

BEFORE THE  
PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Filing by Ohio Edison Company, The Cleveland Electric Illuminating Company, and The Toledo Edison Company of a Grid Modernization Business Plan	)	
	)	
	)	Case No. 16-481-EL-UNC
	)	
	)	
In the Matter of the Filing by Ohio Edison Company, The Cleveland Electric Illuminating Company and The Toledo Edison Company Application for Approval of a Distribution Platform Modernization Plan	)	
	)	Case No. 17-2436-EL-UNC
	)	
	)	
	)	
	)	
In the Matter of the Application of Ohio Edison Company, The Cleveland Electric Illuminating Company and The Toledo Edison Company to Implement Matters Relating to the Tax Cuts and Jobs Act of 2017	)	Case No. 18-1604-EL-UNC
	)	
	)	
	)	
	)	
In the Matter of the Application of Ohio Edison Company, The Cleveland Electric Illuminating Company, and The Toledo Edison Company for Approval of a Tariff Change	)	Case No. 18-1656-EL-ATA
	)	

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**SUPPLEMENTAL TESTIMONY OF**

**SANTINO L. FANELLI**

**ON BEHALF OF**

**OHIO EDISON COMPANY  
THE CLEVELAND ELECTRIC ILLUMINATING COMPANY  
THE TOLEDO EDISON COMPANY**

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**JANUARY 25, 2019**

1 **Q. PLEASE STATE YOUR NAME, POSITION, AND BUSINESS ADDRESS.**

2 A. My name is Santino L. Fanelli. I am employed by FirstEnergy Service Company as  
3 Director of the Rates and Regulatory Affairs Department. My business address is 76 South  
4 Main Street, Akron, Ohio 44308.

5 **Q. HAVE YOU PREVIOUSLY PROVIDED TESTIMONY IN THIS PROCEEDING?**

6 A. Yes. I submitted direct testimony in support of the Stipulation and Recommendation filed  
7 in this proceeding on November 9, 2018 (“Original Stipulation”).

8 **Q. WHAT IS THE PURPOSE OF YOUR SUPPLEMENTAL TESTIMONY IN THIS**  
9 **PROCEEDING?**

10 A. The purpose of my testimony is to sponsor and summarize the terms and conditions of the  
11 Supplemental Stipulation and Recommendation filed on January 25, 2019 in this  
12 proceeding (“Supplemental Stipulation”, together with the Original Stipulation referred to  
13 as the “Stipulation”). My testimony summarizes the Supplemental Stipulation and  
14 discusses how the Stipulation satisfies the criteria that the Commission uses when  
15 considering settlement agreements.

16 **Q. WHO ARE THE SIGNATORY PARTIES TO THE STIPULATION?**

17 A. The signatory parties include Ohio Edison, The Cleveland Electric Illuminating Company,  
18 The Toledo Edison Company (collectively, the “Companies”), Commission Staff (“Staff”),  
19 Ohio Energy Group (“OEG”), Industrial Energy Users-Ohio (“IEU”), Direct Energy  
20 Services, LLC and Direct Energy Business, LLC (“Direct Energy”), Interstate Gas Supply,  
21 Inc. (“IGS Energy”), Ohio Hospital Association (“OHA”), Environmental Defense Fund  
22 (“EDF”), Ohio Cable Telecommunications Association (“OCTA”), The Office of the Ohio  
23 Consumers’ Counsel (“OCC”), The Northeast Ohio Public Energy Council (“NOPEC”),

1 and Ohio Partners for Affordable Energy (“OPAE”) (“Signatory Parties”). Though, OCC,  
2 NOPEC, and OPAE have agreed to not oppose certain provisions of the Stipulation related  
3 to grid modernization.

4 **Q. PLEASE PROVIDE AN OVERVIEW OF THE STIPULATION.**

5 A. The benefits of the Original Stipulation remain intact under the Stipulation. Namely, the  
6 Companies will flow back to customers all tax savings associated with the Tax Cuts and  
7 Jobs Act of 2017 (“TCJA”) and will undertake their first phase of significant grid  
8 modernization investments (“Grid Mod I”). The Supplemental Stipulation modifies the  
9 allocation of customer credits associated with the TCJA and Grid Mod I, improves upon  
10 the customer benefits and safeguards related to Grid Mod I included in the Original  
11 Stipulation, and enhances the Grid Mod collaborative process outlined in the Original  
12 Stipulation.

13 **Q. HOW WILL THE TAX SAVINGS RESULTING FROM THE TCJA BE**  
14 **ALLOCATED UNDER THE STIPULATION?**

15 A. The tax savings resulting from the TCJA will be allocated to each rate schedule based on  
16 the allocation factors contained in Attachment E to the Supplemental Stipulation. An  
17 updated template for the TCJA savings credit mechanism that reflects these allocations is  
18 contained in Supplemental Attachment A to the Supplemental Stipulation.

