**BEFORE**
**THE PUBLIC UTILITIES COMMISSION OF OHIO**

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| In the Matter of the Application of The East Ohio Gas Company d/b/a Dominion East Ohio for Approval of an Alternative Form of Regulation. | ) ) ) ) | Case No. 15-362-GA-ALT |

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# OHIO PARTNERS FOR AFFORDABLE ENERGY'S OBJECTIONS TO THE STAFF REPORT

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Ohio Partners for Affordable Energy ("OPAE") hereby respectfully submits to the Public Utilities Commission of Ohio ("Commission") these Objections to the Commission's Staff's Report ("Staff Report") in the above-captioned application of The East Ohio Gas Company d/b/a Dominion East Ohio ("Dominion") for approval of an alternative rate plan under Revised Code Section 4929.05 to implement an accelerated pipeline infrastructure replacement ("PIR") program in Dominion's service territory. Pursuant to R. C. Section 4929.02, the Commission must find that the alternative rate plan promotes reasonably priced natural gas service to consumers.

OPAE objects to the Staff Report as follows.

1) OPAE objects that the Staff agreed to re-authorize the PIR program for the five-calendar-year period 2017 through 2021. Staff Report at 6. The Staff did not consider whether the current PIR program has successfully decreased the number of leaks on Dominion's pipeline system so that renewal of the program with additional costs is reasonable. If Dominion's current PIR program and leak prevention efforts have already reduced the number of leaks so as to avoid hazardous conditions, it is not clear that the additional increased investment and costs under a renewed PIR program are reasonable.

2) OPAE objects that the Staff did not consider whether the increased costs of the renewed PIR program for the period from 2017 through 2021 due to the switch from urban to rural replacements will make Dominion's distribution service rates unreasonable and the PIR program unaffordable for customers. Staff Report at 7-8. Pursuant to R.C. Section 4929.02, the Commission must find that the alternative rate plan promotes reasonably priced natural gas service to consumers.

3) OPAE objects that the Staff did not consider whether the significantly increased environmental costs of the renewed PIR program for the period from 2017 through 2021 will make Dominion's distribution service rates unreasonable and the PIR program unaffordable for customers. Staff Report at 8.

4) OPAE objects that the Staff agreed to Dominion's recommended inflation adjustment for the period 2017 through 2023 and the continued approval of the 25-year timeframe for completion of the PIR program without considering whether the inflation adjustment and the 25-year timeframe make Dominion's distribution service rates unreasonable and the PIR program unaffordable for customers. Staff Report at 8. In addition, the Staff did not consider whether the increased costs of the PIR program have exceeded the relevant inflation rate. The Staff Report did not discuss any specific inflation rate or demonstrate that any specific inflation was occurring that resulted in the increased costs of the PIR program. Nor did the Staff Report assess the impact of prepayment by customers of estimated

costs for the annual construction projects. Actual costs tend to be lower than the revenue recovered from customers based on the estimated costs. The lack of an inflation adjustment will not impede progress nor deny Dominion adequate cost recovery. Customers pay the rider based on Dominion's projections. The projections will reflect prices at that time allowing the market to determine the amount of inflation rather than an artificial inflation adjustment. Dominion should not be allowed an inflation adjustment.

5) OPAE objects that the Staff Report did not consider whether the increased contractor costs for the program in the 2017 though 2023 timeframe will make Dominion's distribution service rates unreasonable and the renewed PIR program unaffordable for customers. Staff Report at 8.

6) OPAE objects that the Staff recommended that Dominion's proposals to increase PIR program investments and raise the residential rate caps be approved without consideration of the cost of the renewed PIR program and whether these increased costs will result in unjust and unreasonable distribution service rates. Pursuant to R.C. 4929.02, one of the policies of the state of Ohio is to promote the availability to consumers of reasonably priced natural gas services. The Staff did not consider alternative cost recovery mechanisms for Dominion pipeline investments and costs, such as base rate cost recovery instead of cost recovery through a PIR rider.

7) OPAE objects that the Staff's recommendation that the O&M savings sharing mechanism adopted in the Stipulation and Recommendation in Case No. 11-2401-GA-ALT be eliminated. Staff Report at 6. OPAE

agrees with the Staff that customers should get the full benefit of avoided costs as a result of PIR program implementation because customers are paying for new pipeline infrastructure via the PIR Rider while continuing to pay for the expenses that are no longer incurred since base rates are not adjusted downward to reflect the avoided costs. Staff Report at 6. However, OPAE does not understand what mechanism the Staff Report recommends to assure that customers receive the full benefit of avoided costs as a result of the PIR program implementation.

Respectfully submitted,

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**CERTIFICATE OF SERVICE**

I hereby certify that a copy of these Objections to the Staff Report was served electronically upon the persons identified below on this 25th day of September 2015.

/s/Colleen Mooney
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