

OCC EXHIBIT NO._____

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of)
Ohio Edison Company, The Cleveland)
Electric Illuminating Company, and The)
Toledo Edison Company for Authority to)
Provide for a Standard Service Offer)
Pursuant to R.C. 4928.143 in the Form of)
an Electric Security Plan.)

Case No. 14-1297-EL-SSO

(PUBLIC VERSION)

**DIRECT TESTIMONY
OF
JAMES D. WILLIAMS**

**On Behalf of
The Office of the Ohio Consumers' Counsel
10 West Broad Street, Suite 1800
Columbus, Ohio 43215-3485**

December 22, 2014

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ATTACHMENTS

JDW-1	List of Previous Testimony Filed at the PUCO by James Williams
JDW-2	FirstEnergy Response to OCC Interrogatory-164
JDW-3	PUCO Staff Guidelines for Filing Reliability Performance Standards
JDW-4	FirstEnergy Response to OCC Interrogatory-160
JDW-5	FirstEnergy Response to OCC RPD-065 (Attachment 1) (Confidential)

1 **I. INTRODUCTION**

2

3 ***Q1. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND POSITION.***

4 ***A1.*** My name is James D. Williams. My business address is 10 West Broad Street,
5 18th Floor, Columbus, Ohio, 43215-3485. I am employed by the Office of the
6 Ohio Consumers' Counsel ("OCC") as a Senior Consumer Protection Research
7 Analyst.

8

9 ***Q2. PLEASE BRIEFLY SUMMARIZE YOUR EDUCATION AND***
10 ***PROFESSIONAL EXPERIENCE.***

11 ***A2.*** I am a 1994 graduate of Webster University, in St. Louis, Missouri, with a Master
12 in Business Administration, and a 1978 graduate of Franklin University, in
13 Columbus, Ohio, with a Bachelor of Science, Engineering Technology. My
14 professional experience includes a career in the Air Force and over 18 years of
15 utility regulatory experience with the OCC.

16

17 Initially, I served as a compliance specialist with the OCC and my duties included
18 the development of compliance programs for electric, natural gas, and water
19 industries. Later, I was appointed to manage all of the agency compliance
20 specialists who were developing compliance programs in each of the utility
21 industries. My role evolved into the management of the OCC consumer hotline,
22 the direct service provided to consumers to resolve complaints, and inquiries that
23 involve Ohio utilities. More recently, as a Senior Consumer Protection Research

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1 Analyst, I am responsible for investigating and recommending policy positions on
2 issues that affect residential consumers.

3
4 I have been directly involved in the development of comments in various
5 rulemaking proceedings at the Public Utilities Commission of Ohio ("PUCO")
6 and the Ohio Development Services Agency ("ODSA") advocating consumer
7 protections, utility affordability, and the provision of reasonable access to
8 essential utility services for residential consumers. Specifically related to my
9 testimony in this proceeding, I helped formulate OCC positions in the
10 Establishment of Credit Rules and the Disconnection of Gas, Natural Gas, or
11 Electric Service for Residential Customers,¹ set forth in Ohio Admin. Code
12 4901:1-17 and 4901:1-18. I routinely review various reports related to the
13 poverty conditions in Ohio and in advocacy for utility bill payment assistance for
14 low-income consumers.

15
16 Also regarding my testimony in this proceeding, my experience has involved
17 helping formulate OCC positions in rulemakings such as the Electric Service
18 Safety Standards,² set forth in Ohio Admin. Code 4901:1-10. Finally, I have
19 participated on OCC case teams assigned to review the reasonableness of

¹ *In the Matter of the Commission's Review of Its Rules for the Establishment of Credit for Residential Utility Services and the Disconnection of Gas, Natural Gas or Electric Services to Residential Customers Contained in Chapters 4901:1-17 and 4901:1-18 of the Ohio Administrative Code*, Case No. 13-274-AU-ORD.

² *In the Matter of the Commission's Review of Chapters 4901:1-10 of the Ohio Administrative Code Regarding Electric Companies*, Case No. 12-2050-EL-ORD.

1 reliability performance standards proposed by the Ohio Edison Company, The
2 Cleveland Electric Illuminating Company and The Toledo Edison Company
3 (“OE”, “CEI”, “TE” or collectively “FirstEnergy” or “the Utilities”).³
4

5 ***Q3. HAVE YOU PREVIOUSLY SUBMITTED TESTIMONY OR TESTIFIED***
6 ***BEFORE THE PUCO?***

7 ***A3.*** Yes. The cases in which I have submitted testimony and/or have testified before
8 the PUCO can be found in attachment JDW-1.
9

10 **II. PURPOSE OF MY TESTIMONY**
11

12 ***Q4. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS***
13 ***PROCEEDING?***

14 ***A4.*** I am recommending that the PUCO consider customer affordability and
15 the impact on at-risk populations of FirstEnergy’s proposed electric
16 security plan (“ESP IV”).
17

18 Consistent with the direct testimony of other OCC witnesses in this
19 proceeding, I have identified charges proposed by the Utilities that can
20 unreasonably increase the costs of electric service to customers. One
21 charge that will negatively impact FirstEnergy residential customers’

³ *In the Matter of the Application of Ohio Edison Company, The Cleveland Electric Illuminating Company and the Toledo Edison Company for Approval of Proposed Reliability Standards, Case No. 09-759-EL-ESS.*

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1 ability to afford their electric service is the Retail Rate Stability (“RRS”)
2 Rider which is estimated by the Utility’s Witness Ruberto will cost
3 customers \$464 million during the three-year term of the Electric Security
4 Plan (“ESP”).⁴ Another charge that will negatively impact affordability is
5 the proposed Distribution Capital Recovery Rider (“Rider DCR”). The
6 final charge that can negatively impact affordability is the proposed
7 Government Directives Recovery Rider (“Rider GDR”).

