

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of Duke Energy Ohio, Inc.'s)	
Application for Approval of Proposed)	Case No. 09-757-EL-ESS
Reliability Standards)	

REPLY COMMENTS OF DUKE ENERGY OHIO, INC.

Now comes Duke Energy Ohio, Inc. (Duke Energy Ohio or the Company) and responds to comments filed in this docket on December 14, 2009 by the Ohio Consumers' Counsel, (OCC) and on December 23, 2009 by the Staff of the Public Utilities Commission of Ohio, (Staff). The comments and reply comments were submitted as directed by the Attorney Examiner's Entry of September 25, 2009.

I. Introduction

The Commission Staff points out in its comments that the Public Utilities Commission of Ohio, (Commission) directed Staff in an Entry dated July 29, 2009, to provide a list of *guidelines* on the Commission's website to facilitate the electric utilities' filing of their proposed reliability standards. These guidelines were helpful in assisting Duke Energy Ohio to understand what the Commission was requesting. However, the guidelines differ from the specific requirements set forth in the Commission's rule, Ohio Administrative Code, (O.A.C.) 4901:1-10-10. This rule sets forth the specific legal requirements of the utilities' applications and is, in fact quite different from what is specified in the guidelines. However, Duke Energy Ohio submitted its Application in compliance with both the rule and the guidelines. Nevertheless, Staff has submitted Comments which seek to modify the Company's filing and exceed the requirements in the

Commission's rule. Staff's suggested changes do not create a viable framework for Duke Energy Ohio and the changes do not reflect the Company's recent reliability investments and its implementation of SmartGrid. Also, Staff's suggested changes would mandate factors which go far beyond what is specifically stated in the Commission's rule.

The use of historic averages for the purpose of setting future compliance targets is a flawed practice from the outset in an environment where so many key factors are changing on a monthly basis. The rule specifically states that historical averages are to be used but does not state in detail what historical averages must be used. Duke Energy Ohio submitted its filing to include the first nine months of 2009 in its historical average. This data is in compliance with the rule and provides a more accurate basis upon which to build future standards. In recognition of the fact that Staff has suggested a graduated CAIDI phase-in, Duke Energy Ohio submits herein its more accurate recommendation for such a phase-in. For reasons set forth more fully below, Duke Energy Ohio submits that the Commission should implement Duke Energy Ohio's calculated CAIDI schedule.

II. Accuracy of Historic Data and CAIDI Standards

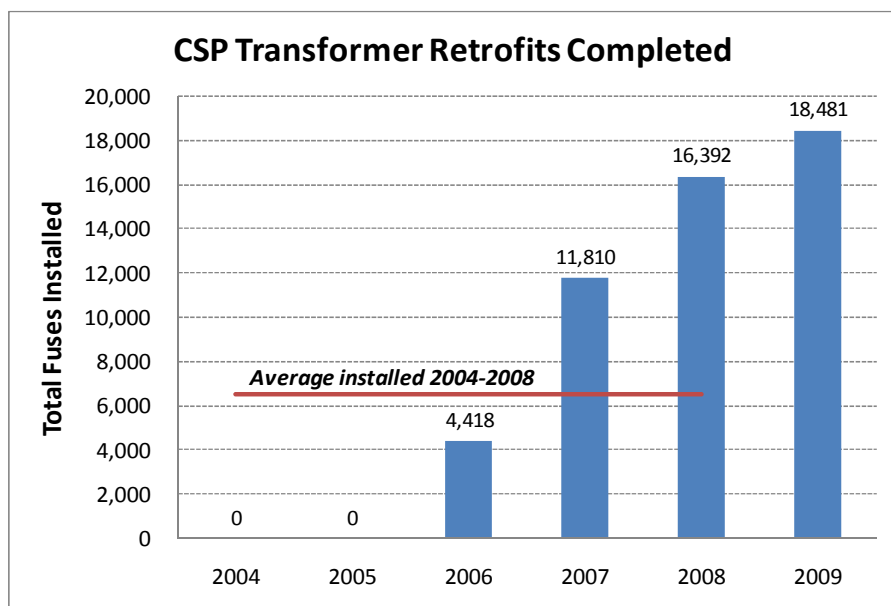
The Company's Application and Amended Application¹ provided Customer Average Interruption Duration Index (CAIDI) targets based upon a historical performance average which included years 2004 through 2008 plus nine months of 2009. For purposes of setting targets for Duke Energy Ohio, the use of historical averages particularly penalizes the Company and makes compliance nearly impossible. This is so because Duke Energy Ohio, since 2006, has undertaken the initiative to improve its reliability and to ensure good performance as demonstrated by its compliance filings since 2006. Duke Energy Ohio has consistently met all

