **Q. IS THE COMPANY’S INVESTMENT IN THE PROJECT REASONABLE**
16 **IN RELATION TO THE SERVICE THAT NEW FACILITIES WILL**
17 **PROVIDE?**

18 **A.** Yes.

IV. CONCLUSION

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

20 **A.** Yes.

VERIFICATION

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

The undersigned, Victor M. Gaglio, 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 testimony and that it is true and correct to the best of his knowledge, information and belief.

Victor M. Gaglio
Victor M. Gaglio Affiant

Subscribed and sworn to before me by Victor M. Gaglio on this 29 day of October, 2019.

SHANNON L. WALL
Notary Public, North Carolina
Mecklenburg County
My Commission Expires
June 28, 2022

Shannon L. Wall
NOTARY PUBLIC

My Commission Expires: 6/28/22

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In the Matter of:

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Convenience and Necessity Authorizing) Case No. 2019-00388
the Construction of a Gas Pipeline from)
Erlanger, Kentucky to Hebron, Kentucky)

DIRECT TESTIMONY OF

AMY D. PRESSON

ON BEHALF OF

DUKE ENERGY KENTUCKY, INC.

November 6, 2019

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I. INTRODUCTION AND PURPOSE

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

2 A. My name is Amy D. Presson and my business address is 4720 Piedmont Row
3 Drive, Charlotte, North Carolina, 28210.

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 Major Projects, for Duke Energy Kentucky, Inc., (Duke Energy
7 Kentucky or Company). DEBS provides various administrative and other services
8 to Duke Energy Kentucky 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 received a Bachelor of Science degree in nuclear engineering from the North
13 Carolina State University and have a Bachelor of Science degree in business
14 administration from University of North Carolina at Chapel Hill.

15 I began my energy industry career in 2000 as a qualified reactor engineer
16 and a licensed senior reactor operator at Catawba Nuclear Station. I have held
17 various positions within Duke Energy, including leadership roles in Cyber
18 Security, Performance Oversight and Major Projects Design. In April 2017, I was
19 promoted to my current position of General Manager, Gas Major Projects.

1 **Q. PLEASE SUMMARIZE YOUR RESPONSIBILITIES AS GENERAL**
2 **MANAGER, GAS MAJOR PROJECTS.**

3 A. I am responsible for oversight of project management, construction, installation,
4 and transmission integrity field maintenance of the natural gas transmission
5 systems of all of Duke Energy's regulated natural gas operations across five
6 states, including North Carolina, South Carolina, Tennessee, as well as for Duke
7 Energy Kentucky and Duke Energy Ohio.

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

10 A. No.

11 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS**
12 **PROCEEDING?**

13 A. The purpose of my testimony is to discuss and support Duke Energy Kentucky's
14 request for approval of a CPCN to construct an extension of a gas pipeline from
15 Erlanger, Kentucky to Hebron, Kentucky (Project). I describe how Duke Energy
16 Kentucky will implement and execute the Project, including, but not limited to,
17 supporting the construction maps, plans, and specifications. I also support the
18 estimated costs of the construction and the ongoing cost of operation for the
19 pipeline project.

II. OVERVIEW OF THE PROJECT

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

2 A. Duke Energy Kentucky is proposing to construct a new, approximate seven mile
3 in length, twenty-four-inch steel natural gas pipeline that will flow north to south
4 across the central part of the Company's service territory. The project will also
5 require four pressure regulating stations. The Project will connect two existing
6 pipeline segments on the Duke Energy Kentucky natural gas delivery system,
7 namely, UL03 and AM07. Exhibits 3 and 4 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 shows the design and proposed route for the new 24-
11 inch steel pipeline. Due to the sensitive nature of gas utility infrastructure, copies
12 of Exhibit 4 are being provided under petition for confidential treatment.

13 **Q. IS THE DESIGN OF THE PROJECT SUBSTANTIALLY COMPLETE?**

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

1 **Q. WILL THE NEW PIPELINE BE PHYSICALLY LOCATED IN PUBLIC**
2 **RIGHTS-OF-WAY OR IN PRIVATE EASEMENTS?**

3 A. Duke Energy Kentucky anticipates approximately 90% of the project will be
4 located in private easements that will be obtained concurrent with the approval of
5 this Application. Where private easements are not feasible, the Company will
6 locate the Project within existing public rights-of-way.

