BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

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

PREPARED DIRECT TESTIMONY
OF
KERRY ADKINS
SUBMITTED ON BEHALF OF THE STAFF OF
THE PUBLIC UTILITIES COMMISSION OF OHIO
RATES & ANALYSIS DEPARTMENT
REGULATORY SERVICES DIVISION

STAFF EX. ____

November 6, 2015

1. Q. Please state your name and business address.

A. My name is Kerry Adkins and my business address is 180 East Broad Street, Columbus, Ohio 43215-3793.

2. Q. By whom are you employed and in what capacity?

A. I am employed by the Public Utilities Commission of Ohio (Commission or PUCO) as a Public Utilities Administrator 2 in the Regulatory Services Division of the Rates & Analysis Department. In that capacity, I manage and participate on Commission Staff (Staff) teams that review primarily natural gas company rate applications seeking recovery of certain costs associated with infrastructure replacement and capital improvement programs. In addition, I serve on Staff teams that review utility applications in base rate proceedings and perform other related duties as assigned.

3. Q. Please briefly describe your educational background and work experience.

A. I received a B.A. degree from Ohio Northern University and a Master of Public Administration degree with concentrations in regulatory policy and fiscal administration from The Ohio State University. I began my employment with the PUCO in 1989 as a Researcher II in what was then the Consumer Services Department's Nuclear Division. Since that time, I

have held a number of analyst and management positions at the Commission. I was assigned to my present position in January 2008. Prior to my employment with the PUCO, I was employed as an Administrative Deputy for the City of Whitehall, Ohio.

4. Q. Have you previously testified before the Commission?

A. Yes. I have testified before the Commission in several rate and enforcement proceedings and customer complaint cases.

5. Q. What is the purpose of your Testimony in this proceeding?

A. I am supporting the Staff Report that was filed in this proceeding on June 5, 2015 (Staff Report) and responding to objections to the Staff Report filed by Duke Energy Ohio, Inc. (Duke or Company), the Office of the Ohio Consumers' Counsel (OCC), and Ohio Partners for Affordable Energy (OPAE) on July 6, 2015.

6. Q. In its Objection 1, Duke contends that the "Background" section in the Staff Report implies that the Company only replaces service lines under its Accelerated Mains Replacement Program (AMRP) when the services lines are actually leaking. The Company states that it has and continues to replace all bare steel and cast iron service lines associated with mains being replaced under the AMRP whether they are leaking or not. How do you respond?

A. The language in the "Background" section of the Staff Report that Duke objects to was meant to inform the Commission that Duke had previously proposed an Accelerated Service Line Replacement Program (ASRP) in its most recent base rate proceeding (Case No. 12-1685-GA-AIR, *et al*). The language accurately summarizes the Staff's recommendations regarding the ASRP in the staff report filed in that case (Case No. 12-1685 Staff Report) and how the matter was ultimately resolved. It was not intended to imply that Duke only replaces customer service lines when they are leaking or does not replace non-leaking service lines under its AMRP. Staff is aware that Duke has and continues to replace non-leaking service lines under its AMRP when it replaces the associated main lines as well as replacing leaking service lines when leaks are discovered. In fact, on page 69 of the Case No. 12-1685-GA-AIR Staff Report, Staff describes that Duke had replaced approximately 91,200 main-to-curb service lines at the time of the report. Furthermore, in Comments filed in Duke's most recent annual AMRP review case (Case No. 14-2051-GA-RDR) Staff updated this figure to indicate that Duke had replaced approximately 110,928 main-to-curb service lines through the end of 2014.[1] There is no disagreement to resolve on this matter.

[1] *In the Matter of the Annual Application of Duke Energy Ohio, Inc. for an Adjustment to Rider AMRP Rates to Recover Costs in 2014*, Case No. 14-2051-GA-RDR, *et al*. (Staff Comments at 6) (March 23, 2015) (Case No. 14-2051 *Staff Comments*).

