

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of Staff’s Review of Select) CASE NO. 17-2276-EL-RDR
Tariffs of Ohio Edison Company, The)
Cleveland Electric Illuminating Company,)
and The Toledo Edison Company)

**COMMENTS OF OHIO EDISON COMPANY, THE CLEVELAND ELECTRIC
ILLUMINATING COMPANY, AND THE TOLEDO EDISON COMPANY**

I. INTRODUCTION

On February 28, 2019, Ohio Edison Company, The Cleveland Electric Illuminating Company, and The Toledo Edison Company (“the Companies”) filed their Report in Support of Staff’s 2018 Annual Review of the Advanced Metering Infrastructure / Modern Grid Rider (Rider AMI) (“Application”), commencing the Commission’s review and audit of Rider AMI for the year ended December 31, 2018. On November 15, 2019 Staff filed their Review and Recommendations (“Staff Report”) finding that the Companies “appropriately included in rider AMI only those costs that were incurred as a result of serving its customers in Ohio, with the exceptions noted.”¹ Staff recommended adjustments totaling \$774,535 that would remove certain capital and maintenance expenses related to The Cleveland Electric Illuminating Company (“CEI”) pilot program.²

The Companies agree with Staff that the following should be removed from Rider AMI: (1) \$60,497 for two reclosers that are outside of CEI’s pilot footprint;³ and (2) \$20,623 for work

¹ Staff Report at 3 (for purposes of numbering the pages of the Staff Report, the Companies have not included the cover letter).

² *Id.* On February 28, 2020, The Office of the Ohio Consumers’ Counsel (“OCC”) filed its Comments for Consumer Protection in Support of Disallowing Certain Expenses from being Collected from Consumers through Rider AMI (“OCC’s Comments”) parroting the two exceptions identified by Staff.

³ Staff Report, Attachment 1 at page 1, items 1 and 5.

that was not associated with the CEI pilot.⁴ However, the Companies dispute the remaining adjustments recommended by Staff and echoed by OCC, as explained more fully below.

II. COMMENTS

A. **The Companies' Recovery for Capital Installations Related to Data Collection Should Not Be Adjusted, with the Exception of Two Reclosers.**

1. The Costs Were Included in the Companies' Commission-Approved Application for Cost Recovery to Complete Studies Related to the Ohio Site Deployment of the Smart Grid Modernization Initiative.

Staff recommends an adjustment of \$676,912 for capital expenditures related to the installation of new reclosers, communication equipment, and enhancements to the support system for smart meter infrastructure in the CEI pilot program.⁵ Staff asserts that the costs should be excluded because they were not matched by the United States Department of Energy ("DOE") and because the Companies' Application for Cost Recovery to Complete Studies Related to the Ohio Site Deployment of the Smart Grid Modernization Initiative⁶ did not include these capital expenditures.⁷ OCC repeats Staff's comments and further suggests that the Commission "specifically disallowed" the recovery sought by the Companies.⁸ Subject to the exception of two reclosers, as explained below, the Staff Report is mistaken, and OCC's argument is unsupported and not well taken.

The capital expenditures are part of the Companies' Study Completion Application. In their Study Completion Application, the Companies requested "approval to collect 100% of the

⁴ Staff Report, Attachment 1 at page 2, item 18.

⁵ Staff Report at 2.

⁶ See Case Nos. 09-1820-EL-ATA, *et al.* (12/22/2014) Application of Ohio Edison Company, The Cleveland Electric Illuminating Company, and The Toledo Edison Company for Cost Recovery to Complete Studies Related to the Ohio Site Deployment of the Smart Grid Modernization Initiative ("Study Completion Application").

⁷ Staff Report at 2.

⁸ OCC Comments at 2-3.

on-going data collection and maintenance costs for the completion of the Volt Var and Distribution Automation studies after June 1, 2015.”⁹ The Companies did not limit their request solely to operations and maintenance costs.¹⁰ Rather, they sought additional cost recovery for data collection and ongoing support of the system through June 1, 2019.¹¹ Data collection includes communication backhaul, servers, software upgrades, and field devices such as reclosers.

The purpose of the continued data collection was to expand knowledge and understanding of smart grid technologies, incorporate lessons learned, and identify how the technologies can be deployed to further enhance customer benefits. The Companies supported their request, stating that: “To not complete the full monitoring of the system and truly understand the benefits would not fully leverage the investment that has been made. The system must be monitored and evaluated over time, under various load and weather conditions, to understand its capabilities for reliability improvements and demand response.”¹² Contrary to OCC’s position,¹³ the Commission did not “specifically disallow[.]”¹⁴ these expenses. Rather, it approved the Companies’ Study Completion Application.¹⁵

In 2018 the Companies made prudent capital investments associated with the Ohio Site Deployment by expanding the installation and testing new smart grid devices in CEI’s pilot footprint. These investments were important to help the Companies continue to collect data in the pilot and fully monitor the pilot area and better understand the benefits of these types of investments to customers. This additional knowledge obtained through data collection helps the

⁹ Study Completion Application at 2.

