BEFORE THE PUBLIC UTILITIES COMMISSION OF OHIO

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In the Matter of the :
Application of Duke Energy:
Ohio, Inc. for Approval of:
an Alternative Rate Plan : Case No. 14-1622-GA-ALT
Pursuant to R.C. 4929.05 :
for an Accelerated Service:
Line Replacement Program. :

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PROCEEDINGS

before Ms. Megan Addison, Attorney Examiner, at the Public Utilities Commission of Ohio, 180 East Broad Street, Room 11-C, Columbus, Ohio, called at 10:00 a.m. on Monday, November 16, 2015.

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VOLUME I

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On behalf of the Applicant.

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Monday Morning Session,
November 16, 2015.

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EXAMINER ADDISON: Let's go ahead and go on the record.

The Public Utilities Commission of Ohio has set for hearing at this time and place Case No. 14-1622-GA-ALT, being In the Matter of the Application of Duke Energy Ohio, Inc. for Approval of an Alternative Rate Plan Pursuant to R.C. 4929.05 for an Accelerated Rate Service Line Replacement Program.

My name is Megan Addison, and I am the attorney examiner assigned to hear this case. Let's go ahead by taking appearances beginning with the company.

MS. KINGERY: Thank you, your Honor. On behalf of Duke Energy Ohio, Jeanne Kingery, Amy Spiller, and Rocco D'Ascenzo, 139 East Fourth Street, Cincinnati, Ohio 45201.

MR. SERIO: Thank you, your Honor. On behalf of the residential utility customers of Duke Energy Ohio, Bruce Weston, Consumers' Counsel, by Joseph Serio and Kevin Moore.

MS. MOONEY: On behalf of Ohio Partners for Affordable Energy, I'm Colleen Mooney, 231 West

Lima Street, Findlay, Ohio.

MR. LINDGREN: On behalf of the Commission Staff, Office of Ohio Attorney General Mike DeWine, by Thomas G. Lindgren, Assistant Attorney General, 180 East Broad Street, Sixth Floor, Columbus, Ohio 43215.

EXAMINER ADDISON: Thank you, all.

As we don't have anything to discuss before we start this morning, is the company ready to proceed?

MS. KINGERY: Yes, we are, your Honor.

EXAMINER ADDISON: Thank you. You may call your first witness.

MS. KINGERY: Before we do that, I would like to ask that the application of Duke Energy Ohio filed in this case on January 20, 2015, be marked as Duke Energy Ohio Exhibit 1.

EXAMINER ADDISON: So marked.

(EXHIBIT MARKED FOR IDENTIFICATION.)

MS. KINGERY: And I would also like to note that there is one item that was provided in discovery that had been marked confidential that we are not treating as confidential, and that is the Lummus report.

EXAMINER ADDISON: Thank you.

MS. KINGERY: There may be other things we come across that are confidential, but the Lummus part is not.

EXAMINER ADDISON: Certainly. And we can address those as they come up. Thank you. And with that, we would call Charles Whitlock to the stand.

(Witness sworn.)

EXAMINER ADDISON: Thank you. You may be seated.

MS. SPILLER: Your Honor, may I approach, please?

EXAMINER ADDISON: You may.

MS. SPILLER: Your Honor, for the purposes of the record, we would ask to have Mr. Whitlock's direct testimony filed in this matter on October, 2015, marked as Duke Energy Ohio's Exhibit 2.

EXAMINER ADDISON: So marked.

(EXHIBIT MARKED FOR IDENTIFICATION.)

MS. SPILLER: Thank you.

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CHARLES R. WHITLOCK

being first duly sworn, as prescribed by law, was examined and testified as follows:

DIRECT EXAMINATION

By Ms. Spiller:

Q. Good morning, Mr. Whitlock.

A. Good morning.

Q. Could you identify yourself for the record, please?

A. Charles R. Whitlock.

Q. And, Mr. Whitlock, do you have before you what has been marked as Duke Energy Ohio Exhibit No. 2?

A. I do.

Q. And what is that document, please?

A. It's my direct testimony filed in case 14-1622-GA-ALT.

Q. And, Mr. Whitlock, do you have any corrections or changes to Duke Energy Ohio Exhibit 2?

A. There are two. On page 9, line 20, we say that "the Company proactively replaced approximately 200 service lines." I would change the "200" to "1,000."

And then again on line 22 we use "200."

Again, replace that with "1,000." And then where it says on line 23 200 years," that would be "58 years."

Q. Any other changes, sir?

A. Yes. On page 11 on line 20, there's a number that appears that says that there were "certain reconnaissance efforts required on approximately 28,000 curb-to-meter service lines." That number should be "21,000."

Q. Thank you. And with those corrections that you've identified this morning, if I were to ask you the questions set forth in your direct testimony today, would your answers be the same as reflected in Exhibit 2?

A. They would.

Q. And, sir, do you adopt this direct testimony, sir, as your testimony in this proceeding?

A. I do.

MS. SPILLER: Thank you, your Honor. The witness is available for cross.

EXAMINER ADDISON: Thank you.

OCC.

MR. SERIO: Thank you, your Honor.

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CROSS-EXAMINATION

By Mr. Serio:

Q. Good morning, Mr. Whitlock.

A. Good morning.

Q. My name is Joe Serio. I am attorney with OCC. I have a few questions for you this morning.

First, the corrections you made to your testimony on page 9, you increase the number from "200" to "1,000."

A. Yes.

Q. Can you explain, was the 200 an incorrect number, or what was behind the need to make the change?

A. Sure. So the 200 was the amount of service -- unprotected service lines that we were replacing during AMRP, and we made a decision in '15 to increase -- or for the calendar year '15 to increase that to 1,000, and so it says "currently," right? And I just wanted to be consistent with the "currently." We are replacing a thousand.

Q. So in 2014 you did 200, but then starting in 2015 you are doing 1,000?

A. Correct.

Q. Now, the lines that you are doing, the 200 and now the 1,000, are those actual leaking

service lines?

A. So they're unprotected metallic service lines, some of which may be leaking and others that are not.

Q. So you don't know if those are leaking until you actually go in and make replacement?

A. On the ones that --

Q. Of the thousand that you are doing right now.

A. Yeah. So I don't know the answer to that question. I think Mr. Hebbeler or Hill could answer that question better than I could.

Q. That thousand that you are doing you say are proactive, so that is in addition to any that are being replaced because there is a determination that the line was a grade-one leak or hazardous leak?

A. Again, I would tell you I would defer to Mr. Hill or Mr. Hebbeler.

Q. And then the change on line 23 on page 9, that's just a math change?

A. Correct.

Q. Because you are doing 800 lines more, the number of years would be less.

A. Right.

Q. Okay. And then on page 11, your change

from 28,000 to 21,000, can you tell me what's behind that change?

A. Yeah. So we had -- we had included service lines in Kentucky in the 28,000 and, so this makes it just Ohio jurisdictional service lines.

Q. Okay. Now, going back to the beginning, can you give me real brief what your background is with the natural gas operation side of the business?

A. Sure. So I became -- in early 2014 I became responsible for gas operations in Ohio and in Kentucky. Prior to that my experience in natural gas was on the commodity trading side, which I did for, you know, probably since 1991 to 2000.

Q. So you really had no background on any of the operations for the natural gas side of the business prior to your being assigned to your current position, correct?

A. I think that's fair to say, yeah.

Q. Now, on page 2 of your testimony, you indicate that your responsibility is to provide strategic direction for day-to-day operations, correct?

A. Yes.

Q. And one of the objectives under your strategic direction is to ensure that the Duke

distribution system is safe and reliable, correct?

A. Correct.

Q. Is the Duke distribution system today safe and reliable?

A. I believe so.

Q. And when you say the system is safe and reliable, are you including service lines in that?

A. Yes.

Q. And you expect the system to remain safe and reliable tomorrow, correct, and into the future?

A. So it's an important part of my job, and so I take a second to -- sure.

Q. Now, to the extent that the system is safe and reliable today, you are able to do that without an accelerated service line replacement or an ASRP, correct?

A. So here is where -- so I think the idea of safe, the system is safe now. The system was safe before we embarked on our main replacement program. We spent a lot of money to fix mains and to make the system safer. So when I think about the word "safe" and I think about -- I also think about the word "risk," and this program is really about risk reduction and that risk shows up as safety. And so when we reduce risk or when we look at our system

from a risk perspective, it's incumbent upon me as a leader of our team to make sure that the system's risk is reduced, and that results in a safer system.

Q. Under the company's application you would replace approximately 5,800 services a year for a 10-year period, correct?

A. Correct.

Q. You are currently replacing starting in 2015 a thousand services a year, correct?

A. Correct.

Q. If you continue at the pace of a thousand a year, will the system remain safe and reliable going into the future?

A. Again, I would tell you that I think that the system is safe now, and it would continue to be safe. But this is about risk reduction, and my read of requirements from both PHMSA and then the state adopting PHMSA rules had a requirement around us to reduce risks, and this is risk reduction that makes the system safer.

Q. Well, will the company increase the number of service line replacements beyond the current 1,000 if the Commission does not approve the ASRP?

A. So I will -- I think the answer is yes,

but I don't have the authority, without going through a capital budgeting process, to make those commitments over five years. But I'll tell you I will do everything in my power to get approval to the authority to accept -- to replace service lines faster than a thousand a year.

Q. On page 2 of your testimony, line 14, you indicate that one of your roles is for economic supply throughout the service territory. Do you see that?

A. I do.

Q. Can you define what you mean by "economic supply"?

A. So economic supply is -- we have a hedging program, and then we also procure spot gas, and so economic in my head turns into that we are buying it at the market at the time that we choose to make procurements.

Q. So when you refer to economic supply, you are talking about the commodity of natural gas as compared to the delivery system for natural gas?

A. So I think that's fair, right. So I think -- I think you could add an element that says I think it's important to make sure -- as a component of this plan we think that the acceleration of

service lines, much in the same way that we replaced mains on an accelerated basis, results in lower cost for our customers, and so I think you could use the word "economic" in that sense also.

Q. Now, one of your duties -- your current duties is input into the size of the capital budget, correct --

A. It is.

Q. -- for Duke? And what is your role in determining capital budget for Duke?

A. So, again, I have responsibility to -- for two lines of business, our distribution line of business as well as our natural gas business. And we have a -- what used to be a five-year planning cycle now is more of a three-year planning cycle, and I submit and take that budget to my boss, who is a member of the Senior Management Committee, and those budgets are evaluated across the enterprise, and capital is allocated through that process.

Q. You have a working understanding of the size of Duke's current capital budget?

A. I do.

Q. Would you agree with me that in 2014 Duke's capital budget for maintenance was approximately $45 million?

A. I believe that's true.

Q. And would you agree with me that in 2014 Duke actually spent about 30 million on capital maintenance?

A. Subject to check. Subject to check, I would agree.

Q. And through September of 20 --

A. Joe, when you say -- when you say "Duke," you are talking about --

Q. Duke Energy Ohio natural gas.

A. -- the gas portion?

Q. I am. If I didn't make that clear, we are here for the gas side.

A. That's fine.

Q. When I refer to "Duke," I mean the Duke gas side.

A. That's fine.

Q. And would you agree with me that through 2015 the capital maintenance budget was approximately $41 million?

A. I believe -- again, subject to check.

Q. And would you agree that through September 15, the actual spending was about 29 million?

A. Again, subject to check, yes.

Q. On page 3 of your testimony, you talk about benefits to customers and employees from the ASRP. Is there anywhere in the application or your testimony that there is a quantification of the benefits from ASRP for customers?

MS. SPILLER: I am just going to object to the extent this is asking a legal opinion of Mr. Whitlock and that a quantification is required for approval.

EXAMINER ADDISON: Mr. Whitlock, are you an attorney?

THE WITNESS: I am not.

EXAMINER ADDISON: With that on the record, he may answer to the extent he has an opinion.

MS. SPILLER: Thank you, your Honor.

A. Could you restate the question?

Q. Sure. Is there anywhere in either your testimony or the application where you've done an actual quantification of any benefits for customers from the ASRP?

A. So from memory, I believe we did some math, and I'm not sure if it showed up in the application or it showed up in either Mr. Hill or Mr. Hebbeler's testimony, but it was a benefit to our

customers that inured by the acceleration of the program.

Q. So there's nothing in your direct testimony where you do that kind of quantification, correct?

A. Correct.

Q. And you don't recall if there is anything in the application, correct?

A. I would answer the same way I answered it previously.

Q. Is there anywhere in your testimony that you quantify the benefits to Duke employees?

A. So let me go back. I'm struggling a little bit with the word "quantify." So when I think about employees and our customers, there is an element of increased lower risk and increased safety, and I think that those are quantified.

Q. You say you think they are?

A. I believe they are, yeah.

Q. But not anywhere in your testimony?

A. Not in my testimony.

Q. And is there anywhere in your testimony where the benefits to the company from an ASRP are quantified?

A. In my testimony?

Q. Yes.
A. No.
Q. And would you agree with me that an accelerated replacement program that also includes accelerated cost recovery does provide a benefit for the company and shareholders?
A. Yes.
Q. Are you familiar with the concept of a cost/benefit analysis?
A. I believe so.
Q. And did Duke perform any type of cost/benefit analysis to evaluate the $300 million cost for the ASRP versus the benefits that Duke is claiming?
A. Again, I would tell you that -- are you talking about may direct testimony, or are you talking about in the case in general?
Q. First, in your direct testimony.
A. So in my direct testimony it's not in there.
Q. And do you know if there is anything in the application in the form of a cost/benefit study that evaluates the $300 million cost of the program versus the benefits?
A. So, again, I would take you back to the

idea of risk reduction that I think Mr. Hill quantifies in his testimony about PHMSA's requirement for us to reduce risk, and I think that those have benefits both for our customers and our employees.

Q. I understand that's your position. I'm sorry. Were you done?

A. No.

Q. Okay. Go ahead.

A. And the benefits of accelerating the program allows us to reduce the costs of a service line replacement program that was extended over time. So I think that fits in that cost/benefit lexicon in my head.

Q. But an actual cost/benefit study, are you aware of any type of study doing a cost/benefit analysis that was attached to the application in this case?

A. Again, so I can tell you that behind the risk reduction is a study, so when you say "study," it sounds like you have a very specific thing in your head that's not in mine.

Q. What's your understanding of a cost/benefit analysis?

A. So it could be as simple as saying here are the costs and the benefits are X and Y, and in

this case the X and Y is that the system has lower risk which translates into safer. That benefits both our customers and our employees, and then also the accelerated nature of the program reduces the cost over time, which is a benefit.

Q. To the extent that you claim that the ASRP would make the system safer, have you quantified how much safer? 10 percent? 20 percent? 50 percent?

A. Yeah. So I think that those questions are best referred to Mr. Hill and his team, the work that they do around risk reduction.

Q. I believe that in your testimony on page 7 you talk about Duke's striving "to deliver safe, reliable, and reasonably priced natural gas service." Do you see that?

A. Are you talking about line 7 and 8?

Q. Yes.

A. Yes.

Q. How do you define "reasonably priced"?

A. So I think reasonably priced, in my head, is -- implies a balance, and that it's the plain, common meaning of the word "reasonable," and it's fair. It's justified. It's not exorbitant, and it's not so low as to not have benefits that might be

important, that customers don't necessarily think about. And so safety and reliability would be one of those things that I would include in reasonable. So I would say, in short, reasonably priced means, again, for me, just the common meaning of the word "reasonable."

Q. From a customer perspective, reasonably priced, do you compare that to natural gas service provided by other distribution companies in Ohio?

A. I think that could be a measure. I think it would be important when you did that comparison to -- so I think if you compared our rates to other utilities in Ohio, that we're further along on a replacement program, so I think it would be important to put that lens on it.

Q. Did Duke do any kind of survey of its customers to determine if they would think it's reasonable to spend $300 million to improve the safety and reliable of the system by replacing the service lines that are at issue in this case?

A. I am not aware of any such survey.

Q. And if Duke would have done such a survey, you would be familiar with one based on your position, correct?

A. That's a tough question. It's a big

company with a lot of different people, and so I would think that I would, but I have been surprised before by my lack of awareness of things that I think would come across my desk.

Q. Fair enough. Prior to getting on the natural gas side of the business, you worked on the electric side of Duke's business, correct?

A. Yes.

Q. And you worked on the electric side for a number of years?

A. Yes.

Q. And are you familiar that on the electric side of the business Duke is required under the administrative code to survey its customers periodically to get their views on service reliability?

MS. SPILLER: I am going to object to the relevance, and this is well outside the scope of Mr. Whitlock's testimony.

THE WITNESS: I was not -- I'm sorry. I'm sorry.

EXAMINER ADDISON: I'm sorry, Mr. Whitlock.

MS. SPILLER: I have that effect on him, your Honor.

EXAMINER ADDISON: Thank you. Do you have a response, Mr. Serio?

MR. SERIO: Yes, your Honor. He just talked about how important service reliability is on the gas side. I am trying to see if that also applies to his experience on the electric side, and I am laying foundation for additional questions that I would have.

EXAMINER ADDISON: I will allow a little leeway, but I would prefer not to stray too far in this direction. Thank you. You may answer the question.

THE WITNESS: Could you repeat the question or have it read back?

Q. (By Mr. Serio) Sure. Are you familiar with the fact that Duke is required on a periodic basis to survey its electric service customers to get their input on service reliability?

A. So I am aware of surveys that take place -- where we survey our customers around a variety of different things to improve our customer service. I don't know that I was aware -- actually, I do know that I was not aware that that was a requirement of the statute.

Q. Okay..

A. But we do it as a normal part of our business.

Q. I think either in your testimony or in the application it said that Duke has about 400,000 service lines or services.

A. Yeah. That shows up in my testimony.

Q. And would you agree with me that approximately 380,000 are residential customers?

A. Subject to check, sure.

Q. Okay.

A. Seems right.

Q. Of the roughly 380,000 natural gas residential customers that Duke has, do you know how many of them also take electric service from Duke?

A. I do, but not with enough specificity to tell you I know the answer.

Q. Would you agree that the majority?

A. I would.

Q. And would you agree it's probably over 80 percent of Duke's gas customers also take electric service from Duke?

A. Sure, subject to check.

Q. Did you participate in Duke's recent ESP case, Case No. 14-841-EL-SSO?

MS. SPILLER: Again, your Honor, I am

going to object to the relevance. We are tending very far afield of the issues in this case.

EXAMINER ADDISON: Mr. Serio.

MR. SERIO: I have to lay a foundation before I get to an ultimate question, unless you want me to go to the question and then I will get an objection because I didn't lay foundation.

EXAMINER ADDISON: I will allow you to ask some foundational questions, and then we will take up the objection later if we need to.

