**BEFORE**

**THE PUBLIC UTILITIES COMMISSION OF OHIO**

|  |  |  |
| --- | --- | --- |
| In the Matter of the Application of Duke Energy Ohio, Inc., to Establish Reliability Targets. | )  )  ) | Case No. 13-1539 -EL-ESS |

**REPLY COMMENTS**

**BY**

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**TABLE OF CONTENTS**

**Page**

[I. INTRODUCTION 1](#_Toc379547082)

[II. REPLY COMMENTS 3](#_Toc379547083)

[A. Future Reliability Standards Should Be Based On Historical   
Performance As Adjusted In Accordance With PUCO Rules And Staff Guidelines. 3](#_Toc379547084)

[B. Duke’s Electric Reliability Standards Should Be Based On Data From   
Its Current Outage Management System. 4](#_Toc379547085)

[C. The Customer Average Interruption Duration Index Performance   
Standard Should Be Set At The 5-Year Historical Average Of 103.72 Minutes. 6](#_Toc379547086)

[D. The PUCO Should Not Establish Reliability Standards That Include An Allowance For Variability Above The 5-Year Adjusted Historic   
Average. 7](#_Toc379547087)

[E. The System Average Interruption Frequency Index Performance   
Standard Should Be Reduced Lower Than 1.1 For 2016 And Beyond. 8](#_Toc379547088)

[F. Although The PUCO Staff Noted That Duke’s Reliability Survey Failed To Comply With The PUCO’s Guidelines, The PUCO Staff Failed To Recognize The More Extensive Shortcomings Of Duke’s Application. 9](#_Toc379547089)

[III. CONCLUSION 11](#_Toc379547090)

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# I. INTRODUCTION

Despite having spent tens of millions of dollars of customer money for grid modernization improvements, Duke Energy Ohio, Inc. (“Duke” or the “Utility”) filed an updated reliability performance standard application proposing no improvement in the electric service reliability standards that Duke must meet. Specifically, Duke proposed no improvement in the standard for frequency of customer interruptions (SAIFI)[[1]](#footnote-2) and it proposed an increase (worsening) in the duration of customer interruptions (CAIDI).[[2]](#footnote-3)   
 OCC filed Comments in response to Duke’s application on January 6, 2014. In those comments, the OCC urged the PUCO to deny Duke’s Application.

The Staff (“PUCO Staff”) of the Public Utilities Commission of Ohio (“PUCO” or Commission”) filed Comments on January 21, 2014. In its Comments, the PUCO Staff found that Duke inappropriately developed its CAIDI standard.[[3]](#footnote-4) Additionally, the

PUCO Staff found that Duke should have used the more accurate data generated by Duke’s outage management system rather than the information filed in Duke’s annual reliability reports.[[4]](#footnote-5) The PUCO Staff also made a number of other recommendations regarding how the performance reliability standards should be calculated. Those recommendations resulted in the PUCO Staff revising the CAIDI downward from Duke’s proposed 127.37 minutes to 116.75 minutes.

OCC agrees with PUCO Staff’s recommendations that historical data, as adjusted, should be used in determining future reliability standards and that the most reliable data – the new outage management system utilizing data made available by grid modernization – should be used.[[5]](#footnote-6) Further, OCC agrees with the PUCO Staff that the CAIDI standard should be reduced from the current standard of 124.37 minutes in accordance with Duke’s adjusted historical performance measurement. OCC also agrees with the PUCO Staff’s finding that Duke’s reliability survey, required by Ohio Adm. Code 4901:1-10-10(B)(4)(b), was non-compliant with PUCO Staff’s survey guidelines.

However, OCC disagrees with the PUCO Staff’s recommendation to continue the existing Duke SAIFI standard of 1.10 for 2016 and beyond. A new SAIFI target should be set reflecting anticipated reductions in the frequency of interruptions brought about by grid modernization – and the data supports a reduction in the SAIFI standard for 2016 and beyond. OCC also disagrees with the PUCO Staff’s recommendation to include a 10% variance adder in the establishment of reliability standards. Moreover, the PUCO Staff’s Comments ignore significant shortcomings of Duke’s updated reliability assessment.

