

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

OBJECTIONS
OF
DUKE ENERGY OHIO, INC.,
TO
STAFF REPORT OF INVESTIGATION

On January 20, 2015, Duke Energy Ohio, Inc., (Company or Duke Energy Ohio) filed an application to implement an Accelerated Service Line Replacement Program (ASRP). In accordance with Ohio Administrative Code (O.A.C.) 4901:1-19-07(F) and the procedural schedule in this proceeding, established by Attorney Examiner Entry issued March 18, 2015, the Company hereby submits its objections to the report (Staff Report) filed by Staff (Staff) of the Public Utilities Commission of Ohio (Commission) on June 5, 2015.

In addition to its objections concerning Staff's conclusions and recommendations, the Company also notes, and objects to, certain factual statements in the Staff Report that are in error. The following paragraphs first address those objections and then identify the Company's objections to the topic areas covered by Staff's Conclusions and Recommendations.

1. Background

The Staff Report's discussion of the background for the Company's proposed ASRP unreasonably and unlawfully represented that the Company has, under the Accelerated Main

Replacement Program (AMRP), replaced leaking service lines as leaks were discovered. That description of the service line replacements under the existing AMRP implies that service lines have not been replaced under the AMRP unless they were actually leaking. But such an implication is wrong. Since its inception, the AMRP has allowed for the replacement of cast iron and bare steel service lines that are associated with the mains being replaced, whether or not those service lines are then leaking. Indeed, in the most recent proceeding to adjust the AMRP, testimony on behalf of the Company reflected that it had, by that time, replaced approximately 110,928 main-to-curb service lines.¹

2. Description of Proposed ASRP

The Staff Report's description of the proposed ASRP unreasonably and unlawfully asserts that the Company is proposing to move all inside meters to outside locations. Rather, the Application clearly states that the proposal includes moving, where permissible and possible, those inside meters that are associated with a service line that is being replaced as part of the program.

3. State Policy and ASRP

The Staff Report unreasonably and unlawfully asserts that the Application alleges that state policy mandates upgrades to natural gas distribution systems. The Application merely addressed the requirement in R.C. 4929.05 that the applicant must be currently "in substantial compliance with the policy of this state" and must be expected to continue to be "in substantial compliance with the policy of this state."

¹ *In the Matter of the Annual Application of Duke Energy Ohio, Inc., for an Adjustment to Rider AMRP Rates*, Case No. 14-2051-GA-RDR, *et al.*, Direct Testimony of Gary J. Hebbeler, pg. 5 (February 24, 2015).

4. PHMSA'S DIMP Regulations and ASRP

The Staff Report unreasonably and unlawfully states that Duke Energy Ohio interprets the Distribution Integrity Management Plan (DIMP) rules to require replacement of non-leaking service lines on an accelerated basis. Contrary to the Staff Report's assertion on this point, the Application clearly described the fact that DIMP rules require the Company to take prudent measures to address system risks. To allow the leak rate to increase – as it would do without implementation of the ASRP – would not be a prudent course of action.

5. Duke's DIMP Risk Rankings and ASRP

The Staff Report unreasonably and unlawfully recommends that the Commission require Duke Energy Ohio to investigate means to reduce the risks associated with excavation damage, and to measure the effectiveness of such steps, prior to considering the ASRP. The DIMP rules are not prescriptive; they do not require the highest ranked risk to be addressed first, to the exclusion of other risks. In addition, Staff's discussion failed to account for efforts the Company has already made to reduce excavation damage risks.

6. Alternatives to the ASRP

The Staff Report unreasonably and unlawfully suggests that the Commission should require consideration of alternatives, such as replacement of only those service lines that are actually leaking, together with increased surveillance and repairing Grade 2 leaks more quickly. On the basis of the Company's experience with the AMRP, the Company believes that Staff's alternatives would result in increasing leak rates.

7. ASRP Safety Enhancement

The Staff Report unreasonably and unlawfully 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. 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 Commission's adoption of Staff's approach would result in increasing leak rates and increasing risk.

8. Moving Inside Meters Outside

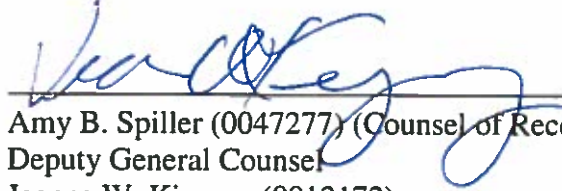
The Staff Report unreasonably and unlawfully recommends that the Commission reject cost recovery for moving meters unless the Company increases the pressure at which the service lines operate. In making this recommendation, Staff fails to account for the decreased costs that would result from such moves, as well as the resultant decreased customer inconvenience.

9. Capital vs. O&M Costs

The Staff Report unreasonably and unlawfully recommends that reconnaissance costs only be recoverable if the effort relates to physically uncovering lines and results in confirmation that a given service line falls into a category to be replaced. Staff would reject the costs to review records, based on the DIMP rules' requirement that a company should demonstrate knowledge of its system, but fails to recognize that the service lines are not currently owned by the Company. Furthermore, 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.

Respectfully submitted,

DUKE ENERGY OHIO, INC.



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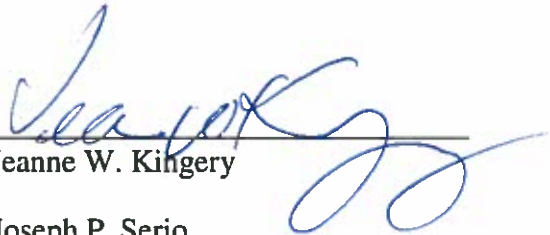
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CERTIFICATE OF SERVICE

I hereby certify that a true and accurate copy of the foregoing was delivered via U.S. mail (postage prepaid), personal, or electronic mail delivery, on this the 6th day of July, 2015, to the parties listed below.



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Summary: Objection Objections of Duke Energy Ohio, Inc., to Staff Report of Investigation electronically filed by Dianne Kuhnell on behalf of Duke Energy Ohio, Inc. and Spiller, Amy B. and Kingery, Jeanne W.