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

9 A. Yes. There are several permits that Duke Energy Kentucky has or is in the process
10 of obtaining. Duke Energy Kentucky has active natural gas franchises in many of
11 the communities that will be affected by the pipeline construction. It is my
12 understanding that those franchises are filed with the Commission. To the extent
13 any of these local communities require additional construction permitting, the
14 Company will follow those local rules and work with the communities to obtain
15 any and all necessary permits prior to beginning actual construction.

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

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

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

22 b) Energy and Environmental Protection Cabinet - Division of Water,
23 Application for a Permit to Construct Along or Across a Stream for

- 1 stream and floodplain crossings;
- 2 c) U.S. Army Corps of Engineers Section 404 Notification for dredge and
- 3 fill impacts to wetlands and streams;
- 4 d) Boone County encroachment permit to cross county roads;
- 5 e) Coordination with the Kentucky Heritage Council (KHC) regarding
- 6 cultural resources, including cultural resource investigations/digs and
- 7 potential viewshed impacts to architectural resources along the project
- 8 route; and
- 9 f) Additional construction related permits/notifications will be required to
- 10 be obtained by Duke Energy prior to and construction or prior to
- 11 hydrostatic test water discharge. This includes: state and local
- 12 construction storm water permits, and may include hydrostatic test
- 13 water discharge, and water withdrawal permits.

14 Duke Energy Kentucky has applied for each of the above listed permits (except

15 for the permits required immediately before actual construction occurs). Duke

16 Energy Kentucky has received approval for Division of Water - Permit to

17 Construct Along or Across a Stream for stream and floodplain crossings; and the

18 U.S. Army Corps of Engineers Section 404 Notification for dredge and fill impacts

19 to wetlands and streams. The Company has made the other permit filings and there

20 has been no indication that these will not be approved in the near future. The

21 Company's permits or applications for the permits and coordination

22 documents/reports for cultural resources are attached as Exhibits 2(a) through (e)

23 of the Application. In order to complete construction by January 1, 2022, the

1 Company must begin construction by spring of 2020, and thus must submit our
2 CPCN filing prior to all of the permits being obtained. The Company will
3 supplement the filing once the permits are received.

4 **Q. HAS THE COMPANY DEVELOPED CONSTRUCTION**
5 **SPECIFICATIONS TO BE USED IN THE PROJECT?**

6 A. Yes.

7 **Q. PLEASE EXPLAIN.**

8 A. The new pipeline will be constructed in accordance to Duke Energy Kentucky's
9 work specifications, standards, and procedures. A copy of these work
10 specifications is included as Exhibits 5(a) through (j) to the Company's
11 Application in this proceeding. The Company and contractor crews are qualified
12 to perform the work in accordance with design specifications prior to installing
13 any facilities. Duke Energy Kentucky personnel will provide oversight to any
14 contractor crews installing facilities on the Company's behalf.

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

17 A. Duke Energy Kentucky will use both Company and contractor crews where
18 appropriate to complete this project. If contractor crews are deployed, awarding
19 of contracts will be accomplished through a bidding process similar to that the
20 Company has successfully employed in prior construction projects, such as Big
21 Bone. Duke Energy Kentucky will use industry standard equipment, materials,
22 and designs to construct the pipeline in accordance with the work specifications.

1 **Q. WHAT IS THE ESTIMATED TIMELINE FOR CONSTRUCTION OF**
2 **THE PROJECT?**

3 A. The estimated timeline is dependent upon the approval of the project. Duke
4 Energy Kentucky has developed the below timeline with key milestones to ensure
5 the Project is completed in time to accommodate new customer load desired to be
6 in service by January 2021. This schedule is based upon the Company receiving
7 CPCN approval by April 2020, to allow sufficient time to make necessary
8 procurements and commence construction in the spring of 2020. The new
9 customer load that is anticipated to come on line in January 2021 will rely upon
10 the first phase of this project, which is anticipated to be completed by in time to
11 provide service, with the entire project being completed by December 31, 2021.