¹ The Company filed its Application on August 28, 2009 and then filed an Amended Application on October 9, 2009. For ease of reference we will refer hereinafter to both Applications as "Application."

regulatory requirements and then gone the extra mile to work on additional improvements. The 2004 through 2008 average baseline fails to recognize and accurately reflect the Company's reliability improvements.

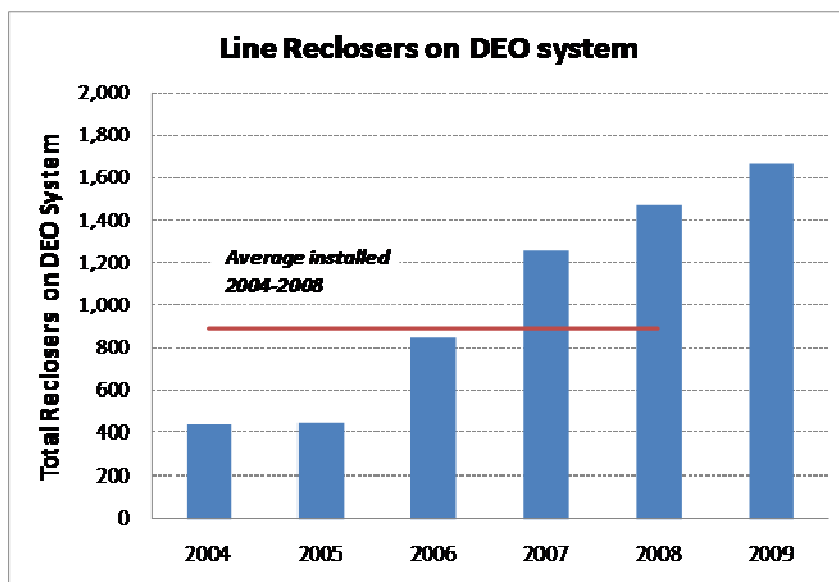
Duke Energy Ohio has invested substantial capital to reduce the number of customers affected by each outage. For example, previously animal contacts on the bushings of CSP transformers and arrester failures often caused large tap line or entire feeders with more than 1,000 customers to be without power. The Company has changed its strategy to install external fused cut-outs to prevent this result. Now the squirrel or arrester causes an outage for the 1 to 20 customers served by that transformer.

A graph following demonstrates work completed over the 2004 through 2009 time period. The 2004 through 2008 average advocated by Staff does not reflect the current status and neglects to account for the transformer retrofits completed in 2009.



Additionally, Duke Energy Ohio is installing more line reclosers to reduce the number of customers affected by problems on the main line. Previously, configurations generally allowed

entire circuits to go out and be partially restored by switching. The line reclosers now isolate problems into smaller groups of customers. Customers who might have been out for an hour, now have no outage at all. Those remaining customers who experience the longer duration outage, experience the same duration of outage as previously would have occurred. However, CAIDI would be mathematically longer. The following graph demonstrates total system reclosers installed over the 2004 through 2009 time period. Using the Staff's suggested average, the average number of reclosers would be 809. However, reliability performance for 2010 will include nearly twice as many reclosers. Thus, the historical average is a poor measure for purposes of future compliance. Because we are employing historic statistics to develop future standards, it is particularly important to use the most current information available. The various improvements to which the Company has made to decrease SAIDI and SAIFI will necessarily cause CAIDI to increase. For this reason, Duke Energy Ohio, respectfully submits that the CAIDI numbers submitted by the Company in these comments, which consider Staff's policy directives, including outcomes for 2009 should be accepted.