8
9 Because of the RRS Riders, Rider DCR’s, and Rider GDR’s impact on
10 customers’ electric service affordability, I recommend that the PUCO
11 reject certain components of FirstEnergy’s proposed ESP. I defer to OCC
12 Witness Rose and OCC/Northeast Ohio Public Energy Council Witnesses
13 Wilson and Sioshansi, who more thoroughly address the issues that arise
14 with the RRS Rider. However, I specifically recommend that the PUCO
15 reject Rider DCR and Rider GDR. In addition to the affordability issues
16 associated with Rider DCR, I also recommend that Rider DCR be rejected
17 because it does not appear to constitute an infrastructure modernization
18 program that is eligible for funding under an ESP.

⁴ \$167 million 2016, \$194 million 2017, and \$103 million 2018 as reflected in the Direct Testimony of Jay Ruberto at JAR-1 (August 4, 2014).

1 **III. AFFORDABILITY OF RETAIL ELECTRIC SERVICE**

2
3 ***Q5. DO THE STATE'S ELECTRIC SERVICE POLICIES REQUIRE THE PUCO***
4 ***TO CONSIDER CUSTOMER AFFORDABILITY IN APPROVING AN ESP?***

5 **A5.** Yes. It is my understanding, as confirmed by counsel, that R.C. 4928.02(A) and
6 (L) set forth State policies concerning reasonably priced retail electric service:

7 It is the policy of this state to do the following throughout this
8 state:

9 (A) Ensure the availability to consumers of adequate, reliable, safe,
10 efficient, nondiscriminatory, and **reasonably priced** retail
11 electric service;

12 and

13 (L) **Protect at-risk populations**, including, but not limited to,
14 when considering the implementation of any new advanced
15 energy or renewable energy resource; (emphasis added).

16
17 From this, I conclude that the PUCO has an obligation to ensure that the policies
18 specified under this section of the Revised Code are being implemented through
19 the utility's proposed ESP.

1 **Q6. HAS FIRSTENERGY DEMONSTRATED THAT ITS PROPOSED ESP IV**
2 **WILL COMPLY WITH STATE POLICIES OF PROMOTING AFFORDABLE**
3 **ELECTRIC SERVICE AND PROTECTING AT-RISK POPULATIONS?**

4 **A6.** No. Nothing in the FirstEnergy ESP IV Application addresses the affordability of
5 rates for customers. To the contrary, FirstEnergy appears to be using Rider DCR
6 as a way to collect ever-increasing amounts (incrementally \$30 million per year)
7 of routine investment expenses from its customers on an expedited basis without
8 considering the impact on affordability. This will ultimately increase the cost of
9 electricity for all residential consumers, which will disproportionately affect at-risk
10 populations.

11
12 **Q7. CAN YOU BRIEFLY DESCRIBE THE AT-RISK POPULATIONS OF**
13 **FIRSTENERGY'S CUSTOMERS THAT ARE LIKELY TO BE NEGATIVELY**
14 **AFFECTED BY THE PROPOSED ESP IV?**

15 **A7.** The at-risk populations that are affected by the Utility's proposed ESP IV are
16 Ohioans living in the FirstEnergy service territory with incomes that are at or
17 below the federal poverty level ("FPL") guidelines. A single-person household
18 with a gross annual income of \$11,670 would qualify at 100 percent of the FPL.⁵
19 A household of three persons with a gross annual household income of \$19,790
20 would qualify at 100 percent of the FPL.⁶

⁵ <http://aspe.hhs.gov/poverty/14poverty.cfm>.

⁶ Id.

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1 A review of the 2014 Ohio Poverty Report⁷ indicates that there are a significant
2 number of individuals and families in Ohio who are living in poverty. The
3 number of Ohio families living in poverty is higher than the national average.
4 Specifically, approximately 16.3 percent of Ohioans were in poverty compared
5 with a 15.9 percent nationwide.⁸ Even more alarming, the at-risk population of
6 Ohioans living in poverty has increased from 10.6 percent since 1999.⁹ Family
7 poverty has also increased dramatically from 8.3 percent in 1999 to 12.0 percent
8 in 2012.¹⁰

9
10 The at-risk population of FirstEnergy customers who live in counties where the
11 poverty levels exceed the state average should be a concern for the PUCO. For
12 example, the poverty level in Cuyahoga County -- the most populous county in
13 the CEI service territory -- is 17.7 percent, well in excess of the statewide poverty
14 level of 16.3 percent. The at-risk population of FirstEnergy customers who live in
15 cities should also be of concern to the PUCO because the level of poverty in
16 urban areas has increased over the last 15 years in Ohio. For example, Cleveland,
17 the largest city served by the CEI, has a population of 388,144 residents and a
18 poverty level of 34.2 percent in 2012, compared to 28.7 percent in 1999.¹¹

19 Another city, Akron, the largest city served by OE has a population of 195,182

⁷ <http://www.development.ohio.gov/files/research/P7005.pdf>.