7. **Q. In Objection 2, Duke maintains that Staff unreasonably and erroneously asserts that the Company is proposing to move all inside customer meters outside under its ASRP. The Company states that in actuality its proposal is to only move meters outside when they are connected to a service line that will be replaced under the Program. How do you respond?**

A. With regards to moving inside meters outside, Duke is correct. The Company's Application in this case only requests authority to move and recover the costs of moving inside customer meters outside when it will replace the service line connected to the meter. It does not propose to move all customer meters outside as errantly described in the Staff Report. Notwithstanding the error, however, Staff still stands behind the position taken in the Staff Report that Duke should not be permitted to recover costs associated with moving inside meters outside unless the main line serving the customer service line and meter is replaced as part of an AMRP replacement project and the Company plans to increase the operating pressure on the replacement main line within two years. This position is consistent with prior Commission rulings in other gas utility infrastructure

replacement program cases[2] and avoids unnecessary costs being passed on to customers.

8. Q. In its Objection 3, Duke claims that Staff unreasonably and incorrectly states that the Company's Application asserts that state policy mandates upgrades to natural gas distribution systems. The Company maintains that the Application merely addressed the requirement in R.C. 4929.05 that an applicant (in an alternative regulation proceeding) must currently be and continue to be "in substantial compliance with the policy of this state." How do you respond?

A. On Page 2 of the Application, at Section II.1, the Company states that "[T]he policies of the state, **as set forth in R.C. 4929.02**, seek the availability of adequate, reliable, and reasonably priced service; the development of innovative programs for cost-effective supply-side services; the implementation of flexible regulatory treatment; **and the efficient upgrading of distribution systems**, thereby yielding safer and more reliable service to customers." (Emphasis supplied.) The Staff Report accurately noted that the state policy set forth in R.C. 4929.02 does not mention or make reference to upgrading natural gas distribution systems. In addition, Staff included the full text of R.C. 4929.02 as an

[2] *In re Columbia Case No. 11-55I5-GA-ALT and Dominion Case No. 11-2401-GA-ALT.*

appendix to the Staff Report as verification. Staff did not want the Commission to mistakenly infer from Duke's language that distribution system upgrades are mandated by statutes establishing state policy. It appears now, however, that this is no longer a concern. Based on the clarification of its intent as stated in Objection 3, it appears that Staff and Duke agree that the state policy set forth in R.C. 4929.02 does not call for or mandate upgrades to natural gas distribution systems.

9. Q. In Objection 4, Duke alleges that Staff unreasonably stated that the Company interprets the Distribution Integrity Management Plan (DIMP) rules to require replacement of non-leaking service lines on an accelerated basis. The Company maintains that its Application only addresses the fact that the DIMP rules require it to take prudent measures to respond to system risks. How do you respond?

A. On pages three through six of the Application, Duke describes the federal Department of Transportation Pipeline and Hazardous Safety Administration's (PHMSA) adoption of the DIMP rules, potential safety consequences resulting from service line leaks, and the Company's historical practices for service line replacements. The Company concludes on page six that "…[its] standard program has allowed for the replacement of approximately 200 service lines per year. Under that schedule it could reasonably take Duke Energy Ohio more than 200 years to replace this

aging infrastructure. But **such an outcome is antithetical to PHMSA's regulations**, as well as the Commission's own objective of ensuring safe and reliable natural gas distribution service. **Indeed, proactive measures – to identify and replace hazards – are now <u>required</u>**…" (Emphasis supplied.) Also on page 6, the Company goes on to say "**[I]n response to federal <u>mandates</u>**, adhering to the policies of the state as implemented by the Commission, and intending a near seamless transition, Duke Energy Ohio proposes here an alternative rate plan in the form of an ASRP…" (Emphasis supplied.) Staff sees no other purpose to the language quoted above and the juxtaposition of the words except to suggest that PHMSA's DIMP rules are requiring Duke to implement the ASRP. However, given the Company's Objection 4 and Objection 5, where it states directly that "[T]he DIMP rules are not prescriptive…," there appears to be no disagreement. Both Staff and Duke agree that PHMSA's DIMP rules do not prescribe specific fixes to system risks identified in a DIMP and are not requiring Duke to replace non-leaking service lines on an accelerated basis as proposed under the ASRP.