The PUCO should reject Duke’s Application and require it to refile an application that meets the requirements of Ohio Adm. Code 4901:10-10(B)(4)(a), Staff Guidelines and the Stipulation and Opinion and Order in Case No. 09-757-EL-ESS.

# II. REPLY COMMENTS

## A. Future Reliability Standards Should Be Based On Historical Performance As Adjusted In Accordance With PUCO Rules And Staff Guidelines.

The PUCO should approve electric reliability standards that are based on historical performance, as adjusted in accordance with PUCO Rules[[6]](#footnote-7) and the PUCO Staff’s Guidelines, for SAIFI as well as CAIDI.[[7]](#footnote-8) The PUCO Staff found that Duke’s proposed CAIDI standard was “based on a trend-line projection of future performance” rather than based upon the average of historical performance called for by PUCO Staff’s “Guidelines for Reliability Standards Applications.”[[8]](#footnote-9) The PUCO should reject Duke’s use of future performance projections as a basis for establishing reliability standards. The PUCO Staff proposes that historical performance data (adjusted) be used to establish the 2014 and 2015 CAIDI performance standards.[[9]](#footnote-10) OCC agrees that historic performance data—instead of projected performance data—should be used as a basis for future reliability standards.

The purpose of using historical data to establish reliability standards is to ensure standards are set that are reflective of the level of performance utilities have been able to achieve and to require utilities to track such historical trends, improving on them to the extent reasonable through deployment of technology and improved operations. Implementing a reliability standard that is well above historical performance is contrary to the goals intended to be achieved through the implementation of reliability standards.

Furthermore, as discussed in OCC’s Comments, although historic performance data indicates that reductions in the frequency of interruptions (as measured by SAIFI) may impact on CAIDI in the short run, improvements in reliability should also reduce CAIDI proportionately in the long run.[[10]](#footnote-11) Consequently, reasonable adherence between historical performance data and reliability standards should be maintained, as adjusted in accordance with Ohio Adm. Code 4901:1-10-10(B)(4)(a).

## B. Duke’s Electric Reliability Standards Should Be Based On Data From Its Current Outage Management System.

The PUCO should use the data produced by Duke’s current outage management system made available from grid modernization, rather than the data from its annual reports which is not as accurate, for purposes of determining appropriate reliability standards. The PUCO Staff commented that there are differences in the reporting of CAIDI performance data between the annual reports that Duke files with the PUCO[[11]](#footnote-12) and the performance results that are available now from the current outage management system.[[12]](#footnote-13) The integration of outage data into the current outage management system has been a major initiative of the grid modernization initiative. According to the PUCO Staff, Duke explained that the current reporting is more accurate than the Utility has been able to report in the past as part of the Rule 10 (annual report) filings.[[13]](#footnote-14) Furthermore, the CAIDI reporting from the current outage management system reflects better CAIDI performance than Duke has reported in the past in the annual reports.[[14]](#footnote-15) However, even though this more accurate data is now available, Duke chose not to include this historical performance data in the Amended Application.

The PUCO Staff re-calculated the CAIDI performance for 2009, 2011, and 2012 using historical performance data from Duke’s new reporting system.[[15]](#footnote-16) The results were an approximate 2 minute improvement in CAIDI for two of the three years that were reviewed.[[16]](#footnote-17) Duke has the responsibility in a reliability standards proceeding to demonstrate that its proposed reliability standards are just and reasonable.[[17]](#footnote-18) Use of antiquated reporting systems to provide CAIDI performance data is not just and reasonable considering that more modern and accurate methods were available.

The PUCO should find that Duke’s Amended Application should be rejected because it fails to provide the required assessment based on the more accurate data from the current outage management system, as well as because of other shortcomings discussed in OCC’s Comments and in Section F below.

## C. The Customer Average Interruption Duration Index Performance Standard Should Be Set At The 5-Year Historical Average Of 103.72 Minutes.

