

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of Ohio)	
Edison Company, The Cleveland Electric)	Case No. 09-1820-EL-ATA
Illuminating Company and The Toledo)	Case No. 09-1821-EL-GRD
Edison Company for Approval of Ohio)	Case No. 09-1822-EL-EEC
Site Deployment of the Smart Grid)	Case No. 09-1823-EL-AAM
Modernization Initiative and Timely)	
Recovery of Associated Costs.)	

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

I. INTRODUCTION

By Entry dated December 30, 2009, the Public Utilities Commission of Ohio (“Commission”) sought public comment on the Application of Ohio Edison Company (“Ohio Edison”), The Cleveland Electric Illuminating Company (“CEI”) and The Toledo Edison Company (“Toledo Edison”, together with Ohio Edison and CEI, the “Companies”) for Approval of their Ohio Site Deployment of the Smart Grid Modernization Initiative and Timely Recovery of Associated Costs (the “Ohio Site Deployment”). The Companies invited all interested stakeholders to submit written comments on the Companies’ Ohio Site Deployment by January 13, 2010. Comments were timely filed by Ohio Partners for Affordable Energy (“OPAE”), Industrial Energy Users-Ohio (“IEU-Ohio”), The Ohio Energy Group (“OEG”), Nucor Steel Marion, Inc. (“Nucor”), The Kroger Co. (“Kroger”), Commission Staff, Citizens Coalition¹, and The

¹ Citizens Coalition cited extenuating circumstances for filing their Comments one day late. The Companies recognize that such circumstances may occur from time to time and accept the Comments of Citizens Coalition as if they were timely filed on January 13, 2009.

Office of the Consumers Counsel (“OCC”).² The Commission’s December 30th Entry also provided that reply comments be filed by January 20, 2009.

Come now the Companies, by counsel, and, in compliance with the December 30th Entry, respectfully submit their reply comments to the comments of OPAE, IEU-Ohio, OEG, Nucor, Kroger, Commission Staff, Citizens Coalition, and the OCC. The Companies appreciate the opportunity to submit these reply comments and have provided a background and timeline to further demonstrate the time, attention, preparation and planning that went into the Companies’ Ohio Site Deployment.

II. BACKGROUND

On February 17, 2009, President Barack Obama signed into law the American Recovery and Reinvestment Act of 2009 (the “Stimulus Act”). The Stimulus Act provided, among other advantages, an unprecedented prospect for certain highly qualified applicants to obtain federal government assistance for the development and deployment of smart grid technology. The Companies were initially concerned that the public perception of the immediate costs of smart grid technology may overshadow the long term potential benefits. However, the Public Utilities Commission of Ohio (the “Commission”) recognizing the unique opportunity offered by the Stimulus Act, encouraged the Companies to apply for stimulus funds for smart grid investment. As a result, pursuant to the Companies’ Stipulation and Recommendation approved by the Commission on March 25, 2009, the Companies agreed to develop a proposal to pursue federal stimulus funds for smart grid investment.

² In fact, OCC was able to take two bites from the same apple – filing initial comments first before a procedural schedule was set and then subsequent comments/reply comments after the procedural schedule was set. The Companies hereby incorporate their reply comments filed on December 21, 2009 herein.

III. TIMELINE

The events which ensued bear evidence of the extraordinary efforts and the enormous amount of time and energy the Companies expended to meet and exceed their commitment. First, the Companies expeditiously developed a Stimulus Act task force, retained consultants to better understand the Stimulus Act (including, potential funds that may be available to the Companies), and worked diligently to develop a comprehensive cost-effective project. Second, the Companies filed a rough draft of their stimulus application with the Commission on July 1, 2009.³ Third, the Companies met with Commission Staff on numerous occasions including June 15, 2009, June 25, 2009, and July 30, 2009 to gain Staff input, provide a technical review, and ensure that Commission Staff was well familiar with the Companies' Ohio Site Deployment. Fourth, the Companies worked meticulously to improve and complete their stimulus application (which included the Ohio Site Deployment), and timely filed their completed application with the DOE on August 6, 2009 ("DOE Smart Grid Filing"). The Companies filed an un-redacted complete copy of their DOE Smart Grid Filing with the Commission on August 14, 2009. Fifth, the Companies met with the OCC on August 31, 2009 to review the Ohio Site Deployment, on September 21, 2009 to provide a technical discussion, and on November 12, 2009 to discuss revisions made to the pricing program to incorporate