10. Q. In Objection 5, Duke claims that Staff unreasonably recommended that the Commission should require the Company to investigate and take steps to reduce system risks caused by excavation damage and measure the effectiveness of such steps prior to considering the ASRP.

The Company states that the DIMP rules are not prescriptive and do not require that the greatest system risks be addressed first. In addition, Duke maintains that Staff failed to account for efforts that the Company has already undertaken to reduce excavation damage risks. How do you respond?

A. As discussed above and in the Staff Report, Staff agrees that PHMSA's DIMP rules are not prescriptive. Staff also agrees that, since the DIMP rules are not prescriptive, they do not require that the greatest system threats be addressed first. However, Duke states that the purpose of the proposed ASRP is to enhance system safety. Staff's point in the Staff Report was that it stands to reason that the greatest safety improvements to the Company's distribution system would come from addressing the most significant safety concerns first and that Duke itself identified that excavation damage is the greatest threat to the safety of its system. If Duke is implementing reasonable measures to address system threats caused by excavation damage, then Staff applauds such measures. However, the Company provided no evidence in this case identifying such steps, how much the steps will cost, how much system safety has been and/or will be improved, etc. Likewise, the Company has provided no data concerning the quantifiable safety improvement it expects to achieve through implementation of the ASRP. It has stated that the ASRP has the potential

to virtually eliminate all service line leaks caused by corrosion, natural forces, and material/weld deficiencies, thus leading to an approximate 25 percent reduction in service line leaks, but it has provided no quantifiable evidence on how much this potential reduction in service line leaks will contribute to overall system safety. As discussed in greater detail below, Staff is of the opinion that all measures designed to improve the safety of Duke's distribution system, especially where the costs for implementing the measures will be passed on to customers, should be evaluated in terms of quantifiable safety improvement gained in exchange for the costs.

11. Q. In Objection 6, Duke alleges that Staff unreasonably suggests that the Commission should require the Company to consider alternatives to the ASRP such as replacing service lines if they are actually leaking in conjunction with increased leak surveillance and repairing Grade 2 leaks more quickly. The Company states that, based on its experience with its Accelerated Mains Replacement Program (AMRP), it believes that Staff's recommended alternatives will result in increasing leak rates. How do you respond?

A First of all, the recommended alternatives to the ASRP that Staff discussed in the Staff Report were meant as examples of measures that could improve the safety of Duke's system that would be less costly and could be implemented more quickly than the ASRP. The list was not intended to be

an all-inclusive list of alternatives that could be considered. Staff's central point is that there are reasonable and less costly alternatives to the ASRP that should be explored prior to committing to spend $320 million over ten years. In Staff's opinion, prior to authorizing the ASRP, the Commission should require Duke to identify, implement, and empirically measure the effectiveness of such alternatives before considering the ASRP. The Company should be required to empirically demonstrate that such measures are ineffective before the ASRP is considered.

Secondly, the Staff's recommended alternatives to the ASRP will have no impact on the Company's leak rates. Duke's system leak rate (in terms of the number of leaks per mile) will be whatever it is at the time it is measured, completely independent of Staff's recommendations. The impact of any programs or steps to improve the safety of Duke's distribution system on the Company's leak rate can only be determined relative to doing nothing and to each other. Staff's non-exhaustive list of recommended alternatives to the ASRP center around increasing leak surveillance activities in order to find service line leaks more quickly and then fixing Grade 2 leaks more quickly once they are known. This process could be implemented almost immediately, whereas the ASRP will be implemented over a ten-year period. Similarly, Staff's recommended alternatives are likely to be much less costly than the ASRP on an annual

basis. In addition, Staff's approach of finding and fixing known leaks faster should reduce the Company's leak rate relative to doing nothing. Staff's recommendations may not virtually eliminate service line leaks caused by corrosion, natural forces, and material/weld deficiencies as Duke suggests that the ASRP will, but they (and any other measures that Duke could identify) should improve overall system safety while being less expensive on an annual basis. In Staff's opinion, Duke should be required to identify alternatives and quantifiably examine the costs and benefits of such alternatives, as well as the ASRP, prior to implementing the ASRP.