19 **Q. HOW WILL OPERATIONAL SAVINGS ASSOCIATED WITH GRID MOD I BE**  
20 **ALLOCATED UNDER THE STIPULATION?**

21 A. Operational savings associated with Grid Mod I will be allocated to each rate schedule  
22 based on the allocation factors contained in Attachment F to the Supplemental Stipulation,  
23 unless otherwise noted in the Supplemental Stipulation.

1 **Q. PLEASE DESCRIBE THE CRITERIA THE COMMISSION HAS USED IN**  
2 **CONSIDERING APPROVAL OF A STIPULATION AMONG SIGNATORY**  
3 **PARTIES TO A PROCEEDING.**

4 A. My understanding is that a stipulation must satisfy the following criteria: (1) the stipulation  
5 must be the product of serious bargaining among capable, knowledgeable parties; (2) the  
6 stipulation must not violate any important regulatory principle or practice; and (3) the  
7 stipulation must, as a package, benefit ratepayers and the public interest.

8 **Q. DOES THE STIPULATION IN THIS PROCEEDING SATISFY THE CRITERIA**  
9 **ABOVE?**

10 A. Yes, it does.

11 **Q. IS THE STIPULATION A PRODUCT OF SERIOUS BARGAINING AMONG**  
12 **CAPABLE, KNOWLEDGEABLE PARTIES?**

13 A. Yes. The Signatory Parties have an extensive history of participation and experience in  
14 matters before the Commission and are represented by experienced and competent counsel.  
15 The Signatory Parties represent a broad cross-section of stakeholders with varied and  
16 diverse interests including Staff, commercial and industrial customer advocates, residential  
17 customers, low income advocates, an environmental advocate, hospitals, a cable provider  
18 association and competitive retail electric service providers.

19 Following the filing of the Original Stipulation, which itself was a product of serious  
20 bargaining, the Companies continued to engage in serious bargaining with parties in the  
21 proceeding, including a group meeting and numerous discussions and information  
22 exchanges with one or more parties. Collectively, these meetings and information  
23 exchanges facilitated inclusive and meaningful negotiations of potential modifications to

1 the Original Stipulation, which culminated in the filing of the Supplemental Stipulation.  
2 For these reasons, the Stipulation is the product of serious bargaining and negotiation  
3 among parties who are familiar with and knowledgeable about its contents.

4 **Q. DOES THE STIPULATION, AS A PACKAGE, BENEFIT CUSTOMERS AND THE**  
5 **PUBLIC INTEREST?**

6 A. Yes. The Stipulation, as a package, enhances and improves upon the substantial benefits  
7 to customers and the public included in the Original Stipulation. Under the Stipulation, the  
8 Companies agree to return all tax savings resulting from the TCJA to customers. In  
9 addition, the Stipulation provides for grid modernization investments that will benefit  
10 customers. Finally, the Stipulation is a just and reasonable resolution to contested issues  
11 raised in the underlying cases, which conserves the resources of the parties and avoids  
12 potentially costly, extended litigation.

13 **Q. WHAT ADDITIONAL CUSTOMER BENEFITS RELATED TO THE COSTS OF**  
14 **GRID MOD I ARE INCLUDED IN THE SUPPLEMENTAL STIPULATION?**

15 A. The Supplemental Stipulation adds several customer benefits related to the costs and  
16 credits of Grid Mod I. First, the Supplemental Stipulation includes a provision for  
17 additional credits to residential customers of \$3 million for incremental operational savings  
18 above the amounts included in the Original Stipulation. These incremental operational  
19 savings for residential customers will not be recovered elsewhere. Second, the return on  
20 equity (“ROE”) used in the calculation of the revenue requirement for Grid Mod I  
21 investments recovered under Rider AMI shall be capped at 10.38% during the three-year  
22 Grid Mod I deployment, thereby providing additional certainty to customers. Third, the  
23 Companies will give residential and small commercial customers a credit for all actual

1 salvage or sale net proceeds from retired meters as a result of AMI deployment in Grid  
2 Mod I. Fourth, the Supplemental Stipulation clarifies the amount of Grid Mod I capital  
3 costs that the Companies may recover. Namely, the \$516 million of capital costs  
4 authorized in the Stipulation includes up to \$16 million for AMI related expenditures and  
5 up to \$50 million in distribution platform modernization work, but does not include any  
6 costs for distributed energy resources services located on the customer side of the meter.  
7 Finally, there will be no fees charged to customers or suppliers for individual access to or  
8 requests for data made available through the AMI deployment in Grid Mod I.

