

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of Ohio)	
Edison Company, the Cleveland Electric)	Case No: 19-1903-EL-RDR
Illuminating Company, and the Toledo)	
Edison Company for Review of Rider)	
AMI.)	

**REPLY COMMENTS SUBMITTED ON BEHALF OF
THE STAFF OF THE PUBLIC UTILITIES COMMISSION OF OHIO**

INTRODUCTION

In its order of August 25, 2010, in Case No. 10-388-EL-SSO, the Commission provided guidance on matters related to Rider AMI and costs that could be recovered through Rider AMI. The Commission authorized Cleveland Electric Illuminating Company (CEI), Ohio Edison Company (OE) and the Toledo Edison Company (TE) (collectively FirstEnergy or the Companies) to collect smart grid costs that it incurred as part of its initial smart grid deployment (Ohio Site Deployment or Pilot Program) over a ten-year period through rider AMI, with quarterly adjustments to the rate. The rider is billed monthly on a fixed customer charge basis.

In its Finding and Order in Case No. 09-1820-EL-ATA, dated May 28, 2015, the Commission granted recovery of Pilot Program costs related to the Ohio Site Deployment necessary to complete the Volt Var Optimization and Distribution Automation studies, permitting the recovery of on-going data collection and maintenance costs for the completion of these studies through June 1, 2019.

In its Opinion and Order in Case No. 14-1297-EL-SSO, dated March 31, 2016, the Commission ordered that Rider AMI continue, and that FirstEnergy was to file a grid modernization business plan, highlighting future initiatives for Commission consideration and approval. The Order provided that any portion of the grid modernization business plan approved by the Commission shall be recoverable by FirstEnergy through Rider AMI, which will be updated and reconciled on a quarterly basis and will remain in effect until such costs are fully recovered.

On February 29, 2016, FirstEnergy filed a grid modernization business plan with the Commission in Case No. 16-481-EL-UNC (Grid Mod Case) and on December 4, 2017, an application for approval of a distribution platform modernization plan (DPM Plan) in Case No. 17-2436-EL-UNC. On November 9, 2018, a Stipulation and Recommendation (Stipulation) was filed, recommending a resolution for the Grid Mod Case and DPM Plan. The Commission issued its Opinion and Order on July 17, 2019, approving the Stipulation, subject to the Commission's adjustments to the calculation of the total estimated net benefits proposed for Grid Mod I.

On February 26, 2021, FirstEnergy filed their application (Application) for the annual review of 2020 costs applicable to the Advanced Metering Infrastructure/Modern Grid Rider (Rider AMI). Rider AMI is a non-bypassable rider, approved by the Commission as the mechanism for recovering the costs related to the deployment of smart grid and advanced metering infrastructure as originally approved in Case No. 07-551-EL-AIR.

In the instant case, on March 24, 2022, Staff filed their Review and Recommendation of 2020 costs in Rider AMI.

On May 3, 2023, FirstEnergy and Ohio Consumers' Counsel (OCC) filed initial comments. These are Staff's Reply Comments. If not mentioned here, Staff agrees with the Review and Recommendation in the instant case.

REPLY COMMENTS

I. Incentive Compensation

Staff acknowledges that the Companies excluded \$402,711 of financial-based incentive compensation costs (KPI Percentage – 20%) associated with Grid Mod 1 originally included in the rider which the Company then removed beginning with the AMI filing effective April 1, 2022. Staff also acknowledges that the Companies stated they will make an adjustment in an upcoming Rider AMI filing totaling \$23,002 for financial-based incentive compensation costs (KPI Percentage – 20%) associated with the CEI Pilot. However, Staff continues to recommend that additional amounts be excluded for costs related to performance metrics that Staff finds are not related to distribution service. The performance metrics and corresponding KPI percentages are as follows:

Systemwide O&M

- Regulated Transmission (KPI Percentage – 6.67%)

Operations Index

- Transmission Line Frequency of Outages (KPI Percentage – 9.00%)
- Environmental Excursions and NOV's (KPI Percentage – 9.00%)
- Reg Gen EFOR (KPI Percentage – 9.00%)

Staff originally calculated the total incentive compensation adjustment for Grid Mod 1 as \$945,083 and \$53,981 for the CEI Pilot, as reflected in its Staff Review and Recommendation. Both totals included amounts related to financial incentives along with the additional exclusions recommended by Staff. However, during a review of this audit, Staff discovered an error in the method it used to calculate its adjustment. Staff reviewed the workpaper used to make the adjustment and found that it used an incorrect cell reference when calculating the adjustment. The incorrect reference caused Staff's adjustment to be based on 80% of the incentive's dollars instead of the full amount, which led to the adjustment's being lower than it should have been. Therefore, to correct the error, Staff recalculated the incentive adjustment using total dollar amounts. Staff found that the total incentive compensation that should be disallowed for Grid Mod 1 is \$1,080,676 and that an additional \$61,726 should be disallowed for incentive compensation in the CEI Pilot. However, since the Companies excluded \$402,711 from Grid Mod 1 costs after the Staff Review and Recommendation in this case, Staff recommends that \$677,964 in additional incentive compensation costs be disallowed in Grid Mod 1; \$668,433 in capital costs and \$9,531 in O&M costs. Since the Company has not yet made the \$23,002 adjustment in the AMI rider for financial-based incentives in the pilot program, Staff recommends that the full amount of \$61,726 in incentive compensation costs be removed from CEI Pilot expenses.