The PUCO should approve a CAIDI performance standard that is based on Duke’s 5-year historical average of 103.72 for 2008 – 2012, based on the data provided in this proceeding. However, that standard should be lowered if Duke is required to file another application that includes data from the current outage management system. The PUCO approved CAIDI reliability standards for Duke of 121.25 and 124.37 for 2014 and 2015 respectively.[[18]](#footnote-19) However, Duke’s application showed a 5-year historic average CAIDI from 2008 - 2012 of 103.72 minutes.[[19]](#footnote-20) The PUCO Staff’s analysis, that included data from year 2013 but used data from Duke’s current outage management system (and utilized the performance standard rather than historic data for 2010), showed a 5-year average CAIDI from 2009 – 2013 of 106.14.

The large variance between the average historical performance levels and the established reliability standards is due to annual increases in the CAIDI standard that were permitted to address the expectation that CAIDI would rise in the short-term as a result of the grid modernization program.[[20]](#footnote-21) Given that the CAIDI performance level has not increased significantly as Duke anticipated with implementation of grid modernization,[[21]](#footnote-22) the CAIDI standard should now be reduced using the methodology in the PUCO rules and the PUCO Staff Guidelines for establishing reliability standards.

The PUCO Staff proposed that the 2014 and 2015 CAIDI performance standard be set at a level of 116.75 minutes, based on an adjusted historic performance, plus a 10% variance.[[22]](#footnote-23) OCC agrees with PUCO Staff’s proposed use of a 5-year average historic performance for CAIDI. However, OCC has not had the opportunity to review Duke’s 2013 data. As a result, although OCC endorses the use of the current outage management system, CAIDI should be based on 2008 – 2012 data excluding the PUCO Staff’s proposed 10% variance. Based on the annual report data for 2008 – 2012 reflected in OCC’s Initial Comments, this would produce a CAIDI of 103.72 minutes. For reasons discussed below in Section D, the PUCO Staff’s 10% variance adjustment should be rejected.

## D. The PUCO Should Not Establish Reliability Standards That Include An Allowance For Variability Above The 5-Year Adjusted Historic Average.

The PUCO should not establish electric reliability standards that include a 10% variance (or margin) above the 5-year historic average as proposed by the PUCO Staff.[[23]](#footnote-24) The PUCO’s rules and the PUCO Staff Guidelines for establishing reliability standards do not provide for the use of a 10-percent adder to the five year average historical performance data used to establish reliability standards. And the PUCO Staff provides no support for its arguments that such an adder is needed to account for “fluctuation” around a historical average and for “non-excludable storms” and “other uncontrollable factors.” Instead, the five year average historic performance level should be adjusted based on established PUCO rules and the PUCO Staff Guidelines. In particular, historic performance levels can be adjusted based on system design, technological advancements, service area geography, and the customer perception survey results.[[24]](#footnote-25) Since Duke’s Amended Application provided no support for any such adjustments, the CAIDI standard should be set at a level of 103.72 minutes for 2014 and thereafter, pending the refiling of Duke’s Application in this case as OCC has recommended.[[25]](#footnote-26)

## E. The System Average Interruption Frequency Index Performance Standard Should Be Reduced Lower Than 1.1 For 2016 And Beyond.

The PUCO should establish a SAIFI standard lower than 1.1 for 2016 and beyond. The PUCO Staff, however, did not oppose Duke’s proposal to leave the SAIFI standard as it is currently set.[[26]](#footnote-27) Duke’s Amended Application proposed to continue the existing SAIFI standard at a level of 1.1 for 2015 and thereafter.[[27]](#footnote-28) However, Duke recognized that SAIFI values below that level may be reached in subsequent years.[[28]](#footnote-29) Duke stated that the relative merits and cost effectiveness of achieving further improvements – and adjusting the SAIFI standard accordingly – should be evaluated at that time. OCC commented that it was appropriate for the PUCO to establish a SAIFI reliability standard that accounts for likely reductions to be achieved through grid modernization and other distribution system improvements for 2016 and beyond.[[29]](#footnote-30)