A. So could you tell me what the content of that case was so that I can -- did I -- it might be easy, I don't recall from the numbers that you --

Q. You were a witness in Duke's most recent ESP case that was litigated, I think, roughly six months ago?

MS. SPILLER: Your Honor, he was subpoenaed by the Consumers' Counsel.

A. So if I filed testimony in it or was subpoenaed then, sure.

Q. Okay. Do you recall that Mr. Arnold was a witness for Duke in that proceeding?

A. Mr. Mark Arnold? So, again, I believe Mark Arnold filed testimony in that case.

Q. Do you have any familiarity with the

testimony that he filed at all?

A. No.

MR. SERIO: May I approach, your Honor?

EXAMINER ADDISON: You may.

MR. SERIO: I would like to mark this for purposes of identification as OCC Exhibit 1.

EXAMINER ADDISON: So marked.

(EXHIBIT MARKED FOR IDENTIFICATION.)

MS. SPILLER: Your Honor, I am going to renew my objections. This is about the electric side of the business. As Mr. Serio indicated this morning, we are talking about Duke Energy Ohio and its natural gas operations. A reliability study of electric customers from 2013 has no bearing whatsoever on the outcome of the issues in this case.

EXAMINER ADDISON: Mr. Serio.

MR. SERIO: Your Honor, one of the things Duke is claiming in its testimony is that the ASRP is needed to improve reliability. The company in the electric side of the business is required by the Commission under 4901:1-10-10 to survey its electric customers a minimum of every three years to get their views on service reliability. To the extent that the witness has indicated the majority of Duke's natural gas customers are also electric customers, their

views on service reliability and what they are willing to pay is relevant because the company's asking them to foot the bill for a $300 million program that neither in the application nor in Mr. Whitlock's testimony quantifies the improvements other than to say it will get better. Customers have already voiced their view on how much they're willing to pay to improve service on the electric side. I think that it's a reasonable conclusion that if they are not willing to pay more to improve electric service reliability, they are not willing to pay more to improve gas -- gas service reliability.

MS. SPILLER: And, your Honor, there is absolutely no proof. That is a completely unsubstantiated and unfounded connection that Mr. Serio is trying to draw. There is no suggestion that a customer responding to questions about outages of electric service was offering any opinion in respect of their gas service.

MR. SERIO: Your Honor, the reliability study is -- is a record that the company maintains on a regular basis. It's a record that's part of previous Commission proceedings. The Commission is aware of the survey and is aware of customers' views on service reliability. If, as you see in the

document itself, customers are not willing to pay even a dollar to avoid a one-, two-, or four-hour electric service reliability, it's not unreasonable to assume they are not willing to pay $300 million to potentially avoid gas service outages that we don't even have any quantification of.

EXAMINER ADDISON: I am just afraid we are speculating as to what they would feel would be reasonable for gas service when this is based off electric service, so I tend to agree with Ms. Spiller. I am going to sustain the objection.

MS. SPILLER: Thank you, your Honor.

Q. (By Mr. Serio) On page 4 of your testimony you indicate that the capital expenditures for Duke's gas operations in 2014 were $98 million. Do you see that?

A. I do. Do you know how much of that was to replace service lines?

A. I think that's a good question for Mr. Hebbeler.

Q. On page 5 of your testimony, you talk about Duke's replacement programs and you talk about the company performing in the top quartile for reporting outages. Do you see that, the bottom of the page?

A. I do.

Q. How do you define an outage for purposes of the AGA reporting criteria?

A. So that's a detail that escapes me.

Q. Would that be something for Mr. Hill or Mr. Hebbeler or Mr. McGee?

A. Yeah. I would think that Mr. Hebbeler would probably answer that question. I am sure that outages are defined on that report. I don't know what the definition of "outage" is.

Q. Would you -- to the extent you know, would you assume that an outage is an actual interruption of service?

A. I would prefer -- I would prefer to just let the definition that's in the report stand or Mr. Hill or Hebbeler answer the question as opposed to guess.

Q. At the bottom of page 7, top of page 8, you cite Vectren Energy Delivery of Ohio equivalent to your AMRP program, correct?

A. Yes.

Q. And Vectren does not have an ASRP, correct?

A. So I think that isn't factual because I think that as part of their program, they are

actually replacing service lines, much like we did. In our AMRP program, we replaced service lines also. I think Vectren is replacing both mains and service lines.

Q. And to the extent that they are replacing service lines, "they" being Vectren, as part of their AMRP, it's the services that are attached to mains that are being replaced, correct?

A. So I am not aware of any service lines that aren't attached to mains.

Q. It's when they replace a main, they replace the attached service lines, correct?

A. Correct.

Q. Vectren, to your knowledge, does not have a stand-alone ASRP that goes out and replaces service lines that are not leaking or not attached to mains that are currently being replaced, correct?

A. Could you repeat the question again?

Q. Sure. Vectren does not have a stand-alone ASRP-type program to replace nonleaking service lines that are not attached to mains that are being replaced as part of their AMRP, correct?

A. I don't believe they do.

Q. You are familiar with how Duke quantifies leaks on its system, correct, grade one, grade two,

and grade three?

A. I am.

Q. And you would agree with me grade-one leaks are considered hazardous and they need to be dealt with either immediately or within a set period of time?

A. And monitored, yeah.

Q. And Duke currently combines grade-two and grade-three leaks into the same category, correct?

A. I think so.

Q. So on the Duke system if there is a leak on a service line, it's either considered hazardous or nonhazardous, correct?

A. So I'm not sure of the link. I know grade one you used the word "hazardous," and it feels to me like grade-two and grade-three leaks, the -- it's hard for me to think of a leak that's not -- doesn't have some element of a hazard, and so when I say -- when you say hazardous and nonhazardous, that feels incongruous with the way we -- the way I think about them anyway.

Q. But Duke assigns any leaks on its system either a grade one or grade two or grade three, correct?

A. That's true.

Q. And to the best of your knowledge, grade-two and grade-three leaks are categorized as not being a hazardous leak at that time, correct?

A. So that's the part -- that's the part where that's not what's in my head, around -- again, I would just tell you that I think about degrees of hazards, and so to think about a leak in grade two or grade three, there's an element of a hazard for each of those, and so to make them nonhazardous feels like it belies, again, what's in my head about the fact of a leak.

Q. Of the approximately 58,000 pre-1971 service lines that are at issue in this proceeding, are any of them an imminent safety threat today?

A. So, again, I'll tell you my answer. My answer to that is the materials are aged. They are not used anymore. They are obsolete, and they are unprotected metallic service lines, and so I would say to me they are imminent.

Q. It's your position that the materials that make up those 58,000 service lines are at high risk for failure today, correct?

A. So, again, I would defer. So in my head, they are ob -- obsolete materials that are unprotected, and when Mr. Hill -- and Mr. Hill I

think can add a lot of detail to this, but when we go through our risk assessment prescribed by PHMSA, we categorize the highest risk in our system, and then we make an effort to reduce that risk. And so I think the simple answer to your question is yes.

Q. Do you know at what point in time Duke concluded that the materials that make up those 58,000 service lines were at high risk for failure?

A. So, again, I would go -- I don't think -- so I think Duke determined that, but I think regulators have determined that. So I think PHMSA says unprotected metallic service lines are risky and that you must replace them. They are obsolete materials. I think the Commission in our AMRP recognized the exact same thing when they say they are going to replace the mains and the -- and the unprotected service lines associated with that. I think they did the exact same thing in Vectren's case, so I don't -- I think it's unfair for you to characterize it as Duke was the one that recognized that unprotected metallic service lines are dangerous. I think the industry has recognized that.

Q. You keep referring to PHMSA doing it. At what point in time did PHMSA make a declaration that the materials used that make up the 58,000 service

lines was at high risk?

A. Again, what I would tell you is that what I think PHMSA said, unprotected metallic lines are risks, and that you have to do work to reduce your risk. When they promulgated that rule I think is a great question for Mr. Hill, so I think you're trying to make PHMSA say -- PHMSA -- nowhere has PHMSA said 58,000 service lines in Duke Energy Ohio's service territory are at risk for failure. What they have said is if you have unprotected metallic service lines, that you have to do something about that risk. So PHMSA is not as proscriptive as I think you are trying to make me answer the question.

Q. How long has Duke known that the 58,000 service lines were pre-1971?

A. How long have we known that they were pre-1971?

Q. Yes, yes.

A. So I would say -- how long have we known the date we put them in?

Q. How long have you known they were pre-1971 lines?

A. So I will just give you is, which makes sense to me, pre-1971 we knew that.

Q. Okay. And how long has Duke known that

those lines are nonmetallic and not protected in any way?

A. I would say from the time we put them in the ground.

Q. And at what the point in time did Duke conclude that those nonmetallic nonprotected lines are at a higher risk for failure?

A. Again, I would tell you that I think Duke has concluded that and the industry has concluded that. You know, much like every industry, industries learn in series, and so I think there was a recognition -- when we put those things in the ground, I don't think we believed that they were material that was going to be obsolete 30 years from now or 40 years from now, wherever we are, but it is now.

And so I think that, again, to me when I just step back from this, Duke's recognized it. The PUCO has recognized that unprotected metallic service lines are risky inside of the system, and that risk turns into failure rates that turns into unsafe. And so the PUCO's done it. The Public Service Commission of Kentucky has done it. The federal regulator has recognized it. So for to you characterize that Duke has done it, I think I agree with that, but it's not

just Duke.

Q. Do you know when Duke came to that conclusion?

A. Again, I would tell you that -- I think that's a very good question for Mr. Hill to explain kind of the history of our learnings around risks inside of our system. On page 9 of your testimony on line 5 you indicate that as part of this case, Duke is seeking to continue the existing authority to take over ownership of customer-owned service lines." Do you see that?

A. I do. And that authority says once you replace the line, that's the point in time where Duke takes ownership, correct?

A. Yes.

Q. Prior to replacing the line, that service line is the property of the homeowner, correct?

A. I believe that's true.

Q. And the authority that you are seeking to continue, do you know in what case the PUCO granted that authority?

A. I do not.

Q. Is Duke currently replacing nonleaking service lines that are currently owned by customers?

A. I think you should ask that question of

Mr. Hebbeler.

Q. So you don't know if Duke is currently doing that?

A. I don't.

Q. At the bottom of page 9 you talk about the 1,000 lines that you are replacing a year.

A. Yes.

Q. Are those currently leaking lines, do you know?

A. I think a subset of them are, but I'm not sure. Again, Mr. Hebbeler could address that question.

Q. But to the best of your knowledge, at least some of those service lines are currently not leaking, correct?

A. I would agree with that.

Q. Can you tell me what Commission order gave the company the authority to take ownership of nonleaking service lines and replace them?

A. Again, I don't -- I don't know.

Q. Of the 1,000 service lines that are being replaced starting in 2015 that are both leaking and nonleaking, do you know how Duke determines which lines to replace first?

A. So I think that's a great question for

Mr. Hill, the details of that. It is a pretty thorough plan.

Q. At the bottom of page 9, your assumption assumes that you would still do the same mix of leaking and nonleaking lines that gets you to your thousand today, correct?

A. Yes.

Q. To the extent that the 58,000 lines would develop a higher leak rate in the future, then Duke would do what was necessary to replace those lines on an accelerated basis regardless of whether it has an ASRP or not, correct?

A. Yes. So I told you I am going to do what I can to get the capital to replace service lines on an accelerated basis no matter what happens in this case because I believe that the risks demand that.

Q. When you talk about risks, are you aware of any failures of service lines since the year 2000 in the Duke service territory that were specifically related to service lines?

A. Sitting here, no, I'm not.

Q. Are you aware of any in Ohio since 2000?

A. I don't know that I would -- no.

Q. On page 10 of your testimony, at line 4, you talk about failures occurring or an emergency

situation arising. Do you see that?

A. Yes.

Q. Can you define what you mean by a failure?

A. So I would say, again, I would just use the word "common," so the common word of "failure." But I would say that it was a leak and/or the likelihood of failure.

Q. In your opinion would a failure be something that interrupted service?

A. So I am trying to think of what a failure would be that didn't interrupt service. So I think it's fair to say that a failure, it would interrupt service.

Q. In a situation where there is a pinhole leak that slowly leaks into the ground but doesn't register, would that be a failure that doesn't interrupt service?

A. So you had a pinhole leak -- I am just trying to get your hypothetical situation here. You have a pinhole leak. Do all pinhole leaks result in an interruption? The answer is no.

Q. In fact, grade-two and grade-three leaks, by definition, are leaks that might be occurring that do not interrupt service, correct?

A. Correct. So I think, again, just going back to that word "failure," what I am thinking about there is obsolete material that is around risk reduction, so the term that you are reading into it of failure of saying interruptions, probably -- we're probably reading too much into the word that I used there, "failure."

Q. Well, it your word. How do you intend it to be used? As an interruption?

A. Yeah. So I think I have explained the word "failure." Again, for me the idea is that you could have an interruption of service and you could also have -- when I think about the materials that we are talking about, that they have an exposure, a risk around failures, and so that inherent risk in my head is a failure.

Q. On page 11 of your testimony you talk about the company's reconnaissance efforts on the additional 21,000 service lines.

A. Yes.

Q. Does the company know when those service lines were installed?

A. So I think that's a good question for Mr. Hill.

Q. Prior to the company taking the role of

installing new service lines, when the customers paid to do it themselves --

A. Yes.

Q. -- did Duke employ a list of materials that customers had to pick from when installing their service line?

A. I believe so, subject to check. But I think that's a good question, again, for Mr. Hill or Mr. Hebbeler.

Q. And when a homeowner would pay to install a service line, Duke would come out and inspect the service line to make sure that it was done properly, correct?

A. Again, I believe that that's true, but I would look to Mr. Hill or Mr. Hebbeler to make sure that my recollection is correct.

Q. Do you know if in providing a list of materials, did Duke maintain records so that from year to year they knew what materials they were recommending that customers use to install service lines?

A. I'm sure that if we provided a list, that we could find those historic lists.

Q. And do you know if Duke maintained a list to indicate at what point in time they went out to

inspect the service line to make sure that it had been installed properly?

A. So, again, I would believe that -- I would believe that that's the case.

Q. If Duke has records that would show what materials were being used and if Duke has records that show when people went out to approve the installation, then why doesn't Duke have records to determine if the 21,000 service lines need to be replaced or not?

A. So that's a great question, and I can just tell you my experience with our recordkeeping is there's -- there's issues in our recordkeeping, so it's not surprising to me that there are gaps in our records and that it requires some reconnaissance. And so I think we will start with our records and we will start with the list and we will start with the inspection dates to figure out with specificity what service lines were installed when and what the material is. But, you know, we have a variety of records that are sometimes very, very clear and other times not as clear as I would like them to be.

Q. On page 12 of your testimony, you indicate that ASRP is just one of the company's strategies for addressing the integrity risks. Do

you see that at the bottom of the page?

A. Yes.

Q. Would you agree with me that the majority of failures on service lines are caused by third-party excavation?

A. It is the largest.

Q. And does the ASRP address the problem with third-party excavation causing damage on service lines?

A. So, not directly, but I would tell you that -- that our ability to keep records around locations of service lines now is better than it was historically, and so to the degree that our third-party damages are because of inadequate marking or inadequate records, I think that our third-party damages would be aided by the replacement of service lines where the location and/or recordkeeping isn't as clear as it would be if we were to replace them tomorrow.

Q. When Duke installs or a customer installs a service line, they generally run from the line that runs down the street to the customer's meter, correct?

A. Correct.

Q. And Duke knows where the line is, where

its distribution line is in the street, correct?

A. So, again, subject to my previous diatribe on records, I would say yes.

Q. And Duke knows where a meter is, obviously, correct?

A. Yes.

Q. On page 13 of your testimony you talk about the potential occurrence of "multiple consecutive rate cases." Do you see that?

A. Can you direct me to the line?

Q. Line 11 on page 13.

A. I do.

Q. What do you mean by "multiple consecutive rate cases"? How many?

A. So, again, the rate-case timing is a function of how we are deploying our capital and other things that are happening inside of our business, but I can tell you outside of approval of this tracking mechanism, we are going to spend the money, and when we spend the money, we will do an analysis about the rate-case timing, and it means exactly what I say, it could be multiple and they might be consecutive.

Q. Since you don't know, multiple and consecutive could be three, four, five years between

rate case, correct?

A. So I don't know that -- I think consecutive would mean I would file one and then the next year I would file another one, but...

Q. To your knowledge in the last 50 years has Duke Energy gas or electric ever filed more than two consecutive rate cases?

A. So when you say "consecutive," do you mean consecutive annually?

Q. Consecutive as you are using the words on line 11.

A. So I just mean one follows the other.

Q. Yes.

A. So I think every rate case we have filed has been consecutive in nature.

Q. So if you file a rate case in 2007 and then you file another one in 2012, you consider that consecutive; you don't consider that five-year gap to be important?

A. So, again, so I think the idea is -- so let me answer your question very precisely. So if you filed one in 2000 and another one '12, those would be consecutive. But here I think you need to be mindful of what we are talking about is a 10-year period of time, and there could be multiple and

consecutive within that 10-year window.

Q. So if we look at a 10-year window, you don't have an estimate as to how many cases the company might have to file if there is no ASRP?

A. So sitting here today, our plan is that we will spend the money, and then we are going to get approval for this case because we think it rests on the merits.

Q. Has the company done any analysis to determine how many rate cases it would have in that same 10-year period if it does get an ASRP?

A. So I can tell you that in the planning horizon that we have right now, with approval of the ASRP there is no gas rate case.

Q. The two most -- the three most recent gas rate cases were 2001, 2007, and 2012, correct?

A. Correct.

MR. SERIO: That's all the questions I have, your Honor.

Thank you, Mr. Whitlock.

THE WITNESS: Thank you.

EXAMINER ADDISON: Thank you.

Ms. Mooney, any questions?

MS. MOONEY: No questions, your Honor.

EXAMINER ADDISON: Mr. Lindgren?

MR. LINDGREN: Yes. Thank you, your Honor.

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CROSS-EXAMINATION

By Mr. Lindgren:

Q. Good morning, Mr. Whitlock.

A. Good morning.

Q. I believe you testified the goal of your ASRP is reduction of risk; is that right?

A. Yes.

Q. But it's true that because of the inherent nature of a gas distribution system, you can never completely eliminate the risk, can you?

A. I would agree with that.

Q. I believe you testified that any leaks present an imminent hazard; is that right?

A. So I don't know that I testified any. So we could go back and look at what I said, right? So I would just tell you it's hard for me to think about leaks of hazardous combustible gas and not have a hazard associated with it.

Q. So in your mind any leak is hazardous?

A. So any leak has the potential to be hazardous. How about that?

Q. Well, under your proposal, a potentially

hazardous leak could take up to 10 years to be replaced, right?

