

THE PUBLIC UTILITIES COMMISSION OF OHIO

**IN THE MATTER OF THE REVIEW OF THE
SMART GRID MODERNIZATION INITIATIVE
CONTAINED IN THE TARIFFS OF OHIO
EDISON COMPANY, THE CLEVELAND
ELECTRIC ILLUMINATING COMPANY, AND
THE TOLEDO EDISON COMPANY.**

CASE NO. 13-2172-EL-RDR

**IN THE MATTER OF THE REVIEW OF THE
SMART GRID MODERNIZATION INITIATIVE
CONTAINED IN THE TARIFFS OF OHIO
EDISON COMPANY, THE CLEVELAND
ELECTRIC ILLUMINATING COMPANY, AND
THE TOLEDO EDISON COMPANY.**

CASE NO. 14-1946-EL-RDR

**IN THE MATTER OF THE REVIEW OF THE
SMART GRID MODERNIZATION INITIATIVE
CONTAINED IN THE TARIFFS OF OHIO
EDISON COMPANY, THE CLEVELAND
ELECTRIC ILLUMINATING COMPANY, AND
THE TOLEDO EDISON COMPANY.**

CASE NO. 15-1841-EL-RDR

FINDING AND ORDER

Entered in the Journal on September 5, 2018

I. SUMMARY

{¶ 1} In this Finding and Order, the Commission approves the applications for the annual reviews of the Advanced Metering Infrastructure / Modern Grid Rider as filed by Ohio Edison Company, The Cleveland Electric Illuminating Company, and The Toledo Edison Company.

II. DISCUSSION

{¶ 2} Ohio Edison Company, The Cleveland Electric Illuminating Company, and The Toledo Edison Company (collectively, FirstEnergy or the Companies) are electric distribution utilities as defined in R.C. 4928.01(A)(6) and public utilities as defined in R.C. 4905.02, and, as such, are subject to the jurisdiction of this Commission.

{¶ 3} R.C. 4928.141 provides that an electric distribution utility shall provide customers within its certified territory a standard service offer (SSO) of all competitive retail electric services necessary to maintain essential electric services to customers, including firm supply of electric generation services. The SSO may be either a market rate offer in accordance with R.C. 4928.142 or an electric security plan (ESP) in accordance with R.C. 4928.143.

{¶ 4} The Commission has approved several riders in FirstEnergy's approved ESP proceedings, some of which require the Companies to file annual updates. *In re FirstEnergy*, Case No. 08-935-EL-SSO, et al. (*ESP I Case*); *In re FirstEnergy*, Case No. 09-581-EL-EEC; *In re FirstEnergy*, Case No. 10-176-EL-ATA; *In re FirstEnergy*, Case No. 10-388-EL-SSO (*ESP II Case*). *In re FirstEnergy*, Case No. 12-1230-EL-SSO (*ESP III Case*); *In re FirstEnergy*, Case No. 14-1297-EL-SSO (*ESP IV Case*). Among these Commission-approved riders is the Advanced Metering Infrastructure / Modern Grid Rider (Rider AMI). Rider AMI is a non-bypassable rider, approved by the Commission in Case No. 07-551-EL-AIR. Rider AMI is the mechanism for recovering the costs related to the deployment of smart grid and advanced metering infrastructure. In the *ESP II Case*, the Commission provided its guidance in matters related to Rider AMI and costs that could be recovered through this rider. The Commission authorized FirstEnergy to collect smart grid costs that it incurred as part of its pilot program over a ten year period through Rider AMI, with quarterly adjustments to the rate. Operation and maintenance expenses were deemed to be incremental to costs reflected in base rates for purposes of this pilot program. Further, Rider AMI is billed monthly on a fixed customer charge basis.

{¶ 5} Pursuant to the Commission's orders in the ESP proceedings, FirstEnergy was directed to file updates for Rider AMI on an annual basis, in a separate docket, no later than February of each year, for review by the Commission. The Companies filed the required applications in Case Nos. 13-2172-EL-RDR, 14-1946-EL-RDR, and Case No. 15-1841-EL-RDR on March 2, 2015, February 29, 2016, and February 28, 2017, respectively.

{¶ 6} On March 2, 2015, FirstEnergy filed its application for the annual review of 2014 costs applicable to Rider AMI.

{¶ 7} Thereafter, on December 15, 2015, Staff filed its review and recommendation regarding the March 2, 2015 application. In its review, Staff examined the as-filed schedules for consistency with the Commission's Opinion and Orders in previous smart grid cases and to ensure proper accounting treatment was applied. The audit consisted of a review of the financial statements for completeness, occurrence, presentation, valuation, interviews, and interrogatories. Staff notes that it requested documentation as needed to determine that the costs were substantiated or to conclude that an adjustment was warranted. Staff avers that no adjustments are necessary and that Rider AMI rates are appropriate as filed. Accordingly, Staff recommends that the Commission approve FirstEnergy's March 2, 2015 application.