³ On May 21, 2009, the Commission issued an Entry directing the Companies to file with the Commission their draft Department of Energy ("DOE") funding application, including a cost/benefit analysis for any program included in the application on July 1, 2009. This Commission directive posed a particular challenge because the DOE had not yet released standard filing requirements or the smart grid investment application. Nevertheless, the DOE released standard filing requirements and form of application of the Smart Grid Investment Grant Program on June 25, 2009 and the Companies' timely filed a rough draft application with the Commission four business days later on July 1, 2009. The Companies provided the Office of the Consumers' Counsel ("OCC") a copy of their rough draft application on July 6, 2009 pursuant, and subject to a confidentiality agreement.

OCC feedback. Sixth, the DOE notified the Companies on October 27, 2009 that their DOE Smart Grid Filing was selected for award negotiations. Finally, on November 18, 2009, the Companies filed a comprehensive application for Approval of the Ohio Site Deployment of the Smart Grid Modernization Initiative and Timely Recovery of Associated Costs, which included the DOE Smart Grid Filing originally submitted to the Commission on August 14, 2009. In sum, the Companies have used their best efforts to bring smart grid technologies to their Ohio service territory.

IV. REPLY COMMENTS

A. A Fixed Monthly Charge Is Not An Appropriate Cost Recovery Mechanism For The Companies' Ohio Site Deployment.

Commission Staff, Kroger, IEU-Ohio and Nucor each advocate for some form of a fixed monthly charge.⁴ The Companies believe it is more appropriate that such costs be usage sensitive. The concept of a usage sensitive Advanced Metering Infrastructure / Modern Grid ("AMI") Rider is consistent with the Commission-approved AMI Rider in the Companies' latest distribution rate case. The comments of Commission Staff, Kroger, IEU-Ohio and Nucor should be rejected.

B. The Companies Appropriately Allocated Costs To Ohio Edison, CEI and Toledo Edison.

Commission Staff, Kroger, and the OCC argue that CEI customers should bear the

⁴ Kroger states that AMI Deployment and costs should be recovered through as flat energy charge. Kroger Comments p.3; Commission Staff recommends that the rider AMI charge should be a fixed monthly charge rather than a usage sensitive charge. Staff Comments p. 23; IEU-Ohio states that any costs allocated to commercial and industrial rate schedules should be recovered through either an increase in the monthly customer charge or an increase in the monthly distribution demand charge. IEU-Ohio Comments p.4; Nucor states that any costs allocated to commercial and industrial rate schedules not otherwise exempt from Rider AMI should be recovered through a customer charge (or possibly an increase in the monthly distribution demand charge). Nucor Comments p.3.

brunt of all costs associated with the Ohio Site Deployment because the meters will be installed within the CEI service territory.⁵ However, each party fails to recognize that the substantial benefits of the Ohio Site Deployment – is not gained through the limited number of customers that will receive meters- but rather gained through the information and lessons learned from the Ohio Site Deployment that may be employed as smart grid technology is considered for use beyond the geographical limits of the Ohio Site Deployment. The specific site in CEI was chosen on the basis of its suitability for the project and its alignment with DOE grant requirements. Nevertheless, the results of the study will benefit not only CEI but also Ohio Edison and Toledo Edison.

As the Companies stated in their Application, customers across all three Companies will benefit from these lessons learned through either the more effective deployment across all three service territories or through the avoided cost of technology that is not successful, as determined through the Ohio Site Deployment, or both. The Ohio Site Deployment was designed to benefit customers from each of Ohio Edison, Toledo Edison and CEI, and as such, the Companies appropriately allocated such costs and the comments of Commission Staff, Kroger, and the OCC should be rejected.

C. Lost Distribution Revenues Should Be Fully Recovered.

OPAE is the only party to suggest that the Companies should forgo collecting lost distribution revenue for the purpose of the Ohio Site Deployment. OPAE Comments p. 4. OPAE does not argue that the Companies are not entitled to lost distribution revenue - no party does. The fact is that the Companies are entitled to lost distribution revenue. Rather, OPAE argues that the calculation is too difficult to consider at this time and

⁵ Kroger Comments at p. 4., Staff Comments at p. 24., OCC Supplemental Comments at p. 7.

should be delayed until a broader deployment is authorized. OP&E's recommendation to delay the recovery of lost distribution revenue until a broader deployment is authorized is utterly incomprehensible and should be rejected. The calculation is simple. The Companies proposal to calculate the lost distribution revenues on an actual basis and adjust the AMI Rider accordingly should be approved.