II. Pilot Costs

Staff continues to recommend that the Pilot Program costs be disallowed from the AMI rider. Staff is not recommending that Pilot Program costs should be eligible to be recovered elsewhere, and therefore disagrees with the Companies recommendation to create a regulatory asset should the Commission disallow the Pilot Program costs from the AMI rider.

The Companies state in their Comments in this case that:

The 2020 Staff Report acknowledged that the Companies received Commission approval to recover costs associated with the completion of Volt Var Optimization (“VVO”) and Distribution Automation (“DA”) studies in the CEI Pilot for the period June 1, 2015 through June 1, 2019. But Staff concludes that this authority to complete the studies does not allow for the recovery of new O&M, plant, and capital replacements.¹

The Companies argue that the Commission should allow recovery of these additional costs because they are associated with continued operation of the Pilot Program and they are required to maintain the Pilot Program. Staff continues to believe that the Commission only gave authority for recovery of those costs through June 1, 2019. If FirstEnergy had wanted recovery of additional costs beyond June 1, 2019, it could have requested this from the Commission. However, FirstEnergy never made a request to extend the authorization of Pilot Program, and therefore their authorization to recover new costs ended on June 1, 2019.

¹ FirstEnergy Comments at 3.

Further, FirstEnergy argues in their Comments that:

In the Companies' ESP IV case, the Commission approved Rider AMI tariff language authorizing the recovery of 'costs associated with the Ohio Site Deployment of the Smart Grid Modernization Initiative [i.e., the CEI Pilot] in Case No. 09-1820-EL-ATA' including 'any additional costs associated with expansion of the Ohio Site Deployment. . . .'²

Staff disagrees with FirstEnergy's interpretation of the relevant Commission Orders and tariffs and continues to believe that the Commission did not authorize recovery of Pilot Program costs beyond June 1, 2019 in Case No. 09-1820-EL-ATA or Case No. 14-1297-EL-SSO. Staff also does not believe that the Commission approved an expansion of the Pilot Program, in Case No. 14-1297-EL-SSO, that would result in additional costs. Staff points out that in the ESP IV Case, FirstEnergy did not propose in its application or Stipulation that recovery for the Pilot Program costs would continue past June 1, 2019 nor did they propose an expansion of the Pilot Program.

This is consistent with Staff's position in this audit as well as from its Reply Comments in Case No. 18-1647-EL-RDR.

CONCLUSION

For the reasons stated above, Staff recommends that the Commission adopt the Staff Review and Recommendations filed in this case, except as modified in these comments. Staff finds that, as modified in these comments, FirstEnergy should remove \$668,433 in capital costs, \$9,531 in O&M costs, and \$2,395,005 in pilot costs from the Rider AMI.

² FirstEnergy Comments at 4.

Respectfully submitted,

Dave Yost
Ohio Attorney General

John Jones
Section Chief

/s/ Robert Eubanks

Robert Eubanks
Assistant Attorney General
Public Utilities Section
30 East Broad Street, 26th Floor
Columbus, OH 43215
Telephone: 614.644.8669
Fax: 866.820.6050
Robert.Eubanks@OhioAGO.gov

*On behalf of the Staff of the
Public Utilities Commission of Ohio*

CERTIFICATE OF SERVICE

I hereby certify that a true copy of the foregoing **Reply Comments** was served by electronic mail to the following parties of record, this 18th day of May, 2023.

/s/ Robert Eubanks

Robert Eubanks

Assistant Attorney General

PARTIES OF RECORD:

Christine E. Watchorn

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*

Angela D. O'Brien

Counsel of Record

Assistant Consumers' Counsel

Office of the Ohio Consumers' Counsel

65 East State Street, Suite 700

Columbus, Ohio 43215

Telephone: [O'Brien] 614-466-9531

angela.obrien@occ.ohio.gov

**This foregoing document was electronically filed with the Public Utilities
Commission of Ohio Docketing Information System on**

5/18/2023 4:42:40 PM

in

Case No(s). 19-1903-EL-RDR

Summary: Reply Comments Submitted on Behalf of the Staff of the Public Utilities
Commission of Ohio electronically filed by Mrs. Kimberly M. Naeder on behalf of
PUCO.