⁸ Ohio Poverty Report at Table A1.

⁹ Ohio Poverty Report at page 6.

¹⁰ Ohio Poverty Report at page 8.

¹¹ Ohio Poverty Report at Table A6.

1 and a poverty level of 26.8 percent in 2012, compared to a 20.5 percent poverty
2 level reflected in 1999.¹² Toledo, which is the largest city served by TE, has a
3 population of 280,082 and a poverty level of 26.8 percent in 2012, compared to a
4 19.1 percent poverty level in 1999.

5
6 The extreme financial hardship currently faced by many customers in these cities
7 and counties must be considered by the PUCO prior to allowing FirstEnergy to
8 impose even more electric service increases on these at-risk populations. But
9 other than committing to continue the Community Connection Program,¹³ there is
10 no indication in the ESP IV Application that FirstEnergy is making any effort to
11 protect the at-risk population from the proposed rate increases. In fact,
12 FirstEnergy neither proposes to continue the Percentage of Income Payment Plan
13 ("PIPP") Plus discount¹⁴ nor to fund the bill payment assistance programs that
14 were included in the prior ESPs.¹⁵

15
16 ***Q8. ARE THERE OTHER AT-RISK POPULATION CONCERNS THAT THE***
17 ***PUCO SHOULD CONSIDER THAT ARISE AS A RESULT OF THE***
18 ***PROPOSED ESP?***

19 ***A8.*** Yes. While high poverty rates throughout the FirstEnergy service territories raise
20 serious concerns regarding the viability of additional rate increases, the PUCO

¹² Id.

¹³ Direct Testimony of Eileen Mikkelsen at 16 (August 4, 2014).

¹⁴ Direct Testimony of Eileen Mikkelsen at 22 (August 4, 2014).

¹⁵ FirstEnergy Response to OCC INT-164 (included herein as JDW-2).

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1 should also consider affordability in a broader sense. For instance, the PUCO
2 should consider the effect of the proposed rate increase on those customers whose
3 incomes that are slightly above the FPL. This is also an at-risk population. I refer
4 to this at-risk population as the “close to poverty level population.” The hardships
5 for these particular individuals are recognized by federal financial assistance
6 programs like the Low-Income Home Energy Assistance Program (“LIHEAP”),
7 which is available to customers whose incomes are below 175 percent of the
8 poverty level.¹⁶ This population can be especially adversely affected by the high
9 costs of electric services (i.e. the lack of affordability for electric service) because
10 they may not qualify for income-based assistance programs as explained later in
11 this testimony. Table 1 provides a summary of the number of Ohioans with
12 incomes close to the poverty level living in some of the largest counties served by
13 FirstEnergy.

**Table 1: Ratio of Income to Poverty level for Select Counties Served by
FirstEnergy¹⁷**

Ohio County	Population ¹⁸	100% Poverty	125% Poverty	150% Poverty	175% Poverty	200% Poverty
Ashtabula	97,676	18.0	24.3	29.8	37.6	40.9
Clark	134,773	17.7	22.2	28.3	35.9	38.9
Cuyahoga	1,253,110	17.7	22.5	26.8	33.5	36.1
Lucas	431,372	20.5	25.4	30.5	37.3	40.2
Mahoning	231,033	17.5	22.2	27.4	35.0	37.8
Marion	60,693	19.6	25.1	29.7	37.6	40.2
Stark	366,714	14.5	19.2	23.9	31.0	33.7
Summit	533,377	14.8	18.7	22.9	28.9	31.6
Trumbull	205,847	16.8	21.4	26.6	34.0	37.4

¹⁶ http://development.ohio.gov/is/is_energyassist.htm.

¹⁷ Ohio Poverty Report at Table A7.

¹⁸ Persons for Whom Poverty Status was Determined.

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1 As can be seen in Table 1, a significant number of Ohioans living in counties
2 served by FirstEnergy have incomes that are close to the poverty level. Within
3 the CEI service territory, over one third of the population of Cuyahoga County is
4 designated as close to the poverty level. Within the TE service territory, over 40
5 percent of the population of Lucas County is designated as close to the poverty
6 level. Within the OE service territory, almost one third of the customers in
7 Summit County are designated as close to the poverty level.

8
9 While the incomes of these Ohioans may be slightly above the federal poverty
10 level, these individuals are already facing significant drains on their incomes for
11 basic living expenses such as shelter, food, transportation, health, and safety.
12 Increases in the cost of electric service have to be absorbed in budgets that are
13 already stretched thin. But other than committing to continue weatherization
14 assistance through the Community Connection Program,¹⁹ there is no indication
15 in FirstEnergy's Application that it took steps to moderate the financial impact on
16 this at-risk population.

¹⁹ Direct Testimony of Eileen Mikkelsen at 16 (August 4, 2014).

**Q9. ARE THERE OTHER INDICATIONS THAT AFFORDABILITY OF RETAIL
ELECTRIC SERVICE FOR RESIDENTIAL CUSTOMERS IN THE
FIRSTENERGY SERVICE TERRITORIES IS AN ISSUE THAT SHOULD
BE CONSIDERED IN DETERMINING RATES IN THIS CASE?**

A9. Yes. As can be seen on Table 2 below, a significant number of FirstEnergy residential customers are already struggling to afford electric service under existing rates. The proposed rates under the FirstEnergy ESP IV Application will cause customers' rates to increase even more.