D. Capital Asset Recovery Associated With The Project Is Most Appropriate Over A Three Year Period.

Commission Staff recommends that the capital asset recovery associated with the project occur over the life of the asset.⁶ Staff's recommendation is not appropriate for the Ohio Site Deployment. The purpose of the DOE Smart Grid Investment Grant ("SGIG") is to encourage, and "accelerate the modernization" by the deployment of advanced technologies and conduct experimentation of integrated systems in a relatively short three-year life cycle.⁷ The period of pilot implementation and analysis has been limited to three years to expand effective deployment across the Companies in the future. Upon completion of the pilot, costs and benefits will be analyzed to optimize future plans. Because the DOE is funding this pilot during the three year period, traditional asset life schedules are not and should not be employed. Commission Staff recommendation should be rejected.

E. The Companies Will Include only Actual Costs that are Incremental to the Ohio Site Deployment.

Staff recommends that the Companies include only actual costs that are incremental to the Ohio Site Deployment. The Companies agree that actual costs that are incremental

⁶ Staff Comments at p. 23.

⁷ DE_FOA-0000058, Smart Grid Investment Grant, p.2

and reasonable should be included. The Companies do not agree that newly installed smart grid plant that replaces existing plant should be the cost of the new plant less the net book value of the replaced plant. The Staff's position would unjustly penalize the companies for pursuing this initiative by not allowing full cost recovery of the initiative.

F. The Companies Intend to Keep Accounting Records for the Ohio Site Deployment Actual Costs Separate, to Facilitate Review and Verification.

Staff recommends that the Companies keep accounting records for the Ohio Site Deployment's actual costs separate in order to facilitate review and verification. The Companies accept Staff's recommendation. As part of the reporting requirements for the DOE the Companies are required to keep such records separate.

G. The Companies Believe Quarterly True-up to Actual Costs is Appropriate.

Staff recommends an annual true-up to actual costs. The Companies believe that quarterly cost recovery is appropriate to keep costs to customers manageable. This method acts to match costs to recovery on a timely basis throughout the life of the project. Staff's recommendation should be rejected.

H. The Companies Have A Rate Design That Will Help Maximize The Advantages of Smart Grid Deployment.

Kroger states that:

the installation of Smart Grid and advanced meter technologies will not, in themselves, reduce energy consumption and reduce demand unless complementary policies are also implemented to maximize the benefit of these technologies. These policies should also include the implementation of electric rates that allow customers to best utilize these new technologies and reduce energy consumption and electric demand.⁸

⁸ Kroger Comments at p. 7.

The Companies agree with Kroger and that is precisely why the Companies' Ohio Site Deployment includes a pricing program. Specifically, the Companies elected to use peak time rebate pricing for the dynamic pricing component of the project. A Peak Time Rebate Rider will be established to credit selected customers any applicable rebate amounts as a result of such customer's reduced usage during a peak time period.

I. The Companies' Ohio Site Deployment Includes Deployment of "Edge of Network" Devices.

OPAE claims that the Companies' Ohio Site Deployment does not include "edge of network" devices.⁹ OPAE utilizes the common definition of "edge of network" which generally refers to the equipment in customers' homes that permits changes in usage in response to price signals. OPAE is mistaken and their comments are incorrect and should be rejected. The Companies' Ohio Site Deployment does include "edge of network" devices. In fact, the Companies' Ohio Site Deployment expressly provides:

Customers will be provided the choice of enabling technology to manage their participation. Technologies available will be a programmable thermostat, an in-home display device, or an electronic switch that can be used for direct load control.¹⁰

J. Customers Will Be Given Access To Real Time Data.

Kroger argues that customers must have direct, real-time access to smart metering information at no additional charge.¹¹ The Companies' agree that customers should be given access to hourly real time consumption data. The Companies' Ohio Site Deployment provides that customers will be provided such information, stating:

⁹ OPAE Comments at p.5.

