

**BEFORE THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Filing By	)	Case No. 16-481-EL-UNC
Ohio Edison Company, The Cleveland	)	
Electric Illuminating Company and The	)	
Toledo Edison Company of A Grid	)	
Modernization Business Plan.	)	
	)	
In the Matter of the Filing By	)	Case No. 17-2436-EL-UNC
Ohio Edison Company, The Cleveland	)	
Electric Illuminating Company and The	)	
Toledo Edison Company of An	)	
Application for Approval of A	)	
Distribution Platform Modernization Plan.	)	
	)	
In the Matter of the Filing By	)	Case No. 18-1604-EL-UNC
Ohio Edison Company, The Cleveland	)	
Electric Illuminating Company and The	)	
Toledo Edison Company to	)	
Implement Matters Relating to the	)	
Tax Cuts and Jobs Act of 2017.	)	
	)	
In the Matter of the Filing By	)	Case No. 18-1656-EL-ATA
Ohio Edison Company, The Cleveland	)	
Electric Illuminating Company and The	)	
Toledo Edison Company For	)	
Approval of A Tariff Change.	)	

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**REPLY COMMENTS BY THE OHIO ENERGY LEADERSHIP COUNCIL ON THE  
AUDIT REPORT PREPARED BY DAYMARK ENERGY ADVISORS, INC.  
REGARDING FIRSTENERGY’S GRID MOD I OPERATIONAL BENEFITS**

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In accordance with the Entry in these consolidated matters dated July 20, 2023, Ohio Energy Leadership Council (“OELC”) respectfully files these Reply Comments on the audit report filed in these matters by Daymark Energy Advisors, Inc. (“Daymark”).

On November 14, 2022, Daymark filed its audit report with an operational benefits assessment of the first phase of the grid modernization initiative (“Grid Mod I”) by Ohio Edison Company, The Cleveland Electric Illuminating Company, and The Toledo Edison Company

(collectively, “FirstEnergy” or the “Companies”), which also evaluated whether the actual functionality and performance of the project is consistent with the planned specifications of Grid Mod I as approved by the Commission in these matters on July 17, 2019. Initial Comments to the Daymark audit report were filed by OELC, FirstEnergy, the Office of the Ohio Consumers’ Counsel (“OCC”), Ohio Manufacturers’ Association Energy Group (“OMAEG”) jointly with Kroger, the Retail Energy Supply Association (“RESA”) and the Northwest Aggregation Coalition (“NOAC”).

These Reply Comments address FirstEnergy’s Initial Comments filed on the Daymark audit report, and OELC neither opposes nor supports the comments from the remaining parties listed above.

**I. FirstEnergy Should Fully Comply with its Obligation to Credit the Agreed Fixed Operational Savings for Years 4, 5 and 6 to Rider AMI.**

In its Initial Comments filed August 11, 2023, OELC recommended that the Commission enter an order directing that FirstEnergy apply the agreed fixed operational savings for Years 4, 5 and 6 as set forth in Section F of the Grid Mod I Stipulation as credits applied against the Rider AMI revenue requirements, now that Grid Mod II has not been approved and Daymark has not recommended a modification to the Grid Mod I stipulated operational savings. Specifically, FirstEnergy stipulated that it would apply the following agreed fixed operational savings: “Year 4: \$8.58 million; Year 5: \$9.68 million; and Year 6: \$9.82 million.”<sup>1</sup>

In its comments filed on August 11, 2023, FirstEnergy stated that the Companies “agree with the Report’s recommendation to use the deemed annual operational savings from Grid Mod I for years 4-6.”<sup>2</sup> On this issue, FirstEnergy states that the Companies “have begun implementing

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<sup>1</sup> Grid Mod I Stipulation at Section F, *Case No. 16-481-EL-UNC, 17-2436-EL-UNC*.

