

**BEFORE THE
PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Review of the Smart Grid)
Modernization Initiative Contained in the)
Tariffs of Ohio Edison Company, The) Case Nos. 12-406-EL-RDR
Cleveland Electric Illuminating Company,)
and The Toledo Edison Company.)

**REPLY COMMENTS OF OHIO EDISON COMPANY, THE CLEVELAND ELECTRIC ILLUMINATING
COMPANY AND THE TOLEDO EDISON COMPANY TO THE
COMMENTS OF THE OHIO OFFICE OF CONSUMERS' COUNSEL**

I. INTRODUCTION AND BACKGROUND

As part of a stipulation approved by the Commission in Case No. 08-935-EL-SSO, Ohio Edison Company, The Cleveland Electric Illuminating Company ("CEI") and The Toledo Edison Company (collectively, "Companies") committed to develop a proposal to pursue federal funds for smart grid investment, with recovery of any state committed funds for said investment being obtained through a non-bypassable rider.¹ In furtherance of this commitment, the Companies submitted to the U. S. Department of Energy ("DOE") an application for approval of a Smart Grid Modernization Initiative, which included among other things, the installation of distribution field equipment, network communication equipment, and centralized software systems for the automation of fault restoration within a defined 400 square mile area within CEI's service territory ("Project").² This application with the DOE was contingent on the Companies receiving authority to recover all state committed funds for the investment from the Public Utilities Commission of Ohio ("Commission"). On November 18, 2009, the Companies filed an application with the Commission for approval of, among other things, recovery of actual costs

¹ *In re Application of Ohio Edison Company, The Cleveland Electric Illuminating Company, and The Toledo Edison Company for Authority to Establish a Standard Service Offer Pursuant to Section 4928.143, Revised Code, in the Form of an Electric Security Plan*, Case No. 08-935-EL-SSO, Second Opinion and Order at 13 (March 25, 2009).

² See US DOE Case No. DE-FOA-000058.

incurred, but that were not designated for reimbursement by DOE, for implementing and maintaining the Project through Rider AMI as revised in the same application.³ On June 30, 2010, the Commission approved certain terms and conditions for Rider AMI in Case No. 09-1820-EL-ATA et al.⁴ Cost recovery through Rider AMI was approved in Case No. 10-388-EL-SSO.⁵ During 2012, Staff conducted its first annual financial audit of the Companies' smart grid Project investments and expenses and issued its report on the same on February 19, 2013 ("Staff Report").⁶

On April 5, 2013, both the Companies and the Ohio Office of Consumers' Counsel ("OCC") submitted comments. In its comments, OCC simply echoes the recommendations of the Staff (i) to expand the scope of the audit to include other joint build projects beyond the scope of this proceeding; and (ii) to disallow for recovery of \$452,500 of project costs.⁷ As more fully discussed in the Companies' April 5, 2013 initial Comments, which are incorporated herein by reference, it is inappropriate to expand the scope of the audit to other projects unrelated to the Department of Energy project that is the subject of this docket as recommended by Staff. Further, the Companies demonstrated in their initial comments that all of the funds, including the \$452,500 referenced by OCC, are just and reasonable costs that are, therefore, recoverable. And while the Companies believe they are entitled to full recovery of these costs, should the Commission disagree, the Companies also demonstrated that only \$6,650 of these costs are incremental costs beyond that which was needed to complete the project under a different approach.

³ *In re Application of [the Companies] for Approval of Ohio Site Deployment of the Smart Grid Modernization Initiative and Timely Recovery of Associated Costs*, Case No. 09-1820-EL-ATA et al, Finding and Order at 2, 6 (June 30, 2010).

⁴ *In re Application of [the Companies] for Approval of Ohio Site Deployment of the Smart Grid Modernization Initiative and Timely Recovery of Associated Costs*, Case No. 09-1820-EL-ATA, Finding and Order at 9-11 (June 30, 2010). Note that on page 2 of the Staff Report, this case was incorrectly cited as "09-820-EL-ATA".

⁵ *In re FirstEnergy ESP Case*, Case No. 10-388-EL-SSO, Finding and Order at 13 (August 25, 2010).

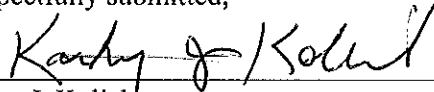
⁶ Comments submitted on behalf of the Staff of the Public Utilities Commission of Ohio, (Feb. 19, 2013).

⁷ OCC Comments, p. 3 (Apr. 5, 2013).

II. CONCLUSION

In sum, for the reasons set forth in the Companies' April 5, 2013 Initial Comments, which are incorporated herein by reference, the Companies ask the Commission to reject the aforementioned recommendations made by Staff and endorsed by OCC in its comments and, instead, modify the Staff's findings as set forth in the Staff Report consistent with the Companies' Initial Comments.

Respectfully submitted,



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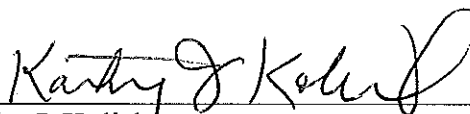
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CERTIFICATE OF SERVICE

I hereby certify that this Comments to Staff Report submitted by Ohio Edison Company, The Cleveland Electric Illuminating Company and The Toledo Edison Company were filed electronically this 22nd day of April, 2013, with the Public Utilities Commission of Ohio Docketing Information System.



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Case No(s). 12-0406-EL-RDR

Summary: Reply Comments to OCC's Comments regarding Staff's Audit Report electronically filed by Ms. Kathy J Kolich on behalf of Ohio Edison Company and The Cleveland Electric Illuminating Company and The Toledo Edison Company