¹⁰ *Id.* at 2, 5.

¹¹ *Id.* at 5.

¹² *Id.* at 5-6.

¹³ OCC Comments at 2-3.

¹⁴ *Id.* at 3.

¹⁵ Case Nos. 09-1820-EL-ATA, *et al.* (5/28/2015) Finding and Order at 2-3.

Companies to be better prepared for wider deployment of grid modernization investments throughout the Companies' Ohio service territory as part of their recently approved Grid Mod I stipulation.¹⁶ For example, the Companies installed new reclosers in 2018 designed to more accurately measure voltage and isolate faults to fewer customers to improve the customer reliability experience. Thus, with the exception of two reclosers as explained below in Section A.5., all of the capital expenditures are used in data collection, will expand the Companies' knowledge and understanding of smart grid technologies, and will allow the Companies to leverage the investments that have been made. The capital expenditures are properly recovered under Rider AMI.

2. The Capital Expenditures are Not Subject to the DOE Match Requirement.

The Companies agree that dollars spent in 2018 were not matched by DOE funds; however, this does not have any bearing on the recoverability of the 2018 costs in Rider AMI. The referenced costs are not subject to the DOE matching requirement imposed by the Commission in 2010,¹⁷ because they are components of the Companies' December 22, 2014 Study Completion Application which sought *additional* cost recovery to cover a period *after* the conclusion of the DOE funding.¹⁸ In the Companies' Study Completion Application, they observed that "DOE funding for the Ohio Site Deployment completes on June 1, 2015" but that they "still have several years remaining of data collection to complete for the Volt Var Optimization and Distribution Automation studies."¹⁹ The Companies specifically requested "approval to collect 100% of the on-going data collection and maintenance costs for the completion of the Volt Var and Distribution

¹⁶ Case Nos. 16-481-EL-UNC, *et al.* (7/17/2019) Opinion and Order.

¹⁷ Case No. 10-388-EL-SSO (8/25/2010) Opinion and Order at 13-14.

¹⁸ Study Completion Application at 2.

¹⁹ *Id.*

Automation studies after June 1, 2015.”²⁰ The Commission’s approval of the Companies’ request post-dates and effectively supersedes the DOE match requirement.²¹

3. The Costs Are Expressly Permitted in the Companies’ Commission-Approved Rider AMI.

The referenced capital installations are recoverable through Rider AMI as expressly set forth in Rider AMI itself. In the Companies’ ESP IV case,²² the Commission approved Rider AMI tariff language authorizing the recovery of “costs associated with the Ohio Site Deployment of the Smart Grid Modernization Initiative in Case No. 09-1280-EL-ATA” including “any additional costs associated with expansion of the Ohio Site Deployment. . . .”²³ This tariff language was approved by the Commission on May 25, 2016 and went into effect on June 1, 2016²⁴ -- *after* the Commission’s May 28, 2015 Order approving the Study Completion Application.²⁵ Rider AMI, as effective on June 1, 2016, authorized recovery of all costs associated with the CEI pilot area, subject to audit and reconciliation as specified in the Rider AMI tariff. This tariff language must be considered in conjunction with, and as a supplement to, the prior order approving the Companies’ Study Completion Application.

4. The Companies Dispute Staff’s Recommendations Regarding a Tree Trimming Invoice and a Purportedly Duplicative Invoice.

Staff further recommended that the Commission remove \$1,101 for tree trimming and a duplicative invoice.²⁶ The Companies disagree with Staff’s recommendations. The tree trimming

²⁰ *Id.*

²¹ Case Nos. 09-1820-EL-ATA, *et al.* (5/28/2015) Finding and Order.

²² Case No. 14-1297-EL-SSO.

²³ Case No. 14-1297-EL-SSO (8/4/2014) Application at Attachment 5; (3/31/2016) Opinion and Order at 120-122.

²⁴ Case No. 14-1297-EL-SSO (5/25/2016) Finding and Order at 3, approving the Companies’ Rider AMI compliance tariffs filed on 5/13/2016, effective 6/1/2016.

²⁵ Case Nos. 09-1820-EL-ATA, *et al.* (5/28/2015) Finding and Order.

²⁶ Staff Report at 2.

costs included in Rider AMI are directly associated with the Smart Grid Modernization Initiative and would not otherwise have been incurred. These costs are considered incremental, consistent with Commission approval in Case No. 10-388-EL-SSO²⁷ and recovery is consistent with the Rider AMI tariff language approved in ESP IV. Further, in the Companies' independent review, they did not identify any duplicative invoices, and they were not able to locate or identify the duplicative invoice(s) referenced in the Staff Report.²⁸

5. The Companies Agree with Two of Staff's Recommended Adjustments for Reclosers.

The Companies do not dispute Staff's recommended adjustment of \$60,497 for two reclosers that are outside of CEI's pilot footprint.²⁹ However, the remaining \$616,415 of capital additions identified in the Staff Report are appropriately included in Rider AMI as set forth above.