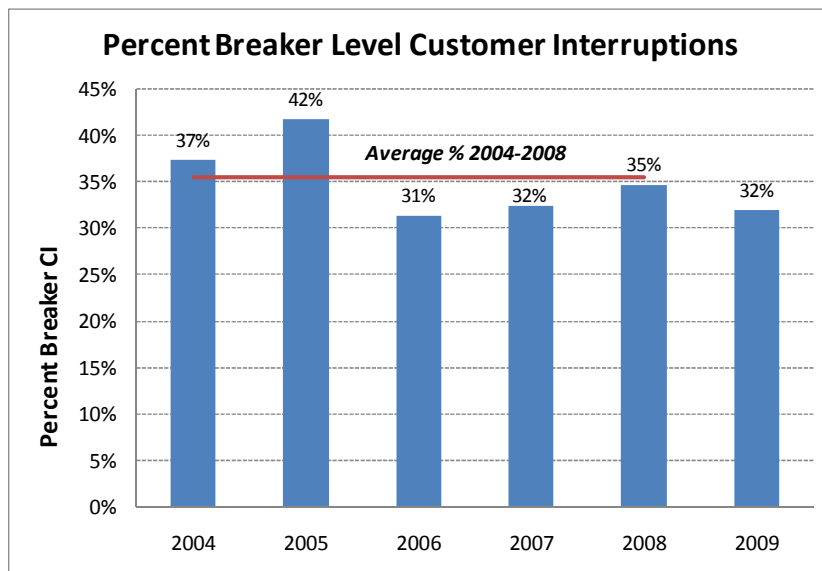
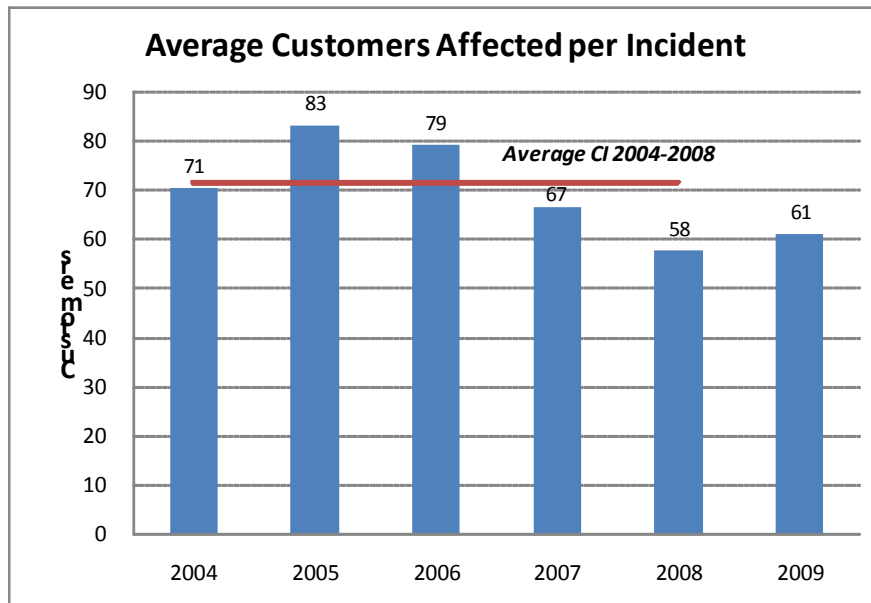
Duke Energy Ohio accelerated many other projects in response to PUCO's request to more aggressively reduce outages on certain circuits that frequently appeared on the rule 11 list. The following table lists those projects, the date in service and the expected improvement.

<u>Project</u>	<u>In Service Date</u>	<u>Reliability Improvement Result</u>
<u>Simpson 46-47-48 project</u>	12/31/2006	Reduced line exposure on circuit Montgomery 45 and other circuits
Clinton County Substation and Circuits 51, 52	7/19/2006	Reduced line exposure for circuits Cedarville 53 and 55
Clinton County 53 Tie to Cedarville 53	4/9/2008	Reduced line exposure for circuit Cedarville 53
Moscow Substation Improvements	4/4/2008	Split Moscow 42 into two circuits and reduced line exposure
Lake Waynoka 41	12/27/2007	Reduced line exposure for circuit Russellville 41
Nicholsville Sub and Circuit 42	12/8/2008	Reduced line exposure for circuits Moscow 41 and 42
O'Bannonville Sub and Circuit 51	7/18/2008	Reduced line exposure for circuit Remington 51
Hillcrest Sub and Circuit 52	12/29/2008	Reduced line exposure for circuit Brown 51

It should be noted that five of the eight projects were completed in 2008. CAIDI impacts of these projects will not show up in the 2004-2008 baselines. The year 2009 is the first year to show the full CAIDI impact of projects completed in 2008.