<sup>2</sup> FirstEnergy’s Initial Comments Dated August 11, 2023, at p. 6.

it in accordance with the provisions of the Supplemental Stipulation.”<sup>3</sup> However, it is not clear *when* FirstEnergy began implementing the agreed fixed operational savings for Years 4, 5 and 6 of Grid Mod I. FirstEnergy has not updated its Rider AMI since June 1, 2023, and none of FirstEnergy’s Rider AMI updated tariff sheets and filings indicate that the agreed fixed operational savings for years 4, 5 and 6 of the Grid Mod I program are reflected in FirstEnergy’s AMI Rider rates.<sup>4</sup>

The Grid Mod I program is about to enter its fifth year. Specifically, following the Commission’s approval of the Grid Mod I settlement stipulation on July 17, 2019, FirstEnergy filed its update Rider AMI tariffs on August 30, 2019, which expressly referenced the Commission’s July 17, 2019 Order and included an extensive narrative regarding the new Grid Mod I program. In accordance with the Rider AMI compliance tariffs filed by FirstEnergy, the new Grid Mod I program and its attendant charges to customers became effective October 1, 2019. For illustrative purposes, the fixed monthly Rider AMI charges jumped from between \$0.896, \$11.751, and \$14.174 for GS, GP and GSU customers in Ohio Edison territory, respectively, to \$2.620, \$43.694, \$68.114 beginning October 1, 2019, thus reflecting the significantly higher costs associated with the new Grid Mod I program, representing more than 2x to nearly 5x increases to Rider AMI charges. Those charges have since continued to increase significantly.<sup>5</sup>

Accordingly, FirstEnergy’s Grid Mod I program began its Year 4 on October 1, 2022, and the Grid Mod I program will enter its Year 5 this coming October 1, 2023. But it is not clear from

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<sup>3</sup> Id. at p. 6.

<sup>4</sup> See, e.g., Ohio Edison’s final tariffs PUCO docket, at Case No. 89-6006-EL-TRF, CEI’s final tariffs PUCO docket, at Case No. 89-6001-EL-TRF, and Toledo Edison’s final tariffs PUCO docket, at Case No. 89-6008-EL-TRF.

<sup>5</sup> For example, in Ohio Edison territory, primary voltage general service customers and sub-transmission voltage general service customers currently pay a monthly fixed charge of \$215.57 and \$394.836, respectively, for Rider AMI on a non-bypassable basis.

the Rider AMI updates over the past year whether FirstEnergy applied any agreed fixed operational savings for Year 4, and FirstEnergy's Initial Comments suggest that the Companies are only now applying that credit. Under the Rider AMI tariff, the charges to customers are supposed to be "updated and reconciled on a quarterly basis" with update and reconciliation filings due "[n]o later than December 1st, March 1st, June 1st and September 1st of each year" to become "effective on a service rendered basis on January 1st, April 1st, July 1st and October 1st of each year." In addition, the Rider AMI tariff provides "[t]his Rider is subject to reconciliation, including, but not limited to increases or refunds."

Accordingly, OELC recommends that when FirstEnergy file its updated Rider AMI tariff by September 1, 2023, to become effective October 1, 2023, that FirstEnergy clearly indicate in its filing that the agreed fixed operational savings for the applicable year have been applied and that FirstEnergy demonstrate the corresponding monthly charge reduction as a result of the application of those agreed fixed operational savings. Further, to the extent the agreed fixed operational savings for Year 4 of the program which concludes September 30, 2023, was not applied over the past year as a credit to the charges, FirstEnergy should provide all customers that paid Rider AMI charges over the course of Year 4 a refund corresponding to the incremental additional charges those customers paid above what the Rider AMI charges should have been with the application of the agreed fixed operational savings for Year 4.

