**BEFORE**

**THE PUBLIC UTILITIES COMMISSION OF OHIO**

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| In the Matter of the Application of Ohio Edison Company, the Cleveland Electric Illuminating Company, and the Toledo Edison Company for Approval of Phase Two of Their Distribution Grid Modernization Plan.  | )))))) | Case No. 22-704-EL-UNC |

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**MEMORANDUM CONTRA MOTION OF FIRSTENERGY OHIO TO ESTABLISH A PROCEDURAL SCHEDULE**

**BY**

**OFFICE OF THE OHIO CONSUMERS’ COUNSEL**

# I. INTRODUCTION

FirstEnergy[[1]](#footnote-2) is asking for PUCO approval to charge consumers $750 million[[2]](#footnote-3) more for grid modernization as part of its so-called Smart Grid Program Phase II. Over the first four years of FirstEnergy’s proposal, it projects charging consumers more than $400 million.[[3]](#footnote-4) It also projects that residential consumers by the fourth year would be charged $1.72 per month for Toledo Edison consumers, $2.70 per month for Ohio Edison consumers, and $3.33 per month for Cleveland Electric Illuminating consumers.[[4]](#footnote-5)

On December 23, 2022, FirstEnergy filed a Motion for a procedural schedule to enable a transition from Grid Smart Phase I to Grid Smart Phase II.[[5]](#footnote-6) FirstEnergy’s Motion is premature and should be denied.

# II. RECOMMENDATIONS

FirstEnergy filed a Motion for a Procedural Schedule and seeks expedited treatment from the PUCO. In its Motion, FirstEnergy states:

To support a timely transition between Grid Mod I and Grid Mod II, the Companies respectfully request the following procedural schedule, which anticipates a hearing by no later than June 2023, and a Commission Order by the end of 2023: Companies’ Supplemental Testimony due Motions to intervene due Last day to serve written discovery March 1, 2023 April 1, 2023 on the Companies (other than depositions) May 1, 2023 Intervenor testimony due Staff testimony due Procedural conference Hearings May 15, 2023 May 22, 2023 June 5, 2023 June 12, 2023.

It is unclear from FirstEnergy’s Motion what’s the rush?

On November 14th, Daymark Energy Advisors filed its operational benefits assessment of FirstEnergy’s Smart Grid Program Phase I (Case 16-481-EL-RDR) (“Audit Report”). The purpose of the Audit Report, as stated by the Order in Phase I, was to evaluate whether the actual functionality and performance of Phase I is consistent with the planned specifications.[[6]](#footnote-7) And this evaluation was to be completed *prior to* the next projected phase of grid development.[[7]](#footnote-8) The Audit Report provided twelve different recommendations that are critical of the manner in which FirstEnergy collects and reports benefits from its Smart Grid Program Phase I. But the Audit Report did not settle any issues related to operational benefits. Settling these issues is necessary before moving forward with Phase II.

Before proceeding with FirstEnergy’s Smart Grid Program Phase II case, parties and the PUCO should be given the opportunity to fully analyze, make recommendations, and decide FirstEnergy’s Smart Grid Program Phase I case (especially in light of the audit report). Daymark’s recommendations should be addressed/implemented into the Grid Smart Phase II program. That should be completed before FirstEnergy is authorized to begin the Phase II program.

For example, the audit report summarized in its findings that “The lack of clear documentation of the complete assumptions behind operational savings estimates, combined with the lack of direct reporting as to operational savings being achieved, precluded a direct audit determination of a current and future level of operational savings to be credited to the Rider AMI.”[[8]](#footnote-9) Furthermore, the audit report summarizes that “The Grid Mod 1 cost-benefit analysis does not meet the level of transparency which would be expected per the Commission’s grid modernization proceeding conclusions, or, more broadly, at a level which would allow for audit conclusions to be reached.”[[9]](#footnote-10) Another example includes the audit report finding that “…the demonstrated operational savings have fallen short of the level included in the Stipulation.”[[10]](#footnote-11)

The audit report is intended to provide baseline data for evaluating grid modernization. Without the ability for the parties to do a full analysis of the audit report in FirstEnergy’s Smart Grid Program Phase I case, the issues and recommendations raised by the auditor will not get the attention needed to protect consumers. The jury is still out on the purported benefits of the build-out of FirstEnergy’s Smart Grid Program Phase I. It is still being deployed and the initial findings from the audit report are not favorable. It is premature to be setting a procedural schedule for Smart Grid Program Phase II until there is a clear demonstration of the cost of effectiveness of the current Smart Grid Phase I.

# III. CONCLUSION

The PUCO should reject FirstEnergy’s proposed schedule in this case. It should wait to establish a procedural schedule until matters including the audit report findings are resolved in FirstEnergy’s Smart Grid Program Phase I case (16-481-EL-RDR). And it should wait until a determination is made as to the extent and manner in which the Audit Report recommendations will be integrated into the Grid Smart Phase II program.

Respectfully submitted,

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**CERTIFICATE OF SERVICE**

I hereby certify that a copy of this Memorandum Contra Motion of FirstEnergy Ohio to Establish a Procedural Schedule was served on the persons stated below via electronic transmission, this 9th day of January 2023.

 */s/ Ambrosia E. Wilson*

 Ambrosia E. Wilson

 Assistant Consumers’ Counsel

The PUCO’s e-filing system will electronically serve notice of the filing of this document on the following parties:

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1. Ohio Edison Company, the Cleveland Electric Illuminating Company, and the Toledo Edison Company. [↑](#footnote-ref-2)
2. Application (July 15, 2022) at 66, ¶ 21 (“The Companies request authorization to recover in Rider AMI their actual Grid Mod II capital costs, up to $626.4 million, and incremental O&M expenses associated with Grid Mod II up to an aggregate of $144.1 million over the deployment period.”). [↑](#footnote-ref-3)
3. FirstEnergy Witness McMillan Testimony, Ex. A. [↑](#footnote-ref-4)
4. *Id.* [↑](#footnote-ref-5)
5. Motion for Procedural Schedule (December 27, 2022). [↑](#footnote-ref-6)
6. Case No. 16-481-EL-RDR, Opinion and Order (July 17, 2019) at 19. [↑](#footnote-ref-7)
7. *Id.* [↑](#footnote-ref-8)
8. Audit Report. [↑](#footnote-ref-9)
9. *Id.* at 4. [↑](#footnote-ref-10)
10. *Id.* [↑](#footnote-ref-11)