Estimated Project Schedule

January 2019	Design began
April 2019	Field Surveys
August 2019	Began easement discussions Apply for permits
October 2019	Informational meeting held with area property owners Order Long lead item materials
November 2019	Design substantially complete File CPCN Application
February 2020	Design complete Bid for construction
March 2020	Award construction contract
April 2020	Anticipated CPCN Approval Construction begins
January 2021	New customer service complete
December 2021	Construction complete*

12 * Assumes no delays in outstanding approvals/permitting.

1 **Q. WHAT IS THE ESTIMATED COST OF CONSTRUCTION FOR THE**
2 **PROJECT?**

3 A. The current estimated project cost is approximately \$63 million dollars as detailed
4 in the chart below:

Task	Total
Design	\$3M
Land	\$6M
Construction	\$44M
Material	\$10M
	<u>\$63M</u>

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

6 A. This Class 4 (-30%/+50%) estimate is based on the pricing Duke Energy
7 Kentucky has already received for design services and anticipated expenses for
8 easement acquisition and construction (labor and material). Duke Energy
9 Kentucky compared these figures to other recently completed projects and it is
10 confident in the estimate being provided.

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

13 A. The Company anticipates that there will be minimal (<\$10,000 per year)
14 incremental operational and maintenance expense (O&M) associated with the
15 ongoing operation of the new pipeline except for required periodic inspections
16 and/or testing.

III. FILING REQUIREMENTS 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:

- 7 • Exhibit 2(a) through (e) Section 15(2)(b): permits required for
8 construction;
- 9 • Exhibits 3 and 4, Section 15(2)(c) and (d)(1)-(2): Full description of the
10 proposed location, route, or routes, including a description of the manner
11 in which the facilities will be constructed, and map of the construction
12 area, and work specifications;
- 13 • Exhibit 5 (a) through (j), Section 15(2)(e): Preliminary work specifications
14 for the Project; and
- 15 • Section 15(2)(f): the estimated cost of construction of the Project and
16 ongoing costs of operation upon completion.,

IV. CONCLUSION

17 **Q. WERE EXHIBITS 2(a) THROUGH (e), 3, 4, AND 5(a) THROUGH (j) TO**
18 **THE COMPANY’S APPLICATION PREPARED BY YOU OR UNDER**
19 **YOUR DIRECTION AND CONTROL?**

20 A. Yes.

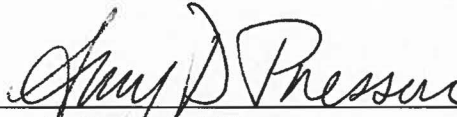
1 Q. DOES THIS CONCLUDE YOUR PRE-FILED DIRECT TESTIMONY?

2 A. Yes.

VERIFICATION

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

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 testimony and that it is true and correct to the best of her knowledge, information and belief.



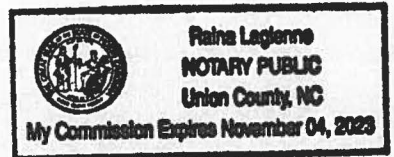
Amy D. Presson Affiant

Subscribed and sworn to before me by Amy D. Presson on this 29th day of October, 2019.



NOTARY PUBLIC

My Commission Expires:



COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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Inc., for a Certificate of Public)
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Erlanger, Kentucky to Hebron, Kentucky)

DIRECT TESTIMONY OF
MARTIN P. PETCHUL
ON BEHALF OF
DUKE ENERGY KENTUCKY, INC.

November 6, 2019

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I. INTRODUCTION AND PURPOSE

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

2 A. My name is Martin P. Petchul and my business address is 4720 Piedmont Row
3 Drive, Charlotte, North Carolina 28210.

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 Asset Management and Engineering on behalf of the Natural Gas
7 Business Unit (NGBU). The NGBU organization is responsible for the safe
8 operation of all gas (natural and propane) assets owned and operated by Duke
9 Energy and affiliated companies of Duke Energy Corporation (Duke Energy),
10 including Duke Energy Kentucky, Inc., (Duke Energy Kentucky or the
11 Company).