9 **Q. ARE THERE OTHER CUSTOMER BENEFITS AND SAFEGUARDS INCLUDED**  
10 **IN THE SUPPLEMENTAL STIPULATION?**

11 A. Yes. The Supplemental Stipulation includes additional safeguards related to the audit of  
12 Grid Mod I costs under Rider AMI and the midterm review of Grid Mod I, enhances the  
13 Grid Mod collaborative process, and does not bind the Signatory Parties to positions in  
14 future proceedings.

15 First, the Companies agree to modify the language of Rider AMI to clarify that the rider  
16 is subject to reconciliation based on the results of audits ordered by the Commission in the  
17 cases underlying the Stipulation. Second, the Supplemental Stipulation ensures that the  
18 annual Rider AMI audit will verify that the costs of the Grid Mod I investments are used  
19 and useful and were prudently incurred. Third, the Companies' efforts and calculations to  
20 maximize the salvage or sale net proceeds from retired meters as a result of AMI  
21 deployment in Grid Mod I will be tracked under the performance metrics and reviewed  
22 during the midterm review of Grid Mod I. Fourth, the Companies will not begin  
23 implementation of Grid Mod II and associated cost recovery until after an appropriate audit

1 has been filed and resolved, though the Companies may seek Commission authorization to  
2 move forward with Grid Mod II, subject to the results of the audit, to ensure a timely  
3 transition from Grid Mod I. These additional provisions benefit customers and the public  
4 interest by providing safeguards on cost recovery associated with Grid Mod I.

5 The Supplemental Stipulation also enhances the Grid Mod collaborative process  
6 outlined in the Original Stipulation by specifying that, without limitation on the  
7 participation of other stakeholders in the Grid Mod collaborative, OCC and NOPEC shall  
8 be included as members of any collaborative group, and in any group to gather stakeholder  
9 input associated with data access systems and processes. In addition, the Companies agree  
10 to solicit recommendations from the Grid Mod collaborative on how to maximize actual  
11 salvage or sale net proceeds from retired meters. These provisions will allow for a more  
12 robust Grid Mod collaborative process.

13 Finally, the Supplemental Stipulation improves upon the benefits to Signatory Parties  
14 included in the Original Stipulation by clarifying that Signatory Parties are not bound by  
15 the terms of the Stipulation in other cases or phases involving the expansion of the  
16 Companies' grid modernization.

17 These provisions further support the conclusion that the Stipulation benefits customers  
18 and the public interest.

19 **Q. DOES THE STIPULATION VIOLATE ANY IMPORTANT REGULATORY**  
20 **PRINCIPLE OR PRACTICE?**

21 A. No. The Stipulation is consistent with and supportive of important regulatory principles  
22 or practices in the state of Ohio. Specifically, the Stipulation advances state policies in  
23 Ohio Revised Code ("R.C.") 4928.02, the Commission's objectives in the PowerForward

1 Initiative, and the Commission’s directive in Case No. 18-47-AU-COI. For example, the  
2 Stipulation is consistent with R.C. 4928.02(A) to “[e]nsure the availability to consumers  
3 of adequate, reliable, safe, efficient, nondiscriminatory, and reasonably priced retail  
4 electric service.” The Stipulation also furthers the state policy in R.C. 4928.02(D) to  
5 “[e]ncourage innovation and market access for cost-effective supply- and demand-side  
6 retail electric service including . . . smart grid programs, and implementation of advanced  
7 metering infrastructure.” In addition to being consistent with and supportive of state  
8 policy, the Stipulation also supports the Commission’s objectives in the PowerForward  
9 Initiative through investments that will enhance the customer electricity experience and  
10 promote a distribution grid that is reliable and resilient. Finally, the Stipulation achieves  
11 the Commission’s directive in Case No. 18-47-AU-COI to pass to customers all benefits  
12 from the TCJA, and it does so in a transparent and expeditious manner. In sum, the  
13 Stipulation is entirely consistent with and supportive of important regulatory principles and  
14 practices in the state of Ohio.

15 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

16 **A.** Yes. I reserve the right to supplement my testimony.



**CERTIFICATE OF SERVICE**

I certify that the foregoing was filed electronically through the Docketing Information System of the Public Utilities Commission of Ohio on this 25th day of January, 2019. The PUCO's e-filing system will electronically serve notice of the filing of this document on all parties of record.

/s/ James F. Lang  
One of the Attorneys for Ohio Edison Company,  
The Cleveland Electric Illuminating Company, and  
The Toledo Edison Company

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Summary: Testimony Supplemental Testimony of Santino L. Fanelli electronically filed by Mr. James F Lang on behalf of Ohio Edison Company and The Cleveland Electric Illuminating Company and The Toledo Edison Company