

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application)	
of Duke Energy Ohio, Inc., to)	Case No. 15-883-GE-RDR
Adjust Rider DR-IM and Rider)	
AU for 2014 Grid Modernization)	
Costs.)	

**COMMENTS ON DUKE’S APPLICATION TO CHARGE OHIOANS FOR
SMARTGRID COSTS
BY
THE OFFICE OF THE OHIO CONSUMERS’ COUNSEL**

I. INTRODUCTION

In this proceeding, Duke Energy Ohio, Inc. (“Duke”) seeks to charge electric customers more than \$53.6 million and gas customers more than \$6 million.¹ The amounts represent Duke’s claimed costs and return on rate base associated with grid modernization (also known as “SmartGrid”) for 2014.

If the Public Utilities Commission of Ohio (“PUCO”) approves Duke’s Application as filed, then Duke’s residential electric customers would pay \$6.31 per month for 2014 grid modernization costs,² an increase over current rates.³ In addition, most of Duke’s residential gas customers would pay \$1.30 per month for 2014 grid modernization costs,⁴ an increase over current rates.⁵ Duke’s gas-only customers in

¹ See Application (June 4, 2015) (“Application”), Direct Testimony of Peggy Laub (“Laub Testimony”), Attachment PAL-1, Schedule 1 and Attachment PAL-2, Schedule 1.

² See Laub Testimony at 9-10; Laub Revised Testimony (July 20, 2015).

³ See Duke Energy Ohio Tariff P.U.C.O. Electric No. 19, Sheet No. 104.7.

⁴ See Laub Testimony at 14-15; Laub Revised Testimony (July 20, 2015).

⁵ See Duke Energy Ohio Tariff P.U.C.O. Gas No. 10, Sheet No. 88.7.

Adams County, Georgetown, and Lebanon would receive a credit of \$1.06 per month,⁶ which is less than the credit under current rates.⁷ Thus, the bills of Duke's gas-only customers would also increase.

In these Comments,⁸ the Office of the Ohio Consumers' Counsel ("OCC") expresses its concerns about the performance of Duke's SmartGrid.⁹ Specifically, the program is not living up to expectations regarding the detection and restoration of outages through the SmartGrid self-healing teams. Duke's customers should not have to pay for costs associated with the failed operations of self-healing teams. Further, there should be specific reporting of the performance of Duke's self-healing teams during major events. Duke's Application should not be approved as filed, and the PUCO should adopt OCC's recommendations, discussed below, regarding these issues.

II. DISCUSSION

A. **Duke's self-healing teams – paid for by customers through their utility rates – have not minimized the impact of outages on customers as well as they should.**

Self-healing teams consist of sensors, automated controls, and software that use real-time outage data to detect and isolate faults and to reroute electricity via other feeder lines. The purpose of self-healing teams is to lessen the impact of outages on customers.

⁶ See Laub Testimony at 14-15. According to Ms. Laub, Duke provides only gas service in Adams County, Georgetown and Lebanon, which are outside of Duke's electric service territory. The customers are given a credit reflecting the common costs of the electric and gas SmartGrid programs and the allocable project management organization costs. See *id.* at 5.

⁷ The current credit is \$1.28. See Duke Energy Ohio Tariff P.U.C.O. Gas No. 10, Sheet No. 88.7.

⁸ OCC files in response to the Entry issued on October 8, 2015 in this proceeding. Among other things, the Entry (at 2) set November 13, 2015 as the deadline for filing comments and November 25, 2015 as the deadline for filing reply comments on the Application.

⁹ OCC is filing on behalf of all of Duke's 700,000 residential electricity customers and 420,000 residential gas customers. See Application at 1.

That is, self-healing teams are intended to reduce the number of customers who lose service because of an outage and to shorten the duration of outages. By isolating the location where an outage occurs, self-healing teams can be an effective tool to help expedite restoration efforts. Duke has installed self-healing teams on 64 distribution circuits in Ohio.¹⁰

In 2014, Duke's self-healing teams operated successfully 73.3 percent of the time (55 times out of 75 operations).¹¹ This percentage continues Duke's dismal performance regarding self-healing teams. In 2013, Duke's self-healing teams operated successfully only 64.3 percent of the time (27 out of 42 operations).¹² By comparison, in 2014 AEP Ohio's self-healing teams operated successfully 95.9 percent of the time (47 out of 49 operations).

The performance level for Duke's self-healing teams is well below the expectations the PUCO Staff has stated.¹³ While there are no specific benchmark standards for the performance of self-healing teams, the differential between AEP Ohio's performance level and Duke's performance level regarding self-healing teams raises serious concerns as to whether Duke's customers are getting what they've paid for. Cincinnati-area customers have paid more than \$100 million for Duke's SmartGrid

¹⁰ U.S. Department of Energy, Integrated Smart Grid Provides Wide Range of Benefits in Ohio and the Carolina's (September 2014) at 6.

¹¹ Application, Direct Testimony of Donald L. Schnieder, Jr. at 6.