{¶ 8} On February 29, 2016, FirstEnergy filed its application for the annual review of 2015 costs applicable to Rider AMI.

{¶ 9} Thereafter, on July 28, 2016, Staff filed its review and recommendation regarding the February 29, 2016 application. In its review, Staff examined the as-filed schedules for consistency with the Commission's Opinion and Orders in previous smart grid cases and to ensure proper accounting treatment was applied. The audit consisted of a review of the financial statements for completeness, occurrence, presentation, valuation, interviews, and interrogatories. Staff notes that it requested documentation as needed to determine that the costs were substantiated or to conclude that an adjustment was warranted. After reviewing the as-filed schedules, Staff concluded that all expenses paid to Avalon Food Service were not appropriate for inclusion in the Rider because this vendor did not provide materials or services that were deemed necessary for the installation and maintenance of the AMI. However, Staff determined that the expenses were minimal, totaling less than \$250, and had no material effect on the rate charged to the customer. Staff avers that no adjustments are necessary and that Rider AMI rates are

appropriate as filed. Accordingly, Staff recommends that the Commission approve FirstEnergy's February 29, 2016 application.

{¶ 10} On February 28, 2017, FirstEnergy filed its application for the annual review of 2016 costs applicable to Rider AMI.

{¶ 11} Thereafter, on May 19, 2017, Staff filed its review and recommendation regarding the February 28, 2017 application. In its review, Staff examined the as-filed schedules for consistency with the Commission's Opinion and Orders in previous smart grid cases and to ensure proper accounting treatment was applied. The audit consisted of a review of the financial statements for completeness, occurrence, presentation, valuation, interviews, and interrogatories. Staff notes that it requested documentation as needed to determine that the costs were substantiated or to conclude that an adjustment was warranted. Staff avers that no adjustments are necessary and that Rider AMI rates are appropriate as filed. Accordingly, Staff recommends that the Commission approve FirstEnergy's February 28, 2017 application.

{¶ 12} The Commission has reviewed the Companies' applications and Staff's review and recommendations. The Commission finds that, in accordance with Staff's recommendations, the Companies' applications are consistent with the Commission's decisions in FirstEnergy's ESP proceedings, do not appear to be unjust or unreasonable, and should be approved.

III. ORDER

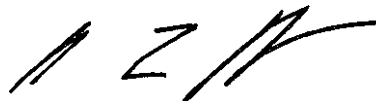
{¶ 13} It is, therefore,

{¶ 14} ORDERED, That FirstEnergy's applications be approved, as set forth in this Finding and Order. It is, further,

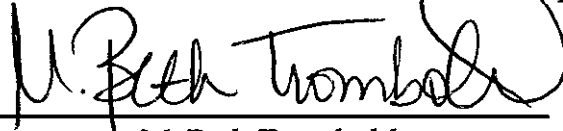
{¶ 15} ORDERED, That nothing in this Finding and Order shall be binding upon this Commission in any future proceeding or investigation involving the justness or reasonableness of any rate, charge, rule, or regulation. It is, further,

{¶ 16} ORDERED, That a copy of this Finding and Order be served upon all parties of record.

THE PUBLIC UTILITIES COMMISSION OF OHIO



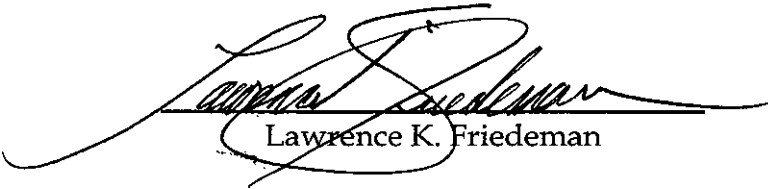
Asim Z. Haque, Chairman



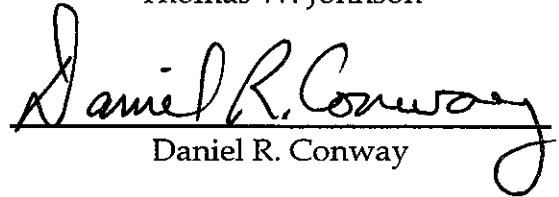
M. Beth Trombold



Thomas W. Johnson



Lawrence K. Friedeman

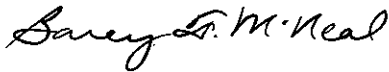


Daniel R. Conway

GAP/LLA/sc

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Barcy F. McNeal
Secretary