Table 2 provides a summary, based on 2013 data, of the number of FirstEnergy customers who were disconnected for non-payment, customers on the low-income PIPP-Plus, and the average number of customers on a monthly basis who were on another payment plan. I define these customers as part of the at-risk population under R.C. 4928.02(L).

To qualify for PIPP Plus, customers must have a household income not exceeding 150 percent of the Federal Poverty Guidelines.²⁰ Rather than paying the actual bill, PIPP Plus customers are billed six percent of their monthly household income for electricity (ten percent if all-electric), and the difference from the actual bill accrues as an arrearage.²¹ Customers who have household incomes that exceed the PIPP Plus guidelines can apply for another payment plan such as the

²⁰ Ohio Admin. Code 122:5-3-02(B)(1).

²¹ Ohio Admin. Code 122:5-3-04.

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one-ninth, one-sixth, and one-third payment plans set forth in Ohio Admin. Code
4901:1-18-05(B).

Table 2: Disconnections, PIPP Plus, Payment Plans²² (2011 - 2013)

Metrics	Ohio Edison	CEI	Toledo Edison	Percentage of Total Customers
Number Residential Customers ²³	919,344	660,648	271,717	
Disconnections for Non-payment	45,124 ²⁴	14,736 ²⁵	9,717 ²⁶	3.8% ²⁷
Average Number on PIPP Plus	75,646	53,828	25,080	8.3% ²⁸
Average Number of Customers on Payment Plans ²⁹	37,629	23,636	12,289	4.0% ³⁰

Table 2 demonstrates that FirstEnergy customers are experiencing difficulty
paying their electric bills and the magnitude of FirstEnergy at-risk customers who
need special assistance just to maintain electric service.

²² *In the Matter of the Commission's Review of Chapters 4901:1-17 and 4901:1-18, and Rules 4901:1-5-07, 4901:1-10-22, 4901:1-13-11, 4901:1-15-17, 4901:1-21-14, and 4901:1-29-12 of the Ohio Administrative Code*, Case No. 08-723-AU-ORD, PIPP Plus Metrics Data reported to the PUCO Staff.

²³ 2013 Annual Report reflects 919,344 residential customers for OE, 660,648 residential customers for CEI, and 271,717 residential customers for TE.

²⁴ *In the Matter of the FirstEnergy Annual Report of Service Disconnections for Nonpayment Required by Section 4933.123, ORC*, Case No. 14-846-GE-UNC, FirstEnergy Service Disconnection for Nonpayment Report at 1 (June 10, 2014).

²⁵ *Id.*

²⁶ *Id.*

²⁷ 69,577/1,851,709

²⁸ 154,554/1,851,709

²⁹ PIPP Plus Metrics Data for 2013 provided by the PUCO Staff.

³⁰ 74,554/1,851,709

1 In total, approximately 297,400 of FirstEnergy's approximate 1.8 million
2 residential customers are struggling to pay their current electric bills. This
3 represents approximately 16.0 percent of the total residential customers. These
4 numbers show that affordability is a serious issue that the PUCO must address as
5 it determines whether to accept or modify the proposed ESP. The proposed ESP
6 will raise rates even higher and may make electric service unaffordable for
7 additional customers. Such a result would be inconsistent with the policies of the
8 state, discussed above.

9
10 ***Q10. ARE THERE AFFORDABILITY CONCERNS FOR CUSTOMERS WHO***
11 ***ARE UNABLE TO HAVE SERVICES RESTORED FOLLOWING***
12 ***DISCONNECTION?***

13 ***A10.*** Yes. As can be seen in Table 3, a large number of FirstEnergy customers who are
14 disconnected for non-payment are not getting their services restored. This is
15 shown in the low reconnection rates. For instance, the reconnection rates for
16 Cleveland Electric Illuminating and Toledo Edison are low as seen in Table 3.

17
18 While many factors can affect the reconnection rate, the high poverty level and
19 large number of Ohioans whose incomes are near poverty adds to the problem.
20 As shown in Table 2, Cuyahoga County, which is served by CEI, has a population
21 of approximately 1.2 million where 36.4 percent have incomes close to the
22 poverty level. A 66 percent reconnection rate for these Ohioans is disturbing.
23 Even worse, Lucas County served by TE has a population of approximately

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430,000 where 40.4 percent have incomes close to the poverty level. A 61.7 percent reconnection rate is compelling evidence that reflects the dire affordability issues confronting those customers located in the FirstEnergy service territories.

Table 3: FirstEnergy Disconnections and Reconnections³¹

	(A)	(B)	(C)	(D)	(E)
<i>Utility</i>	<i>Residential Customers</i>	<i>Number of Disconnections</i>	<i>Disconnection Rate (B/A)</i>	<i>Number of Reconnections</i>	<i>Reconnection Rate (D/B)</i>
Ohio Edison	919,344	45,124	4.9	33,414	74.0
Toledo Edison	271,717	9,717	3.6	5,994	61.7
CEI	660,648	14,736	2.2	9,775	66.0

Customers face serious health, safety, and financial consequences when their electric service is terminated for non-payment.³² Any additional increase in electric rates can have an adverse impact by further increasing the number of FirstEnergy residential customers who are disconnected and are unable to have services restored – including the at-risk customers.