12. Q. In Objection 7, Duke states that Staff unreasonably concludes that the ASRP would be too costly in light of marginal safety gains and the existence of less costly options to provide similar or greater safety enhancements. The Company maintains that the Staff's recommendation does not take into account the weighting of various risks, the value of mitigating those risks to persons and property through the ASRP, or the fact that there is no basis on which to treat any particular grade of leak differently because it is on a service line as opposed to a main. The Company further states that Commission adoption of Staff's approach would result in increasing leak rates and increasing risk. How do you respond?

A Duke's or any other natural gas utility's gas distribution system cannot be made one hundred percent safe. The system is comprised of a combustible gas being moved under pressure through a piping system made by man. It is impossible to make the system perfectly safe. As a result, efforts to improve the safety of the Company's distribution system should be evaluated in terms of making the system safer and how much the safety gains cost. If safety improvements can be thought of in terms of increments of safety gained, then the relative value of the improvements can be evaluated in terms of safety gained in exchange for the dollars spent. This type of evaluation, or more accurately the lack of such an evaluation, is Staff's principal concern with Duke's ASRP proposal. The Company's Application did not include any testimony or other supporting evidence demonstrating that it ever examined how much the safety of its distribution system will be improved with implementation of the ASRP or considered any alternatives to the ASRP. The Company does state in the Application that it anticipates that service line leaks as a result of natural forces such as ground movements, material/weld failures, or corrosion will be virtually eliminated. However, it does not provide any evidence regarding how much its overall system safety will be improved by eliminating such leaks. Similarly, Duke provided no evidence that it identified, evaluated, and had empirical reasons for rejecting alternatives to the ASRP that could also

improve system safety or that it considered costs at all. Instead, it appears that the Company simply leapt to the most costly option.

As described in the Staff Report, Staff examined PHMSA's data of reportable incidents (i.e., incidents caused by an unintentional release of gas causing an estimated loss of 3 million or more cubic feet of gas, death or an injury requiring hospitalization, or $50,000 or more in property damage) to determine that the odds of any single service line failing as a result of one of the three leak causes that the ASRP is designed to eliminate and causing a reportable incident anywhere in the country in a given year are more than 1 in 11.9 million. Again, if measures to improve Duke's overall system safety can be thought of as adding measurable increments of safety, then, in Staff's opinion, Duke's proposed ASRP will not move the safety needle very much. Moreover, the marginal safety gain as a result of the ASRP should also be considered in light of its $320 million over ten years price tag. In Staff's opinion, the ASRP's purported benefits do not outweigh its costs.

Regarding the Company's assertions that the Staff's recommendations do not take into account the weighting of various risks, the value of mitigating those risks to persons and property, Staff would submit that the ASRP is Duke's proposal. It is the Company's burden to demonstrate that its Application is just and reasonable. It is up to the Company to identify

various ways to address risks to its system, weigh such risks and determine the value of identified risk mitigation measures. It is the Company's responsibility to evaluate the costs and benefits of risk mitigation approaches. These types of examinations should have been performed prior to proposing the ASRP, but, in Staff's opinion Duke has not adequately done so in this case.

13. Q. In Objection 8, Duke maintains that Staff unreasonably recommends that the Commission should reject its proposed cost recovery for moving inside meters outside unless the Company increases the pressure at which the service lines operate. The Company argues that Staff's recommendation fails to account for the decreased costs that would result from such moves as well as the resultant decreased customer inconvenience. How do you respond?

