



## Office of the Ohio Consumers' Counsel

Your Residential Utility Consumer Advocate

# CONSUMERS' FACT SHEET

Utility questions, concerns or complaints?

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# WHAT YOU NEED TO KNOW ABOUT DUKE ENERGY'S RESOURCE PLAN



## Consumers can speak out about Duke Energy's costly resource plan

The Office of the Ohio Consumers' Counsel, the residential utility consumer advocate, has concerns about Duke Energy's Long-Term Forecast Report. Duke Energy Ohio, the electric utility serving more than 600,000 residential customers in southwest Ohio, filed the report on June 15, 2010 at the Public Utilities Commission of Ohio (PUCO). The PUCO is evaluating whether sufficient energy resources are available for the electric utility to meet the current and future energy demands of its customers.

In its forecast report, Duke Energy favors four plans that all involve constructing a multi-billion dollar nuclear plant. Published reports state that Duke Energy would build the plant near Piketon, Ohio. According to the *Cincinnati Enquirer*, such a plant "would take more than a decade and more than \$10 billion to build."<sup>1</sup>

The OCC and several other organizations have asked for local public hearings in the Cincinnati area regarding the Long-Term Forecast Report. Duke Energy opposes the hearings.

## The law

Investor-owned electric utilities – including Duke Energy – are required under Ohio law to file a forecast report that includes a resource plan. Recent changes to Ohio law require compliance with new requirements for energy efficiency and the production of electricity using renewable sources. Among other things, the new law requires a utility to reduce its total sales 22 percent and to produce 25 percent of its load using alternative energy by 2025. Alternative energy sources can include renewable energy, clean coal, nuclear, fuel cells and energy efficiency. The sources can but are not required to include nuclear power. Half of these alternative generating sources must be renewable energy, such as solar and wind. The energy efficiency and renewable

<sup>1</sup> Boyer, Mike. "Rogers thinks energy/climate bill possible." *Cincinnati Enquirer*, 12 May 2010, Print

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standards contain annual benchmarks to ensure utilities make consistent progress toward meeting the 2025 requirements.

Ohio law specifically requires the PUCO to “[e]stimate statewide and regional needs for energy for the forthcoming five- and ten-year periods which, in the opinion of the commission, will reasonably balance requirements of state and regional development, protection of public health and safety, preservation of environmental quality, maintenance of a sound economy, and conservation of energy and material resources. Other factors and trends which will significantly affect energy consumption such as the effects of conservation measures shall also be included . . . ”

### Duke Energy's plan

Duke Energy's forecast report states that “specific detailed plans for a long-range nuclear option ... will be highly dependent upon future national and state energy policy, including carbon legislation, and continued progress in advanced nuclear design, as well as construction costs. Additionally, commitments to capital intensive projects, such as new nuclear resources, will be highly dependent upon legislative and regulatory actions supporting cost recovery.”

By law, the PUCO must determine if Duke Energy's forecast report is adequate, including whether the utility's resource plan is well supported to meet the energy demands of its customers.

### Rate increases

Ohio's electric law allows an electric utility to file for the collection of its costs associated with a new electric generating facility that is dedicated to serving Ohio customers. All customers, including customers whose generation service comes from a different service provider, could be asked to pay a special surcharge for Duke Energy's costs. Approval for such a surcharge could be a decision of the PUCO after receiving the utility's request as part of a rate plan. To obtain

approval, a utility must demonstrate the need for such a facility in its resource plan. In the resource plan contained in its forecast report, the utility must also demonstrate the cost-effectiveness of the plan and that it evaluated alternative plans, and considered risks, reliabilities and uncertainties. The construction of the plant must be competitively bid before a special surcharge can be approved by the PUCO.

### Consumer concerns

The expensive nuclear plant Duke Energy favors may not be the least cost resource option for Ohio consumers. The nuclear plant raises many concerns that members of the public may want to comment upon to aid the PUCO's evaluation of Duke Energy's forecast report.

Construction of the expensive plant would impact consumers as well as the state and region's economic development. Who would bear the burden of paying for any lengthy construction delays and cost overruns, which are typical in nuclear energy projects? How reliable are new nuclear designs and what are the major uncertainties contained in Duke Energy's nuclear analysis? What are the future cost risks to Ohio consumers and businesses if the price of power in the market is far below the generation costs of Duke Energy's nuclear plant? Would costs be recovered from customers even before the plant goes into service?

Concerns arise related to the conservation of energy resources: How does the construction of an expensive nuclear plant to meet the needs of customers compare with possibly cheaper alternatives such as increasing energy efficiency efforts?

Consumers should be concerned that in its filing Duke Energy underestimated the economic potential of energy efficiency in its service territory. More aggressive energy efficiency could save more power and lessen the need for a new power plant.

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The Office of the Ohio Consumers' Counsel (OCC), the residential utility consumer advocate, represents the interests of 4.5 million households in proceedings before state and federal regulators and in the courts.

The state agency also educates consumers about electric, natural gas, telephone and water issues and resolves complaints from individuals.

To receive utility information, brochures, schedule a presentation or file a utility complaint, residential consumers may call 1-877-PICKOCC (1-877-742-5622) toll free in Ohio or visit the OCC website at [www.pickocc.org](http://www.pickocc.org).



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Duke Energy representatives have stated the utility plans to seek special surcharges associated with the cost for all new generation plant additions. Duke Energy is expected to request surcharges that would be paid by all customers. In light of the ability of Duke Energy's customers to shop for alternative electricity providers, such charges would be anti-competitive and would stifle growing customer choice and community aggregation opportunities in its service territory. Customers who shop for their electricity needs could be forced to pay for generation resources from Duke Energy that they have not chosen.

Shopping customers could be forced to pay twice for complying with the state's alternative energy requirements because competitive providers are also responsible for alternative energy compliance. This means customers of competitive providers potentially would have to pay their competitive supplier for its compliance with alternative energy requirements and would have to pay Duke Energy for its compliance even when the customer does not take service from Duke Energy.

**Your chance to speak out**

Consumers should express their opinions to the PUCO as it considers Duke Energy's Long-Term Forecast Report. A public hearing is scheduled for 10 a.m. on Sept. 13, 2010 at the PUCO, 180 E. Broad Street, 11th Floor, Hearing Room 11-C in Columbus.

**Letters also can be written to the PUCO at the following address:**

**Public Utilities Commission of Ohio  
– Docketing Division  
RE: Case No. 10-503-EL-FOR  
180 E. Broad Street, 11th Floor  
Columbus, Ohio 43215-3793**

*Be sure to include your name and the case number on the letter.*