B. With the Exception of One Item, the Companies Properly Included Replacement and Repair Costs as Expenses in Rider AMI.

Staff recommends that capital expenditures and expenses associated with replacements and repairs of smart meters, communication devices, and recloser controls for the CEI pilot totaling \$97,623 be removed from Rider AMI.³⁰ OCC repeats Staff's recommendations, making no additional arguments of their own.³¹

Initially, Staff has expressed concern that repairs were partially allocated to capital expenditures but that repairs should typically be expensed.³² The Companies agree that \$20,623 should be removed from Rider AMI as this work was not part of CEI's pilot project.³³ The

²⁷ See Opinion and Order (8/25/2010) at 13.

²⁸ Staff Report at 2.

²⁹ *Id.*, Attachment 1 at page 1, items 1 and 5.

³⁰ Staff Report at 2-3.

³¹ OCC Comments at 4-5.

³² Staff Report at 3.

³³ Staff Report, Attachment 1 at page 2, item 18.

Companies corrected this, and these dollars have all been removed from Rider AMI. However, all other replacements and repairs were properly recorded by the Companies as operations and maintenance expenses, not as capital expenditures. Further, the Companies note that similar maintenance and repair expenses have been included in prior Rider AMI filings with no exceptions identified.

Staff also contends that replacement and repair costs are outside the scope of Rider AMI.³⁴ Staff states that any capital replacements should be recognized within the Delivery Capital Recovery Rider (Rider DCR) and that repairs are typical operations and maintenance costs that are recovered through base rates.³⁵ The Companies disagree with Staff's assessment. The referenced costs are directly associated with the Ohio Site Deployment pilot part of the Smart Grid Modernization Initiative and would not otherwise have been incurred. The costs are considered incremental, consistent with the Commission's approval of the Companies' Ohio Site Deployment.³⁶ Moreover, as set forth above, Rider AMI authorizes the recovery of "costs associated with the Ohio Site Deployment of the Smart Grid Modernization Initiative in Case No. 09-1280-EL-ATA" including "any additional costs associated with expansion of the Ohio Site Deployment. . . ."³⁷ and here, as Staff notes, the expenses are related to the CEI pilot area.³⁸ Finally, the 2018 Rider DCR audit did not identify or recommend any dollars be moved from Rider AMI to Rider DCR. Thus, the replacement and repair expenses are properly recovered under Rider AMI, and Staff's recommended adjustments should not be made.

³⁴ *Id.*

³⁵ *Id.*

³⁶ Case No. 10-388-EL-SSO (8/25/2010) Opinion and Order at 13, ¶18(b) ("All costs associated with the [Ohio Site Deployment of the smart grid initiative] will be considered incremental for recovery under Rider AMI.").

³⁷ Case No. 14-1297-EL-SSO (5/25/2016) Finding and Order at 3, approving the Companies' Rider AMI compliance tariffs filed on 5/13/2016 effective 6/1/2016.

³⁸ Staff Report at 3.

III. CONCLUSION

For the foregoing reasons, the Companies respectfully request that the Commission:

- A. Remove \$60,497 for two reclosers and \$20,623 for work that was not associated with the CEI pilot from the Companies' Application;
- B. Reject the remainder of Staff's and OCC's exceptions to the Application; and
- C. Approve the Application.

Respectfully submitted,

/s/Christine E. Watchorn

Christine E. Watchorn (0075919)

Counsel of Record

FIRSTENERGY SERVICE COMPANY

100 East Broad Street, Suite 2225

Columbus, Ohio 43215

(614) 437-0183

cwatchorn@firstenergycorp.com

*Attorney for Ohio Edison Company, The Cleveland
Electric Illuminating Company, and The Toledo
Edison Company*

CERTIFICATE OF SERVICE

The undersigned certifies that the foregoing Comments by Ohio Edison Company, The Cleveland Electric Illuminating Company, and The Toledo Edison Company were filed electronically through the Docketing Information System of the Public Utilities Commission of Ohio on this 17th day of April, 2020. The Public Utilities Commission of Ohio's e-filing system will electronically serve notice of the filing of this document on counsel for all parties.

/s/Christine E. Watchorn

Christine E. Watchorn (0075919)

*Attorney for Ohio Edison Company, The Cleveland
Electric Illuminating Company and The Toledo
Edison Company*

This foregoing document was electronically filed with the Public Utilities

Commission of Ohio Docketing Information System on

4/17/2020 4:11:58 PM

in

Case No(s). 17-2276-EL-RDR

Summary: Comments electronically filed by Ms. Christine E. Watchorn on behalf of Ohio Edison Company and The Cleveland Electric Illuminating Company and The Toledo Edison Company