A. Again, so the program here is basically us saying that we recognize that the material that's in the ground is -- has high risks. It's obsolete material, and it needs to be replaced. And the pace at which we replace it is -- needs to be accelerated on the back of that.

That's my -- that's where I am. So if what you are saying is that, Chuck, by waiting ten years to do that, that it should be done faster, I mean, that's a fair argument to make.

Q. Thank you. When in 2015 did the company decide to go from approximately 200 lines -- service line replacements per year to 1,000 lines?

A. So we did that as part of our business planning cycle, and it was probably in '14 when we made the decision to do it, and we executed it in '15, probably the August time frame of '14.

Q. Thank you. And why did you make this decision?

A. For exactly the same reasons that we've talked about, right, so, again, this is a -- it's an obsolete material, and there are hazards and risks associated with it for our customers as well as the

400 men and women I have responsibility for. And we made a decision -- I made a decision that we wanted -- that I wanted to do that faster than 200.

Q. Thank you. Did the company consider any alternatives to the proposed ASRP that would also contribute to improving the system's safety without requiring an expenditure of $320 million?

A. So, again, so our risk assessment around our distribution system has a variety of different risks, variety of different remediation, and so in one of those I would think that we considered alternatives to the path that we've chosen.

Q. Did you do any studies or analyses of the potential effectiveness and costs of these alternatives?

A. Again, OCC counsel took me down this path of study. Again, I would tell you there are a team of people led by Mr. Hill inside of the organization that do studies around what's the risk, and it's a quantification of those risks, and then they take a measured approach to how to mitigate those risks.

And then there is a requirement that PHMSA -- we show them the plan and then our ability to actually deploy the resources and then mitigate the risk is something that the regulator has an

expectation on, and so do I.

Q. Thank you. I believe you acknowledged in response to a question from the OCC counsel that the company shareholders do benefit from an accelerated cost recovery like you are proposing here; is that right?

A. Yes. So, again, I'll just -- the answer to the question is yes, but let me add a little bit more detail. So I think about really shareholders as a stakeholder. I think about my employees as a stakeholder, and I think about customers, and I think that the plan that we have put forth here balances appropriately the shareholder, and through a tracking mechanism, I think it benefits our customers because it is -- again, provides a little more reliable, lower risk, and I'll use the word "safer," and it certainly does the exact same thing for our employees.

Q. But you didn't actually quantify the benefits to the customers, did you?

A. So, again, I will tell you that risk mitigation, the quantification shows up in things not going boom, and I'm not sure how you -- I am not sure how I would do math around that. So if you --

Q. Thank you.

A. And -- well, hang on. So if you ask me around employees, so I am not sure how to put the 200 or so men and women that go out into the field and work around leaks, if there was an event that turned into an explosion, I am not sure how you quantify that.

MR. LINDGREN: Thank you. I have no further questions.

Thank you.

EXAMINER ADDISON: Thank you.

Redirect, Ms. Spiller?

MS. SPILLER: Your Honor, may we have just a moment, please?

EXAMINER ADDISON: You may.

MS. SPILLER: Thank you.

EXAMINER ADDISON: Let's go off the record.

(Recess taken.)

EXAMINER ADDISON: Let's go back on the record.

Ms. Spiller.

MS. SPILLER: Thank you, your Honor.

REDIRECT EXAMINATION

By Ms. Spiller:

Q. Mr. Whitlock, there has been an acronym

used during your examination, PHMSA. Could you define that for us, please?

A. So in telling you what the acronym stands for, it's Pipeline and Hazardous Materials Safety Administration.

Q. And what is PHMSA?

A. So PHMSA is a subset of the U.S. Department of Transportation that has jurisdiction over pipelines and hazardous materials and sets procedures and is the regulatory body that governs that.

MS. SPILLER: Thank you. No further questions, your Honor.

EXAMINER ADDISON: Thank you.

Mr. Serio?

MR. SERIO: No questions, your Honor.

EXAMINER ADDISON: Ms. Mooney?

MS. MOONEY: No questions.

EXAMINER ADDISON: Mr. Lindgren?

MR. LINDGREN: No questions, your Honor.

EXAMINER ADDISON: I have no questions. You are excused, Mr. Whitlock.

THE WITNESS: Thank you, very much.

MS. SPILLER: Your Honor, if I may, just a point of clarification. Mr. Whitlock, given his

circumstances, is he excused with no need to return to Columbus during the course of the hearing?

EXAMINER ADDISON: I don't believe we will need to bring him back. We can certainly address that if it comes up so.

MS. SPILLER: Okay. Just wanted to clarify.

EXAMINER ADDISON: Thank you for raising that issue. Thank you.

MR. SERIO: Your Honor, the only thing we would say, to the extent he directed questions to Mr. Hill and or Hebbeler, to the extent they are unable, that would be the only reason we could foresee needing the witness back.

EXAMINER ADDISON: And we can certainly address that if we have an issue like that come up, so thank you.

MS. SPILLER: And, your Honor, just a point of clarification in respect to exhibits. Would you prefer we do that at the end of our case in chief or as those are identified and marked and witnesses examined?

EXAMINER ADDISON: Let's handle them witness by witness.

MS. SPILLER: Thank you. Then, your

Honor, Duke Energy Ohio would move for admission into the record its application marked as Duke Energy Ohio Exhibit 1 and Mr. Whitlock's direct testimony marked as Duke Energy Ohio Exhibit 2.

EXAMINER ADDISON: Any objections?

MR. SERIO: No, your Honor.

MR. LINDGREN: No objection.

EXAMINER ADDISON: Thank you. Seeing none they will be admitted.

MS. SPILLER: Thank you, your Honor.

(EXHIBITS ADMITTED INTO EVIDENCE.)

MR. SERIO: Your Honor, regarding OCC Exhibit 1, I request either the Commission take administrative notice, or in the event you don't want to take administrative notice, then I would like to proffer it so we can argue to the Commission in brief that it should have been accepted as a piece of evidence into the record.

EXAMINER ADDISON: Any objection?

MS. SPILLER: Your Honor, yes, I would have an objection. I think there has been a lack of foundation in respect to the document itself. Certainly we would renew the objections with regard to relevance and the speculative nature of the link to which Mr. Serio wishes to use the document.

THE WITNESS: Thank you.

At this time I will not take administrative notice of the document, but your proffer is noted for the record, Mr. Serio.

MR. SERIO: Thank you, your Honor.

EXAMINER ADDISON: The company may call its next witness.

MS. KINGERY: Thank you. Your Honor. We would call John Hill to the stand.

(Witness sworn.)

EXAMINER ADDISON: Thank you. You may be seated.

MS. KINGERY: Your Honor, I would ask that the direct testimony of John Hill filed on October 23, 2015, be marked as Duke Energy Ohio Exhibit 3.

EXAMINER ADDISON: So marked.

(EXHIBIT MARKED FOR IDENTIFICATION.)

- - -

JOHN A. HILL, JR.

being first duly sworn, as prescribed by law, was examined and testified as follows:

DIRECT EXAMINATION

By Ms. Kingery:

Q. Mr. Hill, would you identify yourself for

the record.

A. My name is John Hill.

Q. And you have in front of you a document that has just been marked as Duke Energy Ohio Exhibit 3, correct?

A. Correct.

Q. Would you identify that, please.

A. Sure. It's my direct testimony in this case.

Q. And do you have any corrections or modifications to make to that today?

A. I do. Similar to Mr. Whitlock, I believe mine is on page 20 where I refer to the number of services in the reconnaissance program. That number should be approximately 21,000.

Q. And that's on line 2?

A. That is on line 2 of page 20.

Q. And you do not have any other changes to make?

A. I do not.

Q. Thank you. And if I were to ask you all of the same questions today, would your answers be the same?

A. Yes.

Q. And do you adopt this document as your

direct testimony in this case?

A. I do.

MS. KINGERY: The witness is available for cross-examination.

EXAMINER ADDISON: Thank you.

OCC.

MR. SERIO: Mr. Moore, your Honor.

MR. MOORE: Yes, your Honor. Thank you.

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CROSS-EXAMINATION

By Mr. Moore:

Q. Good morning, Mr. Hill.

A. Good morning. How are you?

Q. We have met before. My name is Kevin Moore. I am an attorney with OCC.

Mr. Hill, you are not an attorney, correct?

A. Correct.

Q. So you are not trained or licensed by the State of Ohio to provide legal advice for others; is that right?

A. Correct.

Q. And you have not been trained as an attorney would be to interpret the meaning of federal regulations; is that correct?

A. As an attorney, I would say not.

Q. So you are not offering a legal opinion in this proceeding; is that right?

A. Correct.

Q. You are just offering your opinion as an engineer?

A. Correct.

Q. Could you turn to page 3 of your direct testimony, lines 14 through 16. You state that "Requirements governing Duke Energy Ohio's DIMP are part of the Pipeline Safety Regulations, CFR Part 192, Subpart P - Gas Distribution Pipeline Integrity Management"; is that right?

A. Correct.

Q. On the next page you describe Duke's DIMP; is that correct?

A. Overall on the next page, it's a summary of what is in the PHMSA regulations, I believe, if you are referring to our current description of our DIMP.

Q. And you state that "Duke Energy Ohio's DIMP is summarized in a written document"?

A. It is, yes.

Q. Did you include that written document in your testimony?

A. I did not.

MR. MOORE: Your Honor, may we approach?

EXAMINER ADDISON: You may.

MR. MOORE: At this time we would like to have marked as OCC Exhibit 2 a multi-page document that is CFR 192, Subpart P, Gas Distribution Pipeline Integrity Management, as printed from the US Government Publishing Office.

EXAMINER ADDISON: So marked.

(EXHIBIT MARKED FOR IDENTIFICATION.)

Q. Mr. Hill, does this appear to be CFR Part 192, Subpart P?

A. It appears to be.

Q. Do you have any reason to doubt that it is CFR 192, Subpart P?

A. No.

Q. Are you familiar with this document?

A. Pretty familiar, yes.

Q. The first page on the bottom right corner under Section 192.1001, there's a definition of "Hazardous Leak." Do you see that?

A. I do.

Q. And a "Hazardous Leak means a leak that represents an existing or probable hazard to persons or property and requires immediate repair or

continuous action until the conditions are no longer hazardous." Did I read that correctly?

A. You did.

Q. If you could turn to the second page of the document, Exhibit 2, Section 192.007.

A. You mean 1007?

Q. Excuse me, yes. Thank you. At the end of that section it states a date when this section was adopted. Was this version adopted in 2011? Is that correct?

A. I am looking for the date here. So it has a 2009 date as well as a 2011 date, correct.

Q. Thank you. And under section 192.1007(a), "An operator must demonstrate understanding of its gas distribution system developed from recently available information," and also must "identify the characteristics of the pipeline's design and operations and the environmental factors that are necessary to assess the applicable threats and risks to its gas distribution pipeline." Do you see that?

A. I do.

Q. Would you include a pipeline's material composition as a characteristic of the pipeline's design?

A. Yes, I would.

Q. But Duke Energy Ohio still has 21,000 service lines of which it does not know the material composition of?

A. I believe the number is actually larger than that. That's a subset, correct.

Q. Do you know how large the number is?

A. I believe there are some numbers in the report provided by Lummus. That number I think is in the 67,000 range.

Q. Thank you.

A. Those are also included on our DOT reports we file every year.

Q. Okay. Thank you, Mr. Hill. Turning to section B -- or, excuse me, 192.1007, Subset B "Identify threats," do you see that?

A. What section again?

Q. Section B, "Identify threats." It's about halfway down on the second page, right-hand column.

A. Okay.

Q. So as part of -- as part of these regulations, an operator must identify its threats to its system, correct?

A. Yes.

Q. And Duke has identified what it believes to be the biggest threats to its system; is that right?

A. We have.

Q. And those are listed on the bottom of page 4 of your direct testimony; is that right?

A. Those threats -- I believe those are just threats that are defined by PHMSA, so that's not as defined by Duke. Those are defined -- those threat categories are identified by PHMSA.

Q. The threat categories you have listed on page 4 of your testimony?

A. Yes.

Q. So those are the threats that Duke has identified as is required by these PHMSA regulations?

A. Correct.

Q. And these threats are not in -- they are not in order of what Duke believes to be the biggest threats to its distribution system; is that right?

A. Correct. That's later on in my testimony.

Q. Because excavation damage is actually the biggest threat to Duke's system; is that right?

A. I believe that's what the testimony says.

Q. I believe you have on page 7 of your

testimony a table that quantifies the system risks over time; is that right?

A. I do have a graph there, yes.

Q. And in this graph, excavation damage is the biggest threat every year from 2002 through 2014, correct?

A. Yes.

Q. And Duke is proposing to spend approximately $320 million on its ASRP program; is that right?

A. Correct.

Q. So Duke is proposing to spend at least approximately $320 million to address a risk or risks that are not even the greatest threat to its system, correct?

A. It's a threat in the system, correct.

Q. But it's not the greatest threat?

A. It's not the top threat as identified in the risk model, correct.

Q. Thank you. Refer back to OCC Exhibit 2, the third page of the exhibit under Subsection (d) of Section 192.1007 titled "Identify and implement measures to address risks." Do you see that?

A. I do.

Q. Is this the section that speaks about

addressing risks that have been identified by an operator, correct?

A. Correct.

Q. Do any other sections speak about addressing a risk once it is identified, to your knowledge?

A. I don't believe so.

Q. And the section reads determine and implement measures designed to reduce the risks from failure of its gas distribution pipeline. These measures must include an effective leak management program (unless all leaks are repaired when found), correct?

A. It does, correct.

Q. So once an alleged threat is identified, a utility must identify and implement a measure to address that risk; is that correct?

A. Correct.

Q. And that is what Duke's ASRP is designed to do, correct?

A. Correct, to -- it is designed to mitigate the risk, yes.

Q. This section does not specify which threats or risks must be mitigated, right?

A. You mean this section, you are referring

to the PHMSA regulation?

Q. Yes.

A. It is not that specific, no.

Q. And the section does not specify what type of action or measure must be implemented to address the risk, correct?

A. It does not. It is not that descriptive.

Q. So the regulations don't require an operator to replace a service line that it sees as a threat, correct?

A. The regulations require us to address the risks and the threats on our system.

Q. Right. That wasn't my question. My question was, the regulations don't require an operator to replace a service line that it sees as a threat, correct?

A. I guess I am answering I believe it does indicate that we have to replace or have some measure to mitigate that risk.

Q. Can you point to me where it --

A. It doesn't say specifically to replace.

Q. I'm sorry. Okay. So it doesn't say specifically you have to replace a pipeline, correct?

A. Correct.

Q. There's nowhere in these regulations that

require or encourage an accelerated cost recovery for an operator's measures that it implements, correct?

A. I don't believe PHMSA normally gets into discussions about cost recovery. That's not their jurisdiction.

Q. Thank you. On page 2, line 20 to 21 of your testimony -- 19 through 22, excuse me, "The purpose of my testimony is to discuss Duke Energy's Ohio natural gas distribution integrity management program, (DIMP) and the federal and state regulations that drive the Company's mission to provide safe, reliable, and affordable natural gas distribution service to its customers"; is that right?

A. That's what it says, correct.

Q. What state regulations are you referring to in that passage?

A. So by -- I guess by way of the state managing the PHMSA regulations, being the administrator for the PHMSA regulations.

Q. Do you know what specific regulations?

A. 192.

Q. Ohio Revised Code? Ohio Administrative Code?

A. I don't have any specific.

Q. Just 192?

A. No. That's the federal regulations, CFR.

Q. I was referring to what state regulation, what specific state regulation.

A. I don't have specific references to that.

Q. Again, referring to that same passage, you would agree that maintaining the safety and reliability of Duke's distribution infrastructure is of most importance, correct?

A. Correct.

Q. And that would be true or still true even if the ASRP was not approved, right?

A. Correct.

Q. So you would agree that -- or would you agree with me that Duke's natural gas distribution system is safe and reliable today?

A. I would agree it's safe and reliable, yes.

Q. And that includes Duke's service lines, correct?

A. Correct.

Q. Is Duke's natural gas distribution infrastructure fit for service today?

A. I would say yes. If I might add, you know, I believe we are able to do that through all of

the work we have done through the accelerated main replacement program and the work we do each and every day on our system.

MR. MOORE: Your Honor, may I approach?

EXAMINER ADDISON: You may.

MR. MOORE: At this time we would like to have marked as OCC Exhibit 3 a document that is titled "Ohio Administrative Code 4901:1-16-04, Records maps, inspections, and leak classifications."

EXAMINER ADDISON: It will be so marked.

(EXHIBIT MARKED FOR IDENTIFICATION.)

Q. Does this appear to be Ohio Administrative Code 4901:1-16-04?

A. It appears to be a copy of that, yes.

Q. Do you have any reason to doubt that it is that?

A. I do not.

Q. Are you familiar with this document?

A. Relatively familiar.

Q. So you are aware that the Ohio Administrative Code defines pipeline leaks into three separate categories, correct?

A. I am, yes.

Q. And it divides those leaks depending on the severity of the leak, correct?

A. Correct.

Q. And it requires that an operator also classify their leaks depending on severity, correct?

A. Correct; also as the operator.

Q. Excuse me?

A. Duke Energy Ohio as the operator.

Q. Correct.

A. Correct, yes.

Q. So under Subset (H)(1) it says, "A grade-one classification represents an indication of leakage presenting an existing or probable hazard to persons or property, and requires immediate repair or continuous action until the conditions are no longer hazardous." Do you see that?

A. I do.

Q. Do you know how many grade-one leaks Duke had on the system last year?

A. I don't have the number off the top of my head.

Q. A grade-one leak does not have to be replaced in order for the operator to comply with these regulations, correct?

A. You mean the asset doesn't have to be replaced? The leak doesn't have to be replaced.

Q. Excuse me, the pipe where --

A. The pipe itself, I don't believe there is something specific that says the asset must be replaced.

Q. Do you know how many grade-two leaks you had -- Duke had on its system last year?

A. I don't.

Q. Do you know if Mr. Hill would know that?

A. Mr. Hebbeler.

Q. Mr. Hebbeler, excuse me.

A. I'm Mr. Hill.

Q. Do you know if Mr. Hebbeler would know?

A. Mr. Hill doesn't know it either.

Q. Thank you.

A. I don't know if he has that information with him today or not.

Q. Under (H)(2)it says, "A grade-two classification represents an indication of leakage recognized as being nonhazardous at the time of detection, but requires scheduled repair based upon the severity and/or location of the leak"; is that right?

A. Yes, that's what it says.

Q. And (H)(3)states, "A grade-three classification represents an indication of leakage recognized as being nonhazardous at the time of

detection and can be reasonably expected to remain nonhazardous"; is that right?