As noted in the Staff Report, Staff has consistently recommended and the Commission has consistently approved agreements with other Ohio natural gas utilities where costs for moving inside customer meters outside will be recovered in infrastructure replacement riders only if such moves are done in conjunction with service line replacements pursuant to an AMRP mainline replacement project and the pressure on the new main and service line will be increased within two years of the replacement project. This approach recognizes that the inside meters and related piping and

equipment to regulate pressure coming into the structure are already in place and operational and being recovered in customers' base rates. Similarly, expenses related to maintaining the meters and equipment are also already included in the customer rates. In addition, customers are paying a return of and a return on utility capital investments for remote meter reading devices, thus utility meter reading expenses are reduced. Staff sees no reason to increase customer rates in order to replace equipment that is already operational and being recovered in customer rates unless the pressure on the main and associated service line is being increased and modification of the inside meter or installation of a new pressure regulator is required. In Staff's experience with other companies' infrastructure replacement programs, it is generally less costly to move inside meters outside than it is to install a new pressure regulator on the outside of a structure when the pressure on the main and service lines serving the structure are increased. Therefore, Staff has only recommended moving inside meters outside in such circumstances.

On pages seven, eight, and thirteen of his direct testimony filed on October 23, 2015 in this case, Duke witness Hebbeler states that moving inside customer meters outside will enable the Company to avoid some costs associated with the operation and maintenance of inside jurisdictional piping and compliance costs related to mandatory inspections and surveys

of inside piping and meters. However, on page four of her direct testimony, also filed on October 23, 2015, Duke witness Laub states that the Company will not reduce its annual ASRP revenue requirement by the avoided costs. She states that the costs that Mr. Hebbeler refers to are a result of more stringent documentation requirements that were imposed after the test year for its most recent base rate case, therefore there are no avoided costs in rates that should be passed back to customers. This means that Duke will benefit from moving inside meters outside through the reduction of newly imposed expenses that would normally be borne by shareholders in between rate cases. However, customers will see their rates rise in the form of annual increases to Rider ASRP in order to reimburse Duke's capital costs to move the meters. Duke, not customers, appears to be the beneficiary of moving the inside meters outside. In regards to customers benefitting as a result of avoiding the inconvenience of scheduling inside inspections, Staff would note that Duke provided no evidence (such as customer survey responses) indicating that customers would prefer to have their bills increase by as much as $10.00 per month (in the tenth year of the ASRP) in order to avoid such inconvenience.

14. Q. In Objection 9, Duke states that Staff unreasonably recommends that reconnaissance costs should only be recoverable if the effort relates to physically uncovering and results in confirmation that a given service

line falls into a category to be replaced. The Company argues that the Staff's recommendation would reject the costs to review records based on the DIMP rules' requirements that a company should demonstrate knowledge of its system, but fails to recognize that the service lines are not currently owned by the Company. It also maintains that the Staff provides no rationale for refusing to allow recovery of physical reconnaissance costs where the work results in a conclusion that a given line does not need to be replaced. How do you respond?

A Staff recommended in the Staff Report that the Commission reject Duke's proposal to recover costs for reviewing its records to determine the age and composition of an additional 28,000 service lines because such costs are expenses that should not be included in the capital recovery if the ASRP is approved. Similarly, record review expenses related to Duke gaining knowledge of its system should already be included in the Company's rates that were set in Case No. 12-1685-GA-AIR. The test year in that case was calendar year 2012 and the DIMP requirement that distribution utilities must improve knowledge of their systems was imposed in 2011. Duke's activities and related costs to review its records to ascertain the age and composition of the service lines in its system should have been underway during the rate case test year and, therefore, already be included in rates. If they are not, then they should be treated like any other out of test-year

expenses incurred by a utility in between base rate proceedings and not be recovered. In addition, Staff agrees with Duke's arguments in response to OCC's assertions that the DIMP requirements do not apply to customer-owned service lines. In Reply Comments filed on May 8, 2015, Duke states that "The DIMP regulations clearly state that the operator must evaluate the risks associated with its entire distribution pipeline, including services."[3] Staff agrees that the DIMP regulations require operators such as Duke to identify and rank the risks to its entire pipeline system, including service lines whether they are customer-owned or not. Therefore, Staff believes that Duke's efforts and related costs to gain knowledge of its system, including customer-owned service lines, pursuant to the DIMP rules are either already included in customer rates or are between rate case test-year expenses that should be borne by shareholders.

