

**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 Approval of Ohio Site Deployment of the Smart Grid Modernization Initiative and Timely Recovery of Associated Costs**

**Case No. 09-1820-EL-ATA  
Case No. 09-1821-EL-GRD  
Case No. 09-1822-EL-EEC  
Case No. 09-1823-EL-AAM**

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**APPLICATION FOR REHEARING AND/OR REQUEST FOR  
CLARIFICATION OF OHIO EDISON COMPANY, THE CLEVELAND  
ELECTRIC ILLUMINATING COMPANY AND THE TOLEDO EDISON  
COMPANY**

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Pursuant to R.C. 4903.10 and Rule 4901:1-35, Ohio Administrative Code, Ohio Edison Company (“Ohio Edison”), The Cleveland Electric Illuminating Company (“CEI”) and The Toledo Edison Company (“Toledo Edison”) (collectively, the “Companies”) hereby file their Application for Rehearing and/or Request for Clarification of the Finding and Order entered on May 28, 2015 in the above-captioned case (“May 28 Order”). As explained in more detail in the attached Memorandum in Support, the Commission’s Finding and Order is unreasonable and unlawful and/or requires clarification on the following grounds:

- A. The May 28 Order should be clarified to specifically include full and timely cost recovery for the continuation of the Phase 2 customers’ voluntary two-part residential time-of use and off-peak Standard Service Offer rate (“Rider RCP”) recognizing that the estimated cost to provide this service could be as much as \$5.8 million and participation is expected to be very low.
- B. To the extent the Commission affirmatively intended to preclude cost recovery for the continuation Rider RCP, the May 28 Order is unreasonable and unlawful.

For those reasons, as discussed in greater detail below, the Companies respectfully request that the Commission grant the Companies' Application for Rehearing and Request for Clarification and appropriately modify and/or clarify the May 28 Order.

Respectfully submitted,

/s/ Carrie M. Dunn

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## **MEMORANDUM IN SUPPORT**

### **I. INTRODUCTION**

On December 22, 2014, Ohio Edison Company, The Cleveland Electric Illuminating Company (“CEI”) and The Toledo Edison Company (collectively, the “Companies”) filed an application seeking further cost recovery to complete studies related to the Ohio Site Deployment of the Smart Grid Modernization Initiative (“Initiative”). Specifically, the Companies requested cost recovery to continue the Volt Var Optimization and Distribution Automation studies as the Initiative was originally funded, in part, by a Department of Energy (“DOE”) grant. The DOE grant expired on June 1, 2015. The Order in the Companies’ second ESP proceeding (Case No. 10-388-EL-SSO) stated that “[t]he Companies shall not complete any part of the Ohio Site Deployment that the United States Department of Energy does not match funding in an equal amount”. (Case No. 10-388-EL-SSO, August 25, 2010 Opinion Order at 14.) Therefore, the Companies requested approval from the Commission to collect 100 percent of the study costs incurred after June 1, 2015. On May 28, 2015, the Commission granted and found that the Companies’ application was reasonable stating that “the Commission will only approve recovery of prudently incurred costs, subject to an annual true-up and reconciliation.” (May 28, 2015 Finding and Order at ¶ 8 (“May 28 Order”).)

While the Companies appreciate the Commission’s timely approval of their application, the Companies seek rehearing and/or clarification on one of the Commission’s modifications of that application. Specifically, the Commission modified that application by ordering the Companies to “continue to offer to Phase 2 customers the voluntary two-part residential time-of-use on- and off-peak Standard Service Offer rate (“Rider RCP”) as described in Finding (6), until otherwise ordered by the Commission.” (*Id.*) It is unclear to the Companies if the cost

recovery language in paragraph 8 of the May 28 Order was intended to cover only the costs associated with the continuation of the Volt Var Optimization and Distribution Studies or if the language was also intended to include recovery of costs associated with continuing to offer Rider RCP. Therefore, the Companies respectfully request clarification and/or rehearing on the May 28 Order to specifically approve cost recovery for continuing Rider RCP, which is estimated to be as much as \$5.8 Million to continue the program through 2019, as well as the additional costs associated with continuing the Volt Var Optimization and Distribution Studies.