A. Correct.

Q. But Duke Energy Ohio combines grade-two and grade-three leaks; is that right?

A. That is correct.

Q. So if Duke discovers a grade-three leak, it would classify it as a grade-two leak; is that how it works?

A. I believe that's the case. It might be a question better asked to Mr. Hebbeler, who oversees our operation.

Q. Do you believe this would increase costs for Duke Energy Ohio?

A. I'm not sure.

Q. Do you know if Mr. Hebbeler would know that, too?

A. You could ask him, yes.

Q. Do you know how many leaking service lines you perform a repair on per year?

A. I don't have an exact count. I believe we provided that information in one of the interrogatories.

MR. MOORE: Your Honor, may I approach?

EXAMINER ADDISON: You may.

MR. MOORE: At this time we would like to have marked as OCC Exhibit 4 a Duke Energy Ohio response to OCC Interrogatory 02-062.

EXAMINER ADDISON: So marked.

(EXHIBIT MARKED FOR IDENTIFICATION.)

Q. Mr. Hill, does this appear to be Duke Energy Ohio's response to OCC Interrogatory 02-062?

A. It does.

Q. Do you have any reason to doubt that it is Duke Energy Ohio's response to OCC Response 02-062?

A. I do not.

Q. Are you familiar with this document?

A. Yes.

Q. And in OCC Exhibit 4, the question was, in part, "How many service line leak repairs were performed in 2012, 2013 and 2014?" Is that right?

A. That was the question, yes.

Q. Can you tell me what you meant by "repair" in this interrogatory?

A. So I wasn't responsible for this particular interrogatory, but I believe that repair means repair or replacement.

Q. Okay. And in response, Duke stated that in 2012 it repaired or replaced 4,509 service lines.

In 2013 it repaired --

A. 4,509 service leaks.

Q. Right. Excuse me. Thank you for that clarification.

A. Because that does include meter and meter brackets, so those are all facilities related to the service.

Q. Okay. And then in 2013 5,272, correct?

A. Yes.

Q. '15, 4,174, correct?

A. Correct.

Q. If I could direct your attention to page 8 of your direct testimony on line 7, you use the word "incident." Do you see that?

A. On line?

Q. 7.

A. 7, yes.

Q. How do you define the word "incident"?

A. That would be the normal definition of incident, something that happened.

Q. You don't give it any other meaning other than the normal layman's term, "incident"?

A. I don't.

MR. MOORE: Your Honor, may I approach?

EXAMINER ADDISON: You may.

MR. MOORE: At this time we would like to have marked as OCC Exhibit 5 a single-page document that is 49 CFR 191.3, "Definitions," as printed by the U.S. Government Publishing Office.

EXAMINER ADDISON: So marked.

(EXHIBIT MARKED FOR IDENTIFICATION.)

Q. Does this appear to be 49 CFR 191.3, Mr. Hill?

A. It does.

Q. Do you have any reason to doubt that it is 49 CFR 191.3?

A. I do not.

Q. Are you familiar at all with this document?

A. Yes.

Q. Can you read the definition of "Incident" on the left-hand side at the bottom -- strike that. Can you see the definition down there?

A. I am not sure exactly where you are pointing to.

Q. I'm sorry, under Section 191.3, "Definitions."

A. Yep.

Q. A couple of lines down it says, "Incident means any of the following events." Do you see that?

A. Okay. Yeah.

Q. Is this the definition of incident that you used in your direct testimony?

A. So where you referred to my direct testimony, what follows "incidents" is "catastrophic failure." So I believe what I was referring to is incidents of catastrophic failure in that line.

Q. Okay. So you weren't using this definition.

A. So it's tied directly to the second part of that. In that same sentence I was talking specifically about catastrophic failures.

Q. I'm sorry, can you point me to where you are talking about?

A. On line 7 it says, "Although actual incidents of catastrophic failures..."

Q. Right. Okay.

A. So I was referring specifically to incidents of catastrophic failures.

Q. Thank you. How do you define a catastrophic failure then, Mr. Hill?

A. So catastrophic failure would be a general sense of the definition, where there was a significant property damage or loss of life. I believe that's a standard PHMSA definition.

Q. Would that be similar to the definition of incident in the OCC Exhibit 5, or would it be different than that?

A. I guess it would be similar.

Q. If you could turn to page 15, line 11, of your direct testimony.

A. 15, line 11?

Q. You use the word "incidents" there as well. Do you see that?

A. Yes.

Q. Does that use of the word "incidents" include the definition in OCC Exhibit 5?

A. I would have to read this definition first. So you are talking about the 191, PHMSA definition 191.3?

Q. Yes, in OCC Exhibit 5.

A. So, no, I believe that this definition is really a reporting definition. So we -- there are specific requirements around reporting for PHMSA, and so they are laying out a very specific definition of incident related to a reporting requirement, I believe. And I think I used in -- on page 15 it would be a more general use of the word "incident."

Q. Okay. I'm sorry. Go ahead.

A. Go ahead.

Q. You are done?

A. Yes.

Q. If you could turn OCC Exhibit 5 to the back, under Section 191.5, it states that "At the earliest practicable moment following discovery, each operator shall give notice in accordance with paragraph (b) of this section of each incident as defined in Section 191.3"; is that right?

A. It does, yes. Again, I believe it's referring specifically to reporting requirements.

Q. So is that the reporting requirement that you are referring to?

A. Yes.

Q. Do you know how many of these incidents Duke reported to PHMSA in the last 15 years?

A. I don't have that number. If you mean the number of -- you mean the reportable incidents?

Q. Yes.

A. I don't have that number.

Q. You don't know? Do you know if Duke has ever reported an incident to PHMSA?

A. I don't know.

Q. On page 15, again of your direct testimony, line 6, "The ASRP is the proposed measure to address the risks to the natural gas delivery

system identified in the Company's DIMP."

And as Mr. Whitlock testified to earlier, these risks are proposed by Duke Energy Ohio to benefit customers and employees; is that correct? Or, excuse me, addressing these risks, addressing the risk.

A. Yes, it's a benefit to customers, employees, correct.

Q. Do you know if Duke -- if there has been any quantification of the benefits to customers?

A. Again, the definition of quantification, so I believe in the application there was a financial quantification used that it would take roughly $60 million more to repair the -- replace the services on a one-off basis as it would through a normal program, an accelerated program. I believe that's contained in the application.

Q. Okay. So that's just a cost/benefit then, correct?

A. So, again, quantification, that's I think what you all were looking for. It was a specific number. That's one of the ways that would quantify the benefits.

Q. Did Duke include a cost/benefit study in its application?

A. I don't believe so.

Q. Have you quantified how much safer the system will be if the ASRP is approved?

A. So we reviewed the risks, you know, the relative risk model and can point out the reduction of either percentage in the relative risk or the scoring based on the replacement of service lines.

MR. MOORE: Can I have that answer reread, please.

EXAMINER ADDISON: You may.

(Record read.)

Q. You said you could point out the percentage of the relative risk? What did you mean by that?

A. Yes. So in my testimony on page -- page 8, there is a chart in there that shows that corrosion risks are the second highest risk in our system, and those -- that's tied directly to the leaks on -- corrosion leaks on services today. So by eliminating the corrosion leaks on services by replacing them with plastic, I could quantify what percentage reduction we would have in the risk.

Q. Did you quantify what percentage reduction it would be?

A. It's approximately 16 of that 18 percent.

Q. Did you include that calculation in your testimony?

A. I did not.

Q. On page 9 of your testimony you talk about Duke Energy Ohio's capital budgeting and expenditures.

A. I do.

Q. Can you tell me which category is service line replacement today, Mr. Hill?

A. That would be under maintenance today. Well, so let me clarify that. So there are service lines being replaced under AMRP. Those would be under the recoverable bucket, and the service lines outside of AMRP would be under the maintenance bucket.

Q. Under which category would the ASRP be included?

A. It would be under the recoverable.

Q. Do you know if Duke considered any other options other than the ASRP in addressing risks that it claims are present in its distribution system?

A. If you mean other ideas around the corrosion leaks, or just risk in general?

Q. The corrosion leaks.

A. So the corrosion leaks in general, no.

We looked at the success of the AMRP and the replacement of approximately 120,000 services that we have done over the last 15 years, and as seen in the graph in my testimony, you can see that was a successful program in reducing that risk.

MR. MOORE: Your Honor, I would move to strike everything in the witness's response after the word "no." I asked did he consider any other alternatives, a "yes" or "no" question.

EXAMINER ADDISON: Ms. Kingery, do you have a response?

MS. KINGERY: Yes. The witness should be allowed to explain how we came to the determination that the ASRP should be filed, and that's what he is trying to get to. The witness is explaining it.

MR. MOORE: Your Honor.

EXAMINER ADDISON: Mr. Moore.

MR. MOORE: I didn't ask why the ASRP was filed.

EXAMINER ADDISON: May I have the question read back.

(Record read.)

EXAMINER ADDISON: I am going to deny the motion to strike. I feel that the question was pretty broad and coming to his answer, he responded

as to why they didn't see the need to examine another alternative, so I am going to deny the motion to strike at this time.

MR. MOORE: Thank you, your Honor.

Q. (By Mr. Moore) On page 17 of your direct testimony, Mr. Hill, on line 2, you state, "We had previously developed a replacement program, addressing approximately 200 per year, but circumstances continue to change." Is that -- should that 200 now be 1,000 to be in compliance with Mr. Whitlock's change in his testimony?

A. So I think where I was getting that here was previously, and I believe Mr. Whitlock's testimony was currently, so we had started at 200 per year and moved that to a thousand per year, but I believe what I was addressing here was what we had done previously.

Q. Okay. So going forward it will be a thousand per year, correct?

A. I believe next year we have 5,000 in the plan. And, again, that's related only to ASRP.

Q. Excuse me?

A. Again, that's related only to ASRP. There are replacements that are service lines that are currently leaking and there is replacements under

AMRP as well, so that's not the total number of replacements that are being made each year.

Q. So the 5,000 that you are stating is only if the ASRP is approved; is that correct?

A. No. What I am saying is we currently have planned to replace 5,000 next year proactively.

Q. And if the ASRP is not approved, will those plans hold?

A. I believe Mr. Whitlock addressed that before, that the plan is still to replace those 5,000, that we would put that forward in our capital plan.

Q. Do you plan to continue replacing approximately 5,000 every year?

A. So the number varies over the 10-year life of when we are expected to complete the replacements. So it ramps up and back down again through the 10-year program.

Q. Would it average approximately 5,000?

A. It would average approximately 5,800.

Q. Mr. Hill, does Duke's application state it will replace approximately 5,000 service lines, even if the ASRP is not approved?

A. I'm not sure.

Q. Would Duke require accelerated cost

recovery to replace 5,000 service lines per year?

A. That's not really my call for that. I believe Mr. Whitlock said that would not be the case.

Q. And at that rate you could replace the 58,000 service lines in a little over 11 years; is that fair?

A. So, again, I think the average number was 5,800 in 10 years.

Q. So you could do it in 10 years, correct?

A. That was the goal, yes.

Q. It's much different than the 100 years that you stated on line 5 on page 17?

A. Line 5 on 17, I say more than 100 years, and that's related to the 200 per year at the time, yes.

Q. Right. So if you replace 5,000, it would take 10 years, correct? Or 5,800, excuse me.

A. Yes, that's the math.

Q. On page 19 of your testimony, lines 20, 22, you say, in part, "With 3 percent inflation, the main-to-meter installation cost is about $300 million over the ten-year program"; is that correct?

A. That is correct.

Q. So if the inflation was different than 3 percent, then the cost would be different; is that

correct?

A. That's correct.

Q. And if the cost per service replacement would increase, then the overall cost would increase; is that correct?

A. Correct, as well as the opposite. If it's less, then the program costs would be less.

Q. Fair enough. And this $300 million estimate does not include the cost to replace any of the 21,000 service lines that Duke proposes to do reconnaissance on, correct?

A. Correct.

Q. So Duke proposes to make an additional filing with any -- for the need to replace any additional service lines under the reconnaissance program; is that right?

A. I think that would depend on the number of services that we would find that would need to be replaced.

Q. But Duke is not asking for authority to recover the cost to replace any of the service lines that it discovers under its reconnaissance program through this application, correct?

A. I believe that is correct.

Q. Do you know if Duke has done, either

through in-house personnel or through a consultant or contractor, any studies or analysis to evaluate the potential risk related to the 58,000 service lines it proposes to replace under the ASRP?

A. Could you repeat the question?

MR. MOORE: Could I have the question read back, please.

EXAMINER ADDISON: Yes, please.

Thank you, Karen.

(Record read.)

A. Yes.

Q. Are you referring to the Lummus report?

A. As well as in-house work.

Q. Did you include any of the in-house work in your application?

A. It's in my testimony as far as the DIMP analysis, yes.

Q. Did you do any study that was included or -- strike that. Did you include any study in your application?

A. Can you define "study"?

Q. Are you aware of the Stone & Webster report that was associated with Duke's AMRP application?

A. I'm familiar with it, yes.

Q. Did Duke do a comparable study in its ASRP application?

A. I would say it's similar, yes.

Q. What study are you referring to?

A. That would be the Lummus report.

Q. Okay. Other than the Lummus report, are there any other studies that have been included in Duke's application?

A. From outside consultants, no.

Q. So you didn't include a separate stand-alone study with your testimony, correct?

A. I did not.

Q. Do you know if any other witnesses besides Mr. McGee included a separate, stand-alone study with their testimony?

MS. KINGERY: Your Honor, I am going to object. I don't understand what a separate, stand-alone study is, and I would also note that what's included in the testimony speaks for itself.

EXAMINER ADDISON: Would you maybe care to rephrase, Mr. Moore?

MR. MOORE: I can do that. Thank you, your Honor.

EXAMINER ADDISON: Thank you.

Q. (By Mr. Moore) No other witnesses

included a study that was attached to their testimony; is that correct?

MS. KINGERY: Again, I would object.

What kind of study are you talking about?

MR. MOORE: I think as the witness testified to earlier, we are talking about a study that is comparable to the Stone & Webster report that's included in the AMRP application.

EXAMINER ADDISON: With that clarification, are you able to answer the question?

A. I don't know of any other comparable study that was included in the testimony.

Q. Thank you. On page 6 of your testimony, on line 6 through 7 --

A. Page 6?

Q. Page 6, yes.

A. Lines 6 and 7?

Q. 6 and 7.

A. Yes.

Q. You reference a "riser replacement program"; is that correct?

A. Correct.

Q. When did Duke implement this riser replacement program?

A. I'm not familiar with the dates. That

was before I started in the gas department.

Q. Maybe I should take a step back. Can you explain what the riser replacement program was first?

A. I could, in general, but Mr. Hebbeler probably has a better understanding of that program. I believe that was a Commission-driven program.

Q. Would you give your general understanding of it then?

A. The general understanding was that there was a type of riser that was prone to fail, and throughout Ohio the LDCs were directed to replace those risers.

Q. Would you know how many risers Duke replaced in its Ohio service territory?

A. I would not.

Q. Do you know when Duke concluded its riser program?

A. I believe we concluded it in 2012, but Mr. Hebbeler would probably have those dates better than I do.

Q. Mr. Hill, as Mr. Whitlock testified to earlier, Duke decided to increase the number of service lines it replaced from 200 to 1,000 per year in 2014; is that correct?

A. As related to services outside -- outside

of the AMRP?

Q. Right.

A. So we were replacing about six to eight thousand services per year under AMRP as well.

Q. Okay. Why is there no mention of the 1,000 increase in the ASRP application that was filed in 2015?

A. I don't know.

Q. Are you aware of any Duke employee that's been harmed by an incident with a service with a service-line leak?

A. None that I know of.

MR. MOORE: No further questions, your Honor.

Thank you, Mr. Hill.

THE WITNESS: Thank you.

EXAMINER ADDISON: Thank you, Mr. Moore.

Ms. Mooney, any questions?

MS. MOONEY: No questions.

EXAMINER ADDISON: Mr. Lindgren.

MR. LINDGREN: Thank you, your Honor.

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CROSS-EXAMINATION

By Mr. Lindgren:

Q. Good afternoon, Mr. Hill.

A. Good afternoon, Mr. Lindgren.

Q. Did you read the staff report that was filed in this case?

A. I did at the time I believe it came out.

Q. Thank you. And do you recall the staff recommending two alternatives to the ASRP that staff suggested should be considered before implementing the ASRP?

A. I don't recall the details of the response.

Q. Would you accept that one of the recommendations was increasing the company's leak surveillance activities to discover leaks more quickly? Do you remember that?

MS. KINGERY: I am going to object. If Mr. Lindgren wants to ask about the staff report, maybe he could give a copy of it to the witness.

EXAMINER ADDISON: Do you have an extra copy for the witness?

MR. LINDGREN: I believe so, your Honor. May I approach the witness?

EXAMINER ADDISON: You may.

MR. LINDGREN: For identification purposes, I would ask to have this marked as Staff Exhibit 1.

EXAMINER ADDISON: So marked.

(EXHIBIT MARKED FOR IDENTIFICATION.)

Q. Would you please turn your attention to page 6 of that staff report.

EXAMINER ADDISON: Can we go off the record for a moment?

(Discussion off the record.)

EXAMINER ADDISON: Let's go back on the record.

Q. (By Mr. Lindgren) Thank you, Mr. Hill. Could you actually turn to the top of page 7 of Staff Exhibit 1. Could you read the first full paragraph there beginning with "Staff recommends."

A. Sure. "Staff recommends that before the Commission consider approving the ASRP, Duke should first be required to identify and implement other alternatives to address safety risks associated with leaking service lines."

Q. But you testified you didn't consider any other alternatives other than the ASRP, did you?

A. I did not.

Q. Are you aware of any other company personnel that did consider other alternatives?

A. I am not aware of, no.

Q. Thank you. Could the company, for

example, increase their leak surveillance activities in order to discover service-line leaks more quickly?

A. Could they?

Q. Yes. Could they?

A. Sure.

Q. And they could also replace any leaks they discovered more quickly; is that correct?

A. Quickly, more quickly, do you mean outside of the normal survey cycle, which is three years right now?

Q. Yes.

A. Sure.

Q. And would those measures meet your requirements under the DIMP rules?

A. I'm not sure if they would or not.

Q. Well, they would increase your -- or reduce your risk as you are required to do, right?

A. Possibly, yes.

Q. And the DIMP rules are not descriptive as to what you need to do; is that right?

A. That is correct.

Q. Thank you. Mr. Hill, of the approximately 5,800 average service lines you will be replacing over the term of the ASRP, would that include curb-to-meter service lines?

A. Yes, it would, just as we do today in the AMRP.

Q. Thank you. And what's the source of authority for the company to replace nonleaking customer service lines, specifically the curb-to-meter segment?