There are many other system-wide changes to Duke Energy Ohio's reliability work which may have smaller individual impacts, but which all focus on reducing the number of customers affected and/or reducing the probability that an outage will occur. These changes typically make permanent improvements and move Duke Energy Ohio's reliability baseline. The changes include: fusing tap lines, replacing fuse barrels, a new recloser maintenance program, major outage follow-up, and construction quality auditing. These programs and more, support an exemplary reliability performance and one which Duke Energy Ohio has been proud

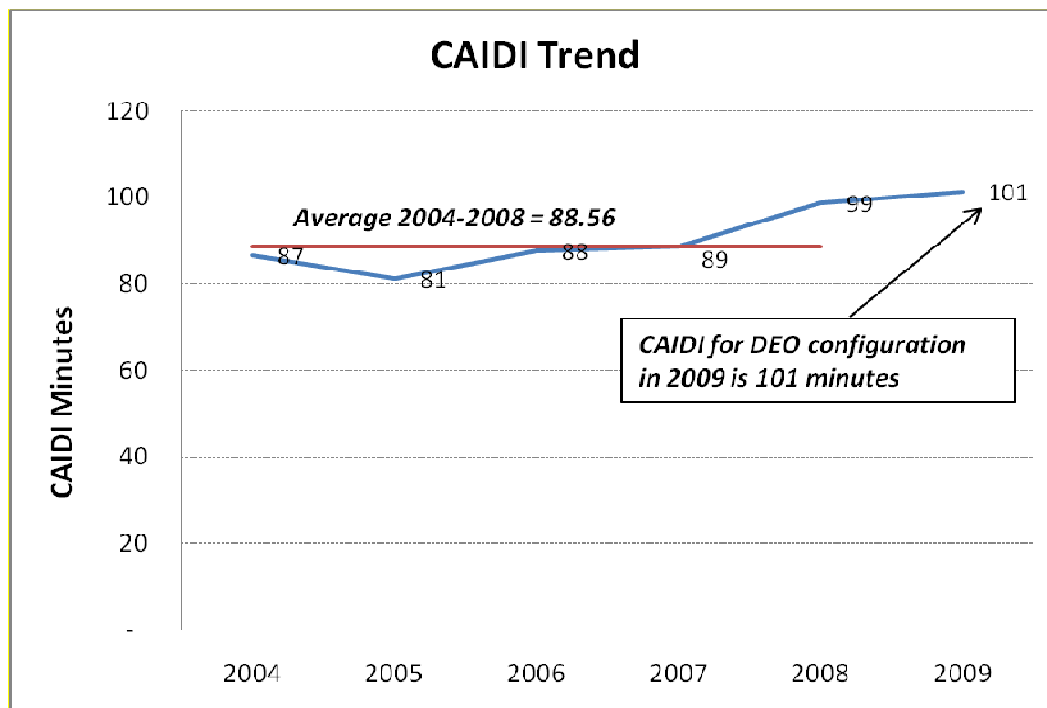
to share with the Commission and the public. The number of customers affected per outage incident has dropped significantly and the number of breaker level customer interruptions has also dropped significantly.



Note that the graphs and charts provided all show significant deltas for the year 2009. The previous years' data are poor indicators of what is to come in 2010. The capital investment and yeoman's efforts at improving system reliability over the past few years were undertaken to

improve customer experience and to lower the System Average Interruption Frequency Index (SAIFI) numbers. In doing so, as we have demonstrated, the CAIDI numbers will necessarily increase.