¹⁰ Ohio Site Deployment at p. 17.

¹¹ Kroger Comments at p. 5.

AMI will also include a front-end system that collects customer data and interfaces with a hosted meter data management system, providing detailed customer information regarding specific time of usage and the cost associated with that usage.¹²

K. OPAE's Questions Pertaining Project Management Costs Can Be Found In The Ohio Site Deployment.

OPAE asks a series of questions all of which are answered in the Companies' Ohio Site Deployment, and all of which could have been asked and answered again through discovery. Notwithstanding, the Companies are not opposed to replying to OPAE herein. OPAE states that the Application includes \$7 million for Project Management and asks: 1) What percentage of these charges are allocated to Ohio? and 2) What portion of these costs are already in rate base?¹³ In response: 1) \$4.2 million of the \$7 million project management costs are allocated to Ohio. Of the \$4.2 million, \$3 million is for external contract labor. Of the remaining \$1.2 million for internal personnel labor, 50% will be provided by DOE funds. 2) Project management capital expenditures for the Ohio Site Deployment were not envisioned at the time of the Companies' last distribution rate case and thus are not already in rate base.

L. The Companies Will Engage Commission Staff as DOE Establishes The Criteria For Cost/Benefit Analysis And Will Report Study Results.

OPAE and Commission Staff argue that the Companies should include intervenors and the Commission in developing criteria for cost/benefit analysis and the reporting of study results.¹⁴ The overall Cost-Benefit Analysis ("CBA") framework is being established by the DOE for all Smart Grid Investment Grant awardees. The Companies

¹² Ohio Site Deployment at p. 18.

¹³ OPAE Comments at p.4.

¹⁴ OPAE Comments at p.3., Commission Staff Comments at p.24.

have engaged the Electric Power Research Institute (“EPRI”) to develop a data collection plan based on what will be the CBA framework. The DOE has indicated that it plans to be very prescriptive in determining what the CBA framework will include so that an apples-to-apples comparison may be drawn from project to project “in order to ensure consistent reporting, quantification, and monetization of benefits” within the CBA framework.”¹⁵ The Companies recognize that the Commission Staff has been actively involved with their Ohio Site Deployment, and agree that Commission Staff needs to remain engaged. The Companies plan to consult with Commission Staff periodically and will share metric developments, study results, and milestone reports as available and appropriate. In addition, the Companies intend to consult with Commission Staff and certain other interested parties (including the use of customer surveys) to determine whether an expansion from 5,000 participants to 44,000 participants is appropriate.

M. The Companies agree that Commission approval is appropriate if the Companies plan to expand smart grid deployment to other areas of their service territory.

Staff recommends that the Commission should determine whether or not the Ohio Site Deployment has been successful.¹⁶ The Companies agree that further deployment beyond the 44,000 meters will require a subsequent application filed by the Companies and Commission approval.

¹⁵ DOE “Guidebook for ARRA Smart Grid Program Metrics and Benefits” p. 14

¹⁶ Staff Comments at p. 24.

N. Staff's recommendation that the Companies set target values for CAIDI and SAIFI are premature.

Staff recommends that the Companies set target values for CAIDI and SAIFI in the project area and report to Staff at the completion of the pilot project.¹⁷ The Companies recognize the value of the information that Staff seeks but the Companies do not have the proper inputs to formulate informed projections. Albeit unknowing, Staff's persistent request is effectively asking the Company to simply make up a number. Staff admits that it may be impractical to project CAIDI and SAIFI indices on a per circuit basis, but fails to recognize that it is the same per circuit calculations that roll up and provide the project area calculation. The Companies provided a SAIDI projection based on the historical circuit events and information available from other utilities that have implemented similar distribution system improvements. Although, the Companies have the historical CAIDI and SAIFI, the Companies do not have appropriate CAIDI and SAIFI information from other utilities that can be relied upon in the same manner the Companies utilized the SAIDI information. This project is too important for guesswork. The Companies can provide Staff with the actual CAIDI and SAIFI results at the conclusion of the pilot which provide a before and after comparison. However, at this time the Companies do not have the information Staff seeks, and thus Staff's recommendation should be denied.

O. Momentary interruption data.

Staff recommends that the Companies utilize the technology purchased for the Ohio Site Deployment to compile customer-specific momentary interruption data from the

¹⁷ Staff Comments at p. 23.

smart meters and place such information in a database suitable for future analysis.¹⁸ The Companies believe Staff's recommendation is reasonable.