Regarding the Company's assertion that Staff provided no rationale for recommending that costs for physically uncovering unknown service lines in order to determine their age and composition should not be recovered if the unknown line turns out to be plastic or protected steel, Staff made this recommendation in order to be consistent with prior Staff agreements and

[3] *In the Matter of the Annual Application of Duke Energy Ohio, Inc. for Approval of an Alternative Rate Plan Pursuant to Section 4929.05, Revised Code, for an Accelerated Service Line Replacement Program*, Case No. 14-1622-GA-ALT (Duke Reply Comments at 8-9) (May 8, 2015) (*Duke Reply Comments*).

Commission findings in other gas utilities' infrastructure cases. In Case No. 11-2401-GA-ALT (involving Dominion East Ohio Gas, "Dominion") and Case No. 11-5515-GA-ALT (involving Columbia Gas, "Columbia"), the Commission approved agreements between Staff and the companies such that the companies will conduct cathodic tests on coated steel pipe installed after 1955 to determine if the coating is effective or not in isolating the pipe from the environment. In instances where the coating is determined to be ineffective, then the companies can include the testing costs in their respective infrastructure replacement riders. Where the coatings are found to be effective, then the cost of the tests are not recoverable in the riders. Staff viewed Duke's proposal to recover testing costs to determine the age and composition of unknown service lines under the ASRP as analogous. Therefore, Staff recommended that if the unknown line turns out to be plastic or protected steel, then Duke should not recover costs to uncover the line in the ASRP in order to be consistent with how testing to determine the effectiveness of pipe coatings is treated. Staff actually thought that it was being generous with this recommendation. If Staff were to strictly apply the Federal Energy Regulatory Commission's (FERC) Uniform System of Accounts (which has been endorsed by the Commission) guidance for classifying expenses, none of Duke's costs for determining the age and composition of unknown service lines should be eligible for capital recovery under the ASRP. Under the Uniform System

of Accounts for Natural Gas Companies, maintenance expenses include costs for "Inspecting, **testing**, and reporting on condition of plant specifically to **determine the need for** repairs, **replacements**, rearrangements and charges and inspecting and testing the adequacy of repairs which have been made."[4] (Emphasis supplied.) As expenses, tests and related activities to determine if a plant asset should be replaced or not should not be recovered as a capital expenditure under programs such as the ASRP.

15. Q. In its Objection 1, OCC objects to Staff's recommendation that would permit Duke to recover some ASRP costs via the AMRP Rider and through Rider ASRP once Rider AMRP is terminated. OCC maintains that this recommendation is completely contrary to Staff's overall conclusion that Duke's ASRP is not just and reasonable. How do you respond?

A In addition to replacing metallic service lines (leaking or not) as part of mainline replacement projects under its AMRP, Duke also replaces leaking curb to meter customer service lines, installs new service lines, and

[4] 10 CFR Part 201 – *Uniform System of Accounts Prescribed for Natural Gas Companies Subject to the Provisions of the Natural Gas Act, Operating Expense Instructions-Maintenance Items.*

assumes ownership of the newly installed or replaced service lines.[5] The Company's costs for doing so are recovered via Rider AMRP.[6] Staff believes that there is a social good resulting from utilities assuming the responsibility to repair or replace and taking ownership of the customer service lines when they leak. Staff recognizes also that utilities need to be compensated for their costs of installing new and replacing formerly customer-owned service lines. The question then becomes how should a utility be compensated? In Case No. 07-589-GA-AIR, the Commission approved a stipulation that was reached by Duke, Staff, and most, if not all, parties to the case that recommended that Duke would take ownership of new service lines and existing service lines when they are replaced and that the Company's costs for doing so would be recovered in Rider AMRP.[7] The Commission has approved similar approaches for each of the other large gas utilities in the State. All have programs where they replace leaking curb-to-meter service lines, assume ownership of the replaced line, and are reimbursed through the company's infrastructure replacement rider. In the Staff Report in this case, Staff recommended that the Commission continue to permit Duke to install and take ownership of new service lines

[5] *In the Matter of the Application of Duke Energy Ohio, Inc. for an Increase in Rates*, Case No. 07-589-GA-AIR, *et al*. (Stipulation and Recommendation at 14) (February 28, 2008) (*Case No. 07-589 Stipulation).*

[6] *Id*.

