

**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 ) Case No. 16-0481-EL-UNC  
Edison Company of a Grid Modernization )  
Business Plan. )

In the Matter of the Filing by Ohio Edison )  
Company, The Cleveland Electric )  
Illuminating Company and The Toledo ) Case No. 17-2436-EL-UNC  
Edison Company Application for Approval )  
of a Distribution Platform Modernization )  
Plan. )

In the Matter of the Application of Ohio )  
Edison Company, The Cleveland Electric )  
Illuminating Company and The Toledo ) Case No. 18-1604-EL-UNC  
Edison Company to Implement Matters )  
Relating to the Tax Cuts and Jobs Act of )  
2017. )

In the Matter of the Application of Ohio )  
Edison Company, The Cleveland Electric )  
Illuminating Company, and The Toledo ) Case No. 18-1656-EL-ATA  
Edison Company for Approval of a Tariff )  
Change. )

**DIRECT TESTIMONY  
OF  
WM ROSS WILLIS**

**IN SUPPORT OF THE JANUARY 25, 2019 SUPPLEMENTAL STIPULATION  
AND RECOMMENDATION**

**On Behalf of**  
**The Office of the Ohio Consumers' Counsel**  
*65 East State Street, 7th Floor*  
*Columbus, Ohio 43215-4213*

February 1, 2019

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## **ATTACHMENTS**

WRW Attachment A - List of Previous Testimony Filed at the PUCO by Wm Ross Willis

WRW Attachment B – Settlement Variance by Category by Company

1    **I.        INTRODUCTION**

2

3    ***Q1.    PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.***

4    ***A1.***    My name is Wm Ross Willis. My business address is 65 East State Street, 7<sup>th</sup>  
5            Floor, Columbus, Ohio 43215.

6

7    ***Q2.    BY WHOM ARE YOU EMPLOYED?***

8    ***A2.***    I am employed by the Office of the Ohio Consumers' Counsel ("OCC").

9

10   ***Q3.    WHAT IS YOUR CURRENT POSITION WITH OCC AND WHAT ARE***  
11   ***YOUR DUTIES?***

12   ***A3.***    I am a Senior Regulatory Analyst and Electric Industry Team Leader within the  
13            Analytical Department. My duties include performing analysis of impacts on the  
14            utility bills of residential consumers with respect to utility filings before the  
15            Public Utilities Commission of Ohio ("PUCO") and PUCO-initiated  
16            investigations. I examine utility financial and asset records to determine operating  
17            income, rate base, and the revenue requirement, on behalf of residential  
18            consumers.

19

20   ***Q4.    WOULD YOU BRIEFLY STATE YOUR EDUCATIONAL BACKGROUND?***

21   ***A4.***    I earned a Bachelor of Business Administration degree that included a major in  
22            finance and a minor in management from Ohio University in December 1983. In  
23            November 1986, I attended the Academy of Military Science and received a

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1 commission in the Air National Guard. I have also attended various seminars and  
2 rate case training programs sponsored by the PUCO.

3

4 ***Q5. PLEASE OUTLINE YOUR WORK EXPERIENCE.***

5 ***A5.*** I joined the PUCO in February 1984 as a Utility Examiner in the Utilities  
6 Department. I held several technical and managerial positions with the PUCO  
7 over my 30-plus year career. I retired from the PUCO on December 1, 2014. My  
8 last position with the PUCO was Chief, Rates Division within the Rates and  
9 Analysis Department. In that position, my duties included developing, organizing,  
10 and directing the PUCO staff during rate case investigations and other financial  
11 audits of public utility companies subject to the jurisdiction of the PUCO. The  
12 determination of revenue requirements in connection with rate case investigations  
13 was under my purview. I joined OCC in October 2015.

14

15 My military career spans 27 honorable years of service with the Ohio National  
16 Guard. I earned the rank of Lieutenant Colonel and I am a veteran of the war in  
17 Afghanistan. I retired from the Air National Guard in March 2006.