P. Potential Cost Savings to Customers.

OPAE criticizes the Companies' Ohio Site Deployment arguing that the project does not provide a mechanism to return cost savings to customers.¹⁹ As stated previously, the DOE's determination of these programs is to identify the metrics and benefits to be measured prior to the implementation of the technologies, and evaluate and quantify (with actual operational date) potential benefits which cannot be quantified with certainty in advance of project execution. Should cost savings be achieved, the Companies will consult with the Commission regarding these matters in future rate proceedings.

Q. The Companies have assembled a strong cross-functional team to oversee The Ohio Site Deployment.

Citizens Coalition questions who from the Companies will oversee the Ohio Site Deployment.²⁰ Although this information was provided in the Ohio Site Deployment, the Companies will provide it again herein. The Companies cross-functional team is charged with planning, designing, implementing and managing the Ohio Site Deployment. A dedicated Program Manager has been assigned with overall responsibility for project delivery and execution. Reporting to the Program Manager is an organization led by three Project Managers, one of which is dedicated exclusively to Ohio. In addition the project team includes a Project Controller, Project Scheduler, Cyber Security Manager, Interoperability Manager, Integration Manager, Technical Leads and supporting

¹⁸ Staff Comments at p. 6.

¹⁹ OPAE Comments at p. 3.

personnel who were selected to provide broad, industry-wide expertise and specific operating area familiarity. Qualifications of the staff assigned can be found in the Ohio Site Deployment.

R. Analysis in Case Number 07-646-EL-UNC demonstrated costs exceed benefits for Smart Meter Technologies.

Citizens Coalition points to the right application but cites the wrong words. The Companies' initial analysis pertained to smart meter technology, and not smart grid technology. The Companies did state that based on a preliminary analysis the cost of smart meter technology appeared to exceed its benefits. The Companies have not performed any further assessment of direct costs and benefits applicable to smart meter technologies since this analysis.

S. Job creation and the reduction of unemployment.

Citizens Coalition asks will the Ohio Site Deployment create jobs and reduce unemployment.²¹ The simple answer is that there is every expectation that it will. The more complicated calculations of quantifying exactly how many jobs was performed by the Federal government. Specifically, within the estimated total impact of 1,239 job years associated with the entire 3 year site deployment project life, 776 of these job-years are associated with the project life for the Ohio Site deployment. The calculation of "job years" within the SGIG application was based on guidance provided by the Federal Administration/ARRA authorities. The details of this guidance can be found at <http://www.whitehouse.gov/administration/eop/cea/Estimate-of-Job-Creation>. The guidance states that "for some purposes, looking at the effects at a single point in time is

²⁰ Citizens Coalition Comments at p. 3.

²¹ Citizens Coalition Comments at p. 4.

not the most useful approach. Since the economy is likely to be operating below capacity for several years, job creation any time over the next several years is valuable. A job-year means simply one job for one year."

T. Rationale for selecting the area.

Citizens Coalition questions the rationale for selecting the given project area.²² Although this information was provided in the Ohio Site Deployment, the Companies will provide it again herein. This area was selected because the existing infrastructure is capable of implementing Distribution Automation with no major upgrade work needed to the lines as well as the fact that the majority of the substations are supplied from 138kV transmission system allowing Distribution Automation to function for most outages. This area also has a semi-rural make-up, meaning the circuits are longer with more exposure but still have large pockets of customers. Due to the added circuit lengths with large customer counts, reliability is also a challenge.

U. DOE Reviewed the Companies' Project to Ensure Project Costs Were Reasonable.

OCC states that the DOE did not conduct a prudency review of the Companies project before granting its reward.²³ OCC's statements are misleading at best. The DOE evaluated the reasonableness of each and every expense contained in the Companies' Ohio Site Deployment. The DOE did not overlook the budget in hopes that the Commission would review the costs and benefits for prudence. OCC simply made that up. In fact, the DOE speaks to the precise subject stating "a budget review is conducted to

²² Citizens Coalition Comments at p. 4.