12 **Q. PLEASE BRIEFLY DESCRIBE YOUR EDUCATIONAL BACKGROUND
13 AND PROFESSIONAL EXPERIENCE.**

14 A. I have a B.S. in Mechanical Engineering from the University of Virginia and a
15 Masters in Engineering Administration from George Washington University. I am
16 a Certified Energy Manager and a registered Professional Engineer with licenses
17 in various states and commonwealths. I have over 30 years of experience in the
18 energy industry, having worked for various companies, including: Washington
19 Gas, Columbia Gas, Piedmont Natural Gas, Dormont Manufacturing, The
20 National Association of Homebuilders Research Center and Carrier
21 Corporation. During my career I have been in leadership and supporting roles for:
22 Engineering Design, Technical Support, Project Management, Measurement,

1 Technical Training, Operator Qualifications, Codes and Standards, System
2 Planning, Capital Planning, Gas Control, SCADA, Compression, GIS, Policies
3 and Procedures, Transmission Integrity Management, Distribution Integrity
4 Management, etc.

5 **Q. PLEASE SUMMARIZE YOUR RESPONSIBILITIES AS GENERAL**
6 **MANAGER, GAS ASSET MANAGEMENT AND ENGINEERING.**

7 A. As General Manager, Gas Asset Management and Engineering, I am responsible
8 for the management of Duke Energy's natural gas pipeline assets from a strategic
9 planning, engineering design, compliance and integrity management perspective.
10 My areas of responsibility include: Asset Planning, Asset Data Quality
11 Management, Asset Risk Management, and Engineering.

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

14 A. No.

15 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS**
16 **PROCEEDING?**

17 A. The purpose of my testimony is to discuss the Company's need to construct a new
18 twenty-four-inch pipeline and associated facilities, referred to as the UL60
19 pipeline, (Project) from both a system reliability and capacity expansion
20 standpoint. Additionally, I sponsor several filing requirements submitted as part
21 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 UL60 pipeline provides a primary artery for natural gas distribution south
4 into Boone County. The Project provides a critical and necessary restoration of
5 pressure along the high-pressure distribution system in northern Kentucky that is
6 required to provide reliable service during severe winter weather. The Project also
7 increases available capacity throughout Boone, Kenton, Grant and Gallatin
8 Counties. It also allows the greater utilization of the Company’s UL57 & UL58
9 “Big Bone” pipeline projects to support higher growth in the southernmost
10 sections of Boone County. The Project also provides available capacity to serve
11 any potential customers identified for the Boone County Opportunity Zone that
12 was created in Northern Kentucky as part of the Tax Cuts and Jobs Act of 2017.
13 The Project also enables Duke Energy Kentucky to perform future integrity
14 management work on the nearby UL02 pipeline.

15 The Project will loop existing pipeline UL02 to connect two existing
16 pipeline segments on the Duke Energy Kentucky natural gas delivery system,
17 namely, UL03 and AM07. AM07 is a primary artery that transports gas from
18 upstream suppliers, extending sixteen miles to the Ohio River, and providing gas
19 throughout the Duke Energy Kentucky natural gas delivery system via connected
20 pipelines. UL02 is an approximately seven-mile pipeline fed by AM07 thru Duke
21 Energy Kentucky’s Erlanger Station. UL02 terminates into the UL03 pipeline in
22 Burlington, Kentucky. UL03 is located on the western portion of the Company’s

1 service territory and extends south approximately twenty-five miles to serve
2 customers in Boone, Gallatin and Grant Counties.

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

4 A. The purpose of, and need for, the Project is to create necessary capacity to the
5 Duke Energy Kentucky natural gas delivery system to meet new load and
6 increased demand on the system and to provide greater reliability to the overall
7 system, which benefits all of the Company's natural gas customers. The Project
8 is also necessary to accommodate new customer load desired to be in service by
9 January 1, 2021. The Project will provide additional feeds to the gas delivery
10 system to support continued growth in Boone County and will provide system
11 flexibility to back-feed portions of both the UL03 and AM07 segments in the
12 event of scheduled or emergency work.