18

19 ***Q6. HAVE YOU PREVIOUSLY TESTIFIED IN CASES BEFORE THE PUCO?***

20 ***A6.*** Yes, WRW Attachment A has a list of the cases in which I have presented  
21 testimony before the PUCO.

1    ***Q7.    WHAT IS THE PURPOSE OF YOUR TESTIMONY?***

2    ***A7.***    The purpose of my testimony is to recommend, based upon the PUCO's standards  
3           for evaluating settlements, that the Supplemental Stipulation and  
4           Recommendation ("Supplemental Settlement") filed in these cases on January 25,  
5           2019 should be adopted. The new settlement is the result of advocacy by OCC,  
6           NOPEC and others to negotiate a better deal for FirstEnergy residential  
7           consumers. The new settlement improves on an earlier FirstEnergy agreement  
8           dated November 9, 2018 ("Original Settlement"), which OCC, NOPEC, and  
9           others opposed.

10

11   ***Q8.    WHAT ARE THE PUCO'S STANDARDS OF REVIEW FOR EVALUATING***  
12   ***PROPOSED SETTLEMENTS?***

13   ***A8.***    The PUCO uses three criteria for evaluating the reasonableness of a proposed  
14           settlement:

15

- 16           1.     Is the settlement a product of serious bargaining among  
17                 capable, knowledgeable parties?
- 18           2.     Does the settlement, as a package, benefit customers and  
19                 the public interest?
- 20           3.     Does the settlement package violate any important  
21                 regulatory principle or practice?

1       The PUCO also routinely considers whether the parties represent a diversity of  
2       interests.

3  
4       ***Q9. PLEASE SUMMARIZE YOUR OPINIONS REGARDING THE***  
5       ***SUPPLEMENTAL SETTLEMENT.***

6       ***A9.*** I recommend that the PUCO adopt the Supplemental Settlement as filed on  
7       January 25, 2019. The proposed Supplemental Settlement provides additional  
8       benefits to residential consumers that were not included in the Original  
9       Settlement, which OCC opposed. Also, the Supplemental Settlement is in the  
10      public interest. Additionally, the Supplemental Settlement does not violate  
11      important regulatory principles and practices.

12  
13      **II. EVALUATION OF THE PROPOSED SUPPLEMENTAL SETTLEMENT**

14  
15      ***Q10. WHO ARE THE SIGNATORY PARTIES TO THE SUPPLEMENTAL***  
16      ***SETTLEMENT?***

17      ***A10.*** The signatory parties are OCC, the Northeast Ohio Public Energy Council, Ohio  
18      Edison, The Cleveland Illuminating Company, and The Toledo Edison Company  
19      (collectively, “FirstEnergy” or “Companies”), the PUCO Staff, Ohio Energy  
20      Group, Industrial Energy Users-Ohio, Ohio Cable Telecommunications  
21      Association, Ohio Hospital Association, Interstate Gas Supply, Inc., Direct  
22      Energy Services, LLC, Direct Energy Business, LLC, the Environmental  
23      Defense Fund, and Ohio Partners for Affordable Energy.

1    ***Q11. IN YOUR OPINION, DOES THE SUPPLEMENTAL SETTLEMENT, AS A***  
2            ***PACKAGE, BENEFIT FIRSTENERGY'S CUSTOMERS AND THE PUBLIC***  
3            ***INTEREST?***

4    ***A11.*** Yes. The Supplemental Settlement that OCC, NOPEC, and others negotiated  
5            provides additional tax-related benefits to the Companies' 1.9 million residential  
6            customers that the Original Settlement did not. The Supplemental Settlement  
7            will enable residential customers to receive a larger share (approximately \$125.9  
8            million more) of an \$808 million rate reduction. The tax cut benefits are reflected  
9            in refunds to residential customers related to Excess Accumulated Deferred  
10           Income Taxes ("EDIT") from the Federal Tax Cuts and Jobs Act of 2017  
11           ("federal tax cuts") than the Original Settlement. Attached to my testimony is  
12           WRW Attachment B, which explains the increased residential allocation  
13           percentages and variances between the Original Settlement and the Supplemental  
14           Settlement related to the EDIT.