³¹ *In the Matter of the Annual Report of Service Disconnections for Nonpayment Required by Section 4933.123, Revised Code, FirstEnergy Case 14-846-GE-UNC, June 27, 2014.*

³² *Access to Utility Service, National Consumer Law Center, Fourth Edition, 2008.*

IV. RELIABILITY STANDARDS AND RIDER DCR

Q11. PLEASE DESCRIBE THE PROPOSED RIDER DCR.

A11. Rider DCR provides FirstEnergy with the opportunity to obtain expedited collection for investments associated with distribution, transmission, general, and intangible plant, that were not included in the last distribution rate case.³³ FirstEnergy is now proposing to continue Rider DCR throughout the term of its ESP but with modifications.

Q12. HOW WILL RIDER DCR IMPACT CUSTOMER RATES AND AFFORDABILITY?

A12. As explained in the Direct Testimony of FirstEnergy Witness Fanelli, the proposed Rider DCR will be capped at \$240 million from June 1, 2016 through May 31, 2017.³⁴ The caps will then increase by \$30 million per year through the term of the ESP for a total of \$810 million over three years. Considering that affordability, for many residential customers, is already an issue in the FirstEnergy service territory, such exorbitant spending just magnifies the impact on consumers throughout the term of the ESP. Additional increases in electric bills can exacerbate customer affordability conditions resulting in more customers being disconnected for non-payment, added customers being unable to have services restored, more customers enrolled in the PIPP Plus program and/or other

³³ Direct Testimony of Eileen Mikkelsen at 11 (August 4, 2014).

³⁴ Direct Testimony of Santino Fanelli at 3 (August 4, 2014).

1 payment plans, and additional customers being at-risk for potential health and
2 safety issues.

3
4 ***Q13. SHOULD THE PUCO PERMIT THE UTILITY TO CHARGE CUSTOMERS***
5 ***IN AN ESP PROCEEDING FOR EXPENSES ASSOCIATED WITH***
6 ***MAINTAINING THE UTILITY'S DISTRIBUTION SYSTEM?***

7 ***A13.*** No. The proposed Rider DCR is an infrastructure plan and recovery mechanism
8 that the Utility seeks under R.C. 4928.143(B)(2)(a). However, it's my
9 understanding, as confirmed by counsel, that this statute permits distribution
10 expenses to be collected as part of an ESP if the distribution expenses relate to
11 infrastructure modernization.

12
13 Infrastructure modernization is different from distribution, transmission, general,
14 and intangible plant that the Utility is seeking to recover in this ESP. Expenses
15 associated with the general maintenance of a utility's distribution system are those
16 that are generally included within existing base distribution rates as part of a
17 distribution rate case. That process is governed by R.C. Chapter 4909. In fact,
18 utilities are required to maintain necessary and adequate distribution facilities
19 under R.C. 4905.22.

1 ***Q14. DOES FIRSTENERGY CLAIM THAT CUSTOMERS WILL OBTAIN***
2 ***QUANTIFIABLE RELIABILITY BENEFITS AS A RESULT OF***
3 ***CONTINUED FUNDING FOR RIDER DCR?***

4 ***A14.*** No. FirstEnergy claims that Rider DCR better enables the Utilities to continue
5 making investments in the delivery systems and provides “an opportunity for
6 enhanced reliability” for customers.³⁵ FirstEnergy claims that over the last four
7 years, the actual reliability performance has consistently outperformed the
8 reliability standards.³⁶ But nowhere in the Testimony of Ms. Mikkelsen, or any
9 other FirstEnergy witness, has the Company committed to any actual
10 improvement in reliability as a result of continued and increased funding for Rider
11 DCR.

12
13 ***Q15. CAN YOU BRIEFLY DESCRIBE THE FIRSTENERGY RELIABILITY***
14 ***INDICES AND HOW THESE STANDARDS WERE ESTABLISHED?***

15 ***A15.*** Yes. Under R.C. 4928.11(A) the PUCO is required to adopt rules that include
16 prescriptive standards for the inspection, maintenance, repair, and replacement of
17 distribution equipment and specific standards for reliability. The PUCO has
18 adopted rules in Ohio Admin. Code 4910:1-10-10 that require each electric utility
19 to maintain a System Average Interruption Frequency Index (“SAIFI”) standard
20 and a Customer Average Interruption Duration Index (“CAIDI”) standard. SAIFI
21 is a measure of the average number of outages that customers experience on an

³⁵ Direct Testimony of Eileen Mikkelsen at 8 (August 4, 2014).

³⁶ *Id.* at 9.

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1 annual basis. CAIDI is a measure of the average duration of the outage. The
2 System Average Interruption Duration Index (“SAIDI”) is a measure of the
3 average duration of outages at the system level. The PUCO rules require electric
4 utilities to report on an annual basis the eight percent worst performing circuits
5 based upon SAIFI, CAIDI, and SAIDI performance data.³⁷ In a reliability
6 proceeding, the electric utility has the burden of proof to justify standards based
7 on historical system performance, system design, technological advancements,
8 service area geography, customer perception survey results, and other relevant
9 factors.³⁸ In addition, the PUCO Staff has guidelines for establishing standards
10 (attached herein as JDW-3).

11
12 The OE standard is 1.11 for SAIFI and 114.37 minutes for CAIDI. The CEI
13 standards are 1.3 for SAIFI and 135.0 minutes for CAIDI. The Toledo Edison
14 standards are 1.0 for SAIFI and 112.33 minutes for CAIDI.