A. I'm not sure of that.

Q. Thank you. Mr. Hill, the Lummus report did not examine any other alternatives other than replacing the service lines as requested from ASRP; is that right?

A. I'm not sure. You would have to ask them.

Q. Well, you are familiar with the report though, right?

A. Sure.

Q. And it doesn't discuss any other alternatives, does it?

A. I am not sure what they -- I am not sure what they studied in order to produce the report. You will have to ask them.

Q. I am referring to the text of the report.

A. The text of the report does not have any other alternatives.

MR. LINDGREN: Thank you.

Thank you. I have no further questions.

EXAMINER ADDISON: Thank you. I have a brief question. Well, perhaps it won't be so brief. On page 8 you cited the --

THE WITNESS: Page 8 of my testimony?

EXAMINER ADDISON: Of your testimony, I'm sorry, yes. You cited to the risk attributable to corrosion currently. I think it's the 18.25 percent; is that correct?

THE WITNESS: Correct.

EXAMINER ADDISON: And then you noted earlier in your testimony that the ASRP would result in a reduction of 16 percent of that 18.25 percent; is that correct?

THE WITNESS: Correct.

EXAMINER ADDISON: How did you come to that calculation? Maybe, perhaps, you could just walk me through the process of developing that result.

THE WITNESS: Sure. In -- in the appendix of my testimony, it really goes through what -- the risk model, so this is a relative risk model, and there is a total score for each leak that we've had over that time period. And so with that I know which leaks were associated with corrosion on

main-to-curb and curb-to-meter portions of services.

And those -- those numbers build up to these percentages in the pie chart. So I could take those numbers and say what's directly attributable to that 18 percent. 16 percent of it is through main to curbs and curbs to meters.

EXAMINER ADDISON: Thank you. And that reduction for corrosion-related risks, no resources currently used to eliminate these other risks will -- let me rephrase. You won't be moving any resources currently, I guess, pegged to eliminate these other risks in order to reduce that 18.25 by 16 percent, correct? Do I need to rephrase one more time?

THE WITNESS: If I understand correctly, you are asking is it a separate program than other programs we have under risk reduction, and I would say yes.

EXAMINER ADDISON: Okay. So no other programs will be affected by this decrease in this program, correct? So the other programs, you won't see an increase in those risks in relation to the decrease in this particular category?

THE WITNESS: Correct.

EXAMINER ADDISON: Okay.

THE WITNESS: It's an overall risk

reduction score, so the pie chart still looks like 100 percent, but the -- but the bar chart year over year has a total risk reduction score associated with it.

EXAMINER ADDISON: Okay. Thank you, Mr. Hill.

THE WITNESS: Sure.

EXAMINER ADDISON: Any redirect, Ms. Kingery?

MS. KINGERY: Could we have a minute?

EXAMINER ADDISON: You may. Let's go off the record.

(Discussion off the record.)

EXAMINER ADDISON: Let's go back on the record.

Redirect, Ms. Kingery?

MS. KINGERY: Yes, thank you. We have just a few.

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REDIRECT EXAMINATION

By Ms. Kingery:

Q. Mr. Hill, do you recall earlier that counsel for OCC asked you whether our delivery system is safe and fit for service?

A. I do. I recall that.

Q. And do you recall that your response was essentially, yes, it is, because of the work we do every day?

A. Yes.

Q. Could you please explain some of the work that we do to make sure that our system stays safe and fit for service?

A. Sure. So the -- so the biggest project that we have had, utility main replacement of mains and services over the last 15 years, cast iron, bare steel mains as well as associated metallic nonprotected services that were attached to those mains.

In addition, we've done other smaller programs related to a couple main replacements and other bare steel or coated steel replacements as we've -- as we've come across those.

Q. Great. Thank you. And do you recall also being asked whether excavation -- third-party excavation is the number one risk to service lines and has been for several years?

A. I do, yes.

Q. And is the overall excavation risk currently decreasing?

A. It is, yes.

Q. Can you explain why that is?

A. So I believe in my testimony I pointed to some specific actions that we've taken related to excavation damage, and we believe that those actions are, in turn, reducing the number of hits that we've had on our mains.

Q. All right. And do you recall OCC counsel asking about the numbers of class one and class two leaks on the system?

A. Yes, I do.

MS. KINGERY: Your Honor, we would like to have marked as an exhibit, this would be Duke Energy Ohio Exhibit 4, I believe.

EXAMINER ADDISON: So marked.

(EXHIBIT MARKED FOR IDENTIFICATION.)

MS. KINGERY: And this will be a series of four interrogatory responses. They are responses to OCC Interrogatory 2-65, -66, -67, and -68.

Q. Mr. Hill, do you have in front of you what has just been marked as Duke Energy Ohio Exhibit 4?

A. I do.

Q. And the first page, the response to OCC Interrogatory 02-065, what is the nature of our response in this -- in this interrogatory?

A. The response is to provide the number of grade-one leaks in 2012, 2013, and 2014.

Q. And to the best of your knowledge, do the numbers reflected on this interrogatory correctly reflect the number of grade-one leaks --

A. I believe so.

Q. -- in those years? Thank you. And turning to the second page, which is Interrogatory 66, what does this interrogatory response reflect?

A. The question was specific to three causes, corrosion, natural forces, and material/weld, and we provided a response for the same years, '12, '13, and '14 for grade-one leaks in each of those three categories. So, as an example, in 2012, there were 101 grade-one leaks associated with corrosion. 2013, it was 172; and 2014, it was 2,009.

Q. 2,009?

A. 2097

Q. Okay. Thank you.

A. Hopefully it wasn't 2009.

Q. I hope not. But, nevertheless, it appears the corrosion leaks are increasing over that period of time; is that correct?

A. That is correct, yes.

Q. And these are, just to clarify, leaks on

service lines, correct?

A. Leaks on service lines, correct.

Q. Thank you. Moving to the third page which is the response to OCC Interrogatory 2-067, what does this reflect?

A. This is just the total number of grade-two leaks for the same time period, 2012, '13, and '14.

Q. And this is leaks on service lines, correct?

A. Correct.

Q. And if we flip to the final page, the response to Interrogatory 2-68, what does this show?

A. Again, it was just a question that was asked on those three categories specifically, corrosion, natural forces, and material/weld, how many leaks on services for those three years in question. So, again, for grade-two leaks it was 739 for corrosion in 2012; 1,192 in 2013; and 1,046 in 2014.

Q. So, again, these numbers reflect an overall increase in corrosion leaks that are grade-two leaks, correct?

A. Correct.

Q. And to the best of your knowledge, these

numbers do reflect what actually occurred?

A. I believe so, yes.

Q. Thank you. And, finally, do you recall having a conversation with Mr. Lindgren, counsel for staff of the Commission, regarding the alternatives that staff had proposed in the staff report?

A. I do.

Q. And do you recall whether -- when he asked whether taking those actions would decrease risk?

A. I do, yes.

Q. And your answer, as I recall, was "possibly"; is that correct?

A. It was, yes.

Q. Could you explain what risk it might reduce and what risks it might not reduce?

A. Sure. So I guess I was viewing it initially as reducing the risks in our risk model, so the pie charts and the graphs that I have in my testimony are all leak-based risk model outputs, so just finding a leak sooner doesn't change the risk in the risk model.

Now, on the other hand, finding a leak sooner rather than later is always a better -- a better thing, so I think that's why I hedged a little

bit on whether it would reduce risk or not. I think it's a good thing to find risk sooner, but it wouldn't change the output of the risk model.

Q. So, in other words, even if Duke Energy Ohio were to take the suggestion in the staff report and increase leak surveillance and replace leaks more -- repair or replace the leaks more quickly, the results shown in your pie chart on page 8 of your testimony would not change as a result of those actions.

A. Correct, they would not change. The expectation would be that, again, proactively the risk model is supposed to identify areas where we should proactively work in our system to reduce risk and before leaks occur.

MS. KINGERY: Great. Thank you. I have no further questions.

EXAMINER ADDISON: Thank you.

Mr. Moore?

MR. MOORE: Yes, thank you, your Honor.

- - -

RECROSS-EXAMINATION

By Mr. Moore:

Q. First, Mr. Hill, even if the ASRP was not approved, would you agree that Duke would still

ensure that its natural gas distribution system was fit for service?

A. Yes.

Q. Turning to Duke Exhibit 4, if you could look at OCC interrogatory O2-66.

A. Yes.

Q. And if we add the grade-one leaks for year 2012 for each of the three risks which would be 101 plus 196 plus 147, would you accept, subject to check, that number is 444?

A. Yes.

Q. And so that if we refer to OCC interrogatory 02-65, it says there was a total of 1,473 grade-one leaks in 2012, correct?

A. Correct.

Q. So only 444 out of the 1,473 grade-one leaks were the result of corrosion, natural forces, or material welds, correct?

A. Correct.

Q. So if you divide those two numbers, would you agree, subject to check, that that's about 30 percent?

A. Sure, subject to check.

Q. If you refer to OCC interrogatory 02-67, would you agree that those grade-two leaks as is

defined in the Ohio Administrative Code are nonhazardous?

A. As defined in the Administrative Code, sure.

Q. And would you agree that the grade-two leaks listed on OCC interrogatory 02-68 are also nonhazardous?

A. Both of them list grade two, so yes.

MR. MOORE: No further questions, your Honor. Thank you, Mr. Hill.

EXAMINER ADDISON: Thank you, Mr. Moore.

Ms. Mooney?

MS. MOONEY: No questions.

EXAMINER ADDISON: Mr. Lindgren?

MR. LINDGREN: May I have one moment, your Honor?

EXAMINER ADDISON: You may.

- - -

RECROSS-EXAMINATION

By Mr. Lindgren:

Q. Mr. Hill, I believe you explained adopting the staff's alternative the ASRP would not change the results of the pie chart shown in your testimony on page 8, but it would reduce the overall risk in your system; isn't that right?

A. So I believe what I said it would be beneficial to repair a leak sooner rather than later, yes.

Q. And doing so would reduce the risk to customers and employees, right?

A. Risk as defined in my testimony, no. Overall increase the safety, yes.

MR. LINDGREN: Thank you. I have no further questions.

EXAMINER ADDISON: Thank you. Mr. Hill, I will try to phrase this a little better than my last question, but you brought up excavation damage. I know Mr. Whitlock brought up the fact that there may be a decrease in the risk of excavation damage associated with the ASRP just based on locating the lines themselves.

THE WITNESS: Correct.

EXAMINER ADDISON: Did you happen to quantify the percentage reductions of risk associated with excavation damage in this pie chart similar to what you did with corrosion?

THE WITNESS: So I did. About a third of that risk in the excavation damage pie chart in the pie is related to copper main to curb and curb to meter services, and copper is the most prevalent

service material that we have that we are proposing for the program. So said another way it's about a third of the pie chart and the services only make up about 10 percent of our total system of copper services.

EXAMINER ADDISON: And that's the percentage reduction you would anticipate to see in that particular risk category?

THE WITNESS: Yes, yes.

EXAMINER ADDISON: Okay. Thank you, Mr. Hill. I don't have any further questions so you are excused.

THE WITNESS: Okay. Thank you.

EXAMINER ADDISON: Thank you.

Ms. Kingery.

MS. KINGERY: Any chance for a lunch break?

EXAMINER ADDISON: I would like to handle the exhibits right before that --

MS. KINGERY: I'm sorry.

EXAMINER ADDISON: -- before we take lunch, unless you don't want them.

MS. KINGERY: No, we do want them. So I would move for admission of Duke Energy Ohio Exhibits 3 and 4 at this time.

EXAMINER ADDISON: Any objection?

Seeing none, they will be admitted.

(EXHIBITS ADMITTED INTO EVIDENCE.)

EXAMINER ADDISON: Mr. Moore?

MR. MOORE: Yes. Thank you, your Honor. OCC would move for the admission of OCC Exhibits 2, 3, 4, and 5 at this time.

EXAMINER ADDISON: Any objection to the admission of OCC 2, 3, 4, and 5?

MS. KINGERY: None, your Honor.

EXAMINER ADDISON: Thank you. They will be admitted.

(EXHIBITS ADMITTED INTO EVIDENCE.)

EXAMINER ADDISON: Mr. Lindgren?

MR. LINDGREN: Your Honor, I would prefer to wait and introduce Staff -- or move the admission of Staff Exhibit 1 later.

EXAMINER ADDISON: Certainly.

MR. LINDGREN: Thank you.

EXAMINER ADDISON: And with that, we will go ahead and take our lunch break. We will meet back at 2 o'clock. Thank you, all.

Let's go off the record.

(Thereupon, at 12:52 p.m., a lunch recess was taken until 2:00 p.m.)

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Monday Afternoon Session,
November 16, 2015.

- - -

EXAMINER ADDISON: Let's go ahead and go back on the record.

Is the company ready to call its next witness?

MR. D'ASCENZO: Yes, your Honor.

EXAMINER ADDISON: Please proceed.

MR. D'ASCENZO: Thank you. For its next witness Duke Energy Ohio would call Peggy Laub.

(Witness sworn.)

EXAMINER ADDISON: Thank you. You may be seated.

MR. D'ASCENZO: Your Honor, for purposes of identification, we would like to mark as Duke Energy Ohio Exhibit No. 5 the direct testimony of Peggy A. Laub filed in this proceeding.

EXAMINER ADDISON: It will be so marked.

(EXHIBIT MARKED FOR IDENTIFICATION.)

MR. D'ASCENZO: Thank you. And may I approach, please?

EXAMINER ADDISON: You may.

MR. D'ASCENZO: Thank you.

EXAMINER ADDISON: Please proceed.

MR. D'ASCENZO: Thank you.

- - -

PEGGY A. LAUB

being first duly sworn, as prescribed by law, was examined and testified as follows:

DIRECT EXAMINATION

By Mr. D'Ascenzo:

Q. Ms. Laub, would you please state your name, business address, and position with the company for the record, please.

A. It's Peggy Laub, 139 East Fourth Street, Cincinnati, Ohio 45202. I am director of rates and regulatory.

Q. Thank you. And do you have in front of you what was just marked as Duke Energy Ohio Exhibit No. 5?

A. Yes.

Q. And could you please identify that?

A. That is my direct testimony in this case.

Q. And do you have any changes or corrections to your direct testimony?

A. I do not.

Q. And if you were asked those same questions today, would your responses then be the

same?

A. Yes.

MR. D'ASCENZO: Your Honor, the witness is available for cross-examination.

EXAMINER ADDISON: Thank you.

OCC.

MR. SERIO: Thank you, your Honor.

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CROSS-EXAMINATION

By Mr. Serio:

Q. Good afternoon, Ms. Laub.

A. Good afternoon.

Q. On page 3 of your testimony you talk about the cost for meter relocation as part of Duke's last distribution rate case. Do you see that?

A. I do.

Q. Do you know why Duke did not include a larger dollar amount for meter relocation as part of that distribution rate case?

A. I believe these were the actual costs that we were anticipating to incur in the base year, which was 2012.

Q. So at the time that Duke filed its 2012 rate case, the company did not build in a larger dollar amount for meter relocation as a result of any

service line corrosion, correct?

A. That's correct.

Q. Do you know if Duke was aware of the service line corrosion issue back in 2012?

A. I am not aware.

Q. On page 4 of your testimony you talk about the avoidance of increased capital costs.

A. Yes. I see that.

Q. Did you quantify the avoidance of capital costs anywhere in your testimony?

A. Not in my testimony, no.

Q. Do you know if any of the other Duke witnesses quantified it?

A. I believe there was somewhere either in the application or someone's testimony the difference between the capital dollars if we did it on an accelerated basis versus as the leaks occurred.

Q. Now, when you are talking about an accelerated basis versus as part of the regular program, is it your understanding that the regular program was replacing 200 lines a year, 1,000 lines a year, or 5,000 lines a year under the regular program?

A. I usually just deal in numbers, dollar amounts, so I think the numbers that I was given were

the 5,000 per year, which was what was on my attachment.

Q. So you're saying your attachment shows the difference between doing 5,000 service lines a year versus the accelerated program?

A. No. My attachment shows what it would take assuming the 5,000 per year.

Q. 5,000 per year would be under the ASRP?

A. That's correct.

Q. Okay. You were here this morning when Mr. Hill I believe indicated that the company was prepared to do 5,000 next year.

A. Yes.

Q. And is it your understanding that that 5,000 was outside of an ASRP?

A. No. It was my understanding the 5,000 is part of the ASRP.

Q. So what number is it your understanding that the company is prepared to do next year if there is no ASRP?

A. That's probably a question for Mr. Hebbeler. I am not sure of that.

Q. What number is factored into any of your equations as the alternative to the ASRP?

A. So I don't have an alternative. I think

I -- what I stated was that I believe somewhere in the application or in someone else's testimony they quantified that that 320 million would be a greater number if we replace the services on an emergency basis, but my attachment PAL-1 assumes the $5,000 -- 5,000 services per year.

Q. Okay. The company's application says there's approximately 58,000 service lines that would be done over 10 years.

A. Correct.

Q. That's an average of 5,800. When you say 5,000, are you referring to that same number, the 5,800?

A. Yes. So it could be 5,000 or 5,800, in that range.

Q. Now, on page 4 of your testimony, you also talk about inspection costs and O&M costs that would be avoided.

A. Yes.

Q. Did you do any kind of quantification of the avoided inspection O&M costs?

A. I did not.

Q. Do you know if any Duke witness did a quantification of avoided inspection O&M costs?

A. I do not know.

Q. Do you know if Duke did any cost/benefit -- are you familiar with the concept of a cost/benefit analysis?

A. I am.

Q. Do you know if Duke did a cost/benefit analysis that compared the $300 million cost of the ASRP to any of the benefits claimed by the company?

A. Including the safety benefits?

Q. Any quantifiable benefits.

A. I am not aware of any study.

Q. Do you know if the company did any cost/benefit analysis that compared just the $10 million cost of the meter relocation versus the O&M inspection cost savings?

A. Can you repeat that? The 10 million for what?

Q. Sure. The company's projecting $10 million for the meter relocation aspect of the ASRP, correct?

A. I believe, subject to check -- if you look in my attachment, I think it says a million dollars in O&M costs. For the relocation expenses?

Q. Yes.

A. If you are looking at attachment PAL-1, line 29.

Q. And the million dollars would be the total of the figures from the different dates all the way across?

A. Yes. I believe it's not exactly a million, but I believe it's approximately.

Q. It's possible I have a misprint. So do you know if the company did a cost/benefit analysis of that $1 million cost versus the O&M meter relocation cost savings?

A. I do not know.

Q. You didn't do any?

A. I didn't do any, that's correct.

Q. Now, to the extent that Duke replaces service lines, the capital costs associated with those service lines has the effect of increasing the amount of Duke's plant-in-service for rate base, correct?