As emphasized in OCC’s Comments, in light of the fact that the SAIFI performance standard for 2015 of 1.10 was achieved in both 2010 and 2012, Duke’s proposal to simply continue that standard is inappropriate.[[30]](#footnote-31) The SAIFI reliability standard should account for likely reductions to be achieved through grid modernization and distribution system improvement for 2016 and beyond. Duke should be required to perform the reasonable and necessary engineering analysis to determine if customer investments in grid modernization and distribution system improvements should achieve further reductions in SAIFI. After Duke completes the assessment required by the Stipulation in Case No. 09-757-EL-ESS, the PUCO should establish a SAIFI standard that ensures the customer investment is appropriately reflected by setting reliability standards to reflect ongoing reliability improvements.

## F. Although The PUCO Staff Noted That Duke’s Reliability Survey Failed To Comply With The PUCO’s Guidelines, The PUCO Staff Failed To Recognize The More Extensive Shortcomings Of Duke’s Application.

The PUCO Staff recognized that Duke failed to adhere to a proper sample size (per PUCO Staff Reliability Survey Guidelines) when it conducted the reliability-related customer survey.[[31]](#footnote-32) However, at the same time, the PUCO Staff failed to recognize the more extensive shortcomings of Duke’s Application. In particular, the PUCO Staff did not comment on Duke’s failure to perform the assessment of “system design changes, technological advancements, geographical effects, and the results of Duke’s updated customer perception survey” required by Ohio Adm. Code 4901:10-10(B)(4)(a) and the

Stipulation and Opinion and Order in Case No. 09-757-EL-ESS. This assessment was designed to ensure that customers are receiving value for their significant investments in reliability. Proposed reliability standards are to be based on these considerations and not just on historical performance. As discussed in OCC’s Comments, these factors should have an impact on both the reliability of Duke’s system and the measurement of that reliability.[[32]](#footnote-33) Duke’s failure to perform this assessment requires rejection of the filing and a directive to Duke to perform the required assessment.

Duke’s further assessment should also carefully adhere to PUCO Staff directives, including affording OCC opportunity for review and comment before the customer perception survey is administered.[[33]](#footnote-34) And Duke should specifically respond to issues brought to its attention by the customer perception survey, including customers’ experience of multiple brief interruptions in service.[[34]](#footnote-35) As a result of these issues, Duke should be evaluating ways to reduce both momentary and sustained outages.[[35]](#footnote-36) For example, Duke should have a program that monitors, tracks, and reports momentary outages at least to the distribution circuit breaker level until such information can be captured from other reclosing devices and be integrated in the outage management system.

Duke’s update application was intended to provide a thorough assessment of reliability and the benefits of grid modernization and distribution system improvement on Duke’s system. But Duke’s Amended Application came up significantly short of these objectives. In order to ensure customers the benefit of their investment, Duke should be required to complete the assessment required by the PUCO’s Rules, Staff Guidelines and by the PUCO’s Opinion and Order in Case No. 09-757-EL-ESS.

# III. CONCLUSION

The PUCO Staff’s Comments appropriately recognize the importance of using historical data to establish reliability standards for Duke and the need to utilize the data produced by Duke’s current outage management system. The PUCO Staff’s recommendation to establish a CAIDI standard that is lower than the current standard and lower than Duke’s proposed standard is appropriate. But the PUCO Staff’s proposed 10-percent adder to the CAIDI standard should be rejected.

The PUCO Staff fails to acknowledge the significant shortcomings of Duke’s Application in other respects, which require a denial of the application. Furthermore, Duke should be required to complete its reliability assessment, as required by PUCO Rules, Staff Guidelines and the PUCO’s Opinion and Order in Case No. 09-757-EL-ESS. This is necessary to ensure that customers are receiving the quantifiable level of reliability that they are paying for through grid modernization and other distribution system improvements. After such assessment is completed, additional comments from parties should be permitted and a hearing should be held.[[36]](#footnote-37)

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 7th day of February, 2014.