15
16 It is important to note that these standards exclude outages that are associated
17 with major events, transmission/generation outages, and those outages that have
18 durations of less than five minutes. Thus, the standards are applied to the normal
19 performance of the distribution system when there are no other significant major
20 events that can impact system reliability. As reflected in Table 4, each of the

³⁷ Ohio Admin. Code 4901:1-10-11(C)(1).

³⁸ Ohio Admin. Code 4901:1-10-10(B)(4)(a).

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FirstEnergy utilities have met or exceeded the reliability standards for each year since 2010.

Table 4: FirstEnergy Historical Reliability Performance Data (2009-2013)³⁹

OE								
Index	2009 ⁴⁰	2010	2011	2012	2013	5-Year Average	Standard	Variance
SAIFI	.95	.89	.86	.85	.71	.85	1.11	23.6%
CAIDI	88.52	102.53	113.76	105.83	100.78	102	114.37	10.8%

CEI								
INDEX	2009	2010	2011	2012	2013	5-Year Average	Standard	Variance
SAIFI	1.02	.98	1.18	.96	.86	1	1.3	23.1%
CAIDI	138.16	114.98	116.87	107.35	99.55	115.38	135.0	14.5%

TE								
INDEX	2009	2010	2011	2012	2013	5-Year Average	Standard	Variance
SAIFI	.6	.61	.64	.61	.52	.6	1.0	40%
CAIDI	70.58	92.01	106.71	91.88	100.87	92.41	112.33	17.7%

Q16. DOES THE 2013 CUSTOMER PERCEPTION SURVEY SHOW THAT CUSTOMERS' AND COMPANY'S EXPECTATIONS CONCERNING RELIABILITY ARE ALIGNED AS REQUIRED UNDER THE LAW?

A16. Not at all. Attached herein as JDW-5 is a copy of the PUCO's Reliability Residential Survey Results for 2013⁴¹ that were referenced in Ms. Mikkelsen's

³⁹ Direct Testimony of Eileen Mikkelsen at 9 (August 4, 2014).

⁴⁰ FirstEnergy Response to OCC Set 6-INT-160 (Attached herein as JDW-4).

⁴¹ FirstEnergy Response to OCC RPD-065 (Confidential).

(PUBLIC VERSION)
Direct Testimony of James D. Williams
On Behalf of the Office of the Ohio Consumers' Counsel
PUCO Case No. 14-1297-EL-SSO

1 Testimony.⁴² Ohio Revised Code 4928.143 requires the PUCO to examine the
2 reliability of the electric utility's distribution system to ensure an alignment of
3 customers' and the utility's expectations concerning reliability as a condition for
4 approval of an infrastructure modernization program. As stated earlier, Rider
5 DCR is not authorized under Ohio law because it allows the Utility to collect
6 costs that have nothing to do with infrastructure modernization. In addition, the
7 proposed continuation of Rider DCR is not authorized under Ohio law because
8 the customer and Company expectations for reliability are not aligned as
9 discussed below. My understanding of this matter has been confirmed by
10 counsel.

11
12 [REDACTED]
13 [REDACTED]
14 [REDACTED]
15 [REDACTED]
16 [REDACTED]
17 [REDACTED]
18 [REDACTED]
19 [REDACTED]
20 [REDACTED]

⁴² Direct Testimony of Eileen Mikkelsen at 10 (August 4, 2014).

⁴³ Id.

⁴⁴ Id.

(PUBLIC VERSION)
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PUCO Case No. 14-1297-EL-SSO

1 [REDACTED]
2 [REDACTED]
3 [REDACTED]
4 [REDACTED]
5 [REDACTED]

6

7 To the extent that the FirstEnergy customer perception survey indicates that the
8 Utility's customers are unwilling to pay more to avoid non-major outages,
9 customers' and FirstEnergy expectations concerning reliability are not aligned.
10 Continuation and expansion of Rider DCR, as proposed by FirstEnergy is not
11 warranted because it contradicts Ohio law.

12

13 ***Q17. WHAT IS YOUR RECOMMENDATION CONCERNING THE RIDER DCR?***

14 ***A17.*** Based upon the large number of at-risk customers in FirstEnergy service territory
15 who would be harmed by unreasonable price increases in electric bills, I
16 recommend that the proposal to continue Rider DCR rider be rejected.

17 Additionally, I conclude that FirstEnergy has not demonstrated that the proposed
18 continuation of Rider DCR is a distribution infrastructure modernization program
19 as required by Ohio law. Finally, I conclude that customers' interests and the
20 utilities' interests are not aligned, which is also a requirement under the statute. I
21 recommend that the PUCO reject Rider DCR.

1 **V. GOVERNMENTAL DIRECTIVES RIDER**

2
3 ***Q18. WHAT IS THE GOVERNMENTAL DIRECTIVES RIDER?***

4 ***A18.*** According to FirstEnergy Witness Mikkelsen:

5
6 “Rider GDR would permit timely recovery of future costs arising
7 from implementation of programs required by legislative or
8 governmental directives. The Companies do not currently have
9 any costs to include in this cost recovery mechanism.”⁴⁵

10
11 ***Q19. ARE YOU CONCERNED RIDER GDR COULD IMPACT THE***
12 ***AFFORDABILITY OF ELECTRIC SERVICE?***

13 ***A19.*** Yes. Witness Mikkelsen acknowledges that Rider GDR currently does not have
14 any identified costs to collect from customers. However, the companies may be
15 required to incur costs associated with investigation and remediation of former
16 manufactured gas plant (“MGP”) sites in Ohio.⁴⁶ If the PUCO were to authorize
17 the collection of MGP environmental investigation and remediation of former
18 MGP facilities costs from customers, that could prove very costly to Ohio
19 customers. For all the reasons stated in the Direct Testimony of OCC witness

⁴⁵ Direct Testimony of Eileen Mikkelsen at 24 (August 4, 2014).