13 **Q. PLEASE EXPLAIN THE PRESSURE NEEDS DRIVING THIS NEW**
14 **PIPELINE CONSTRUCTION.**

15 A. As Boone County's population grows the increased demand utilizes upstream
16 capacity that is required to serve downstream customers, causing winter pressures
17 to continue to decline at the furthest extents of Duke Energy Kentucky's High-
18 Pressure Distribution system in southern Boone, Gallatin and Grant Counties.
19 Within a few years, customer outages could occur if this pipeline is not installed.
20 This Project would also support new natural gas customers expected to come
21 online in Duke Energy Kentucky's service territory in the near term. It would also
22 provide additional reliability to customers that would be susceptible to

1 unacceptable pressure drops/loss if UL02 were out of service for scheduled or
2 emergency projects in cold weather.

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

5 A. As development trends continue along the I-275 and the I-75/71 corridors in
6 Boone and Kenton Counties, increased demand is required from upstream
7 infrastructure. This pipeline will support this anticipated residential growth in
8 addition to potential commercial and industrial growth in the Boone County
9 Opportunity Zone that was created in Northern Kentucky as part of the Tax Cuts
10 and Jobs Act of 2017. This increased capacity is required to maintain reliable
11 service in Boone, Kenton, Gallatin and Grant counties.

III. FILING REQUIREMENT SPONSORED BY WITNESS

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

16 A. I sponsor the need for the program in response to 807 KAR 5:001, Section
17 15(2)(a).

IV. CONCLUSION

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

20 A. Yes.

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) Case No. 2019-00388
the Construction of a Gas Pipeline from)
Erlanger, Kentucky to Hebron, Kentucky)

DIRECT TESTIMONY OF

SARAH E. LAWLER

ON BEHALF OF

DUKE ENERGY KENTUCKY, INC.

November 6, 2019

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I. INTRODUCTION AND PURPOSE

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

2 A. My name is Sarah E. Lawler 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 Director,
6 Rates and Regulatory Planning for Duke Energy Kentucky, Inc., (Duke Energy
7 Kentucky or Company) and Duke Energy Ohio, Inc. DEBS provides various
8 administrative and other services to Duke Energy Kentucky and other affiliated
9 companies of Duke Energy Corporation (Duke Energy).

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

12 A. I earned a Bachelor of Science in Accountancy from Miami University, Oxford,
13 OH in 1993. I am also a Certified Public Accountant. I began my career in
14 September 1993 with Coopers & Lybrand, L.L.P. as an audit associate and
15 progressed to a senior audit associate. In August 1997, I moved to Kendle
16 International Inc., where I held various positions in the accounting department,
17 ultimately being promoted to Corporate Controller. In August 2003, I began
18 working for Cinergy Corp., the parent of Duke Energy Ohio, as External
19 Reporting Manager, where I was responsible for the Company's Securities &
20 Exchange Commission (SEC) filings. In August 2005, I then moved into the role
21 of Manager, Budgets & Forecasts. In June 2006, following the merger between
22 Cinergy Corp. and Duke Energy, I became Manager, Financial Forecasting. In

1 February 2015, I was promoted to Utility Strategy Director, Midwest where I was
2 responsible for the preparation of business plans and other internal managerial
3 reporting for Duke Energy Ohio and Duke Energy Kentucky, Inc. In December
4 2017 I began in my current role as Director, Rates and Regulatory Planning.

5 **Q. PLEASE SUMMARIZE YOUR RESPONSIBILITIES AS DIRECTOR,**
6 **RATES AND REGULATORY PLANNING.**

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

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

12 A. Yes.

13 **Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY IN THIS**
14 **PROCEEDING?**

15 A. The purpose of my testimony is to discuss the financial aspects of the Company's
16 request for a Certificate of Public Convenience and Necessity (CPCN) to
17 construct its UL 60 Bypass, consisting of an approximate 7 mile, twenty-four-inch
18 natural gas pipeline (Project) in Boone County, Kentucky. I also sponsor Exhibit
19 1 to the Application.

