**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 Pursuant to Section 4929.05, Revised Code, for an Accelerated Service Line Replacement Program. | )  )  )  )  ) | Case No. 14-1622-GA-ALT |

**REPLY COMMENTS**

**BY**

**THE OFFICE OF THE OHIO CONSUMERS’ COUNSEL**

# I. INTRODUCTION

On January 20, 2015, Duke Energy Ohio (“Duke” or “the Utility”) filed an Application seeking approval from the Public Utilities Commission of Ohio (“PUCO”) to charge its residential customers approximately $320 million to repair and/or replace natural gas service lines that currently pose no documented threat to the public.[[1]](#footnote-1)

Parties were required to file Motions to Intervene and Initial Comments by April 24, 2015, and Reply Comments by May 8, 2015. Initial Comments were timely filed by the Ohio Partners for Affordable Energy (“OPAE”) and the Office of the Ohio Consumers’ Counsel (“OCC”).

The OCC appreciates the opportunity to file these Reply Comments on behalf of the 382,000 residential customers of Duke. These comments support the Initial Comments filed by OPAE and further demonstrate that Duke’s request for an Accelerated Service Replacement Program (“ASRP”) should be denied.

# II. REPLY COMMENTS TO OHIO PARTNERS FOR AFFORDABLE ENERGY

In its Reply Comments the OCC supports the Initial Comments of OPAE. As OPAE states in its Initial Comments, an Alternative Rate Plan may only be authorized by the PUCO if (1) the application is in substantial compliance with the policies of the State of Ohio specified in R.C. 4929.02 and (2) the alternative rate plan is just and reasonable. The filing requirements for alternative rate plans are set forth in O.A.C. 4901:1-19-06. Yet, Duke filed for and the PUCO granted a waiver of the requirement to (1) include supporting testimony with its application;[[2]](#footnote-2) (2) submit a list of witnesses sponsoring any exhibits to the application;[[3]](#footnote-3) and (3) provide the OCC and all parties to Duke’s last natural gas base rate case a copy of the application.[[4]](#footnote-4)

OCC agrees with OPAE that, as a result of these waivers, Duke leaves the PUCO no basis on which to determine if the plan substantially complies with R.C. 4929.02 or if the plan is just and reasonable. In other words, Duke believes its Application alone is enough. OCC agrees with OPAE that Duke has not provided the necessary information for the PUCO to make such a determination.

First, OCC agrees that Duke has not justified the costs associated with its plan nor explained why extraordinary and accelerated cost recovery through an alternative rate plan and another rider is necessary. Instead Duke could have sought to collect these costs as part of a distribution base rate case. Duke did not provide documentation showing why its plan will cost its customers $320 million. In fact, Duke admits in its Application that its data is not comprehensive. It explains that it plans to investigate another 28,000 service lines in order to determine whether they should also be replaced.[[5]](#footnote-5) Thus, by Duke’s own admission, its plan could cost customers even more than the $320 million initially quoted. In other words, Duke seeks to collect $320 million for a program that is not fully developed. And Duke proposes its plan go forward without the benefit of testimony, exhibits or a hearing. This is unreasonable.

Duke’s proposal violates R.C. 4929.02 because it does not promote reasonably priced natural gas service to consumers. As OCC stated in its Initial Comments, a $320 million program paid for by Duke’s 382,000 residential consumers will cost almost $838 per customer.[[6]](#footnote-6) A rate increase of this magnitude is unreasonable.

OCC further agrees with OPAE that Duke’s Application, on its face, is not just and reasonable because inter alia, Duke has not shown that its Application will solve an actual problem with its system. As OPAE states, Duke has provided no information on the safety problems it seeks to remedy. In its Application, Duke speaks about the alleged safety problems only in vague and general terms.

In fact, as OCC stated in its Initial Comments, studies and data show that service lines, in general, do not pose a threat to the public as a result of corrosion. In the United States only 29 “incidents” have occurred between 2005 and 2014 as a result of corrosion.[[7]](#footnote-7) And, in Ohio, only 4 “incidents” have occurred during the same time period

as a result of corrosion, with none of those incidents occurring on Duke’s system.[[8]](#footnote-8) Yet, Duke wishes to charge customers $320 million in order to replace its natural gas service lines. And, it wants to speed up how quickly it can collect these charges from customers.

While the PUCO must be mindful of public safety issues, Duke has not shown that $320 million needs to be spent to protect the public. It appears that Duke’s proposal is a solution in search of a problem. And because Duke has not provided evidence otherwise, it is not possible for the PUCO to determine that Duke’s proposal is just and reasonable.

# III. CONCLUSION

OCC along with OPAE, urges the PUCO to order an evidentiary hearing before ruling on Duke’s application. Only then will it be able to determine if Duke’s Application complies with state policies under R.C. 4929.02 and is just and reasonable under R.C. 4929.05 and 4909.18 and O.A.C. 4901:1-16-06.

Respectfully submitted,

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**CERTIFICATE OF SERVICE**

I hereby certify that a copy of these Reply Comments was served on the persons stated below *via* electronic transmission, this 8th day of May 2015.

*/s/ Kevin F. Moore*

Kevin F. Moore

Assistant Consumers’ Counsel

**SERVICE LIST**

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1. Duke ASRP Application at 9. [↑](#footnote-ref-1)
2. O.A.C. 4901:1-19-06(B)(1). [↑](#footnote-ref-2)
3. O.A.C. 4901:1-19-06(C)(6). [↑](#footnote-ref-3)
4. O.A.C. 4901:1-19-06(B)(2). [↑](#footnote-ref-4)
5. Duke ASRP Application at 7. [↑](#footnote-ref-5)
6. OCC Initial Comments at 6. [↑](#footnote-ref-6)
7. U.S. Department of Transportation Pipeline and Hazardous Materials Safety Administration, Gas Distribution Integrity Management Program: Resources, Gas Distribution Leaks by Cause and Type (April 20, 2015) https://hip.phmsa.dot.gov/analyticsSOAP/saw.dll?PortalPages. [↑](#footnote-ref-7)
8. U.S. Department of Transportation Pipeline and Hazardous Materials Safety Administration, Gas Distribution Integrity Management Program: Resources (April 11, 2015), https://hip.phmsa.dot.gov/analyticsSOAP/saw.dll?PortalPages&NQUser=PDM\_WEB\_USER&NQPassword=Public\_Web\_User1&PortalPath=/shared/PDM%20Public%20Website/\_portal/GD%20IM%20Perf. [↑](#footnote-ref-8)