

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of Ohio Edison Company, The Cleveland Electric Illuminating Company, and The Toledo Edison Company for Approval of Ohio Site Deployment of the Smart Grid Modernization Initiative and Timely Recovery of Associated Costs

**Case No. 09-1820-EL-ATA
Case No. 09-1821-EL-GRD
Case No. 09-1822-EL-EEC
Case No. 09-1823-EL-AAM**

OHIO EDISON COMPANY, THE CLEVELAND ELECTRIC ILLUMINATING COMPANY AND THE TOLEDO EDISON COMPANY’S MEMORANDUM CONTRA APPLICATION FOR REHEARING FILED BY THE OFFICE OF THE OHIO CONSUMERS’ COUNSEL

The Office of the Ohio Consumers’ Counsel (“OCC”) requests rehearing claiming that the Commission’s approval of Ohio Edison Company, The Cleveland Electric Illuminating Company and The Toledo Edison Company’s (“Companies”)¹ application for approval of cost recovery for the continuation of Volt Var Optimization and Distribution Automation studies was “unjust and unreasonable” because “PUCO precedent should limit consumers’ responsibility for these costs to no more than half of the Utility’s prudently incurred expenses.”² The Commission should deny OCC’s Application for Rehearing (“AFR”). First, Commission precedent does not limit a customers’ responsibility for the benefits derived from the Volt Var Optimization and Distribution Automation studies. Moreover, OCC completely ignores the fact that the Companies, along with Staff, made a commitment to study the Volt Var Optimization and Distribution Automation technologies for a period of five years – extending beyond the

¹ OCC incorrectly references “FirstEnergy Corporation” as the applicant in this proceeding. (OCC Application for Rehearing (“AFR”) at page 1.)

² *Id.* at p. 2.

Department of Energy (“DOE”) grant period. Last, based on OCC’s own words³, the Companies are studying technology that could improve reliability for its customers, an investment that will benefit their customers. For all of those reasons, the Commission’s May 28, 2015 Finding and Order (“May 28 Order”) approving cost recovery for the DA/Volt VAR studies was just, lawful and reasonable and OCC’s Application for Rehearing (“AFR”) should be denied.

On December 22, 2014, the Companies filed their application for cost recovery to continue the Volt Var Optimization and Distribution Automation studies as the original Ohio Site Deployment was funded, in part, by a DOE grant. The DOE grant expired on June 1, 2015. While the August 25, 2010 Order in the Companies’ second ESP proceeding (Case No. 10-388-EL-SSO) (“August 25 Order”) stated that “[t]he Companies shall not complete any part of the Ohio Site Deployment that the United States Department of Energy does not match funding in an equal amount,”⁴ OCC’s argument that the Commission intended to preclude the Companies from seeking Commission approval to recover costs to continue certain aspects of the Ohio Site Deployment is misplaced. The Companies committed to Staff and the Commission to continue the Volt Var Optimization and Distribution Automation studies beyond the DOE grant period that ended June 1, 2015. In fact, because the August 25 Order did not contemplate cost recovery for the commitment to continue the Volt Var Optimization and Distribution Automation studies, the Companies specifically requested approval to collect 100 percent of the study costs incurred after June 1, 2015.

³ “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.” *Id.* at p. 1, fn 2.

⁴ Case No. 10-388-EL-SSO, August 25, 2010 Opinion Order at 14.

On May 28, 2015, the Commission granted and found that the Companies' application was reasonable.⁵ It is well within Commission discretion and authority to approve cost recovery for the Companies' continued operation of the Volt Var Optimization and Distribution Automation studies. Nothing in the August 25 Order precludes the Commission from approving the requested cost recovery. Other than citing to the August 25 Order, OCC fails to cite to any authority demonstrating that the Commission's May 28 Order was unjust, unreasonable or unlawful. For that reason alone, the Commission should deny OCC's AFR.