²³ OCC Comments at p. 3.

determine if the budget is not appropriate or reasonable for the requirement”.²⁴ Thus a budget review was conducted by the DOE (not delegated as OCC suggests) and the Companies passed their budget review. Moreover, aside from questions on the meter costs and associated labor, the Commission Staff found the Companies’ budget numbers reasonable.

V. The Companies’ Proposed Meter Costs Are Reasonable.

OCC states that the Companies’ proposed meter costs are high compared to the industry average.²⁵ However, the comparison of the Companies’ proposed Demand Response/AMI project to the historical full scale deployments referenced by OCC is flawed. In the Companies Reply Comments to the OCC filed December 21, 2009, the Companies stated that the cost of \$936 per meter includes many more parts than the meter. The proposed smart grid technologies consist of two intertwined systems and the installation and operation costs of those technologies. One set of technologies provides for meter measurement of direct consumption, IT systems for meter data management, and communications technology to provision that information to the customer premise. The other set of technologies enable the Companies to send, and the customers to receive, signals of demand response events, hardware to display consumption information and support the reduction of customer load, software to display customer consumption history, and software and direct support to the customer to provide education on the in-home technologies and pricing programs. This combined system is vastly different than the AMI systems referenced at \$250. Furthermore, the Companies’ project is not of the size or scale necessary to gain economies of scale for pricing reductions inherent in the \$250 / meter value. The estimate is admittedly conservative in support of costs necessary

²⁴ Funding Opportunity Announcement DE-FOA-0000058, at p. 43.

²⁵ OCC Comments at p. 4.

to insure a successful in-home customer experience specific to the in-home technologies as well as support necessary to provide consumer education on the pricing programs. The \$250 / meter cost cited by the OCC does not include the technologies and supporting costs required for the demand response peak time rebate pricing program. As stated, in the reply comments to OCC on December 21, 2009, these costs are in excess of 40% of the costs. The costs are illustrated on Table 1.

W. The Companies' Proposed Feeder Costs Are Reasonable.

OCC claims that the Companies' proposed feeder costs appear high compared to another utility in Ohio.²⁶ As stated in the Companies' Reply Comment filed on December 21, 2009 OCC comparison of the two projects is not valid, for the following reasons: 1) the Companies are installing more devices per circuit than DP&L; 2) approximately 50% of the capacitor banks the Companies are installing are new capacitor banks (required to provide additional capacitance to the distribution circuits), whereas DP&L is able to utilize existing capacitor banks with new controls (as indicated in Case No. 08-1094, Revised Filing, Work paper WPI-1.1); 3) the Companies' estimate includes software costs, whereas OCC's estimate of DP&L costs does not include this amount (distribution automation capital only); 4) the Companies' proposed Distribution Automation system includes the capability to isolate single phase faults without de-energizing adjacent phases²⁷, DP&L's does not. This maintains service to single-phase customers served by unaffected phases, and could provide greater reliability than a three phase tripping strategy; and 5) the DP&L project is larger, and thus costs such as

²⁶ OCC Comments at p. 5.

engineering and project management are spread over a larger number of circuits. In addition, the Companies' DOE Smart Grid Filing sets forth cost estimates; actual expenses will be subject to review by the DOE. OCC Comments should be rejected.

X. The Companies' Site Deployment is Not of Sufficient Size to Provide Operational Benefits.

OCC argues that the Companies' Ohio Site Deployment does not sufficiently address operational benefits that should be netted against the costs of the smart grid implementation.²⁸ OCC's argument is not ripe. The Companies current pilot is of sufficient size to illustrate potential operational benefits. However, as stated in the Companies' Reply Comments to OCC filed on December 21, 2009, the Companies plan to consider any tangible operational benefits when determining amounts to be collected under Revised Rider AML.

Y. The Ohio Site Deployment Shows Detailed Dollar Costs or Benefits and Thus Provides Sufficient Evidence for Collecting Costs from Customers.

OCC claims that the Companies' Ohio Site Deployment does not show detailed dollar costs or benefits and thus provides insufficient evidence for collecting costs from customers.²⁹ In response to the data request filed by OCC, the Companies intended to provide a detailed budget spreadsheet to parties outlining project costs. This attachment was inadvertently left off the reply comments and was forwarded to the parties on January 19, 2010. Please refer to Reply Comments filed by the Companies to OCC

²⁷ To gain this additional improvement the Companies will replace the substation breakers and much of the relaying on the distribution side of the substation, an expense that will not be incurred by DP&L.