*/s/ Edmund “Tad” Berger*

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1. SAIFI is the System Average Interruption Frequency Index, representing the average number of interruptions per customer served. [↑](#footnote-ref-2)
2. CAIDI is the Customer Average Interruption Duration Index, representing the average time to restore service to customers interrupted. [↑](#footnote-ref-3)
3. PUCO Staff Comments at 3. [↑](#footnote-ref-4)
4. PUCO Staff Comments at 4. [↑](#footnote-ref-5)
5. PUCO Staff Comments at 3-4. [↑](#footnote-ref-6)
6. Ohio Adm. Code 4901:1-10-10(B)(4(a) requires performance standards “reflect historical system performance, system design, technological advancements, service area geography, customer perception survey results as defined in paragraph (B)(4)(b) of this rule, and other relevant factors.” [↑](#footnote-ref-7)
7. OCC Comments at 4-5, 9-15. [↑](#footnote-ref-8)
8. PUCO Staff Comments at 3 *citing* Ohio Adm. Code 4901:1-10-10; see Staff’s Guidelines for Reliability Standards Applications on PUCO website. [↑](#footnote-ref-9)
9. PUCO Staff Initial Comments at 6-7. [↑](#footnote-ref-10)
10. OCC Comments at 13-14. [↑](#footnote-ref-11)
11. Pursuant to Ohio Adm. Code 4901:1-10-10(C). [↑](#footnote-ref-12)
12. PUCO Staff Comments at 4. [↑](#footnote-ref-13)
13. Id. [↑](#footnote-ref-14)
14. Id. [↑](#footnote-ref-15)
15. PUCO Staff Comments at 6. [↑](#footnote-ref-16)
16. For 2009, Duke reported a CAIDI of 99.17 minutes, but Staff re-calculated the performance using the new outage management system and determined a level of 97.25 minutes. For 2011, Duke reported a CAIDI of 107 minutes, but Staff re-calculated the CAIDI using the new outage management system at a level of 104.97 minutes. [↑](#footnote-ref-17)
17. Ohio Adm. Code 4901:1-10-10(6)(e). [↑](#footnote-ref-18)
18. *In the Matter of the Application of Duke Energy Ohio, Inc. for Approval of Proposed Reliability Standards*, Case No. 09-757-EL-ESS, Opinion and Order of July 29, 2010, Opinion and Order (July 29, 2010) at 4. [↑](#footnote-ref-19)
19. OCC Initial Comments at 12. [↑](#footnote-ref-20)
20. Amended Application at 4. [↑](#footnote-ref-21)
21. Case No. 09-757-EL-ESS, Application (August 28, 2009 at 5). [↑](#footnote-ref-22)
22. PUCO Staff Initial Comments at 6-7. [↑](#footnote-ref-23)
23. PUCO Staff Comments at 5. [↑](#footnote-ref-24)
24. Ohio Adm. Code 4901:1-10-10(B)(4)(a). [↑](#footnote-ref-25)
25. OCC Initial Comments at 12. [↑](#footnote-ref-26)
26. PUCO Staff Comments at 1. [↑](#footnote-ref-27)
27. Amended Application at 2. [↑](#footnote-ref-28)
28. Id. [↑](#footnote-ref-29)
29. OCC Initial Comments at 11. [↑](#footnote-ref-30)
30. OCC Initial Comments at 10-11. [↑](#footnote-ref-31)
31. PUCO Staff Comments at 2. [↑](#footnote-ref-32)
32. OCC Initial Comments at 6. [↑](#footnote-ref-33)
33. OCC Initial Comments at 7. [↑](#footnote-ref-34)
34. OCC Initial Comments at 7. [↑](#footnote-ref-35)
35. OCC Initial Comments at 8. [↑](#footnote-ref-36)
36. A hearing is required to be held if a party requests it, as per the terms of the PUCO-approved Stipulation at Case No. 09-757-EL-ESS. *In the Matter of the Application of Duke Energy Ohio, Inc. for Approval of Proposed Reliability Standards*, Case No. 09-757-EL-ESS, Opinion and Order of July 29, 2010 at 5. [↑](#footnote-ref-37)