

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF DUKE ENERGY KENTUCKY, INC.)	
FOR APPROVAL TO ESTABLISH A REGULATORY)	CASE NO.
ASSET)	2016-00159

COMMISSION STAFF'S INITIAL REQUEST FOR INFORMATION
TO DUKE ENERGY KENTUCKY, INC.

Duke Energy Kentucky, Inc. ("Duke Kentucky"), pursuant to 807 KAR 5:001, is to file with the Commission the original and three copies in paper medium and an electronic version of the following information. The information requested herein is due within ten days of the date of this request. Responses to requests for information in paper medium shall be appropriately bound, tabbed and indexed. Each response shall include the name of the witness responsible for responding to the questions related to the information provided.

Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association or a governmental agency, be accompanied by a signed certification of the preparer or the person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

Duke Kentucky shall make timely amendment to any prior response if it obtains information which indicates that the response was incorrect when made or, though

correct when made, is now incorrect in any material respect. For any request to which Duke Kentucky fails or refuses to furnish all or part of the requested information, it shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

Careful attention shall be given to copied material to ensure that it is legible. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this request. When filing a paper containing personal information, Duke Kentucky shall, in accordance with 807 KAR 5:001, Section 4(10), encrypt or redact the paper so that personal information cannot be read.

1. Refer to Item 4 of the application where the Pipeline Safety Act of 2011 and the Pipeline and Hazardous Materials Safety Administration ("PHMSA") are discussed. On May 4, 2016, the PHMSA proposed new safety regulations for natural gas transmission pipelines. Identify and explain any effects the proposed regulation will have on Duke Kentucky and whether this could affect its proposed regulatory asset in the current proceeding.

2. Refer to Item 8 of the application where it states that Duke Kentucky must conduct pressure testing along three miles of transmission pipeline AM07.

- a. Confirm that this is the only section of the transmission pipeline upon which Duke Kentucky intends to conduct pressure testing.

- b. Explain what actions Duke Kentucky must take if the testing on the pipeline reveals defects. (I.e., will the entire pipeline be replaced, or will the defects be cured?)

c. Identify the records that Duke Kentucky had in its possession with respect to transmission pipeline AM07 prior to its determination that transmission pipeline AM07 needed to be pressure tested.

d. Identify the historic Maximum Allowable Operating Pressure (“MAOP”) of transmission pipeline AM07.

e. Identify all records for transmission pipeline AM07 which Duke Kentucky has determined are necessary, but are incomplete and insufficient to provide traceable, verifiable, and complete documentation to support the existing MAOP of the pipeline.

f. Explain if any segment to be pressure tested of transmission pipeline AM07 is located in a High Consequence Area as defined in 49 CFR § 192.903.

g. Explain if any segment to be pressure tested of transmission pipeline AM07 is located in a Class 3 or Class 4 location as defined in 49 CFR § 192.5.

h. Explain if Duke Kentucky considered conducting any methods other than pressure testing to obtain traceable, verifiable, and complete documentation supporting the existing MAOP of its transmission pipelines.

3. Refer to Item 9 of the application regarding the estimated cost of conducting the pressure testing.

a. Explain how the cost estimates were developed.

b. State or provide Duke Kentucky’s capitalization policy.

c. Provide the account number to which each category of costs will be assigned.

- d. Describe all work included in the contract labor item of the budget estimate.
- e. Describe the materials included in the budget estimate.
- f. Describe all work included in the company labor item of the budget estimate.
- g. Explain in detail what assumptions are made in determining the contingency amount.

4. Refer to Item 12 of the application where it states, "The reclassification of an expense to a capital item allows the utility the opportunity to request recovery in future rates of the amount capitalized." When does Duke Kentucky intend to file its next natural gas base rate case?

5. Has Duke Kentucky or have any of its affiliates encountered a situation in which a transmission pipeline had to be tested to ensure compliance with PHMSA requirements? If so, provide that information, including any events in which a regulatory asset was requested and whether it was approved.



Aaron D. Greenwell
Acting Executive Director
Public Service Commission
P.O. Box 615
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DATED MAY 13 2016

cc: Parties of Record

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