Duke Energy Ohio's configuration at the end of 2009 is substantially different from the average system in place between 2004 and 2008. The following graph clearly shows all of these initiatives have made a significant impact on Duke Energy Ohio's CAIDI. The baseline CAIDI today is 101 minutes, or 12 minutes higher than the 2004-2008 baseline in staff recommendations.



III. SAIFI Standards

As pointed out in Duke Energy Ohio's Application, the appropriate standards to measure System Average Interruption Frequency Index (SAIFI) were agreed to by the Commission Staff and the OCC in the Company's Electric Security Plan (ESP) case, Case No. 08-920-EL-SSO. As the Company continues to deploy SmartGrid, it is obligated to meet a stringent target for reducing customer interruptions. It has already begun to see results from its deployment as

demonstrated in the graph above showing average customers affected per incident. SmartGrid deployment includes installation of switched bank capacitors and modems, electronic reclosers, sectionalization, self-healing switches, and line sensors. The deployment of SmartGrid technology is set forth per circuit as follows:

Smart Grid Schedule	
Year	Circuits
2009	107
2010	94
2011	111
2012	119
2013	118
Totals	549

At the end of the SmartGrid deployment, it is likely that historic numbers will at that time, yield quite a different result from what might pertain based on 2004 through 2009 averages. For this reason, if it is necessary at that time to revisit the standard setting process and there are no relevant case stipulations controlling SAIFI standards, the Company and the Parties may revisit the issue and work together to set standards based upon much more reliable information.

IV. Proposed CAIDI Standards

Duke Energy Ohio acknowledges that not all impacts of Smart Grid have been realized and readily accepts Staff recommendation to graduate the CAIDI target for future impacts. However DEO believes it is imperative to not penalize good faith efforts at reliability improvements with impossible CAIDI standards. Duke Energy Ohio proposes a new standard as follows:

Baseline CAIDI for 2004-2008	88.56
Adjustment for known present system configuration	12.0

10% of 88.56 + 12 minutes	10.06
Starting target for 2010	110.62

Future adjustments are as before

Self Healing Circuit Adjustment	10.00
Smart Meter Customer Interruption Adjustment	4.00
Improved Customer Outage Count	3.00
Total future adjustments	17.00

Year	2010	2011	2012	2013	2014	2015	2016 Forward
CAIDI Adjustment	2.83	5.66	8.49	11.32	14.16	17.00	17.00

Proposed CAIDI Standard

Year	2010	2011	2012	2013	2014	2015	2016 Forward
CAID	113.45	116.28	119.11	121.78	124.78	127.62	127.62

V. Response to OCC Comments

The OCC begins its critique of Duke Energy Ohio's proposed reliability standards by stating that more information is required with respect to the SAIFI standards. However, the OCC correctly notes that the OCC and other Parties agreed to SAIFI standards as part of the Stipulation in the ESP Case. These standards are projected out over a period of SmartGrid deployment from 2009 to 2016. As all of the Parties are bound by the Stipulation, and since it is highly likely that much will change in the intervening years, it does not seem useful or appropriate to consider alternatives at this juncture. With the benefit of historic information, the standard setting process may be revisited by all of the Parties after 2016. Thus, OCC's suggested need for additional information to support the Application with respect to SAIFI standards is misplaced.

Although OCC asserts that Duke Energy Ohio neglected to provide data with respect to system design, service area and customer perception, the Application clearly addresses all of these topics. Pages four and five of the Company's amended Application provide specific data with respect to service area (which remains unchanged) and customer perception. Prior to the implementation of the Commission's new rules on electric service and safety, there was no requirement to conduct a customer survey. Therefore Duke Energy Ohio provided the outcome of a survey conducted across all five states in which Duke Energy serves customers. Information was provided comparing and contrasting Ohio specific results with results from the Carolinas in order to more clearly demonstrate that outage duration is less important to customers than outage frequency. In the Carolinas, where outages have been less frequent, there is a higher level of customer satisfaction. It is anticipated that SmartGrid deployment will enhance distribution systems in Ohio and that customer satisfaction will be much higher as a result. Although OCC included a footnote which suggests that Duke Energy Ohio underspent its distribution system investment, this is incorrect. The delta in budget dollars shown in Duke Energy Ohio's Rule 26 submission is attributable to differences in SmartGrid budget which are unrelated to distribution reliability and asset management. In fact, from a system-wide perspective, the Company was over-budget for 2008. Moreover, as now required by rule, Duke Energy Ohio will be conducting a customer survey and will duly report the results of that survey.