A. That's correct.

Q. And, in turn, the larger the rate base, the larger the rates that are charged to customers, correct?

A. Yes. In its next -- when it files its next base rate case.

Q. I'm sorry. Were you done?

A. Absent a program like this, the capital

is normally recorded in the next rate case.

Q. The larger the rate base, the larger the potential profit that the company shareholders would get, correct?

A. Yes. The company receives -- receives a return on its capital investment.

Q. Now, it is your understanding that the Commission to date has not authorized the recovery of any service line replacements other than through a rider other than the service lines that are attached to mains being replaced under the AMRP, correct?

A. Through a rider, yes, that's correct.

Q. Now, in your PAL-1, your attachment, at line 19 you show a pretax rate of return, correct?

A. That's correct.

Q. Did you calculate that 10.6 percent pretax return for this particular case?

A. For this particular case, no. That's based on our rate of return based on our most recently approved base rate case.

Q. So no one at Duke that you are aware of calculated that just for this case. It's simply a carry-over from the last rate case.

A. We are using the number in the last rate case, but we had Dr. Moore review the ROE component

to make sure it was still reasonable.

Q. And when we say "the last rate case," it was the 2012 Duke natural gas rate case and also the accompanying 2012 Duke electric rate case, correct?

A. Correct.

Q. In calculating the 10.6 percent pretax rate of return, the cost of long-term debt used was 5.32 percent, correct?

A. Subject to check, but that sounds correct.

Q. And the capital structure was 53.3 percent equity and 46.7 percent debt, correct?

A. Subject to check, yes, that sounds correct.

Q. And the gross conversion factor was 1.5468, correct?

A. That sounds right, yes.

Q. And all those numbers came from the Duke -- from Duke's 2012 rate case, correct?

A. Yes.

Q. Do you know what Duke's capital structure was at the end of October, 2015?

A. I do not.

Q. You haven't made any calculation to determine what the current capital structure is,

correct?

A. I have not.

Q. Now, on line 5 of your attachment PAL-1, the total additions, those are estimates for each year, correct?

A. That's correct.

Q. Because none of those amounts have actually been incurred yet.

A. Right.

Q. Did you make those estimates, or were those numbers provided to you?

A. They were provided to me.

Q. And can you tell me who provided them to you?

A. Mr. Hill.

Q. Now, the 2015 estimate on line 5 is $4 million?

A. That's correct.

Q. And then the estimate in 2016 is 33.5 million.

A. Correct.

Q. Can you explain the difference or what caused that eight-time increase from 2015 to 2016?

A. It's probably a better question for Mr. Hill or Mr. Hebbeler, but I believe in 2015 the

program was on a more limited basis until the AMRP work was completed, and then next year it ramped up in 2016.

Q. Now, the 4 million in 2015, is that based on two months, or is that based on the entire calendar year?

A. I believe that's based on the entire calendar year.

Q. And unless Duke actually incurs that, there would not be any actual expense incurred, correct?

A. Say that again. So --

Q. I probably didn't ask that right.

A. Okay.

Q. The actual dollar amount of additions is going to be based on any additions made pursuant to the Commission approving an ASRP, correct?

A. Yes. So the cost incurred during calendar year 2015, the actual costs.

Q. If the Commission were not to approve the ASRP, is it your understanding that those additions will still be incurred at that rate?

A. For 2015 it's my understanding that they are projecting to be close to that 4 million. For the subsequent years, I don't know what their spend

would be if the ASRP was not approved.

Q. Would you agree with me it's highly unlikely that the Commission will issue an opinion and order in this case prior to the end of 2015?

A. Yes.

Q. So you would agree that in all likelihood, we wouldn't get an opinion and order until sometime next year, 2016, correct?

A. Yes.

Q. And to the extent that the Commission in all likelihood wouldn't issue a decision until sometime next year, you wouldn't expect Duke to file an ASRP application until early 2017, is that correct, at the earliest?

A. No. I believe we still intend to file prefiling by December 1 according to the original schedule prescribed.

Q. But any prefiling notice in 2016 would be related to the actual filing in 2017, correct?

A. I'm sorry. I misspoke. Prefiling notice in December -- by December 1st of 2015 for the calendar year 2015.

Q. When you are saying December 1, you are talking about 10 days, like 10 days from now?

A. Yes. However -- yes.

Q. And that prefiling notice would include zero actual dollars spent, correct?

A. It would include the actual dollars incurred in 2015.

Q. When would the actual spend in 2015 begin?

A. It has already begun.

Q. So Duke would include dollar amounts in the prefiling notice that would predate any Commission authorization of an ASRP, correct?

A. It would predate the authorization of a rider for ASRP, yes.

Q. On page 4 of your testimony you reference Mr. Hebbeler's testimony about reduced leaks. Did you do any quantification of actual leak reduction?

A. I did not.

Q. And you didn't do any cost savings -- any estimated cost savings from leak reduction, correct?

A. I did not.

Q. The total program costs as estimated by Duke right now is $320 million for the ASRP, correct?

A. Approximately, yes.

Q. And Duke has -- do you know how many residential customers Duke currently has?

A. We have about 420,000 total customers,

and I think about 89 percent of those are residential customers, so, yes, I would say --

Q. I'm sorry.

A. So I think that sounds about right.

Q. So if I took 89 percent of 400,000 and divided that by 320 million, I would get an estimate of the cost per customer, for residential customers?

A. Yes, yes.

Q. Have you done any quantification like that to determine what the cost per customer would be over the 10 years?

A. I have not.

Q. On page 7 of your testimony, in your answer -- question and answer on line 13 and 14, you talk about the request being just and reasonable. That recommendation is based only on allocation and rate design, correct, your conclusion of reasonableness?

A. So by allocation you are saying allocation to the different customer classes?

Q. Yes.

A. I would say it's just and reasonable not only for that reason but because we feel like this will result in less cost to the customer over the life of the program if we do it on an accelerated

basis.

Q. Okay. Your testimony in this proceeding is based on your expertise on allocation and rate design, correct?

A. I would say mainly it's on my expertise in revenue requirement, but it did involve the rate design.

Q. Your expertise didn't go to any operational aspects of the ASRP, does it?

A. That is correct, no.

Q. Now, at page 7 you talk about the need to have potential multiple rate cases. When you say "multiple rate cases," how many rate cases over what period of time are you testifying about?

A. So we haven't done a study to determine how many rate cases because there's many factors that go into determining whether we have a rate case or not. Whether we have an ASRP or not ASRP is one of the determinations, changes in PHMSA regulation, changes in taxes. There's numerous factors that would determine if we file a rate case and when we file a rate case.

Q. So it's possible in the 10-year period you would have to have more than one rate case, correct?

A. Yes. So in this program -- actually in our application I believe we actually committed to filing at least one rate case during that time.

Q. But you don't know if the actual number of rate cases would be 1, 5 or 10, do you?

A. I do not.

Q. Do you know how many rate cases Duke has had in the last 30 years?

A. For gas only?

Q. Yes.

A. Not in the last 30 years, no.

Q. The last three Duke rate cases were 2001, 2007, and 2012 for gas?

A. That sounds correct, yes.

Q. On page 8 of your testimony you talk about rate shock. Do you see that?

A. Yes.

Q. Have you done any kind of analysis to determine the rate shock from customers getting a $1 increase and then every year for at least 10 years?

A. Have I done any analysis as far as?

Q. How that would impact customer bills.

A. So we propose a cap of $1 a year.

Q. But that would mean it could potentially rise to up to $10 per customer per month by the 10th

year, correct?

A. That's correct.

Q. So by year 10 it could be $120 a year per customer.

A. Yes.

MR. SERIO: Thank you. That's all I have.

EXAMINER ADDISON: Thank you, Mr. Serio.

Ms. Mooney?

MS. MOONEY: No questions.

EXAMINER ADDISON: Thank you.

Mr. Lindgren?

MR. LINDGREN: No questions, your Honor.

EXAMINER ADDISON: Thank you.

Any redirect?

MR. D'ASCENZO: Can we have just a moment, your Honor?

EXAMINER ADDISON: You may. Let's go off the record.

(Discussion off the record.)

EXAMINER ADDISON: Let's go back on the record.

Mr. D'Ascenzo, any redirect?

MR. D'ASCENZO: Yes, just a couple of questions. Thank you.

- - -

REDIRECT EXAMINATION

By Mr. D'Ascenzo:

Q. Ms. Laub, do you recall Mr. Serio asking you questions about the calculation of what a residential customer would pay of the ASRP?

A. Yes.

Q. And I believe he had asked you about the number of residential customers that Duke Energy Ohio has, and that was around 400,000, correct?

A. The 400,000 was the total number of customers, a little bit more than 400,000. And then it's approximately 89 percent of those customers are residential.

Q. Thank you for clarifying that for me. Of the estimated $320 million total ASRP program, are residential customers paying 100 percent of those costs?

A. No. They are paying the 89 percent of those costs.

Q. Thank you. And do you also recall Mr. Serio asking you about the number of rate cases Duke Energy Ohio has had since 2001?

A. Yes.

Q. And those were gas rate cases, right?

A. Correct.

Q. Now, if Duke Energy Ohio had not had its AMRP program, do you expect the number of gas rate cases that the company would have filed in that time period to have been more?

A. Yes, I would.

MR. D'ASCENZO: No further questions, your Honor.

EXAMINER ADDISON: Thank you.

Mr. Serio?

MR. SERIO: Thank you, your Honor.

- - -

RECROSS-EXAMINATION

By Mr. Serio:

Q. You had indicated you would have expected the number of rate cases to have been higher without an AMRP, correct.

A. There would have been more rate cases between 2001 and 2012, yes.

Q. That's presuming the company would have been spending at the same level that they spent during the years of the AMRP, correct?

A. Yes.

Q. Did Duke on the record ever indicate that absent an AMRP, they would have spent the same amount

of money going forward as they spent under AMRP?

A. I don't know.

Q. So it's possible that Duke would not have spent the same amount of money, correct?

A. It's possible. I don't know that for sure, but yes.

Q. And if they would have spent less money, in all likelihood there would not have been as many alternative rate cases as you previously indicated?

A. Yeah. It would depend on the spend of the AMRP, that's correct.

Q. And, in fact, even if the company filed additional rate cases, the Commission would have then had the opportunity to look at all the company's revenues and expenses to determine how much additional would be charged from customers in rates, correct?

A. Yes. At the time of the base rate case, all the expenses are looked at, yes.

MR. SERIO: Thank you.

That's all the questions I have, your Honor.

EXAMINER ADDISON: Ms. Mooney.

MS. MOONEY: Yes, thank you.

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CROSS-EXAMINATION

By Ms. Mooney:

Q. Do you recall the case number of Duke's last gas rate case?

A. I believe it was 12 dash -- I think it's either -- I think it's 1685. It was 1682, 1685. One was the gas. One was the electric.

Q. Do you remember what the staff report found to be the revenue increase that Duke needed in that last gas rate case?

MR. D'ASCENZO: Objection, your Honor. This is beyond the scope of redirect.

MS. MOONEY: I don't think it is.

EXAMINER ADDISON: I tend to agree with Mr. D'Ascenzo. Objection sustained.

MS. MOONEY: No questions beyond that.

EXAMINER ADDISON: Thank you, Ms. Mooney.

Mr. Lindgren?

MR. LINDGREN: No questions, your Honor.

EXAMINER ADDISON: Thank you.

I have no questions so you are excused. Thank you very much.

THE WITNESS: Thank you.

EXAMINER ADDISON: Mr. D'Ascenzo.

MR. D'ASCENZO: Thank you, your Honor.

At this time Duke Energy Ohio would move to admit its Exhibit No. 5.

EXAMINER ADDISON: Any objections?

MR. SERIO: No objection, your Honor.

EXAMINER ADDISON: Seeing none, Duke Exhibit No. 5 will be admitted.

(EXHIBIT ADMITTED INTO EVIDENCE.)

MR. D'ASCENZO: Thank you.

EXAMINER ADDISON: The company may call its next witness.

MS. SPILLER: Your Honor, at this time we would call to the stand Gary J. Hebbeler, please.

(Witness sworn.)

EXAMINER ADDISON: Thank you. Please be seated.

MS. SPILLER: Your Honor, may I approach, please?

EXAMINER ADDISON: You may.

MS. SPILLER: Thank you. For purposes of the record, I would ask that Mr. Hebbeler's direct testimony be marked as Duke Energy Ohio Exhibit 6.

EXAMINER ADDISON: So marked.

(EXHIBIT MARKED FOR IDENTIFICATION.)

MS. SPILLER: Thank you.

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GARY J. HEBBELER

being first duly sworn, as prescribed by law, was examined and testified as follows:

DIRECT EXAMINATION

By Ms. Spiller:

Q. Good after, Mr. Hebbeler.

A. Good afternoon.

Q. Could you identify yourself for the record?

A. Gary Joseph Hebbeler.

Q. And, sir, do you have before you what has been marked as Duke Energy Ohio Exhibit 6 in this proceeding?

A. I do.

Q. Can you identify that document, please?

A. It's direct testimony of Gary Hebbeler on behalf of Duke Energy Ohio for this case.

Q. And, sir, do you have any corrections or changes to your direct testimony?

A. I do.

Q. And what are they, please?

A. It's on page 9, line 12, to correct the 28,000 curb-to-meter services that Chuck Whitlock corrected, and John Hill corrected to 21,000 curb-to-meter services.

Q. Do you have any other corrections or changes to your direct testimony?

A. I do not.

Q. And, Mr. Hebbeler, if I were to ask you today the questions that are set forth in Duke Energy Ohio Exhibit 6, would your answers be the same with the one question that you have corrected or the one answer you have modified slightly here this afternoon?

A. They would.

Q. And do you adopt this testimony as your direct testimony in this proceeding?

A. I do.

MS. SPILLER: Thank you.

Your Honor, the witness is available for cross.

EXAMINER ADDISON: Thank you, Ms. Spiller.

OCC.

MR. MOORE: Yes, your Honor.

- - -

CROSS-EXAMINATION

By Mr. Moore:

Q. Good afternoon, Mr. Hebbeler.

A. Good afternoon.

Q. I think we met earlier. My name is Kevin Moore. I am an attorney with OCC.

First off, you are not an attorney, correct, Mr. Hebbeler?

A. That is correct. I am just an engineer.

Q. So you are not trained or licensed by the state of Ohio to provide legal advice to others; is that correct?

A. That's correct.

Q. You have not been trained as an attorney to interpret the meaning of federal regulations; is that right?

A. Not as an attorney.

Q. So you are not offering a legal opinion in this case, correct?

A. I am not.

Q. Mr. Hebbeler, when did Duke make a determination that the 58,000 service lines associated with the ASRP application constituted a safety risk?

A. So I think we have to go back in time to where we started the accelerated replacement program and we understood the risk of the associated metallic services with the cast iron and bare steel program and replaced the associated metallic service along

with that program and used that history and that information to look at the risk associated with metallic services that weren't protected.

Q. And the AMRP started in 2000; is that correct?

A. The actual construction started in 2001, April of 2001.

Q. So would you agree that Duke learned or made a determination that these 58,000 service lines constituted a safety risk in 2001?

A. I would say we understood that nonprotected metallic services were a risk, so we replaced those with the accelerated replacement program. These 58,000 services were outside of the accelerated main replacement program.

Q. I am just trying to nail down a date, a year for when Duke made the determination that these service lines were a safety risk. You said it was through the AMRP process that they determined the service lines constituted, so it was sometime after 2001. Would you agree with that?

A. I'd say before 2001.

Q. Do you know when?

A. It was part of the process of the inception of the accelerated main replacement

program. Again, looking back on history of the CIMOS most and BSMOS in-house programs to replace cast iron steel.

Q. Can you tell me what year it was?

A. I can't tell you exact year.

Q. Was it after 1995?

A. I would say it was prior to the inception of the AMRP, probably around 2,000, if you need a year.

Q. Okay. Thank you. Duke now has authority to take ownership of customer-owned service lines that are replacements; is that correct?

A. I didn't hear the question.

Q. I said Duke now has authority to take ownership of what was previously a customer-owned service line when it replaces those service lines; is that correct?

A. That's my understanding.

Q. And Duke has been replacing nonleaking service lines that were -- are currently owned by customers; is that correct?

A. That is correct.

Q. Can you tell me where Duke has the -- got the authority to take ownership and replace nonleaking service lines that are currently owned by

customers?

A. So I think that's a legal question.

Q. So the answer to my question would be "I don't know"?

A. I don't know. That's a legal question.

Q. So the answer would be "I don't know," correct?

MS. SPILLER: Objection, asked and answered. He's already established that Mr. Hebbeler is not an attorney.

EXAMINER ADDISON: Do you have any opinion to this question, Mr. Hebbeler?

THE WITNESS: So from the operations point, when a service leaks or when we have a program, my job is to go out and replace those services as implemented by the program.

EXAMINER ADDISON: Thank you.

Q. Is there -- sorry. Is there anywhere in your application where it says Duke acquired that authority?

A. I would have to go back and reread the application.

Q. Do you know of any other witnesses that would be able to answer this question?

A. I do not.

Q. Earlier this morning OCC asked Mr. Whitlock whether -- excuse me -- when customers paid for Duke to install service lines, whether Duke identified the materials that were used. Were you here when he answered that?

A. Can you ask that question again, please?

Q. When Duke installed customer service -- when customers had service lines installed, whether Duke had identified the materials that could be used. Do you remember that question?

A. I do.

Q. Do you know the answer to that question?

A. Can you remind me the years we're talking about?

Q. Prior to the AMRP beginning.

A. So I can only speak from when I have been with the company. So since I have been with the company, the company has specified materials, and that's been since 1987.

Q. Did Duke record what materials could be used in those years?

A. I would say sometimes they probably were recorded on the curb to meter and maybe sometimes they have not been.

Q. Okay. When a customer paid to have a

service line installed, Duke had to approve the work done installing the service line and connecting it to the distribution line, correct?

A. We would have to test the service line to connect it to the distribution line, that is correct.

Q. And when Duke did that test, did it record the material used for the new pipe?

A. I would say on the curb to meter, sometimes they did and sometimes they didn't. We did the curb to meter up until 2008.

Q. Could you turn to page 4 of your testimony. On lines 3 through 5 you talk about the U.S. Department of Transportation adopting regulations that removed cast iron from the list of approved materials for pipe installation. Copper was not removed from that list at that time, correct?

A. That's my understanding, that's correct.

Q. But copper lines will be replaced during the ASRP, correct?

A. Copper lines are scheduled to be replaced under the ASRP.

Q. So would you agree that since 1971 Duke has been aware that cast iron service lines are a risk for new pipe construction?