15

16   ***Q12. DO THE SUPPLEMENTAL SETTLEMENT MODIFICATIONS***  
17           ***PERTAINING TO FIRSTENERGY'S PHASE I GRID MODERNIZATION***  
18           ***DEPLOYMENT DESCRIBED IN SECTIONS V.B. THROUGH V.I. OF THE***  
19           ***ORIGINAL STIPULATION BENEFIT CONSUMERS?***

20   ***A12.*** Yes. Electric grid upgrades can be very expensive for consumers. Accordingly,  
21           there must be adequate regulatory reviews to ensure that the benefits exceed the  
22           costs to consumers. In that respect, the new settlement improves for consumers  
23           the terms of FirstEnergy's proposals to charge consumers for expensive grid

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1 upgrades. OCC is not agreeing to FirstEnergy's proposal to spend \$516 million in  
2 grid upgrades; however, OCC will not oppose charges for the initial grid upgrades  
3 in exchange for obtaining improved terms for a future audit of the grid charges  
4 and more consumer benefits from the federal tax reduction (and other consumer  
5 benefits).<sup>1</sup> In recent years, OCC has had concerns that smart meters and other  
6 grid upgrades that have not yet provided enough value to justify the increased  
7 charges to consumers. The Supplemental Settlement provides some  
8 improvements over the Original Settlement to protect consumers and the public  
9 interest, including:

- 10
- 11 • Establishing criteria under which regulatory review can occur to determine  
12 if investments in (and charges for) grid modernization are “used and  
13 useful” for consumers and if the costs are prudently incurred.<sup>2</sup>
  - 14 • Providing due process protections for resolving issues that may arise  
15 during the regulatory reviews, including the potential for disallowance of  
16 costs being collected from customers where ratemaking standards such as  
17 used and useful and prudence are not met by FirstEnergy.<sup>3</sup>
  - 18 • Requiring additional consumer protections in the mid-deployment  
19 regulatory review by examining the sufficiency and prudence of

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<sup>1</sup> See Supplemental Settlement at p. 5-6.

<sup>2</sup> *Id* at 3.

<sup>3</sup> *Id.*



1 FirstEnergy's efforts to maximize the salvage value (for rate offsets) of  
2 traditional meters that are being replaced with smart meters.<sup>4</sup>

- 3 • Supporting a full examination of the cost-effectiveness of the first phase of  
4 grid modernization deployment before customers are charged for the  
5 second phase of grid modernization.<sup>5</sup>
- 6 • Increasing the amount of FirstEnergy's operational savings from grid  
7 upgrades to reduce residential consumers' bills.<sup>6</sup>

8

9 ***Q13. DOES THE SUPPLEMENTAL SETTLEMENT VIOLATE ANY***  
10 ***IMPORTANT REGULATORY PRINCIPLES OR PRACTICES?***

11 ***A13.*** No. As discussed above, the increased EDIT allocation percentages result in  
12 residential customers receiving a larger allocation of the federal tax cut benefits  
13 than under the Original Settlement. The allocation of the tax cut benefits under  
14 the Original Settlement was unjust and unreasonable because it did not allocate  
15 enough of the tax benefits to residential customers. The Supplemental  
16 Settlement, in contrast, will result in a just and reasonable credit to residential  
17 consumers' monthly bills.

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<sup>4</sup> *Id* at 4-5.

<sup>5</sup> *Id* at 5-6.

<sup>6</sup> *Id* at 3.

1    ***Q14. IS THE ORIGINAL SETTLEMENT CONSISTENT WITH THE PUCO'S***  
2            ***"POWERFORWARD ROADMAP"?***

3    ***A14.*** Yes. The Original Settlement states on page two: "The Stipulation is consistent  
4            with the PowerForward Roadmap. PowerForward is the PUCO's initiative to  
5            Ohio's electricity future. The 'Roadmap' resulted from the PUCO's review of the  
6            latest in technological and regulatory innovations for enhancing the consumer's  
7            electricity experience." (Footnote omitted.) The PUCO's "Roadmap" includes  
8            consumer protection for what electric grid upgrades could cost consumers.