⁴⁶ *Id.*

(PUBLIC VERSION)
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PUCO Case No. 14-1297-EL-SSO

1 Effron, FirstEnergy should file a base rate case to seek recovery of costs related to
2 these directives.⁴⁷ Therefore, this rider should be rejected.

3

4 **VI. CONCLUSION**

5

6 ***Q20. DOES THIS CONCLUDE YOUR TESTIMONY?***

7 ***A20.*** Yes. However, I reserve the right to incorporate new information that may
8 subsequently become available through outstanding discovery or otherwise.

⁴⁷ Direct Testimony of OCC Witness David Effron at 23 (December 22, 2014).

CERTIFICATE OF SERVICE

It is hereby certified that a true copy of the foregoing *Direct Testimony (Public Version)* of James D. Williams on Behalf of the Office of the Ohio Consumers' Counsel has been served via electronic transmission this 22nd day of December 2014.

/s/ Larry S. Sauer

Larry S. Sauer
Deputy Consumers' Counsel

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Testimony of James D. Williams
Filed at the Public Utilities Commission of Ohio

1. *In the Matter of the Application of the Cincinnati Gas and Electric Company for an Increase in Its Rates for Gas Service to All Jurisdictional Customers, Case No. 95-0656-GA-AIR (August 12, 1996).*
2. *In the Matter of the Application of the Cincinnati Gas and Electric Company for an Increase in Its Rates for Gas Service to All Jurisdictional Customers, Case No. 01-1228-GA-AIR (February 15, 2002).*
3. *In the Matter of the Commission's Investigation into the Policies and Procedures of Ohio Power Company, Columbus Southern Power Company, The Cleveland Electric Illuminating Company, Ohio Edison Company, The Toledo Edison Company and Monongahela Power Company regarding installation of new line extensions, Case No. 01-2708-EL-COI (May 30, 2002).*
4. *In the Matter of the Application of The East Ohio Gas Company d/b/a Dominion East Ohio for an Increase in Its Rates for Gas Service to All Jurisdictional Customers, Case No. 07-0829-GA-AIR (June 23, 2008).*
5. *In the Matter of the Application of the Columbia Gas of Ohio, Inc. for Authority to Amend Filed Tariffs to Increase the Rates and Charges for Gas Distribution, Case No. 08-072-GA-AIR (September 25, 2008).*
6. *In the Matter of a Settlement Agreement Between the Staff of the Public Utilities Commission of Ohio, The Office of the Consumers' Counsel and Aqua Ohio, Inc. Relating to Compliance with Customer Service Terms and Conditions Outlined in the Stipulation and Recommendation in Case No. 07-564-WW-AIR and the Standards for Waterworks Companies and Disposal System Companies, Case No. 08-1125-WW-UNC (February 17, 2009).*
7. *In the Matter of the Application of the Ohio American Water Company to Increase its Rates for water and Sewer Services Provided to its Entire Service Area, Case No. 09-391-WS-AIR (January 4, 2010).*
8. *In the Matter of the Application of Aqua Ohio, Inc. for Authority to Increase its Rates and Charges in its Masury Division, Case No. 09-560-WW-AIR (February 22, 2010).*
9. *In the Matter of the Application of Aqua Ohio, Inc. for Authority to Increase its Rates and Charges in Its Lake Erie Division, Case No. 09-1044-WW-AIR (June 21, 2010).*

10. *In the Matter of the Application of The Ohio American Water Company to Increase its Rates for Water Service and Sewer Service*, Case No. 11-4161-WS-AIR (March 1, 2012).
11. *In the Matter of Columbus Southern Power Company and Ohio Power Company for Authority to Establish a Standard Service Offer Pursuant to Section 4928.143, Ohio Rev. Code, in the Form of an Electric Security Plan*, Case No. 11-346-EL-SSO, et al (May 4, 2012).
12. *In the Matter of the Application of The Dayton Power and Light Company for Approval of its Market Rate Offer*, Case No. 12-426-EL-SSO (June 13, 2012).
13. *In the Matter of the Application of Ohio Power Company to Establish Initial Storm Damage Recovery Rider Rates*, Case No. 12-3255-EL-RDR (December 27, 2013).
14. *In the Matter of the Application of Ohio Power Company for Authority to Establish a Standard Service Offer Pursuant to Section 4928.143, Ohio Rev. Code, in the Form of an Electric Security Plan*, Case No. 13-2385-EL-SSO (May 6, 2014).
15. *In the Matter of the Application of Duke Energy Ohio for Authority to Establish a Standard Service Offer Pursuant to Section 4928.143, Revised Code, in the Form of an Electric Security Plan, Accounting Modifications and Tariffs for Generation Service*, Case 14-841-EL-SSO (May 29, 2014).
16. *In the Matter of the Application of Ohio Edison Company, The Cleveland Electric Illuminating Company and The Toledo Edison Company for Authority to Provide for a Standard Service Offer Pursuant to R.C. 4928.143 in the Form of an Electric Security Plan*, Case No. 14-1297-EL-SSO (December 22, 2014).