²⁸ OCC Comments at p. 6.

²⁹ OCC Comments at p.8.

December 21, 2009, page 6 for an explanation of expected benefits and how they will be reported.

Z. The Companies Intend that all Ratepayer Funds be Matched by DOE Funds.

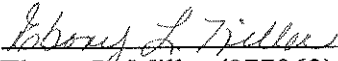
Staff recommends that if the DOE reduces any of the SGIG award from the eligible amount of \$36.1 million, the Commission should reduce the Companies remaining cost recovery contribution. The Companies will not complete any part of the project that DOE does not match in equal amount, and thus Staff's recommendation does not pose a problem.

V. CONCLUSION

It is important to recognize the unique opportunity before us. The Companies were competitively selected from a large number of nationally qualified candidates to receive and bring federal stimulus money to the State of Ohio. It is an opportunity we can be sure will not be repeated with any sort of regularity. It is an opportunity which if not seized will most likely leave the State of Ohio and pass to the next less qualified applicant in the pool. The DOE believes that the Companies' application represents the cream of the crop. This compliment comes from highly trained experts in the field of smart grid integration. The compliment cannot be ignored or diminished. The reward also carries a large responsibility. The DOE has no intention of delegating their responsibility to ensure that all funds are expended appropriately, and they will require certain accountability and transparency. The Companies appreciate the time and attention Commission Staff devoted to thoroughly understand the Companies' Ohio Site Deployment and offer constructive feedback. The Companies did not agree with certain Staff recommendations, but it was clear by Staff Comments that they are just as

committed to bringing smart grid technology to Ohio as the Companies. The Companies appreciate the opportunity to submit these Reply Comments and petition the Commission to approve their application as filed.

Respectfully submitted

A handwritten signature in cursive script, appearing to read "Ebony L. Miller", is written over a horizontal line.

Ebony L. Miller (077063) ^{EC}

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On behalf of Ohio Edison Company,
The Cleveland Electric Illuminating
Company and The Toledo Edison
Company

Table 1
Total Smart Grid Modernization Initiative - Ohio Site Deployment

	Cost
Smart Grid Distribution Reliability	\$ 15,455,439
AMI/Alternative Pricing Program	\$ 41,213,920
Common	\$ 15,528,957
Total	\$ 72,198,316

Table 2
AMI/Alternative Pricing Program

	Cost
Meter Technology	\$ 21,158,000
Enabling Technology	\$ 20,055,920
Total	\$ 41,213,920

Table 3
AMI/Alternative Pricing Program
Meter Technology Costs

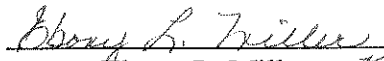
Per Customer	Total	% of Total	Component
\$ 165.00	\$ 7,260,000.00		Meter
\$ 136.36	\$ 6,000,000.00		MDM
\$ 45.45	\$ 2,000,000.00		Installation
\$ 93.18	\$ 4,100,000.00		IT Integration
\$ 18.14	\$ 798,000.00		Project Management
\$ 22.73	\$ 1,000,000.00		Communications
\$ -			
\$ 480.86	\$ 21,158,000.00	51%	Total for Meter, Installation, MDM

Table 4
AMI/Alternative Pricing Program
Demand Response Enabling Technology Costs

Per Customer	Total	% of Total	Component
\$ 275.14	\$ 12,106,000.00		Technology
\$ 60.00	\$ 2,640,000.00		Consumer Education/Marketing
\$ 120.68	\$ 5,309,920.00		Installation, Maintenance
\$ 455.82	\$ 20,055,920.00	49%	Total for Enabling Technology

CERTIFICATE OF SERVICE

I hereby certify that a true copy of the foregoing Reply Comments was served by first-class mail, postage prepaid, to the following parties of record this 20th of January, 2010.


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1/20/2010 5:17:06 PM

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Case No(s). 09-1821-EL-GRD, 09-1822-EL-EEC, 09-1823-EL-AAM, 09-1820-EL-ATA

Summary: Reply Reply Comments of Ohio Edison Company, The Cleveland Electric Illuminating Company, and The Toledo Edison Company electronically filed by Ms. Ebony L Miller on behalf of Ohio Edison Company and The Cleveland Electric Illuminating Company and The Toledo Edison Company