

BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Annual Application of)	
Duke Energy Ohio, Inc. for an Adjustment)	Case No. 15-1990-GA-RDR
to Rider ASRP Rates.)	

DIRECT TESTIMONY OF

JOHN A. HILL, JR.

ON BEHALF OF

DUKE ENERGY OHIO, INC.

March 1, 2016

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I. INTRODUCTION AND PURPOSE

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

2 A. My name is John A. Hill, Jr. and my business address is 139 East Fourth Street,
3 Cincinnati, Ohio 45202.

4 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

5 A. I am employed by the Duke Energy Business Services LLC (DEBS) as Director,
6 Gas Engineering, for Duke Energy Ohio, Inc., (Duke Energy Ohio or Company)
7 and Duke Energy Kentucky, Inc. (Duke Energy Kentucky). DEBS provides
8 various administrative and other services to Duke Energy Ohio and other
9 affiliated companies of Duke Energy Corporation (Duke Energy).

10 **Q. PLEASE SUMMARIZE YOUR EDUCATION AND PROFESSIONAL**
11 **QUALIFICATIONS.**

12 A. I graduated from the University of Cincinnati with a Bachelor of Science in Civil
13 & Environmental Engineering and later obtained an MBA from the University of
14 Kentucky. In 1996, I obtained my license as a Professional Engineer in the
15 Commonwealth of Kentucky and, by reciprocity, later in the state of Ohio.

16 I started my career as an engineering consultant focused mainly on
17 completing geotechnical and environmental projects for various companies and
18 public agencies. I then worked for an investor-owned water utility, overseeing
19 new development and pipeline extension projects, as well as asset
20 mapping/records.

1 I joined Cinergy Corp. in 2001 and held various management/leadership
2 positions in Generation and Environmental, Health & Safety, and, in 2010, joined
3 the Gas Engineering Department as Director of Engineering.

4 **Q. PLEASE SUMMARIZE YOUR RESPONSIBILITIES AS DIRECTOR,**
5 **GAS ENGINEERING.**

6 A. As Director, Gas Engineering, I oversee multiple engineering disciplines (Civil,
7 Mechanical, Electrical/Controls, and Corrosion) and technical functions
8 responsible for gas pipeline activities such as design, system monitoring, system
9 design, meter/regulator design, integrity management, and corrosion services. I
10 also provide planning and oversight for the Gas Operations capital budget. In
11 addition, I represent Gas Operations on corporate and industry
12 initiatives/committees. Importantly, I provide subject matter expertise for Duke
13 Energy Ohio's and Duke Energy Kentucky's integrity management programs.

14 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE PUBLIC**
15 **UTILITIES COMMISSION OF OHIO?**

16 A. Yes.

17 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THESE**
18 **PROCEEDINGS?**

19 A. The purpose of my testimony is to explain the construction and management
20 practices of Duke Energy Ohio as they relate to the ASRP for construction
21 activities during calendar year 2015.

II. DESCRIPTION OF THE ASRP

1 **Q. PLEASE GENERALLY DESCRIBE THE ASRP.**

2 A. The ASRP is an important continuation of the Company's mission to provide
3 safe, reliable, and reasonably priced natural gas service to Ohio customers. The
4 ASRP, like its predecessor AMRP, is intended to replace aging natural gas
5 delivery infrastructure that has a high likelihood of developing leaks or failing.
6 Under the proposed program, the Company is replacing steel and other
7 unprotected metallic service lines, which are prone to leaks. The program also
8 includes reconnaissance on services for which the Company has inadequate
9 information and relocation of meters that are currently located inside customers'
10 premises, in unacceptable locations. The ASRP will improve the safety and
11 reliability of the gas delivery system and, by relocating the affected meters, will
12 also improve convenience for customers.

13 **Q. PLEASE DESCRIBE THE PROGRESS DUKE ENERGY OHIO HAS**
14 **MADE IN REPLACING SERVICE LINES.**

15 A. Duke Energy Ohio has been actively working on the replacement of gas service
16 lines that meet the ASRP criteria. In 2015, approximately 850 services that meet
17 the ASRP criteria were replaced or removed from the distribution system.

18 **Q. PLEASE DISCUSS THE BENEFITS OF THE ASRP TO CUSTOMERS.**

19 A. The ASRP will allow Duke Energy Ohio to reduce the number of unprotected
20 metallic service lines in its distribution system and thus reduce the number of
21 leaks that occur on the system. This will result in substantial benefits to Duke

1 Energy Ohio's customers and to the public at large by reducing risks associated
2 with leaking services and costs to replace this infrastructure.

3 Customers and the public at large benefit from the improved safety and
4 reliability of Duke Energy Ohio's natural gas distribution service. The key safety
5 measure of the ASRP's success is the reduced number of leaks.

6 **Q. PLEASE EXPLAIN DUKE ENERGY OHIO'S INTEGRITY**
7 **MANAGEMENT PROGRAMS.**

8 A. Duke Energy Ohio developed its Distribution Integrity Management Program
9 (DIMP) in response to federal legislation, CFR Title 49 Part 192, Subpart P issued
10 in 2010 and accompanying regulations issued by the PHMSA. These regulations
11 require operators of natural gas distribution pipelines to develop and implement
12 an integrity management program that includes a written integrity management
13 plan.