OCC Set 6

Witness: Eileen M. Mikkelsen

Case No. 14-1297-EL-SSO
Ohio Edison Company, The Cleveland Electric Illuminating Company and
The Toledo Edison Company for Authority to Provide for a Standard Service Offer
Pursuant to R.C. § 4928.143 in the Form of an Electric Security Plan

RESPONSES TO REQUEST

OCC Set 6– Referring to the Direct testimony of the Companies witness Mikkelsen, are the
INT-164 Companies proposing to fund any bill payment assistance programs for residential
customers in the ESP IV?

Response: No.

Staff Guidelines for Electric Utility Reliability Standards under Rule 4901:1-10-10(B)

Staff's Guidelines for Reliability Standards Applications

Rules 4901:1-10-10(B)(2), (3), (4), and (5) of the Ohio Administrative Code (O.A.C.) require each electric utility in the state to file with the Commission an application to establish company-specific minimum reliability performance standards, and prescribe what should be included in the application's supporting justification and work papers. The following are Staff's guidelines for electric utilities to use in developing their reliability standards applications, supporting justification, and supporting work papers.

1. Service reliability performance standards for CAIDI and SAIFI should be calculated by averaging historical performance and using the average as a baseline for adjustments that would result in a proposed standard.
2. Historical system performance should include at least five years of reliability performance data or an explanation of why that is not possible. Such performance data must reflect the exclusion of major events and transmission outages as defined in Rules 4901:1-10-1(Q) and (AA), O.A.C., respectively.
3. The application should separately quantify the adjustment that the electric utility proposes for each factor it believes should be considered in adjusting the average historical performance to develop the standard. All factors listed in Rule 4901:1-10-10(B)(4)(a), O.A.C., should be addressed, including those for which no adjustment is made.
4. Work papers should include the following:
 - Supporting rationale, methodology, analysis, calculations, underlying assumptions, and documentation for each adjustment used to arrive at the proposed reliability standards.
 - The methodology used to exclude major events and transmission outages from historical performance data.
 - A description of how major event day thresholds were calculated, including a description of and justification for any adjustments to any data used for such calculations.
 - The results of the customer perception survey conducted under Rule 4901:1-10-10(B)(4)(b).
 - The status in implementing and an updated schedule for completing any grid modernization program which the Commission has approved under Section 4928.143(B)(2)(h), Revised Code.

OCC Set 6

Witness: Eileen M. Mikkelsen

As to objections: Carrie M. Dunn

Case No. 14-1297-EL-SSO

Ohio Edison Company, The Cleveland Electric Illuminating Company and
The Toledo Edison Company for Authority to Provide for a Standard Service Offer
Pursuant to R.C. § 4928.143 in the Form of an Electric Security Plan

RESPONSES TO REQUESTOCC Set 6–
INT-160

Referring to page 9 of the Direct Testimony of the Companies' witness Mikkelsen, what is the SAIFI and CAIDI reliability performance for years 2004 through 2009 excluding major events using the current major event definition as reflected in Ohio Admin. Code 4901:1-01-01(T).

Response: Objection. This request seeks information that is neither relevant nor reasonably calculated to lead to the discovery of admissible evidence. Subject to and without waiving the foregoing objections, SAIFI and CAIDI reliability performance excluding major events using the current major event definition provided in OAC 4901:1-01-01(T) is provided in the table below.

Company	Index	Actual Performance					
		2004	2005	2006	2007	2008	2009
Ohio Edison	SAIFI	0.92	1.05	1.17	0.85	0.96	0.70
	CAIDI	101	114	96	103	106	97
CEI	SAIFI	0.96	1.48	1.09	1.12	1.17	0.92
	CAIDI	123	118	123	113	127	125
Toledo Edison	SAIFI	0.65	0.85	0.73	0.70	0.70	0.55
	CAIDI	103	101	104	102	100	79

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of Ohio)	
Edison Company, The Cleveland Electric)	Case No. 14-1297-EL-SSO
Illuminating Company and The Toledo)	
Edison Company for Authority to Provide)	
a Standard Service Offer Pursuant to R.C.)	
§ 4928.143 in the Form of an Electric)	
Security Plan.)	

**THE OFFICE OF THE OHIO CONSUMERS' COUNSEL'S
INTERROGATORIES AND
REQUESTS FOR PRODUCTION OF DOCUMENTS
PROPOUNDED UPON FIRSTENERGY,
SIXTH SET**

(DATED NOVEMBER 21, 2014)

The Office of the Ohio Consumers' Counsel, in the above-captioned proceedings before the Public Utilities Commission of Ohio, submits the following Interrogatories and Requests for Production of Documents pursuant to Sections 4901-1-19, 4901-1-20 and 4901-1-22 of the Ohio Adm. Code for response from the FirstEnergy electric distribution utilities ("FirstEnergy EDUs") within 20 days, and no later than any shorter period required by the Public Utilities Commission of Ohio or its authorized representative. An electronic, non-pdf (e.g., Excel) response should be provided to the Office of the Ohio Consumers' Counsel at the following addresses:

CONFIDENTIAL

This foregoing document was electronically filed with the Public Utilities

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in

Case No(s). 14-1297-EL-SSO

Summary: Testimony Direct Testimony (Public Version) of James D. Williams on Behalf of the Office of the Ohio Consumers' Counsel electronically filed by Patti Mallarnee on behalf of Sauer, Larry S.