¹² *In the Matter of the Application of Duke Energy Ohio, Inc., to Adjust Rider DR-IM and Rider AU for 2013 Grid Modernization Costs*, Case No. 14-1051-GE-RDR, Direct Testimony of James D. Williams (December 31, 2014) ("Williams 14-1051 Testimony") at 5.

¹³ *In the Matter of the Application of Ohio Power Company to Update Its gridSMART Rider*, Case No. 13-345-EL-RDR, Comments Submitted on Behalf of the Staff of the Public Utilities Commission of Ohio (August 2, 2013) at 7.

program through their rates; the performance of Duke's SmartGrid in easing the impact of outages on customers does not justify the amounts customers pay for SmartGrid.

In last year's SmartGrid rider update proceeding, OCC noted the poor performance level of Duke's self-healing teams that customers are paying for. Based on that poor performance, OCC questioned the prudence of the costs associated with the failed self-healing team operations.¹⁴ OCC recommended that the PUCO disallow all costs associated with the self-healing teams that failed to function.¹⁵

In the Second Entry on Rehearing in the 14-1051 case, the PUCO deferred ruling on the cost effectiveness of the self-healing teams. The PUCO stated that it "believes it is prudent to wait for Duke's 2015 Non-Cost Metrics Report, which includes data regarding the failures and usage of self-healing teams, before making any decisions with respect to the cost effectiveness of Duke's self-healing teams' technology."¹⁶ That information, discussed above, is now available. The information shows that Duke's self-healing teams are not cost effective.

Duke's self-healing teams are continuing to perform at an unacceptable level. Requiring customers to continue to pay for imprudent costs that Duke has incurred to implement self-healing team technology is not just and reasonable. Duke should not be permitted to collect from customers the costs for its SmartGrid investments where the technology is not implemented in a used and useful manner. When self-healing teams operate successfully only 73.3 percent of the time, they are not used and useful.

¹⁴ Williams 14-1051 Testimony at 5.

¹⁵ Id., OCC Initial Brief (March 9, 2015) at 21.

¹⁶ Id., Second Entry on Rehearing (July 1, 2015) at 7.

The PUCO should find that Duke's implementation of self-healing teams is not cost effective. Accordingly, the PUCO should disallow cost collection associated with the 20 failed operations of Duke's self-healing teams in 2014. Furthermore, the PUCO should mandate that Duke achieve a minimum of 90 percent success for self-healing team performance, on an annual basis, before Duke can recover any additional costs related to self-healing teams.

B. The PUCO should require specific reporting of the performance of Duke's self-healing teams during major events.

Another concern with Duke's self-healing teams is their performance during major events. Major events occur when weather or other conditions result in an electric distribution system being stressed beyond the normal operations. Outages during major events can be significant because of the number of customers who can be without service for extended periods of time. The benefits of properly designed and operated self-healing teams could be realized the most during major events because more customers lose service during major events. By rerouting electricity around faults, self-healing teams can help expedite restoration efforts.

According to discovery responses, a major event occurred in Duke's Ohio service territory on November 24, 2014.¹⁷ Duke also reported two failures of the self-healing teams on that date.¹⁸ It is unclear if the failures of the self-healing teams were associated with the major event or if they were unrelated to the major event.¹⁹ It is important to know whether Duke's self-healing teams are working properly during major events, so

¹⁷ Duke Response to OCC-INT-02-025.

¹⁸ Duke Response to OCC-POD-01-016.

¹⁹ Duke claims that one of the failures was caused by an equipment failure and the other by a device configuration error. *Id.*

the benefit to customers (who are paying for Duke's SmartGrid through rates) can be properly gauged.

Duke is required to provide a Non-financial Metrics report to parties each year.²⁰ The PUCO should require Duke to specifically include reporting of self-healing team performance during major events in the Non-financial Metrics report. Furthermore, Duke should be required to provide additional details concerning the cause of self-healing team failures during major events.

III. CONCLUSION

Cincinnati-area customers have paid more than \$100 million for Duke's SmartGrid program through their rates. They deserve to have the promised benefit of faster response times to fixing outages, resulting in fewer affected customers and for shorter periods of time.

Duke should not be allowed to collect from customers the costs associated with the failed operations of its self-healing teams until the teams successfully perform 90 percent of the time. And, in order to properly gauge the benefits of Duke's SmartGrid to customers, the PUCO should require separate reporting of the performance of Duke's self-healing teams during major events. The PUCO should not approve Duke's Application as filed. The PUCO should adopt OCC's recommendations stated herein to ensure that customers receive the benefits from the equipment that they are investing in and paying for through rates.

²⁰ *In the Matter of the Application of Duke Energy Ohio, Inc. to Adjust Rider DR-IM and Rider AU for 2010 SmartGrid Costs and Mid-Deployment Review*, Case No. 10-2326-GE-RDR, Stipulation and Recommendation (February 24, 2012) at 9.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that a copy of these Comments was served on the persons stated below via electronic transmission, this 13th day of November 2015.

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