A. No.

Q. Why do you think the U. S. Department of Transportation adopted regulations removing cast iron from its list?

A. I was not there to write this, but I would say there were superior materials to be used at the time.

Q. So you're saying in 1971 Duke was not aware that cast iron was a risk for new service line installation?

A. It wasn't aware it was a risk in 1971.

Q. Was bare steel also removed from this U.S. Department of Transportation list?

A. Steel has to be cathodically protected to be installed.

Q. How long has Duke been installing cathodically protected steel?

A. So the rules changed in 1971 that you had to cathodically protect steel lines put in your system, so we would be following the rules in 1971, and there was probably some transition period.

Q. And Duke followed those rules starting in 1971, correct?

A. To the best of my knowledge.

Q. But you don't know why the rules were installed, correct?

A. I wasn't there to write the rules.

Q. On page 3 going on to page 4 of your direct testimony, you state that "Cast iron and bare steal pipe, however, are more prone to leaks than plastic and coated, cathodically protected steel, which are now the materials of choice for main construction thought the United States."

A. That's correct.

Q. And then in 1971 the U. S. Department of Transportation adopted regulations removing cast iron from its line construction. So is it safe to say the U. S. Department of Transportation removed cast iron and bare steel because they are more prone to leaks than plastic and coated, cathodically protected steel?

A. They are currently more prone to leaks than plastic and cathodic -- cathodically protected steel.

Q. And they were in 1971 as well, correct?

A. I can't speak for 1971. I can only speak for currently.

Q. Are there any Duke witnesses who would be able to speak to whether cast iron and bare steel were prone to leaks in 1971?

A. I don't know.

Q. It's your testimony you did not know that cast iron and bare steel were prone to leaks at this time, correct?

MS. SPILLER: I am going to object, one, to the "at this time" reference, I think that's confusing, and also to the relevance. We are talking about 1971. This witness has indicated he did not write the rules. He was not there. He can speak to what he knows, and I think he has already answered questions along these lines several times now.

EXAMINER ADDISON: I am going to sustain the objection. I think he has already indicated that he wasn't aware of why the rule was changed, what were the circumstances surrounding the rule in 1971.

MR. MOORE: Thank you, your Honor. I'll move on.

Q. (By Mr. Moore) On page 4, lines 6 through 7 of your testimony, you state that "Duke adopted formal cast iron and bare steel main replacement programs in 1988 and 1989, respectively."

So 17 years passed between the United States Department of Transportation regulations in 1971 and Duke adopting its cast iron program in 1988, correct?

A. That's correct.

Q. And then Duke started its AMRP construction in 2001, correct?

A. That is correct.

Q. On page 6, line 6 of your testimony, you talk about the annual bidding process reducing the program costs of the AMRP. Can you tell me how much the program was reduced by through this annual bidding process?

A. I don't have an exact figure, but we keep it at market prices by competitively bidding so the prices we obtained were market prices at the time.

Q. So does that mean without competitive bidding, you wouldn't have paid market prices?

A. There are ways to establish market prices without competitive bidding, but with competitive bidding we established those market prices.

Q. So this would have reduced program costs as opposed to not having an annual bidding process; is that what you are saying?

A. Please ask your question again.

Q. I am saying you're testifying the annual bidding process reduced program costs, and you're saying with that reduction as -- as opposed to not having a bidding process; is that correct?

A. What I am saying is we establish those

market prices annually, so we knew we were getting the best prices at the time, the market prices at the time through the bid process.

Q. Okay. And the market prices were set by the bids that you received from contractors; is that correct?

A. That's correct. The contractor company set those market prices by their competitive bids.

Q. And does Duke propose conducting a similar annual bidding process for the ASRP?

A. Yes, for the way we have the program proposed.

Q. Does Duke use an annual bidding process in a lot of its programs?

A. Some of the projects, yes, and some of the projects we have long-term contracts that we've established. It's another way to establish market prices, that you establish a three-year contract through a bid process, but it's through a bid process.

Q. Would a long-term contract reduce program costs more as opposed to an annual bidding process?

A. That's hard to tell until you compare those prices side by side.

Q. If you could turn to page 11 of your

testimony, on line 14 you talk about "reduced leak and incident rate that resulted from the AMRP." What do you mean by "incident rate"?

A. So incident rate would be the number of incidents that we have reported to PHMSA.

Q. And when you say "incident," you mean the definition in 49 CFR 191.3, OCC Exhibit 5; is that correct?

A. The fatality, hospitalization, injury to hospitalization, 150,000 damage, outage of a certain threshold, ignition of natural gas.

Q. Okay. Do you know how many incidents that Duke reported to PHMSA during the span of the AMRP related to service lines?

A. There were two that I can recall that relate -- that were related to service lines.

Q. Do you know when those two incidents occurred?

A. Early 2000s we had a riser issue, and then we had another issue in 2006 due to an installation of a service that was placed into a sewer, and a sewer contractor augered the sewer out and augered into the main.

Q. So neither one of those incidents was a result of corrosion, correct?

A. That is correct.
Q. Have there been any incidents as a result of corrosion during the span of the AMRP?
A. Not that I am aware of, no.
Q. How about prior to the AMRP?
A. There was one that I am aware of.
Q. And that's going how far back in your memory bank?
A. To 1998, that's how far I checked back.
Q. Okay. So from 1998 to 2000 there was one?
A. Yes. In 1998.
Q. Do you know how many there were before 1998?
A. I am not aware of any. I don't know.
Q. Okay.
A. Prior to 1998.
Q. So as far back as you know, there's only been one incident related to a service line?
MS. SPILLER: I am going to object to the extent that misstates Mr. Hebbeler's testimony. If you want to qualify to corrosion, perhaps.
MR. MOORE: I'll restate, your Honor.
EXAMINER ADDISON: Thank you.
Q. As far as you know, there has only been

one incident related to a service line due to corrosion; is that correct?

A. That's correct.

Q. If you could turn to page 15 of your testimony, Mr. Hebbeler, lines 3 through 4, you talk about the fact that "Duke Energy Ohio will use both Company and contractor crews where appropriate to complete this project." Do you know which is less expensive, a contractor or a company crew, on average?

A. That depends on the task.

Q. What about for a task similar to the ASRP?

A. I believe on certain tasks in the ASRP, like leaking services, I think the company crews will probably be more economical. Probably on a mass installation where you have more simple tasks, I think contractor crews may be more economical.

But I think those will be open to process improvements and the way you set up your crews, and the way we are set up, our company crews aren't set up for a mass installation of services, so I think we would have to look at our process to change that to be equivalent or economical with the contractors.

If I could just add, we did the same

process as we took in AMRP. Company crews did certain tasks and services in AMRP as well as contracting crews.

Q. Have you done any quantification or comparison as it relates to the ASRP which tasks will require -- which tasks you should use a contractor or the company?

A. I have not at this time.

Q. Mr. Hebbeler, would you agree maintaining the safety and reliability of Duke's distribution infrastructure is of utmost importance?

A. Yes.

Q. And that would be true even if the ASRP is not approved, right?

A. Yes. As you can see, we have services that need to be replaced sitting on the table. You have examples of services and they would have to be replaced, so the safety of our customers and the general public is of utmost concern as well as our employees.

Q. Would you agree with me that the Duke distribution system is safe and reliable today?

A. I would agree that the system is safe and reliable due to the programs that were implemented by Duke Energy of Ohio, such as the accelerated main

replacement program, the riser replacement program. Those are proactive programs to replace targeted materials to ensure we replace them in advance of catastrophic events or leaks, and we will continue to do that.

Q. Would you agree that the Duke -- or that Duke would ensure that its distribution system, including all of its service lines, will be safe and reliable tomorrow even without the ASRP?

A. Well, it will be safe tomorrow because we will continue to use our DIMP program and do risk analysis, and we will follow that program to mitigate those risks and reduce those risks as set forth in that program.

Q. Is the distribution infrastructure fit for service today?

A. Yes.

Q. Will it be fit for service even if the ASRP is not approved?

A. Yes. Again, we'll follow the DIMP program or the DIMP risk model, and we will implement programs and replacements according to the program.

MR. MOORE: May we approach, your Honor?

EXAMINER ADDISON: You may.

MR. MOORE: At this time we would like to

have marked as OCC Exhibit 6 Duke Energy Ohio's response to OCC Interrogatory 33.

EXAMINER ADDISON: So marked.

(EXHIBIT MARKED FOR IDENTIFICATION.)

MR. MOORE: Thank you.

Q. (By Mr. Moore) This interrogatory, Mr. Hebbeler, asks, "What is Duke's's annual Operation and Maintenance costs related to service line leaks in the Duke Ohio service territory?"

And Duke responds, in part, "...the annual total O&M cost related to service line leaks (main-to-curb and curb-to-meter) for all services, including plastic, from 2009 to 2014, in Duke Energy Ohio's service territory is approximately $381,000"; is that correct?

A. That's correct.

Q. "However, it must also be understood that the proposed ASRP is expected to reduce expenditures by only 25 percent." How did you come to the 25 percent figure?

A. We looked if we replaced 14 percent of the system at the time we ran the 58,000, that was the representation of the services, and we reduced the number of leaks if we did all 58 by 25 percent.

Q. I should have asked you, you are familiar

with OCC Exhibit 6?

A. Yes.

Q. You have seen this document before?

A. Yes.

MR. MOORE: May we approach again, your Honor?

EXAMINER ADDISON: You may.

MR. MOORE: This time I would like to have marked as OCC Exhibit 7 Duke Energy Ohio's response to OCC Interrogatory 39.

EXAMINER ADDISON: So marked.

(EXHIBIT MARKED FOR IDENTIFICATION.)

Q. (By Mr. Moore) Are you familiar with this document, Mr. Hebbeler?

A. Yes.

Q. You have seen this document before?

A. Yes.

Q. And is that your name at the bottom under "Person Responsible"?

A. It is.

Q. This interrogatory, OCC Exhibit 7, OCC requested the utility -- or requested that Duke respond to the question, "...where the Utility claims that it will be able to avoid future costs associated with O&M of inside meters, please identify the total

O&M costs associated with those inside meters that the Utility incurs today on an annual basis."

And Duke responded, "The average annual expenditure, for 2013 and 2014, for O&M on all inside piping and meter inspections is approximately $1.2 million. These costs are currently not included in base rates. The ASRP would affect only a percentage of those meters," correct?

A. That's correct.

Q. Do you know what percentage of those meters would be affected by the ASRP?

A. I can't remember.

Q. Excuse me?

A. I can't remember by percent.

Q. Is this quantified anywhere in your testimony?

A. I think there are interrogatories that quantify the number of inside meters reflected in the ASRP, so if we have that, I would appreciate it if we could look at that.

MR. MOORE: May we approach again, your Honor?

EXAMINER ADDISON: You may.

MR. MOORE: At this time OCC would like to have marked as OCC Exhibit 8 Duke Energy Ohio's

response to OCC interrogatory INT-02-63.

EXAMINER ADDISON: So marked.

(EXHIBIT MARKED FOR IDENTIFICATION.)

Q. (By Mr. Moore) Are you familiar with this document, Mr. Hebbeler?

A. Yes.

Q. And your name is at the bottom under "Person Responsible" for the response, correct?

A. That is correct.

Q. And your response says, in part, "The approximate number of main-to-curb service lines in such categories replaced in 2012, 2013, and 2014 that were not expensed through in the AMRP are as follows: In 2012, 1,950; 2013, 2,050; and 2014, 2,100."

A. That's correct.

Q. And those were service lines that were replaced that were not expensed through the AMRP, correct?

A. That's correct, with the clarification these are capital expenditures.

Q. Correct. Thank you for that clarification. Okay.

MR. MOORE: One final exhibit. May we approach, your Honor?

EXAMINER ADDISON: You may.

MR. MOORE: OCC would like to have this document marked as OCC Exhibit 9. It's OCC Interrogatory O2-064.

EXAMINER ADDISON: So marked.

(EXHIBIT MARKED FOR IDENTIFICATION.)

Q. (By Mr. Moore) Are you familiar with this document, Mr. Hebbeler?

A. This has been assigned to John Hill, so I have read this, but I don't have the details behind it.

Q. Okay. Is there any reason to doubt the accuracy of the response?

MS. SPILLER: Your Honor, I am going to object. The witness has just said he doesn't have the details behind it. Now they are asking him to authenticate the details.

MR. MOORE: Your Honor, I believe the witness just said he has seen it but his name is not at the bottom of it, so to the extent --

EXAMINER ADDISON: I will allow the question to the extent that he did indicate that he has seen the document. If we go any further into the details, of course, he can say he doesn't know and we can move on from there.

MS. SPILLER: Thank you, your Honor.

A. Can you please ask the question again?

Q. My question is I just wanted to verify the responses in here. "The total amount of capital funds used to replace main-to-curb service lines in 2012, 2013, and 2014 that were not expensed through the AMRP were approximately: 2012 - $5,500,000, 2013 - $6,000,000 and 2014 - $6,900,000." Is that what that says?

A. Yes, that's what it says.

Q. So if you took these -- the amounts in OCC Exhibit 9 and divided them by the amounts in OCC Exhibit 8, you would agree the cost per line that was replaced was not in the AMRP, correct?

A. I would say yes.

MR. MOORE: Okay. Just one minute, your Honor. Look over my notes, and we may be all finished.

A. I just want to make one clarification. It said main to curb and not service. It's main to curb.

MR. MOORE: Thank you.

EXAMINER ADDISON: Thank you.

MR. MOORE: No further questions, your Honor.

Thank you, Mr. Hebbeler.

EXAMINER ADDISON: Thank you, Mr. Moore.

Ms. Mooney?

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CROSS-EXAMINATION

By Ms. Mooney:

Q. I have to ask, what's the -- OCC Exhibit 9, the question was referring to service lines, and then in the response you said main-to-curb service lines, and then in your last response to OCC's question you emphasized a difference of apparently between service lines and main-to-curb service lines. Can you tell me what the point of that was?

A. Yes. The question that the numbers here were associated with service lines. It's main-to-curb service lines, not main to meter.

Q. If I said the word "service lines," is that not the same thing as main-to-curb service lines?

A. There are really two portions to a service, main to curb and curb to meter.

Q. And both of those are service lines.

A. Yeah. If you would refer to -- this is the way our assets are set up main to curb and curb to meter. It's two portions of a service. When you say service line, I would think you would mean main

to meter.

Q. When you are referring to replacing service lines, are you talking about main to meter is the service line that you are discussing, which I take it to be something different from main to curb because meter is not the curb. Are we talking about two different things?

A. I need you to be more specific in your question.

Q. Well, I was trying to get you to be more specific in your answer because I am asking you what the difference between the main to curb service line is -- the term "service line" by itself versus the curb -- the term "main-to-curb service line" versus the term "curb-to-meter service line."

A. So when you say service line, my interpretation is main to meter. The main to curb is from the main to the property line, basically, and the curb to meter is from the property line into the meter.

Q. So service line encompasses both of those things?

A. They do.

MS. MOONEY: Okay. Thank you. I just didn't understand that. Thank you.

EXAMINER ADDISON: Thank you.

Mr. Lindgren?

MR. LINDGREN: Yes, thank you, your Honor.

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CROSS-EXAMINATION

By Mr. Lindgren:

Q. Good afternoon, Mr. Hebbeler.

A. Good afternoon.

Q. Did the company consider any alternatives to the ASRP that would both contribute to improving system safety and comply with the DIMP requirements?

A. No.

Q. Why not?

A. Because we used our history of our accelerated main replacement program and built off the success of that program of reducing the risk, and also looked at the DIMP, our DIMP program or DIMP model, and we felt the most appropriate way to reduce those risks is to have an accelerated service replacement program.

Q. So you don't know if a less costly alternative would accomplish the objective of improving overall system safety, do you?

A. From an operations side if you look at

these pipes here, if we were to go to try to repair those pipes, you wouldn't be able to repair those, you would have to renew those. Back in 2010 I asked my operations manager to take a look and see if we could test one of the other, if it was leaking -- if the main to curb was leaking, try to test the curb to meter, and the vast majority of the time we would have to go ahead and replace both on -- when we had services such as these leaking. We just could not repair those.

So it's reasonable, in my mind, to put forth a program like this versus try to spend the money on repair and services, such as you see in front of you.

Q. Well, Mr. Hebbeler, these pipes are not representative of your typical service lines that you find, are they?

A. These came out of the accelerated main replacement program, and these were types of services we were to replace.

Q. But aren't most of the leaks you are actually going to be addressing through this ASRP actually pinhole leaks that are much smaller than the leaks we see here?

A. So the ASRP is trying to replace services

ahead of them leaking. That's what we are trying to do. We do not want to wait until they leak to replace them. I don't think that's a risk we want to accept, because you are seeing pipes. So we want to be proactive in our replacement program and try to do that in a proactive manner ahead of those leaks.

Q. Are either of these pipes that are sitting here the result of a reportable incident?

MR. MOORE: Your Honor, I am going to object to the fact we are talking about lines that are sitting on the table that are not in the record. They are not an exhibit. It's not proper to be talking about at this point. There is no authentication of these lines, where they came from, what they are.

MS. SPILLER: Well, Mr. Hebbeler has identified them as service lines that were removed within the scope of the AMRP.

EXAMINER ADDISON: Let's go off the record for a moment.

(Discussion off the record.)

EXAMINER ADDISON: At this time we are going to take a brief ten-minute recess, and we'll return at 3:33.

Let's go off the record.

(Recess taken.)

EXAMINER ADDISON: Let's go back on the record.

Ms. Spiller.

MS. SPILLER: Oh, your Honor, thank you.

During the recess we had identified some demonstrative evidence or spoke of some demonstrative evidence that Duke Energy Ohio has brought with it to the proceeding for purposes of the record.

And for identification we would like to mark as Duke Energy Ohio Exhibit No. 7 a piece of service line, maybe a 4-1/2 foot piece of service line; as Duke Energy Ohio Exhibit 8, a shorter service line.

We will take photographs and substitute those in the record, the photographs of Exhibits 7 and 8.

EXAMINER ADDISON: Thank you. And just so the record is clear, I am going to allow some questions during redirect to address the authentication of these pipes.

MS. SPILLER: Thank you, your Honor.

EXAMINER ADDISON: Thank you, all.

Mr. Lindgren, did you have any additional questions for your cross-examination?

MR. LINDGREN: Yes, I did. Thank you, your Honor.

Q. (By Mr. Lindgren) Mr. Hebbeler, did the company conduct any cost/benefit analysis prior to proposing this ASRP in your application?

