

**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 Ohio Deployment of)	Case No. 09-1822-EL-EEC
the Smart Grid Modernization Initiative)	Case No. 09-1823-EL-AAM
and Timely Recovery of Associated Costs.)	

**APPLICATION FOR REHEARING
BY
THE OFFICE OF THE OHIO CONSUMERS' COUNSEL**

In the proceeding, the Public Utilities Commission of Ohio (“Commission” or “PUCO”) has allowed FirstEnergy Corporation (“FirstEnergy” or “Utility”) to charge consumers approximately \$8.5 million to complete data collection related to its Smart Grid pilot program.¹ This \$8.5 million funding is in addition to the \$36 million that customers have already paid for SmartGrid costs. The PUCO approved FirstEnergy’s Application to conduct Volt/Var Optimization and Distribution Automation² studies through June 1, 2019.³

The Office of the Ohio Consumers’ Counsel (“OCC”), on behalf of FirstEnergy’s residential utility consumers, applies for rehearing of the PUCO’s Order.⁴ The PUCO’s

¹ Finding and Order (May 28, 2015) (“Order”).

² Distribution automation and Volt/VAR technologies that will be capable of balancing load and restoring power through remote switching operations, and saving energy through voltage controlled peak demand reduction.

³ *In the Matter of the Application of Ohio Edison Company, The Cleveland Electric Illuminating Company and The Toledo Edison Company for Ohio Deployment of the Smart Grid Modernization Initiative and Timely Recovery of Associated Costs*, Case No. 09-1820-EL-ATA, et al., FirstEnergy Application at 5 (December 22, 2014).

⁴ OCC files this Application for Rehearing pursuant to R.C. 4903.10 and Ohio Adm. Code 4901-1-35.

decision to allow FirstEnergy to charge consumers an additional \$8.5 million to complete these studies is unjust and unreasonable in the following respect:

- A. It was unjust and unreasonable for the PUCO to approve FirstEnergy's Application, authorizing the Utility to charge customers the entire \$8.5 million requested for Volt Var and Distribution Automation studies. PUCO precedent should limit consumers' responsibility for these costs to no more than half of the Utility's prudently incurred expenses.

An explanation of the basis for this Application for Rehearing is set forth in the attached Memorandum in Support. Consistent with R.C. 4903.10 and OCC's claim of error, the PUCO should modify its Order.

Respectfully submitted,

BRUCE J. WESTON
OHIO CONSUMERS' COUNSEL

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MEMORANDUM IN SUPPORT

I. INTRODUCTION

FirstEnergy filed its Application on December 22, 2014, seeking to charge consumers an additional \$8.5 million to complete data collection related to Volt/Var Optimization and Distribution Automation studies through June 1, 2019.⁵ These studies are part of the Utility’s Ohio Site Deployment of the Smart Grid Modernization Initiative (“Initiative”).⁶ The Initiative is comprised of various studies, including a Volt/Var Optimization study, a Distribution Automation study, and a consumer behavior study.⁷

In 2010, the U.S. Department of Energy issued a grant to FirstEnergy that covered a four-year implementation period (spanning from June 2010 through June 2014) and a one-year data collection period for the Volt/Var Optimization and Distribution Automation study - June 2014 through June 2015.⁸ In May 2013, the PUCO granted the Utility’s request to expand the Volt/Var Optimization and Distribution Automation study

⁵ Id. at 5.

⁶ See https://www.smartgrid.gov/project/firstenergy_smart_grid_modernization_initiative.html.

⁷ Case No. 09-1820-RL-ATA, FirstEnergy Application at 1 (December 22, 2014).

⁸ Id.

time periods over five years (from 2015 through 2019).⁹ This extension of time would allow the Utility to examine specifically Customer Average Interruption Duration Index (“CAIDI”) and System Average Interruption Frequency Index (“SAIFI”) improvements. The Volt/Var Optimization and Distribution Automation studies will help determine the CAIDI and SAIFI values.¹⁰

In Case No. 10-388-EL-SSO, the PUCO held that the Utility “could not complete any part of the Ohio Site Deployment that the United States Department of Energy [did] not match funding in an equal amount.”¹¹ FirstEnergy has already charged customers \$36 million dollars for its Smart Grid Initiative (and the Department of Energy has contributed \$36 million).¹² And \$38 million of the \$72 million has gone to support the Volt/Var Optimization and Distribution Automation studies.¹³ The United States Department of Energy four-year grant period for funding the Utility’s SmartGrid Initiative has expired.¹⁴

⁹ Case No. 09-1820-RL-ATA, Finding and Order at 3 (May 28, 2015).