[7] *Case No. 07-589 Stipulation*, at 14.

and replace and assume ownership of leaking service lines and that it should recover its costs via Rider AMRP until Rider AMRP is discontinued. It is my understanding that, although Duke's AMRP will be completed in 2015, Rider AMRP and annual rider application filings will continue until the AMRP assets are rolled into base rates at the Company's next base rate proceeding. If Rider AMRP is discontinued at that time, then Staff recommends the Commission approve a new rider for Duke to allow it to recover costs of installing new and replacing existing service lines as they leak. This approach is consistent with Commission-approved past practices for both Duke and the other large gas utilities in the State.

16. Q. In its Objection 2, OCC objects to Staff's recommendation that if the ASRP is approved the costs to physically uncover lines that are confirmed to be pre-1971 unprotected metallic service lines should be capitalized and collected via Rider ASRP even if the line is not leaking. OCC further objects to Staff's recommendation that if the unknown line turns out to be plastic or protected the costs to uncover the line should be collected from customers through a rider. OCC maintains that the Staff's recommendations are not just and reasonable because they fail to limit costs collected under the rider only to costs related to leaking service lines. How do you respond?

A. I'll answer the second part of OCC's objection first. Staff did not recommend that if the ASRP is approved then Duke should be permitted to collect costs for uncovering unknown service lines that turned out to be plastic or protected steel. On page 8 of the Staff Report, Staff specifically recommended that even if the Commission were to approve the ASRP, it should still not permit Duke to recover costs for uncovering unknown service lines if the lines turned out to be plastic or protected steel. As described above in the response to Duke's Objection 9, if the ASRP is approved, Duke's costs for uncovering the unknown service lines are analogous to the costs Columbia and Dominion recover or do not recover for tests to determine if the coating for post-1955 coated mainlines are effective or not and should be treated similarly.

Regarding the first part of OCC's objection to Staff's recommendation that Duke would recover the costs of uncovering unknown service lines that turn out to be unprotected metallic lines even if they are not leaking, Staff's recommendation was contingent on the Commission not accepting the Staff's recommendation to reject Duke's proposed ASRP and, as explained previously, was Staff's attempt to treat Duke's costs for uncovering unknown service lines in a similar manner to the way Columbia and Dominion's costs for testing potentially ineffectively coated mainlines are treated.

17. Q. In Objections 1 through 9, OPAE generally objects that Staff should not have recommended that Duke should be required to investigate and determine the effectiveness of alternatives to the ASRP prior to considering the ASRP or made any recommendations for modifying the ASRP if the Commission were to adopt it. OPAE maintains that the Staff's recommendations are inconsistent with the Staff's overall conclusion that the ASRP is unjust and unreasonable. In addition, OPAE argues that Staff's recommendations unreasonably support single issue rate recovery by recommending any ongoing recovery under Rider AMRP or any replacement rider. How do you respond?

A. I believe that I have adequately explained the Staff's rationale for recommending that Duke be required to identify, implement, and measure the effectiveness of less costly alternatives to the ASRP before the ASRP is considered in my previous responses to Duke's and OCC's objections above. I also believe that my previous responses and the Staff Report adequately explain why the Staff recommended that the Commission make modifications to the ASRP if the Commission rejects Staff's recommendation that the ASRP as proposed is unjust and unreasonable and ultimately approves it.

31. Q. Does this conclude your Prepared Direct Testimony?

A. Yes it does.

PROOF OF SERVICE

I hereby certify that a true copy of the foregoing Prepared Direct Testimony of **Kerry Adkins,** submitted on behalf of the Staff of the Public Utilities Commission of Ohio, was served by regular U.S. mail, postage prepaid, hand-delivered, and/or delivered via electronic mail, upon the following parties of record, this 6th day of November, 2015.

/s/ Thomas G. Lindgren
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Summary: Testimony of Kerry Adkins filed on behalf of the Public Utilities Commission of Ohio. electronically filed by Mrs. Tonnetta Y Scott on behalf of PUCO