## **II. Daymark's Recommendations Should be Implemented Now, Not Deferred for "Possible Inclusion" in Grid Mod II as Suggested by FirstEnergy.**

In its initial comments, OELC also recommended that the Commission enter an order directing that FirstEnergy implement the recommendations set forth by Daymark on pages 1-5 of its audit report to allow better tracking, transparency and accountability in FirstEnergy's

implementation of its Grid Mod I program. All of Daymark’s recommendations were reasonable and should be implemented immediately in the Grid Mod I program.

FirstEnergy has only agreed to consider Daymark’s recommendations in its Grid Mod II case, despite the deficiencies identified by Daymark in its audit report. Specifically, in its initial comments FirstEnergy requests a finding from the Commission that “Daymark’s additional recommendations be *considered* in the context of future grid modernization proposals, consistent with the Supplemental Stipulation.”<sup>6</sup> But FirstEnergy expresses no commitment to actually implement any of Daymark’s recommendations. Instead, FirstEnergy writes that it is “reviewing the recommendations for *possible* inclusion into future grid modernization deployments, including their pending Grid Mod II proposal.”<sup>7</sup>

Daymark’s reasonable recommendations are meant to address the issues that Daymark found in the tracking of operational benefits of FirstEnergy’s \$655 million Grid Mod I program, and that should have been occurring all along consistent with the Commission’s Finding and Order approving the Grid Mod I stipulation. Specially, the Commission in that Order found that “Grid Mod I should have the requisite controls in place to routinely monitor the projected and resulting costs and benefits associated with its programs.”<sup>8</sup> That directive should be complied with immediately as part of Grid Mod I, and not deferred in a non-committal manner to phase II of the program.

Again, Daymark found that the implementation of Grid Mod I program has been characterized by a lack of “transparency,” a “lack of clear documentation” regarding operational savings assumptions, a “lack of direct reporting” on the savings achieved through Grid Mod I, the

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<sup>6</sup> FirstEnergy’s Initial Comments filed August 11, 2023, at p. 10 (emphasis added).

<sup>7</sup> Id. at p. 2 (emphasis added.)

<sup>8</sup> Opinion & Order dated July 17, 2019 at ¶ 121.

unavailability of basic “assumptions” used by FirstEnergy to develop its anticipated cost savings or benefits from the program, the failure to “directly track operational savings” in the program, and a substantial “unawareness” by FirstEnergy personnel of what program metrics meant for benefits and program timing.<sup>9</sup> Those issues, as recommended by Daymark, should be corrected by FirstEnergy for a program of this scale and magnitude. OELC disagrees with FirstEnergy’s non-committal response to Daymark’s well-founded recommendations.

OELC supports grid modernization, but Ohio’s ratepayers deserve rigorous accountability, thorough documentation, quantifiable and trackable metrics, and measurable progress in programs of this scope paid for by ratepayers. It is critical to keep Ohio competitive for new or expanding businesses, and the investments and jobs those businesses represent, and managing increasing utility costs is a key factor in that effort.

Accordingly, in addition to requiring that FirstEnergy actually implement Daymark’s recommendations on pages 1-5 of its audit report, OELC requests that the Commission enter an order (i) requiring accountability regarding how and when FirstEnergy is applying the agreed fixed operational savings for Years 4, 5 and 6 of the Grid Mod I program through FirstEnergy’s quarterly update reconciliation filings for Rider AMI, and (ii) requiring that FirstEnergy provide a refund to all customers that paid Rider AMI charges over the course of Year 4 to the extent the agreed fixed operational savings for Year 4 of the program, which concludes September 30, 2023, have not been applied to the Rider AMI charges paid for by FirstEnergy’s customers.

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<sup>9</sup> Daymark Audit at pp. 1, 2, 3, 4, 29, 47, 56.

