

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 2014 Grid Modernization Costs.)

Case No. 15-883-GE-RDR

REPLY COMMENTS OF DUKE ENERGY OHIO, INC.

I. Introduction

Duke Energy Ohio, Inc., (Duke Energy Ohio or Company) filed an application initiating this proceeding on June 4, 2015. The Office of the Ohio Consumers' Counsel (OCC), Ohio Partners for Affordable Energy (OPAE), Direct Energy Business, LLC, and Direct Energy Services, LLC (collectively, Direct Energy) all intervened in the proceeding. Thereafter, the attorney examiner established a procedural schedule that was revised once on October 8, 2015. The procedural schedule established November 13, 2015, as the deadline for Intervenors and Staff to file comments and November 25, as the deadline for all parties to reply. Only the Staff of the Public Utilities Commission (Staff), and OCC filed comments on November 13, 2015. Below is Duke Energy Ohio's reply to the limited comments that were filed.

II. Comments of the Staff

As a result of its review, Staff commented that certain expenses be removed from the riders. The Company disagrees with Staff's analysis for the following reasons.

A. For Rider DR-IM

1. Allocated Supervision & Engineering (Allocated S&E)

Staff recommended a disallowance of this expense for both Rider DR-IM (\$62,253.41) and Rider AU (\$465.59). Staff states that it believes these labor dollars would have

been incurred by Duke Energy Ohio regardless of whether or not there was a grid modernization program. Duke Energy Ohio accepts Staff's recommendation.

2.Repairs – Warranty

Staff recommended a disallowance of this expense for Rider DR-IM in the amount of \$152,950, claiming that these charges are not related to the initial installation of smart grid. Staff believes these costs are more appropriately recovered in a base rate case. However, during the deployment of grid modernization, some of the equipment required replacement outside of its particular warranty period. And the need to replace the equipment is included in the Rider as the deployment process is accounted for, by the Company as part of deployment. It was not included in rates during the last base rate proceedings and therefore is not currently recovered in rates. Thus, disallowance in the rider will result in no recovery. This is an unfair and inconsistent outcome since this has not been applied in previous rider proceedings. Duke Energy Ohio does not agree with this recommendation.

3.Substation Camera

Staff recommended a disallowance of this expense for both Rider DR-IM (\$557.14) and Rider AU (\$341.48). In response to data Request Staff-DR-13-001, Part 5 Duke Energy Ohio stated that the reference to substation cameras on the invoice was incorrect. The charges disallowed by Staff are charges for electronic reclosures and primary distribution substation riders and are properly included in this filing. Duke Energy Ohio disagrees with this recommendation.

4.Other Expenses

Staff recommended a disallowance of various other expenses for both Rider DR-IM (\$32,835.95) and Rider AU (\$8,583.74) which Staff claims were undocumented. This is an unfair conclusion. It may be that the response to some data requests were not satisfactory to the Staff auditors. To the extent Staff was unsatisfied with the Company's response, it is necessary for Staff to explain that the response is unsatisfactory in order for the Company to follow up. There are thousands of expense items examined. The Company does not agree with this recommendation.

B. For Rider AU

See comments above.

III. Comments of the Office of the Ohio Consumers' Counsel

OCC once again resurrects the same complaint that it had in last year's rider proceeding regarding self-healing team performance. OCC's case is solely based on the reported performance of AEP's 2014 self-healing teams in comparison to Duke Energy Ohio's performance. Without any type of utility self-healing team performance standard in existence, there is no evidence that this is a true apples to apples comparison. While Duke Energy Ohio continues to monitor all self-healing team operations and put into place corrective actions to avoid future missed operations, the overall performance of the self-healing teams speak for themselves. Through the end of 2014, over 13 million customer minutes have been saved with over 134 thousand customers avoiding an extended outage. As reported in Duke Energy Ohio SmartGrid Non-Financial Metrics 2014 Annual Report, in 2014 Duke Energy Ohio self-healing teams saved over 5.5 million customer minutes. This is in comparison to an expected 3 million customer minutes saved annually. Similarly, Duke Energy Ohio has steadily improved its System Average Interruption

Frequency Index (SAIFI) since the beginning of its deployment in 2009. The SAIFI index has reduced from 1.33 in 2008, to 0.99 in 2014, a 26% improvement.

Additionally, the Company has been able to demonstrate steady improvement in the operation of its self-healing teams since they were initially installed. As explained by Duke Energy Ohio witness Donald L. Schneider, Jr. in his testimony in this proceeding, during 2014, the self-healing teams operated successfully 55 times out of 75 opportunities, resulting in a 73% success rate.

OCC seems to be fixated on the concept of knowing whether or not self-healing teams operated during major event days. An OCC comment states “It is important to know whether Duke’s self-healing teams are working properly during major events...” The Company agrees with this statement and in fact believes that it is important to know if self-healing teams are working properly at all times, not just during major events, and thereby monitors all missed operations of self-healing teams. Following an investigation into a missed operation, immediate remediation occurs which is then followed up with appropriate actions (communications improvements made, vendor quality addressed, retraining provided, software enhancements made, etc.).

This specific request regarding major event days demonstrates OCC’s lack of understanding with respect to the operation of self-healing teams generally. In the first instance, whether or not a team is called into action is entirely dependent on the chaos of storms. Storms can occur in many iterations over many different geographic regions. A major event may occur that does not impact a particular self-healing team location, and conversely, a minor event may call upon more than one self-healing team depending on its type and location. In consideration of these facts, the Company is concerned with self-

healing team operation and success, whenever and wherever it occurs, as noted above. It is not particularly relevant to know whether or not it has occurred on a major event day or not. Thus, OCC's comments are perplexing and unhelpful.

Moreover, based on improvements in the operations for 2014 and the improvement to SAIFI for the year, and the number of outage minutes saved, the OCC is surely grasping at straws in order to find something to include in comments.

For the reasons stated above, Duke Energy Ohio respectfully requests that the Commission approve the Company's application as filed.

Respectfully submitted,

DUKE ENERGY OHIO, INC.

A handwritten signature in blue ink, reading "Elizabeth H. Watts/mra", is written over a horizontal line.

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CERTIFICATE OF SERVICE

I hereby certify that a true and accurate copy of the foregoing was delivered by U.S. mail (postage prepaid), personal, or electronic mail, on this 25th day of November, 2015, to the following parties.


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This foregoing document was electronically filed with the Public Utilities

Commission of Ohio Docketing Information System on

11/25/2015 11:45:42 AM

in

Case No(s). 15-0883-GE-RDR

Summary: Comments Reply Comments of Duke Energy Ohio, Inc. electronically filed by Ms. E Minna Rolfes on behalf of Elizabeth H. Watts and Duke Energy Ohio, Inc.