14 Duke Energy Ohio's DIMP was developed in 2011 and became effective
15 August 2, 2011. This program is a comprehensive systematic approach to
16 maintain and improve the safety of the Company's distribution pipeline
17 system. The DIMP is comprised of seven key elements: (1) Knowledge of
18 System; (2) Identify Threats; (3) Evaluate and Rank Risks; (4) Identify and
19 Implement Measures to Address Risks; (5) Measure Performance, Monitor
20 Results, and Evaluate Effectiveness; (6) Periodic Evaluation and Improvement;
21 and (7) Report Results. This information provides the foundation for the program
22 and includes the processes and procedures necessary to comply with the laws and
23 regulations.

1 The ongoing integrity activities for 2015 include: reviewing available
2 facility data, identifying and evaluating threats, evaluating and ranking risk to the
3 distribution system, conducting root cause analysis, identifying and implementing
4 additional measures to address risk, monitoring performance of the program and
5 evaluating effectiveness, and submitting annual reports to document results of the
6 program. The top risk categories identified within the DIMP are excavation
7 damage, corrosion, and natural forces. Excavation damage includes risk from
8 third-party contractors and difficult-to-locate facilities. Corrosion risk includes
9 metallic, non-protected mains and services. Natural forces risk includes cast iron
10 main and certain types of non-restrained coupled main.

11 **Q. HOW DOES DUKE ENERGY OHIO PLAN FOR UNPROTECTED**
12 **METALLIC SERVICE LINE REPLACEMENT UNDER THE ASRP?**

13 **A.** The ASRP is designed to replace approximately 58,000 main-to-curb unprotected
14 metallic steel services and the associated unprotected metallic curb-to-meter
15 services in the system.

16 The ASRP consists of proactively prioritizing service line replacements
17 through objective criteria, such as operating pressure, material type and year of
18 installation, to assist in the prioritization of replacement work. Geographical areas
19 will also be reviewed so as to optimize and coordinate efforts toward scheduling
20 and completing the necessary work. The structure of the ASRP, borrows from the
21 organized structure that has contributed to the successful AMRP.

1 **Q. HOW MANY SERVICE LINES DOES DUKE ENERGY OHIO PLAN TO**
2 **REPLACE UNDER THE ASRP DURING 2016 AND WHAT IS THE**
3 **PROJECTED COST?**

4 A. For 2016, Duke Energy Ohio plans to replace approximately 5,000 gas services
5 that meet the ASRP criteria, at an estimated cost of \$25 million.

6 **Q. DOES DUKE ENERGY OHIO CONTINUE TO COMPETITIVELY BID**
7 **THE WORK FOR THE ASRP PROGRAM?**

8 A. Yes. The competitive bid process will enable Duke Energy Ohio to execute the
9 ASRP efficiently. This will allow Duke Energy Ohio to keep its costs at
10 competitive market levels.

11 **Q. IS DUKE ENERGY OHIO COMMITTED TO USING UNIT-BASED**
12 **PRICES FOR THE ASRP PROGRAM?**

13 A. Yes. Duke Energy Ohio used unit-based prices for the contracts and paid
14 contractors the unit-based prices specified in the contracts, except for the
15 following types of situations: (1) in the case of unanticipated conditions, such as
16 unusual field conditions not contemplated by the parties; (2) where a
17 governmental entity imposed additional construction requirements for work
18 within the right-of-way; (3) where a greater number of units was required for the
19 actual work versus the number of units contemplated in the plan drawings; and (4)
20 for certain types of construction activities where Duke Energy Ohio determined
21 that it would result in lower costs for the contractor to perform the work under
22 other price methods, such as on a time and materials basis.

1 **Q. PLEASE EXPLAIN HOW DUKE ENERGY OHIO SELECTED THE**
2 **SERVICE LINES FOR THE ASRP FOR 2015.**

3 A. The ASRP services are ranked based on a set of criteria such as operating
4 pressure, material type and year of installation. Services with the highest
5 potential for a reportable incident were selected first for replacement, as well as
6 other services meeting the ASRP criteria within the geographical area to optimize
7 and coordinate efforts towards scheduling and completing the necessary work.
8 Duke Energy Ohio also considers permitting agency requirements which require
9 orderly construction methodology and flow of traffic, so as not to create a
10 hardship for the municipality and its residents. Of the approximately 850 services
11 replaced or abandoned in association with the ASRP, over 200 of the services
12 were within the top 20 priority rankings. The remainder of the services replaced,
13 as part of the ASRP, were within geographical areas. This allowed Duke Energy
14 Ohio to efficiently replace services in geographical areas, comply with permitting
15 requirements and maintain traffic flow in the various communities where work
16 was performed.

III. CONCLUSION

17 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

18 A. Yes.

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Summary: Testimony Direct Testimony of John A. Hill, Jr. on Behalf of Duke Energy Ohio, Inc. electronically filed by Mrs. Adele M. Frisch on behalf of Duke Energy Ohio, Inc. and Spiller, Amy B and Kingery, Jeanne W