

FILE

BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

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| In the Matter of the Application of Duke Energy Ohio, Inc. for an Increase in Electric Rates |) | Case No. 08-709-EL-AIR |
| In the Matter of the Application of Duke Energy Ohio, Inc. for Tariff Approval |) | Case No. 08-710-EL-ATA |
| In the Matter of the Application of Duke Energy Ohio, Inc. for Approval to Change Accounting Methods |) | Case No. 08-711-EL-AAM |

PREPARED TESTIMONY

OF

PETER K. BAKER
RELIABILITY AND SERVICE ANALYSIS DIVISION
SERVICE MONITORING AND ENFORCEMENT DEPARTMENT

STAFF EXHIBIT__

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

2 A. My name is Peter Baker. My address is 180 E. Broad Street, Columbus,
3 Ohio 43215-3793.

4

5 2. Q. By whom are you employed?

6 A. I am employed by the Public Utilities Commission of Ohio.

7

8 3. Q. What is your present position with the Public Utilities Commission of
9 Ohio and what are your duties?

10 A. I am a section chief in the Reliability and Service Analysis Division of
11 the Service Monitoring and Enforcement Department. My section
12 analyzes reliability and service quality performance, and enforces
13 reliability, service quality, and consumer protection rules for electric,
14 gas, and water utilities. This includes analyzing and assessing the
15 electric reliability and maintenance performance of electric distribution
16 utilities. My section also reviews the general terms and conditions in
17 the tariffs of electric, gas, and water utilities to ensure compliance with
18 consumer protection rules.

19

20 4. Q. Would you briefly state your educational background and work history?

21 A. I have bachelor's degrees in Psychology (1967) and Philosophy (1971)
22 from the University of Oklahoma, and a 1987 bachelor's degree in

23 Business Administration (with major in Accounting) from Franklin
24 University. From 1972 to 1986, I was employed by Dowell Division of
25 Dow Chemical Company (an oil field service operation later called
26 Dowell Schlumberger) where I functioned as clerk/dispatcher and
27 administrative assistant. In 1987, I joined the PUCO, where I worked as
28 an analyst and coordinator in the Performance Analysis Division of the
29 Utilities Department. In December of 1994, I was promoted to
30 Administrator in the Consumer Services Department (now called the
31 Service Monitoring and Enforcement Department), and assigned to the
32 Compliance Division (now the Facilities and Operations Field
33 Division). In that organization, I enforced electric, gas, and telephone
34 service quality, customer service, and consumer protection rules. In
35 1997, I was transferred to the Service Quality and Analysis Division
36 (now called the Reliability and Service Analysis Division), and in 2000,
37 I was promoted to my current position and duties.

38
39 5. Q. What is the subject matter of your testimony in this case?

40 A. My testimony concerns the electric service reliability of Duke Energy
41 Ohio, Inc. (Duke). In my testimony, I address the reliability-related
42 objections made by the Greater Cincinnati Health Council (GCHC) and
43 the Office of the Ohio Consumers' Counsel (OCC).

45 6. Q. What was the scope of Staff's reliability assessment?

46 A. Staff's review addressed the reliability of Duke's distribution system. It
47 did not focus on the reliability of individual circuits, nor did it assess the
48 reliability of Duke's transmission system.

49

50 7. Q. What criteria did Staff use in making its distribution reliability
51 assessment?

52 A. Staff included three criteria: (1) whether Duke met its system reliability
53 targets; (2) whether Duke reversed the five-year adverse trend for its
54 system-average interruption frequency index (SAIFI); and (3) whether
55 Duke met the reliability benchmarks that were set in its merger
56 stipulation.¹

57

58 8. Q. What were the findings and conclusion of Staff's reliability assessment?

59 A. Staff found that Duke met its reliability targets, reversed its adverse
60 SAIFI trend, and met the reliability benchmarks in its merger
61 stipulation. Staff therefore concluded that Duke's distribution reliability
62 is satisfactory.

63

¹ See article II, Paragraph 2-6 of the Stipulation filed on December 15, 2005 in Case No. 05-732-EL-MER.

64 9. Q. What were GCHC's objections concerning Staff's reliability
65 assessment?

66 A. GCHC raised a number of issues, one of which concerns the fact that
67 Staff did not recommend a downward adjustment in Duke's authorized
68 rate of return.

69

70 10. Q. Why did Staff recommend no such downward adjustment?