9

10   ***Q15. DID THE SUPPLEMENMTAL SETTLEMENT ALTER THE AGREEMENT***  
11            ***IN THE ORIGINAL SETTLEMENT FOR FIRSTENERGY TO DEPLOY ITS***  
12            ***GRID UPGRADES CONSISTENT WITH THE "POWERFORWARD***  
13            ***ROADMAP"?***

14   ***A15.*** No.

15

16   ***Q16. IS IT YOUR EXPECTATION THAT CONSUMERS ARE TO BE***  
17            ***PROTECTED UNDER THE PUCO'S "POWERFORWARD ROADMAP"***  
18            ***AND THAT FIRSTENERGY WILL BE HELD ACCOUNTABLE FOR***  
19            ***DELIVERING THE BENEFITS OF GRID MODERNIZATION TO ITS***  
20            ***CUSTOMERS?***

21   ***A16.*** Yes. The PUCO's "Roadmap" has certain policy positions, regulatory principles  
22            and objectives to help safeguard that grid modernization is implemented

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responsibly for consumers.<sup>7</sup> Specifically, the “Roadmap” endorses a “new normal” where utilities “will have to bear some risk for their failure to either hit performance benchmarks or contain costs within approved levels.”<sup>8</sup> Thus, the new normal should is to provide protections, including: audits to evaluate if the grid modernization functionality is being delivered to consumers, prudence reviews, assurances that performance metrics are actually achieved and charges to customers are just and reasonable, and the grid upgrades are used by and useful to consumers. The Roadmap states that “There will also need to be an absolute ceiling that each class of retail customer can be charged on a month to month basis. The cost cap would apply to capital expenditures.”<sup>9</sup> The consumer protections in the PUCO’s PowerForward policies should be strenuously enforced by the PUCO, consistent with the Supplemental Settlement, so that customers obtain benefits of electric grid upgrades commensurate with the costs that consumers are paying.

**Q17. ARE THERE ANY OTHER IMPROVEMENTS TO THE ORIGINAL SETTLEMENT?**

**A17.** Yes. In the Original Settlement filed on November 9, 2018, there was a provision that barred the parties from discussing the settlement with members of the Ohio General Assembly. The provision stated: “Except for enforcement purposes or to

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<sup>7</sup> PowerForward: A Roadmap to Ohio’s Electricity Future, *available at* <https://www.puco.ohio.gov/industry-information/industry-topics/powerforward/powerforward-a-roadmap-to-ohios-electricity-future/>.

<sup>8</sup> *Id.* at 27.

<sup>9</sup> *Id.* at 27-28.

1 establish that the terms of the Stipulation are lawful, neither the Stipulation nor  
2 any information or data contained in, supporting, or attached to the Stipulation  
3 shall be offered or relied upon in any other proceedings or **before the General**  
4 **Assembly.**<sup>10</sup> That provision to limit the flow of information between  
5 stakeholders and the people's elected government lacked a basis in transparency  
6 and public policy. That provision was deleted as part of the Supplemental  
7 Settlement that OCC, NOPEC, and others negotiated.

8

9 **III. CONCLUSION**

10

11 ***Q18. DOES THIS CONCLUDE YOUR TESTIMONY?***

12 ***A18.*** Yes. However, I reserve the right to incorporate new information that may  
13 subsequently become available. I also reserve the right to supplement my  
14 testimony if other parties submit new or corrected information in connection with  
15 this proceeding.

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<sup>10</sup> Original Settlement at 29 (November 9, 2018) (emphasis added).