¹⁰ Case No. 09-1820-RL-ATA, FirstEnergy Application at 4 (December 22, 2014).

¹¹ *In the Matter of the Application of Ohio Edison Company, The Cleveland Electric Illuminating Company, and The Toledo Edison Company for Authority to Establish a Standard Service Offer Pursuant to Section 4928.143, Revised Code, in the Form of an Electric Security Plan*, Case No. 10-388-EL-SSO, et al., Opinion and Order at 14 (August 25, 2010).

¹² Case No. 09-1820-RL-ATA, FirstEnergy Application at 4 (December 22, 2014).

¹³ *Id.* at 5.

¹⁴ Case No. 09-1820-RL-ATA, FirstEnergy Application at 1-2 (December 22, 2014).

II. ARGUMENT

- A. It was unjust and unreasonable for the PUCO to approve FirstEnergy's Application, authorizing the Utility to charge customers the entire \$8.5 million requested for Volt Var and Distribution Automation studies. PUCO precedent should limit consumers' responsibility for these costs to no more than half of the Utility's prudently incurred expenses.**

The PUCO held in its Opinion and Order in Case No. 10-388-EL-SSO (FirstEnergy's second Electric Security Plan ("ESP") proceeding) that FirstEnergy could "not complete any part of the Ohio Site Deployment that the United States Department of Energy does not match funding in an equal amount."¹⁵ The PUCO's Order limited consumers' obligation for these charges to half of the Ohio Site Deployment.¹⁶ The PUCO determined that limitation for consumers was reasonable. The Utility is still completing studies related to the deployment of its Smart Grid Initiative; however, United States Department of Energy is no longer available. Nevertheless, it is reasonable that consumers be spared from paying the entire \$8.5 million.

Under this PUCO precedent, the burden to pay for the remaining \$8.5 million for the studies should not fall entirely on consumers. In this case, FirstEnergy should fund half of the remaining amounts that it seeks to charge customers.

FirstEnergy states in its Application that the parties agreed and the PUCO approved in the Second ESP case that "all costs associated with the project will be considered incremental for recovery under Rider AMI."¹⁷ FirstEnergy's point is correct, but the Stipulation and the Order approving the settlement do not say how the

¹⁵ Order at 14.

¹⁶ Id.

¹⁷ Case No. 09-1820-RL-ATA, FirstEnergy Application at 5 (December 22, 2014).

incremental costs associated with the project will be allocated, nor does it say that consumers will be responsible for all incremental costs. The PUCO did not hold that consumers will be responsible for 100 percent of the incremental costs.

The Utility estimates that going forward costs (\$8.5 million in total) include support and operation of the centralized software system (\$1.6 million), network communications to field devices and support the backhaul information including radio spectrum agreements (\$4.4 million) and other incremental labor for engineering, analysis and field support (\$2.5 million).¹⁸ Of the \$72 million the Utility has spent on its SmartGrid modernization initiative thus far, customers have been charged half. It is not reasonable to ask customers to pay all of the additional \$8.5 million the Utility requests for the remaining studies. The fact that United States Department of Energy funding ran out before the Utility could complete all necessary studies should not become the consumers' obligation.

III. CONCLUSION

For the reasons stated above, the PUCO should grant OCC's rehearing by revising the allocation of the costs for FirstEnergy's completion of its data collection related to Volt/Var Optimization and Distribution Automation studies. Customers should pay no more than half of the \$8.5 million approved for the project. This revision would take into consideration important ratemaking and policy considerations such as equity and fairness, especially when consumers have already been charged \$36 million for the Utility's Smart Grid Initiative Pilot.

¹⁸ Id.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that a copy of the Office of the Ohio Consumers' Counsel's Application for Rehearing was served upon the persons listed below via electronic transmission this 29th day of June, 2015.

/s/ Kyle L. Kern

Kyle L. Kern

Assistant Consumers' Counsel

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This foregoing document was electronically filed with the Public Utilities

Commission of Ohio Docketing Information System on

6/29/2015 4:08:16 PM

in

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

Summary: App for Rehearing Application for Rehearing by the Office of the Ohio Consumers' Counsel electronically filed by Ms. Deb J. Bingham on behalf of Kern, Kyle L.