## **II. THE MAY 28 ORDER SHOULD BE CLARIFIED TO INCLUDE COST RECOVERY FOR RIDER RCP.**

On April 18, 2013, the Companies and Staff filed a joint motion to resolve issues relating to the Companies' Motion for Direction to Proceed to Phase 2 of the Ohio Site Deployment. As part of that Motion, the Companies agreed to adopt and implement Staff's recommendation to develop and offer Rider RCP. (Joint Motion at 4.) On May 15, 2013, the Commission ordered the Companies to implement the Joint Motion including an offer to Phase 2 customers the voluntary two-part residential time-of-use on- and off-peak Standard Service Offer rate with critical peak periods ("Previous Rider RCP"). (May 15, 2013 Order at ¶ 6.) The Previous Rider RCP was approved by the Commission. The Companies marketed and offered the Previous Rider RCP to SSO customers in the spring of 2014. Six customers elected to take service under the Previous Rider RCP in the summer of 2014. The Previous Rider RCP expired by its own terms on August 31, 2014. Costs associated with the metering and billing infrastructure supporting the Previous Rider RCP were recovered 50 percent through the DOE grant and the other 50 percent through the Companies' Rider AMI. The difference between revenues received from customers taking generation service under Rider RCP and the cost of supplying generation service to these SSO customers was recovered in the Generation Cost Reconciliation Rider ("Rider GCR").

As discussed above, on December 22, 2014, the Companies filed an application for cost recovery to continue the Volt Var Optimization and Distribution Automation studies. The Companies' application did not, however, seek approval to continue the Previous Rider RCP. The Previous Rider RCP was a pilot program and had limited participation. The Companies did not believe the costs associated with continuing to offer the Previous Rider RCP justified continuing to offer the program on a going forward basis. Nevertheless, in its May 28 Order, the Commission modified the Companies' application and ordered the Companies to "continue to offer to Phase 2 customers the voluntary two-part residential time-of-use on- and off-peak Standard Service Offer rate ("Rider RCP") as described in Finding (6), until otherwise ordered by the Commission." (May 28 Order at ¶ 6.) The Commission, however, did not explicitly provide that the Companies could recover costs associated with Rider RCP. Currently, the Companies estimate it could cost as much as \$5.8 million to offer Rider RCP to up to 250 customers through 2019. These estimated costs include the costs to maintain the network and back office system, costs to maintain the meters, as well as costs to operate Rider RCP. Given the significant costs associated with offering Rider RCP and the Commission's statement that it will only approve recovery of prudently incurred costs (subject to an annual true-up and reconciliation), the Companies respectfully request that the Commission clarify its May 28 Order to indicate that the Companies: (1) will receive cost recovery for Rider RCP; and (2) will not be subject to a prudence disallowance associated with costs incurred if only a limited number of customers elect to participate in Rider RCP.

**III. TO THE EXTENT THE COMMISSION AFFIRMATIVELY INTENDED TO PRECLUDE COST RECOVERY FOR RIDER RCP, THE MAY 28 ORDER IS UNREASONABLE AND UNLAWFUL.**

To the extent the Commission affirmatively intended to preclude cost recovery for Rider RCP, the May 28 Order is unreasonable and unlawful in that it does not provide for an adequate

cost recovery mechanism for the costs incurred to provide this new Commission-mandated service. The Previous Rider RCP expired August 31, 2014.<sup>1</sup> The Companies' application did not request Rider RCP making this Commission-mandated service a new service. Currently, the Companies do not have authority to recover the costs (outlined above) for Rider RCP. Therefore, to the extent the Commission did intend to preclude cost recovery for Rider RCP, the May 28 Order is unreasonable and unlawful and rehearing should be granted to provide authority for cost recovery.

#### IV. CONCLUSION

For all of the foregoing reasons, the Companies respectfully request that the Commission grant rehearing and/or clarify its May 28 Order.

Respectfully submitted,

/s/ Carrie M. Dunn

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<sup>1</sup> In its May 28 Order, while the Commission ordered the Companies to continue Rider RCP, it did not order the Companies to file a new Rider RCP. Given that the Previous Rider RCP has expired, a new tariff application would need to be filed and approved. The Companies will await a decision on this Application for Rehearing prior to filing for approval of the new tariff.

### **CERTIFICATE OF SERVICE**

On June 29, 2015, the foregoing document was filed on the Public Utilities Commission of Ohio's Docketing Information System. The PUCO's e-filing system will electronically serve notice of the filing of this document and the undersigned has served electronic copies to the following parties:

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*One of the Attorneys for Ohio Edison Company, The Cleveland Electric Illuminating Company and The Toledo Edison Company*

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Summary: Application for Rehearing and Memorandum in Support electronically filed by Ms. Carrie M Dunn on behalf of The Toledo Edison Company and The Cleveland Electric Illuminating Company and Ohio Edison Company