Date: August 25, 2023

Respectfully submitted,

/s/ David F. Proaño

David F. Proaño (0078838)

*Counsel of Record*

Ali I. Haque (0087860)

Erika D. Prouty (0095821)

Paul M. M. Willison (0101355)

BAKER & HOSTETLER LLP

200 Civic Center Drive, Suite 1200

Columbus, OH 43215

614-462-2605 / Fax 614-462-2616

Email: [dproano@bakerlaw.com](mailto:dproano@bakerlaw.com)

[ahaque@bakerlaw.com](mailto:ahaque@bakerlaw.com)

[eprouty@bakerlaw.com](mailto:eprouty@bakerlaw.com)

[pwillison@bakerlaw.com](mailto:pwillison@bakerlaw.com)

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***COUNSEL FOR OHIO ENERGY  
LEADERSHIP COUNCIL***

## **CERTIFICATE OF SERVICE**

I certify on this 25th day of August, 2023, that the foregoing document was filed using the Commission's Docketing Information System and was served by electronic mail on the following:

[cwatchorn@firstenergycorp.com](mailto:cwatchorn@firstenergycorp.com)  
[bknipe@firstenergycorp.com](mailto:bknipe@firstenergycorp.com)  
[talexander@beneschlaw.com](mailto:talexander@beneschlaw.com)  
[mkeaney@beneschlaw.com](mailto:mkeaney@beneschlaw.com)  
[Thomas.Lindgren@OhioAGO.gov](mailto:Thomas.Lindgren@OhioAGO.gov)  
[mkurtz@BKLawfirm.com](mailto:mkurtz@BKLawfirm.com)  
[kboehm@BKLawfirm.com](mailto:kboehm@BKLawfirm.com)  
[jkylereohn@BKLawfirm.com](mailto:jkylereohn@BKLawfirm.com)  
[gkrassen@bricker.com](mailto:gkrassen@bricker.com)  
[tdougherty@theOEC.org](mailto:tdougherty@theOEC.org)  
[dstinson@bricker.com](mailto:dstinson@bricker.com)  
[mwarnick@bricker.com](mailto:mwarnick@bricker.com)  
[dborchers@bricker.com](mailto:dborchers@bricker.com)  
[bojko@carpenterlipps.com](mailto:bojko@carpenterlipps.com)  
[glpetrucci@vorys.com](mailto:glpetrucci@vorys.com)  
[rdove@keglerbrown.com](mailto:rdove@keglerbrown.com)  
[mdortch@kravitzllc.com](mailto:mdortch@kravitzllc.com)  
[whitt@whitt-sturtevant.com](mailto:whitt@whitt-sturtevant.com)  
[bethany.allen@igs.com](mailto:bethany.allen@igs.com)  
[joe.oliker@igs.com](mailto:joe.oliker@igs.com)  
[michael.nugent@igs.com](mailto:michael.nugent@igs.com)  
[mkelter@elpc.org](mailto:mkelter@elpc.org)  
[jweber@elpc.org](mailto:jweber@elpc.org)  
[angela.obrien@occ.ohio.gov](mailto:angela.obrien@occ.ohio.gov)  
[trhayslaw@gmail.com](mailto:trhayslaw@gmail.com)  
[leslie.kovacik@toledo.oh.gov](mailto:leslie.kovacik@toledo.oh.gov)  
[mpritchard@mcneeslaw.com](mailto:mpritchard@mcneeslaw.com)  
[awalke@mcneeslaw.com](mailto:awalke@mcneeslaw.com)  
[easley@carpenterlipps.com](mailto:easley@carpenterlipps.com)  
[paul@carpenterlipps.com](mailto:paul@carpenterlipps.com)

*/s/ David F. Proaño*

David F. Proaño (0078838)

*Counsel of Record*



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Summary: Reply REPLY COMMENTS ON THE AUDIT REPORT PREPARED BY  
DAYMARK ENERGY ADVISORS, INC. REGARDING FIRSTENERGY'S GRID  
MOD I OPERATIONAL BENEFITS electronically filed by Mr. David F. Proano on  
behalf of Ohio Energy Leadership Council (OELC), f/k/a Industrial Energy Users-  
Ohio.