In part D of its comments on page 8, the OCC asserts that the inclusion of partial outage data is unnecessary and that Duke Energy Ohio has provided no explanation in its Application for the inclusion of the partial 2009 CAIDI. OCC states that the historical average CAIDI is an unreasonable adjustment. However, for reasons stated in its Application and in these comments, it is very important for purposes of accuracy and logic, to include the information which was available when the Application was filed, including data for 2009 so that the most reliable

information is applied to the future standard setting process. This is entirely reasonable. It makes no sense to turn a blind eye to obvious trends and recent events as we look forward to future requirements.

While OCC claims that there is no linkage between SmartGrid deployment and the increase in CAIDI, the Application proves otherwise. In fact, Duke Energy Ohio provided a real-world example to illustrate the point at page 3 of its Amended Application. Such data will become more readily available as deployment continues. However, the increase in CAIDI as a result of the decrease in SAIFI is pure mathematics and indisputable.

It is unnecessary here to definitely demonstrate that distribution system automation and sectionalization will reduce circuit outages. The deployment of distribution system automation and sectionalization is designed to reduce customer interruptions and will therefore necessarily cause CAIDI to go up. Despite OCC's assertion that such a calculation is unprecedented, unsubstantiated and unreasonable, it is clearly demonstrated as factual in the Company's application and is again mathematically indisputable. There is nothing novel about such a claim. SmartGrid deployment is an innovation

In Section I of its comments, the OCC claims that Duke Energy Ohio failed to account for geographic statistics in its Application. This comment is difficult to reconcile with the Application and the facts. The one constant with respect to the Company's service territory is its geography. The service territory has not changed and the various office locations have remained the same. This was noted in the Application and must have been overlooked by the OCC.

In part J.3., OCC complains that Duke Energy Ohio has not made clear the number of customers currently impacted by the expansion of the Company's Transformer Retrofit Program. The actual number of retrofits can be seen on a graph provided earlier in this document. Duke Energy Ohio prioritized retrofits to start with mainline feeders with higher customer count to

deliver maximum benefit to customers. As a result, over 200 feeders have main line retrofit. Starting in 2010, more than half of Duke Energy Ohio's customers will experience benefits from the Transformer Retrofit Program. This is another example of Duke Energy Ohio's proactive approach to system reliability.

Finally, Duke Energy Ohio and OCC definitely agree on one point. At Section H of the comments, OCC asserts very plainly that proposed reliability standards should be based on the system capabilities that will exist *in the future*. Because the current standards must be based on what will exist in the future, it is imperative that we use the most recent data available and the best known information available to formulate such future standards. For this reason, Duke Energy Ohio's proposed CAIDI phase-in represents the best analysis and best application of historical data for the purpose of creating future standards. Duke Energy Ohio respectfully submits that its Application along with the phase-in recommended above, should be accepted by the Commission.

Respectfully submitted,

/s/ Elizabeth H. Watts

Amy B. Spiller
Associate General Counsel
Elizabeth H. Watts
Assistant General Counsel

DUKE ENERGY OHIO
155 East Broad Street
21st Floor
Columbus, Ohio 43215
(614) 222-1331
139 Fourth Street, 25Atrium II
Cincinnati, Ohio 45202
(513) 419-1871

CERTIFICATE OF SERVICE

I certify that a copy of the foregoing was served via email, hand delivery, ordinary mail or overnight delivery on the following parties this 12th day of January, 2010.

Elizabeth H. Watts

Ohio Consumers' Counsel
Richard C. Reese
10 West Broad Street
Suite 1800
Columbus, OH 43215-3420

This foregoing document was electronically filed with the Public Utilities

Commission of Ohio Docketing Information System on

1/12/2010 4:45:11 PM

in

Case No(s). 09-0757-EL-ESS

Summary: Comments In the Matter of Duke Energy Ohio, Inc.'s Application for Approval of
Proposed Reliability Standards
electronically filed by Carys Cochern on behalf of Watts, Elizabeth H