A. I think Mr. Hill answered that during his testimony.

Q. Do you have awareness beyond his testimony?

A. I do not.

Q. Thank you. Mr. Hebbeler, can you turn to page 12 of your testimony. I would like to direct your attention to lines 7 through 9 on page 12 where you say, "The deterioration leak rate is already starting to outpace the replacement rate, meaning that the integrity of this portion of the distribution system must be addressed or the potential for incidents will increase." Do you see that?

A. Yes.

Q. But you are not actually experiencing an increased number of leaks on your system as far as these service lines go, are you?

A. Sir, where we have seen this is in Kentucky when we finished the AMRP program in 2010.

We took a look at the leak rate on the services, and so the leak rate on the services have started to increase. We have similar systems in Kentucky as Ohio.

Q. So your testimony there just referred to the -- your Kentucky experience, not to Ohio; is that right?

A. We are taking experience in Kentucky and looking at after a couple years that leak rate have gone up by not having an accelerated program.

Q. So you are assuming that would be the case in Ohio as well?

A. I think, based off of our history of our CIMOS, BSMOS program we saw and the history that we have gathered, I believe that will happen.

Q. But you don't actually know it will happen, do you?

A. We have similar systems as Kentucky, and Kentucky is starting. That is a fact.

Q. Mr. Hebbeler, your actual experience of leaks per mile service has not increased in the last five years, has it?

A. I believe that's in a discovery question.

Q. Yes.

A. Would you mind? Can I see that

discovery?

MR. LINDGREN: Your Honor, at this time I am going to be discussing and introducing a confidential document as an exhibit, so I would request we go into confidential session.

EXAMINER ADDISON: Let's go off the record for a moment.

(Discussion off the record.)

EXAMINER ADDISON: Let's go back on the record.

MR. LINDGREN: Your Honor, may I approach the witness?

EXAMINER ADDISON: You may.

MR. LINDGREN: Thank you. Let the record reflect I am handing the witness what I have marked for identification purposes as Staff Exhibit 2.

EXAMINER ADDISON: So marked.

(EXHIBIT MARKED FOR IDENTIFICATION.)

Q. Mr. Hebbeler, do you recognize this document?

A. Yes, I do.

Q. And were you responsible for its preparation?

A. Yes.

Q. And is this your response to Staff Data

Request 5-001?

A. That's correct.

Q. Thank you. Could you please turn to page 2 of this document. And let me refer you to the line labeled "Leaks per Mile of Service" in the middle there of the left-hand column. Do you see that?

A. I do.

Q. Yes. And that lists the leaks per mile of service for the years 2010 through 2014; is that right?

A. That's correct.

Q. And so based on those numbers, your leaks per mile of service actually declined between 2010 and 2014; is that correct?

A. That is correct because we've replaced approximately 5,000 services a year under the AMRP that are of the same type of service and so we've been able to drive that leak rate down by replacing approximately 5,000 services a year.

MR. LINDGREN: No further questions. Thank you.

EXAMINER ADDISON: Thank you.

Ms. Spiller, redirect?

MS. SPILLER: May we have a moment, please, your Honor?

EXAMINER ADDISON: You may.

(Discussion off the record.)

EXAMINER ADDISON: Let's go back on the record.

Ms. Spiller.

MS. SPILLER: Thank you, your Honor.

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REDIRECT EXAMINATION

By Ms. Spiller:

Q. Mr. Hebbeler, just a few questions, if I may. So Duke Energy Ohio Exhibit 7 and 8, can you identify those, please, for purposes of the record?

A. Yes. Those are two separate services pulled out in the Ohio territory under the AMRP program.

Q. And are they portions of service lines?

A. They are portions of either a main to curb or curb to meter service.

Q. And what is the material, please?

A. It's bare steel.

Q. And, sir, were these two pieces of pipe, Duke Energy Ohio Exhibits 7 and 8, were they in your possession subsequent to their removal from the ground?

A. So I had two inspectors remove them, two

separate inspectors remove them from two separate modules, and they brought them to myself, and I have had them in my office until we brought them to some meetings. I have had them at those meetings and here, watched them get wrapped to bring them here and helped unwrap them.

Q. And during the time they have been in your possession since removal from the ground, sir, how were they maintained or stored?

A. They were stored in a box in my office.

Q. Were they exposed to the external elements, the weather and the like?

A. They were not exposed to weather. They were exposed to the air.

Q. In your office?

A. In my office.

Q. Mr. Hebbeler, do you recall questions from Mr. Moore concerning incidents involving service lines within the Duke Energy Ohio service territory?

A. Yes.

Q. The questions that there has not been an incident relative to corrosion for a period of time, do you recall that specific question?

A. Yes.

Q. And can you share with me why, sir, you

believe there has not been an incident on a service line due to corrosion?

A. To really, I think, because of the foresight and the prudency that the company had put together a program for the accelerated main replacement program to remove deteriorated cast iron and bare style and those associated services, and as part of that program they replaced -- we have replaced 116,000 services. We were able to keep that leak rate either flat or slightly tending down main to curbs and curbs to meters.

Q. Mr. Hebbeler, when would Ohio's AMRP or accelerated main replacement program conclude?

A. At the end of this year.

Q. And do you believe, sir, that upon conclusion of the AMRP Duke Energy Ohio's DIMP or distribution integrity management program would contemplate that the company discontinue replacing service lines?

A. No. Our distribution integrity management program has identified the services, the unprotected steel services, as a high risk, and we have identified those and implement a program to attack those.

Q. And when you say "implement a program to

attack," would that be a proactive replacement of the lines?

A. That would be a proactive replacement of the lines before they start leaking.

Q. Mr. Hebbeler, do you still have before you, sir, what was marked as Duke -- I'm sorry, Staff Exhibit No. 2, a discovery response?

A. I do.

Q. And was that question phrased so as to solicit information on main-to-curb data?

A. That is correct.

Q. And so the information that is contained on the attachment, the leak rates, would that be for the main-to-curb portion of those service lines only?

A. That is correct.

MS. SPILLER: Thank you, your Honor. Nothing further.

EXAMINER ADDISON: Thank you, Ms. Spiller.

Mr. Moore?

MR. SERIO: Your Honor, although Mr. Moore did the original cross, inasmuch as these were not part of the original case that we were aware of, I would ask your indulgence, for the sake of efficiency if I could be permitted to do the redirect

relating to the pipes themselves because that's all the redirect we have, is just on those two pieces of pipe.

EXAMINER ADDISON: Let's go off the record for a moment.

(Discussion off the record.)

EXAMINER ADDISON: Let's go back on record.

Although it's not typical in our practice to allow another attorney to ask questions on recross, we will allow Mr. Serio to ask these particular questions.

So, Mr. Serio, you may proceed.

MR. SERIO: Thank you, your Honor. And for the record, I would indicate to the extent OCC were to have similar documents, we would not be opposed to other parties having the same latitude with cross-examination.

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RECROSS-EXAMINATION

By Mr. Serio:

Q. Mr. Hebbeler, do you know when those two pieces of pipe were excavated?

A. I believe within the last two years.

Q. Within the last two years. Were you

present when the pipe was excavated?

A. I was not.

Q. Do you have any pictures or video showing the excavation of the pipe?

A. I do not.

Q. Do you know for a fact whether the pipe was excavated without any additional damage caused at the time of excavation?

A. I do not.

Q. You indicated that the pipe has been in your custody since it was brought to you; is that correct?

A. That's correct, by our inspectors.

Q. At night could anyone walk in your office and have access to those pieces of pipe?

A. They could. My doors are not locked.

Q. Do you know if these two pieces of pipe resulted in an incident with the line they were excavated from?

A. They did not.

Q. How long is an average service line?

A. Approximately --

Q. Total curb to main and main to --

A. Approximately 65 feet.

Q. 65 feet. So what we have here is two

pieces of pipe that are both less than 5 feet, correct?

A. That's correct.

Q. Do you know how the pipe was excavated? Was it removed by hand? Was it dug with a backhoe?

A. I do not.

Q. Do you have any kind of documentation on the chain of evidence where the individuals that were there at the time that the pipe was removed have signed any documentation showing that they were actually there that's been notarized or provided to anyone?

A. I do not.

Q. And you indicated that these came from the Duke Ohio service territory, correct?

A. That's correct.

Q. Do you know if this was protected or unprotected? Do you know if the pipe was cathodically protected or not?

A. It was not. It's bare steel.

Q. And how do you know whether it was cathodically protected or not?

A. It was off of a -- I believe it was off of a cast iron or bare steel main under the AMRP.

Q. So you're presuming it was unprotected

based on where it was located. You don't know that for a fact, correct?

A. So we quit using cast iron in the '60s and our bare steel program was '46 or '47, prior, so it would have to be prior to that, so it was not protected.

Q. In your experience, a piece of pipe with holes as large as those pieces of pipe, would that have been detected by any kind of survey, a safety survey that the company does on a regular basis?

A. Not necessarily.

Q. So in your opinion you wouldn't have been able to smell natural gas from a hole that looks like it's almost 5 or 6 inches long?

A. Not if it was in clay, and sometimes the clay forms an encapsulation around that pipe and actually makes the conduit for the gas.

Q. How much of the service territory has that type of clay?

A. I don't know.

Q. And when the clay provides that kind of seal, doesn't that, in fact, make the pipe safer because it's sealed with that clay?

A. No. Clay is not used as a containment for natural gas.

Q. The clay would be safer than if it was surrounded by soil, correct?

A. Sometimes that can be more of a detriment.

Q. So clay is more permeable than soil?

A. No. It could channel -- during contraction, it could actually channel it into the house versus letting it vent out into the air.

Q. When you backfill a line, is clay a preferred material versus soil?

A. So when we currently backfill like plastic pipes, we use course material, like sand, to backfill to a certain degree, and then we put on -- put existing soil over it if we can, if it's not rocky.

Q. I am not talking about plastic pipe. I am talking about bare steel pipe similar to this. When it was backfilled, was it practice to use clay preferred over soil?

A. I wasn't there when it was backfilled, but I would suggest that they probably used existing soil to try to backfill it.

Q. And you are indicating that a leak survey would not necessarily find leaks similar to those pieces of pipe; is that correct.

A. Not if it was encapsulated in clay. If we had porous material, it probably would.

Q. Do you know if that was main to curb or curb to main?

MS. SPILLER: I'm sorry, Joe.

Q. The two pieces of pipe in Duke Exhibit 7 and 8, do you know if those two pieces of pipe are curb to main or main to curb?

MS. SPILLER: You said main to curb or curb to main?

MR. SERIO: I'm sorry.

Q. Curb to meter. Do you know if it was either main to curb or curb to meter?

A. I do not.

Q. Do you know when those two pieces of pipe were originally installed?

A. I do not.

Q. How can you verify that these are the same pieces of pipe that were actually excavated by the two individuals that you indicated brought them to you?

A. I had two inspectors bring them to me and tell me that.

Q. Do you know who excavated the pipe?

A. I do not.

Q. Do you know how long the excavation process took?

A. I do not.

Q. Do you know how long they were in the hands of the individuals prior to becoming part of your possession?

A. I do not.

Q. Do you know how they were treated during the time they were not in your possession?

A. I do not.

Q. Do you know for a fact that the pipe was not soaked in salt water during the time it wasn't in your possession?

A. I do not know for a fact it wasn't soaked in salt water. However, I do know my supervisors called me and said they had pieces of pipe for me, and I believe they brought it to me in a short period of time.

Q. Do you know what type of customers, residential, commercial, or industrial, were served by these two particular peaces of pipe?

A. I believe those were both residentials.

Q. And do you know if the service provided by this pipe had been abandoned or it was current at the time they were excavated?

A. They were active services, but they had to be cut off once they started leaking so they could go ahead and install the other services.

Q. Do you know how long from the time -- that the service was cut off to the time that the pipe was excavated?

A. I do not.

Q. You indicated that the service had to be cut off because the pipe was leaking. How did Duke determine the pipe was leaking?

A. When they excavated around the pipe to tie the other portion into the new portion, it would have had to leak. There would have been no soil around it.

Q. So prior to the excavation Duke was not aware that those two pieces of pipe were leaking; is that correct?

A. Immediately prior to the excavation, I don't know that. They may or may not have been.

Q. So it's possible that service was being provided up until the time that Duke excavated and found those leaks?

A. Yes.

Q. Do you know what pressure the service lines in Duke Exhibit 7 and 8 were under?

A. I do not.

MR. SERIO: That's all I have, your Honor. Thank you. And I appreciate your indulgence.

EXAMINER ADDISON: Thank you.

Ms. Mooney.

MS. MOONEY: No questions.

EXAMINER ADDISON: Mr. Lindgren.

MR. LINDGREN: Briefly, your Honor. Thank you.

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RECROSS-EXAMINATION

By Mr. Lindgren:

Q. Mr. Hebbeler, you testified two supervisors called you regarding these pipes. Had you previously asked them to let you know if they found any unusually bad examples of pipe?

A. I did.

Q. You did. So they brought these to you because they were unusually bad; is that right?

A. I called them and asked them to provide deteriorated pipe.

Q. So these are not typical of the pipes that they found in performing their AMRP work, were they?

A. They are deteriorated pipes that were in

our system.

Q. Why did you ask them to let you know about pipes like this?

A. I like to show visuals on programs.

Q. So you were looking ahead to an exhibit you might bring here to the hearing; is that right?

A. Actually, this was brought to a meeting sometime ago to show a service that was leaking versus pinholes.

Q. So you were actively looking for a particularly bad example of a pipe; is that right?

MS. SPILLER: I am going to object to the extent it misstates Mr. Hebbeler's testimony. He indicated he asked for deteriorated pipe.

EXAMINER ADDISION: Could you rephrase, Mr. Lindgren?

Q. Were you looking for a particularly bad example of deteriorated pipe?

A. I was looking for a deteriorated pipe. That's what I asked for.

MR. LINDGREN: Thank you. No further questions.

EXAMINER ADDISON: Thank you. I have no further questions.

Mr. Hebbeler, you are excused.

THE WITNESS: Thank you.

EXAMINER ADDISON: Thank you.

Ms. Spiller.

MS. SPILLER: Thank you, your Honor. At this time Duke Energy Ohio would move for the admission into evidence of Duke Energy Ohio Exhibit 6, the direct testimony of Gary J. Hebbeler, and as I understand from the Bench's ruling, we will address first thing tomorrow photographs of what have been identified as Duke Energy Ohio Exhibits 7 and 8, service line piping material.

EXAMINER ADDISON: Is there any objection to the admission of Duke Exhibit No. 6?

MR. LINDGREN: No objection.

MR. SERIO: No.

EXAMINER ADDISON: Seeing none, it will be admitted.

(EXHIBIT ADMITTED INTO EVIDENCE.)

EXAMINER ADDISON: And we will address Duke Exhibits 7 and 8 tomorrow morning.

Mr. Moore.

MR. MOORE: Yes, your Honor. Thank you. The OCC would move for admission of OCC Exhibits 6, 7, 8, and 9.

EXAMINER ADDISON: Are there any

objections to OCC Exhibits 6, 7, 8, and 9?

MS. SPILLER: Your Honor, yes, only with respect to OCC Exhibit 9. This was a discovery response. The responsible witness was John Hill, who was on the stand previously.

Mr. Hebbeler indicated that he was generally aware of the response, but he did not have the details behind it, pursuant to which Mr. Moore simply read the information into the record and asked Mr. Hebbeler if it was read correctly.

Mr. Hebbeler's response was simply that's what it says, so I don't think there has been any authentication as to the information. This particular witness was not the proper witness for purposes of addressing the information, the details behind this particular response. I would say a lack of foundation.

MR. MOORE: Your Honor, may I respond?

EXAMINER ADDISON: One moment, Mr. Moore.

As there has been no objection to OCC Exhibits 6, 7, and 8 those will be admitted into the record.

(EXHIBITS ADMITTED INTO EVIDENCE.)

EXAMINER ADDISON: Mr. Moore, would you care to respond?

MR. MOORE: Thank you, your Honor. I think Mr. Hebbeler responded that he was familiar with the document or at least had seen the document, and when I asked if this -- if the responses were accurate. He said that they were and/or at least that he could not dispute them.

I asked him again if the responses that were written down were, to the best of his knowledge, accurate and he said yes, and also it ties back to OCC Exhibit 8, so I think that the witness's affirmation that he has seen the document and read it and was familiar with it is enough to lay a foundation.

EXAMINER ADDISON: Ms. Spiller, do you have a response?

MS. SPILLER: Well, your Honor, I do in that I don't believe Mr. Hebbeler responded that the information was accurate. What he said was he was aware of the response, did not have the details behind it, and then after Mr. Moore read the substantive response, and I quoted this, he said "That's what it says."

I know that Mr. Moore and Mr. Serio certainly had the opportunity to address this interrogatory with the sponsor, Mr. Hill, who was on

the stand earlier this morning and they did not do so. I think there has yet -- there was not an appropriate foundation established with respect to Mr. Hebbeler and this particular discovery response.

MR. MOORE: Your Honor.

EXAMINER ADDISON: Mr. Moore.

MR. MOORE: I believe, if I am not mistaken, I asked him if he has any reason to believe the response is inaccurate and to which he responded "no, I do not."

EXAMINER ADDISON: As we have two other exhibits to address tomorrow morning, I am going to defer ruling on this particular exhibit until then.

MS. SPILLER: Thank you, your Honor.

EXAMINER ADDISON: Thank you, for your arguments.

Mr. Lindgren.

MR. LINDGREN: Thank you, your Honor. I would move for admission of the redacted version of Staff Exhibit 2.

EXAMINER ADDISON: Any objection?

MS. SPILLER: No, your Honor. And Duke Energy Ohio will perform the necessary redactions. Again, it is simply specific information that's found on the left-hand side of page 2 of the document, just

two portions of that. We are attempting to make the redactions as minimal as possible. We will do that and provide the redacted versions for the court reporter in the morning.

EXAMINER ADDISON: Thank you, Ms. Spiller.

With that, we will admit the redacted version of Staff Exhibit 2 into the record.

(EXHIBIT ADMITTED INTO EVIDENCE.)

MS. SPILLER: Thank you.

EXAMINER ADDISON: Thank you. And with that, I believe we'll adjourn for the day. We will reconvene tomorrow at 9 a.m., so please note the difference in time. And I will see you all tomorrow morning. Thank you.

(Thereupon, the hearing was adjourned at 4:25 p.m.)

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CERTIFICATE

I do hereby certify that the foregoing is a true and correct transcript of the proceedings taken by me in this matter on Monday, November 16, 2015, and carefully compared with my original stenographic notes.

_____

Karen Sue Gibson, Registered Merit Reporter.

(KSG-79734)

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Summary: Transcript in the matter of Duke Energy Ohio, Inc., Alternative Rate Plan hearing held on 11/16/15 - Volume I electronically filed by Mr. Ken Spencer on behalf of Armstrong & Okey, Inc. and Gibson, Karen Sue Mrs.