71 A. Since Staff is satisfied with Duke's reliability, we see no reason to
72 recommend a downward adjustment to its rate of return. Staff also
73 notes that Duke has committed to make its current reliability targets
74 more stringent in future years to reflect projected reliability
75 improvements related to its implementation of distribution automation
76 technology. Staff believes this is further evidence that it would be
77 inappropriate to recommend a lower rate of return for reliability.

78

79 11. Q. What else did GCHC object to?

80 A. GCHC claimed that the Staff's reliability measures are inadequate
81 because they omit outages of less than four hours' duration.

82

83 12. Q. Is GCHC's claim accurate?

84 A. No, it is not. The reliability measures used in the Staff Report include
85 all interruptions of five minutes or longer.²

86

87 13. Q. Did GCHC have any other reliability objections?

88 A. Yes, GCHC objects that Staff did not address two adverse trends (for
89 SAIFI and CAIDI³), nor did it address two reliability measures (SAIDI⁴
90 and ASAI⁵).

91

92 14. Q. How do you respond to these objections?

93 A. The Staff Report did note the five-year adverse SAIFI trend and the fact
94 that Duke reversed that trend in years 2006 and 2007. The adverse
95 CAIDI trend lasted only two years, and represents an ending
96 performance level that is still 24 percent better than Duke's CAIDI
97 target. Staff therefore considers it insignificant.

98

99 15. Q. Why didn't the Staff Report discuss Duke's SAIDI and ASAI
100 performance?

101 A. SAIDI is the product of SAIFI and CAIDI, and therefore represents a
102 blend of interruption frequency and duration. These two reliability

² The measures exclude performance during major storms.

³ CAIDI is the customer-average interruption duration index.

⁴ SAIDI is the system-average interruption duration index.

⁵ ASAI is the average system availability index.

factors are measured separately by SAIFI and CAIDI, which Staff considers the best measures of interruption frequency and duration respectively. ASAI measures overall system availability and is nearly always reported as being over 99 percent. Staff therefore does not consider ASAI a very descriptive indicator of reliability performance.

16. Q. Did Duke also meet its targets for SAIDI and ASAI?

A. Yes, Duke has never missed any of its targets for any of the four reliability measures (SAIFI, CAIDI, SAIDI, and ASAI) since annual reporting was first required (by Rule 4901:1-10-10 of the Ohio Administrative Code) for year 2000.

17. Q. What were OCC's reliability objections?

A. OCC's first objection was that Staff did not propose distributed generation as a means to address reliability.

18. Q. How do you respond to this objection?

A. Although Staff is certainly not opposed to distributed generation, we believe such a topic falls outside the scope of a distribution reliability assessment. Although distributed generation does improve reliability (in terms of reducing the number or duration of sustained interruptions)

on the transmission system, it does not have such impact within the distribution system.

19. Q. OCC also objects that Staff did not recommend that Duke remove any barriers to distributed generation with respect to interconnection, net metering, or standby rates. How do you respond to this objection?

A. Staff considers it more appropriate to address these issues within the context of other cases which are currently open. Interconnection and net metering rules were analyzed in Case No. 05-1500-EL-COI. This case addressed the types of barriers OCC refers to and resulted in revisions to the interconnection and net metering rules. Further net metering revisions were mandated by SB 221. These revisions are being addressed in Case No. 06-653-EL-ORD. I believe OCC should voice such concerns in these dockets.

20. Q. Finally, OCC recommends that Duke should provide, upon request, customer-friendly information on matters such as interconnection and net metering. How do you respond to this recommendation?

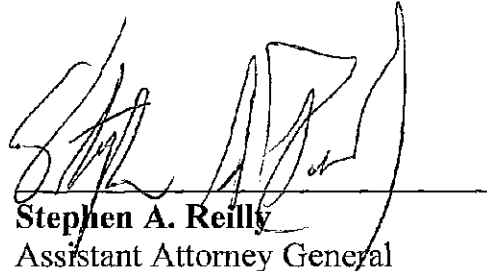
A. I have no problem with such a recommendation, but I consider this topic to be outside the scope of a reliability assessment.

21. Q. Does this conclude your testimony?

146 A. Yes, it does.

CERTIFICATE OF SERVICE

I certify that a copy of the foregoing Testimony of PETER K. BAKER was served via electronic mail and/or regular U.S. mail, postage prepaid upon the following parties of record this 30th day of March, 2009.



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