Moreover, OCC fails to recognize that the Companies requested cost recovery for the Volt Var Optimization and Distribution Automation studies, in part, because of the commitment they made to the Commission and Staff to perform these studies over a five year period of time. On February 8, 2013, when Staff filed a report on the Ohio Site Deployment, Staff recommended that the Companies "shall provide all relevant improvement in distribution reliability of CAIDI, SAIFI, and customer minutes of outage as they relate to the geographical pilot area."⁶ On February 21, 2013, the Companies filed a letter responding to the Staff report filed on February 8, 2013. The Companies agreed with Staff's recommendation to provide all relevant improvement in distribution reliability of CAIDI, SAIFI and customer minutes of outage as it relates to the geographic pilot area but pointed out, as they did in their April 30, 2010 letter to Staff, that improvements to SAIFI need to be measured over a five year period.⁷ On May 15, 2013, the Commission issued an Order stating that the Companies implement the recommendations agreed by Staff and the Companies.⁸ The afore-mentioned May 15, 2013 Order did not address cost recovery for the period after the DOE grant expired. Therefore, it

⁵ May 28, 2015 Finding and Order at ¶ 8.

⁶ Case No. 09-1820-EL-ATA, *et al.*, Staff Report dated February 8, 2013, p. 4

⁷ Case No. 09-1820-EL-ATA *et al.*, Letter to Staff dated February 21, 2013, p. 6.

⁸ Case No. 09-1820-EL-ATA, *et al.*, Finding and Order dated May 15, 2013.

was reasonable for the Commission to approve cost recovery so the Companies can meet the commitment they made to the Staff and Commission to complete these studies.

Last, OCC's own words recognize that the Volt Var and Distribution Automation technologies do provide a benefit to customers in "balancing load and restoring power through remote switching operations, and saving energy through voltage controlled peak demand reduction."⁹ As the Companies' discussed in their application, with Volt Var Optimization controls, the Companies are able to optimize the voltage profile and the reactive power supplied between the substation and field devices to improve service quality and potentially achieve energy efficiency savings.¹⁰ The Companies have made a significant investment to study this technology. To not complete the full monitoring of the system and truly understand the benefits would not fully leverage the investment that has been made. The system must be monitored and evaluated over time, under various load and weather conditions, to understand its capabilities for reliability improvements and demand response.¹¹ All of these activities benefit customers and therefore, the investments are appropriate for recovery in Rider AMI. For all of those reasons, the Commission should deny OCC's AFR.

Respectfully submitted,

⁹ OCC AFR at p. 1, fn. 2.

¹⁰ Case No. 09-1820-EL-ATA, *et al.* December 22, 2014 Application at 5-6.

¹¹ *Id.*

/s/ Carrie M. Dunn

Carrie M. Dunn (0076952)

Counsel of Record

FIRSTENERGY SERVICE COMPANY

76 South Main Street

Akron, OH 44308

(330) 761-2352

(330) 384-3875 (fax)

cdunn@firstenergycorp.com

*Attorney for Ohio Edison Company, The Cleveland
Electric Illuminating Company, and The Toledo
Edison Company*

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On July 9, 2015, the foregoing document was filed on the Public Utilities Commission of Ohio's Docketing Information System. The PUCO's e-filing system will electronically serve notice of the filing of this document and the undersigned has served electronic copies to the following parties:

IEU (sam@mwncmh.com)

OPAE (cmooney2@columbus.rr.com)

OEG (dboehm@bkllawfirm.com)

OEG (mkl@bbrslaw.com)

Citizen Power (robinson@citizenpower.com)

Staff (william.wright@puc.state.oh.us)

(myurick@taftlaw.com)

OCC sauer@occ.ohio.gov; kern@occ.ohio.gov

meissnerjoseph@yahoo.com

/s/ Carrie M. Dunn
One of the Attorneys for Ohio Edison Company, The Cleveland Electric Illuminating Company and The Toledo Edison Company

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Summary: Memorandum Ohio Edison Company, The Cleveland Electric Illuminating Company, and The Toledo Edison Company Memorandum Contra Application for Rehearing filed by the Office of Ohio Consumers' Counsel electronically filed by Mr. Robert M. Endris on behalf of Dunn, Carrie Ms.