

**BEFORE THE
PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of)
Duke Energy Ohio, Inc., to Adjust)
Rider DR-IM and Rider AU for 2013) Case No. 14-1051-GE-RDR
Grid Modernization Costs.)

MEMORANDUM CONTRA APPLICATION FOR REHEARING

I. Introduction

Duke Energy Ohio, Inc., (Duke Energy Ohio) submitted an application in this proceeding to recover all prudent costs incurred in deploying grid modernization across its service territory during the year 2013. Included within these costs were costs incurred for the installation of equipment that allows a distribution circuit to “self-heal” by rerouting the electric flow through alternate circuits to serve customers who would otherwise be without power during an outage. As a result of the installation of such circuits in Duke Energy Ohio’s service territory, the Company has significantly improved service to its customers and relieved many customers from experiencing an outage that might have otherwise occurred. The Company has improved its System Average Interruption Frequency Index (SAIFI) measure steadily each year, as promised since the inception of deployment.¹

Despite these established successes, and despite the fact that they present no evidence supporting or substantiating their arguments, the Office of the Ohio Consumers’ Counsel (OCC) argued at hearing and now in its argument for rehearing that the Company’s stellar record is insufficient. OCC misunderstands the history of the Company’s deployment successes and the

¹ Testimony of Donald L. Schneider, Jr. at p.6.

nature of the equipment. OCC fails to persuade and the Commission should therefore reject the arguments made by the OCC again.

II. The Company has been diligent and successful in deployment of self-healing teams.

As supported by the direct testimony of Duke Energy Ohio witness Donald L. Schneider, Jr, at hearing, the Company has experienced increased reliability as measured by SAIFI, and the Company has been tracking the success of the installed self-healing teams in saving nearly 36,000 customers from sustaining outages, totaling over 4.6 million customer outage minutes saved.² Despite these clear and demonstrable successes, OCC argues that the cost related to self-healing teams that failed to work should not be recovered. This demonstrates OCC's lack of understanding with respect to the deployment process and what is required in order to achieve such the success that the Company has demonstrated. Moreover, the fact that a piece of equipment fails to operate does not, standing alone, support the concept that it is not "used and useful." Like any equipment installed and in use by the Company, this equipment is subject to failure from time to time. When this happens, the Company learns and improves upon its performance as it has done with respect to the self-healing teams.

OCC cites a case in support of the proposition that a utility investment must be "used and useful" prior to being included in rate base.³ The case cited by OCC is of no avail here. The case cited by OCC was in the context of an appeal by OCC of a base rate case to the Ohio Supreme Court. The rate case included a decision related to rate-basing of a nuclear generating station, (Davis Besse). As we are not concerned in this proceeding with base rates or a nuclear power plant, the case is not helpful. Further, the OCC agreed to the Company's recovery of self-healing team deployments in past year settlements, indicating that they believed the equipment to

² Id. at 7.

³ *Office of the Ohio Consumers' Counsel v. Pub. Util. Commission*, 58 Ohio St.2d 449, 391 N.E.2d 311 (1979).

be used and useful at that time. If one of those self-healing teams installed prior to 2013 failed during 2013, the costs associated with installing that self-healing team would not have occurred in 2013, making the OCC's point moot. Would the OCC argue that the Company should re-recover the costs to install a self-healing team that failed to operate if it later successfully operates? The logic behind tying cost recovery to whether or not the self-healing teams successfully operate is flawed and without precedent or evidentiary support.

The OCC also argues for future recovery of smart grid costs to be tied to a 90 percent success rate for self-healing teams. The only evidence provided to support that benchmark is that another utility achieved a success rate over 90 percent in one year. The OCC has not presented any evidence indicating that they know what success rate is expected in the industry or even whether there is standardization of measuring successful or failed operations across the industry.

In the Opinion and Order, the Commission accurately summarized the views of the respective intervenors and reasonably explains that the self-healing teams included in costs for 2013 appear to be improving. The Commission declined to make a decision with respect to cost-effectiveness, correctly recognizing that there is no basis upon which to tie the success rate of the self-healing teams to cost recovery in this case.⁴

This is a reasonable approach, well supported by the record, and specifically recognizing that the technology is "still being developed."⁵ Indeed, the Company has committed in a previous stipulation to providing progress reports on exactly this matter, so that the continued improvements and successes will be demonstrated over time. The Commission's decision related to the operation of self-healing equipment that is part of the overall grid modernization

⁴ Opinion and Order at p.8.

⁵ Id.

deployment is adequately supported by the record, and well within the Commission's discretion. OCC's application for rehearing is misinformed and unsupportable. OCC fails to persuade and the Commission should therefore reject the arguments made by the OCC again.

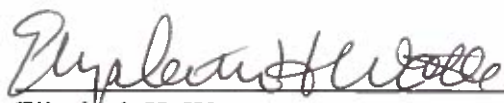
Respectfully submitted,



Amy B. Spiller
Deputy General Counsel
Elizabeth H. Watts
Associate General Counsel
Duke Energy Business Services LLC
139 E. Fourth Street, 1303 Main
Cincinnati, Ohio 45202
(513) 287-4359 (Telephone)
Amy.Spiller@duke-energy.com
Elizabeth.Watts@duke-energy.com
Counsel for Duke Energy Ohio, Inc.

CERTIFICATE OF SERVICE

I hereby certify that a true and accurate copy of the foregoing was delivered by U.S. mail (postage prepaid), personal delivery, or electronic mail, on this 18th day of May, 2015, to the following parties.


Elizabeth H. Watts

Katie Johnson
Assistant Attorney General
Office of Attorney General
Mike DeWine
180 East Broad Street
7th Floor
Columbus, Ohio 43215
Katie.Johnson@puc.state.oh.us

Jennifer L. Spinosi
Joseph M. Clark
21 E. State Street
Suite 1950
Columbus, Ohio 43215
Jennifer.Spinosi@directenergy.com
Joe.Clark@directenergy.com

Joseph Olikier
IGS Energy
6100 Emerald Parkway
Dublin, Ohio 43016
joliker@igsenergy.com

Terry L. Etter
Office of the Ohio Consumers' Counsel
10 West Broad Street, Suite 1800
Columbus, Ohio 43215
Etter@occ.state.oh.us

Kim W. Bojko
Carpenter Lipps & Leland LLP
280 North High Street, Suite 1300
Columbus, Ohio 43215
Bojko@carpenterlipps.com

M. Howard Petricoff
Gretchen L. Petrucci
Vorys, Sater, Seymour & Pease
52 East Gay Street
Columbus, Ohio 43215
MHPetricoff@vorys.com
GLPetrucci@vorys.com

Colleen Mooney
Ohio Partners for Affordable Energy
231 West Lima Street
Findlay, Ohio 45839
cmooney@ohiopartners.org