II. DISCUSSION

1 **Q. PLEASE PROVIDE A BRIEF SUMMARY OF THE PROJECT AND ITS**
2 **PURPOSE.**

3 A. Duke Energy Kentucky is proposing to construct a new high pressure twenty-
4 four-inch steel natural gas pipeline that will flow north to south across the central
5 part of the Company’s service territory. Once completed, the Project is estimated
6 to be approximately seven miles in total length. The Project will add much needed
7 supply and improved reliability in the central portion of the Company’s natural
8 gas delivery system in an area that is seeing rapid growth.

9 **Q. PLEASE EXPLAIN HOW THE COMPANY IS FUNDING THE COST OF**
10 **CONSTRUCTION FOR THE PROJECT.**

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

14 **Q. WHAT IS THE PROJECTED COST OF THE PROJECT?**

15 A. As explained by Company witness, Ms. Amy Presson, the overall Project is
16 estimated to cost approximately \$63 million. That sum comprises:

Task	Total
Design	\$3M
Land	\$6M
Construction	\$44M
Material	\$10M
	<u>\$63M</u>

1 **Q. WHAT IS THE PROJECTED ONGOING COST OF OPERATION OF**
2 **THE PROJECT ONCE COMPLETED?**

3 A. The Company anticipates that there will be minimal (<\$10,000 per year)
4 incremental operational and maintenance expense (O&M) associated with the
5 ongoing operation of the new pipeline except for required periodic inspections
6 and/or testing.

7 **Q. PLEASE EXPLAIN HOW THE PIPELINE WILL BE TREATED FROM**
8 **AN ACCOUNTING PERSPECTIVE.**

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

18 **Q. WHAT IS THE ESTIMATED IN-SERVICE DATE?**

19 A. December 31, 2021.

20 **Q. PLEASE EXPLAIN HOW THE COMPANY WILL RECOVER ITS COSTS**
21 **OF CONSTRUCTION.**

22 A. The Company plans to recover the costs of this Project in future natural gas base
23 rate cases.

1 **Q. WILL THE ESTIMATED \$63 MILLION IN CAPITAL COSTS FOR THE**
2 **PROJECT HAVE AN IMMEDIATE IMPACT ON CUSTOMER RATES?**

3 A. No.

4 **Q. PLEASE EXPLAIN.**

5 A. Because the Project is capital, once in service, the Project will be added to the
6 Company's Plant in Service and ultimately in rate base in future natural gas base
7 rate case proceedings. Until that time, there will be no incremental increase in
8 costs to customers related to the Project.

III. FILING REQUIREMENTS SPONSORED BY WITNESS

9 **Q. PLEASE LIST AND DESCRIBE THE FILING REQUIREMENT AND**
10 **EXHIBIT TO THE APPLICATION THAT YOU ARE SPONSORING.**

11 A. I am the sponsor of Exhibit 1.

12 **Q. PLEASE EXPLAIN EXHIBIT 1.**

13 A. Exhibit 1 is the financial statement for month end August 31, 2019 as required by
14 807 KAR 5:001, Section 12.

IV. CONCLUSION

15 **Q. WAS EXHIBIT 1 PREPARED UNDER YOUR DIRECTION AND**
16 **CONTROL?**

17 A. Yes.

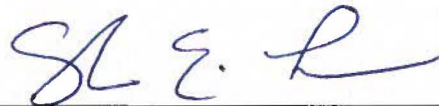
18 **Q. DOES THIS CONCLUDE YOUR PRE-FILED DIRECT TESTIMONY?**

19 A. Yes.

VERIFICATION

STATE OF OHIO)
) SS:
COUNTY OF HAMILTON)

The undersigned, Sarah E. Lawler, Director Rates & Regulatory Planning, being duly sworn, deposes and says that she has personal knowledge of the matters set forth in the foregoing testimony and that it is true and correct to the best of her knowledge, information and belief.



Sarah E. Lawler Affiant

Subscribed and sworn to before me by Sarah E. Lawler on this 28th day of October, 2019.



NOTARY PUBLIC

My Commission Expires: July 8, 2022



E. MINNA ROLFES-ADKINS
Notary Public, State of Ohio
My Commission Expires
July 8, 2022