

FILE

16-253 -LA-BTX

Mr. Butler,

We have written to you
a while back, and you responded.
Thank you.

Thought you might be interested
to read the enclosed article
copied from the Cincinnati
Enquirer.

Also, after watching a show
on "Nova" no one would want
this pipeline!

Thank you again.

Marcia & Jim Smith

No way Duke has in place a
protection of all PLC on their
pipeline that would limit over
pressurization which would result
in explosion of the pipeline.

New one much higher pressure
than existing ones.

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Duke's motive for pipeline questionable



**HAYNES
GODDARD**

Haynes Goddard is a retired professor of economics from the University of Cincinnati.

The gas pipeline proposed by Duke Energy to go under several highly populated Cincinnati area communities is similar to the one that exploded in San Bruno, Calif., in 2010, incinerating homes and eight people. It's a 30-inch high-pressure and -volume natural gas transmission line—a methane superhighway that would run near residences, several schools, hospitals and emergency services.

Duke claims this project is needed in part to meet expected growth in natural gas demand in the region, but that rationale is contradicted by its own forecast, which projects no growth at all. A few simple observations and deductions can help us understand this contradiction. As an economist, I start by noting that incentives matter, and that Duke's financial gain would seem to be the likely true motivation here. First, with the greatly increased

drilling in the shale deposits in Ohio and Pennsylvania there is now an excess supply of natural gas in that region. Because of insufficient pipeline capacity to move it to market and to export, this increased supply has depressed regional natural gas wholesale prices and is keeping drilled wells offline. There is money to be made by getting it to markets if pipeline capacity is increased. Several pipeline companies are trying to get approval from the Federal Energy Regulatory Commission (FERC) to build new interstate transmission pipelines that are being strongly opposed by communities they want to cross.

Why is Duke apparently misleading the public about its intentions? The FERC process applies to interstate natural gas pipelines and is complex, so there is money and time to be saved by getting approval now as an intrastate line instead from the Ohio Power Siting Board (OPSB), whose approval process is expected to be simpler and cheaper. Duke is representing this pipeline as an intrastate project only, and approval is virtually guaranteed. "Regulatory capture" happens when a regulatory agency, formed to act in the public's interest, eventually acts in ways that benefit the industry it is supposed to be regulating, rather than the public," ac-

cording to Investopedia.

The messy detail in Duke's plan is that, according to Duke's calculations, the volume from this proposed line can serve at least the equivalent of the current gas delivery to our area and possibly up to four times that amount. This transmission line will enable Duke to eventually ship gas to the Gulf region for export. In today's climate of deregulation, making a profit in the utility industry is complicated, so the shorter the transmission line the lower the cost. Keeping construction costs low, while downplaying the risk to the community, can be profitable to Duke.

Economists identify two parts to the costs of any project: 1) private or internal costs to the firm, and 2) external costs falling on others who are not party to a market exchange. Reducing costs of course raises profits, so cost-minimizing firms will seek to avoid payments for any input for which ownership is not established and which therefore cannot be traded in markets, such as public safety and environmental protection. These are frequently ignored by business—think exploding Takata airbags in vehicles and Volkswagen's cheating on diesel emissions. Loss of life and property, as in the San Bruno case, also constitute such an external cost. We have regulation to prevent such

losses, and when it works, regulation improves the operation of the economy and our collective welfare.

Duke, of course, provides a very valuable service to the community through its electric and natural gas distribution systems. If this natural gas pipeline is indeed necessary, the danger that Duke's proposed routing presents to the densely populated communities can be minimized by safely routing it around them. The OPSB should approve only those projects that minimize the total cost of the project, the private cost to Duke plus the external costs of health and safety risks and reduced property values within the potential "blast zone" (2,000 feet on either side of the line). Ohio's natural gas ratepayers should not bear any of the costs of its interstate methane superhighway. Duke's behavior in this issue is causing considerable ill will. It makes more economic sense for the community for Duke to withdraw its plans for high-risk interstate gas routes and take account of the full cost of gas transmission. But Duke seems to be focused only on its private financial gain. If this is not a correct conclusion, then Duke should enlighten us by releasing its detailed rationale and plan and engage in a transparent conversation of the justification of its plan.

LETTERS TO THE EDITOR

Does natural cause

crat, and proudly support Hillary Clinton. And yet, I want to thank Jack