## **CERTIFICATE OF SERVICE**

I hereby certify that a copy of the foregoing *Direct Testimony of Wm. Ross Willis* on behalf of the Office of the Ohio Consumers' Counsel has been served upon those persons listed below via electronic service this 1<sup>st</sup> day of February 2019.

/s/ Terry L. Etter

Terry L. Etter  
Assistant Consumers' Counsel

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***Testimony before The Public Utilities Commission of Ohio***

*Aqua Ohio, Inc. – Case No. 18-037-WW-SIC*

*Columbia Gas of Ohio, Inc. – Case No. 17-2202-GA-ALT*

*Ohio Power Company – Case No. 18-1007-EL-UNC*

*Dayton Power & Light Company – Case No. 15-1830-EL-AIR*

*Commission Ordered Investigation (TCJA) – Case No. 18-47-AU-COI*

*Ohio Gas Company – Case No. 17-1139-GA-AIR*

*Aqua Ohio, Inc. – Case No. 16-907-WW-AIR*

*Globe Metallurgical, Inc. - Case No. 16-737-EL-AEC*

*Ohio Power Company - Case No. 13-2385-EL-SSO*

*Aqua Ohio, Inc. – Case No. 13-2124-WW-AIR*

*Camplands Water LLC. - Case No. 13-1690-WW-AIR*

*Duke Energy Ohio, Inc. - Case No. 12-1685-GA-AIR*

*Duke Energy Ohio, Inc. - Case No. 12-1682-EL-AIR*

*Ohio American Water Company - Case No. 11-4161-WS-AIR*

*Water and Sewer LLC. - Case No. 11-4509-ST-AIR*

*Aqua Ohio, Inc. - Case No. 09-1044-WW-AIR*

*Duke Energy Ohio, Inc. - Case No. 08-709-EL-AIR*

*Ohio Edison Company, The Cleveland Electric Illuminating Company  
And The Toledo Edison Company - Case No. 07-551-EL-AIR*

*Northeast Ohio Natural Gas Corp. - Case No. 03-2170-GA-AIR*

*Water and Sewer LLC. – Case No. 03-318-WS-AIR*

*Southeast Natural Gas Company – Case No. 01-140-GA-AEM*

*Masury Water Company - Case No. 00-713-WW-AIR*

*Akron Thermal, Limited Partnership - Case No. 00-2260-HT-AEM*

*GTE North, Inc. - Case No. 87-1307-TP-AIR*

*The Cleveland Electric Illuminating Company - Case No. 85-675-EL-AIR*

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FirstEnergy Settlement Variance By Category By Company  
TCJA and Grid Mod I Case  
Case No. 18-1604-EL-UNC, et al.  
\$ Millions

Total OE, CEI, TE

Federal Income Tax Category	Total Value	Amort. (Yr)	Annual Value	Residential Allocation	Total Value Residential	Annual Value Residential
Demand	\$ 241.381	25	\$ 9.557	35.12%	\$ 84.761	\$ 3.355
Energy	241.381	25	9.557	32.19%	77.689	3.075
Original Settlement					162.451	6.430
(1) Total Normalized Property EDIT	\$ 482.763	25	\$ 19.212	54.99%	\$ 265.469	\$ 10.565
Variance					103.018	4.135
Demand	97.197	10	9.605	36.58%	35.559	3.513
Energy	97.197	10	9.605	33.57%	32.633	3.224
Original Settlement					68.191	6.737
(2) Non-Normalized Property EDIT	194.394	10	19.325	58.01%	112.773	11.211
Variance					44.582	4.474
Demand	(46.758)	5	(9.238)	37.27%	(17.426)	(3.442)
Energy	(46.758)	5	(9.238)	34.27%	(16.024)	(3.165)
Original Settlement					(33.449)	(6.607)
(3) Non-Normalized EDIT	(93.516)	5	(18.589)	58.95%	(55.131)	(10.959)
Variance					(21.682)	(4.352)
(4) Income Tax Savings	225.240	6.4	35.102	56.08%	126.322	19.687
Original Settlement	225.240	6.4	35.102	56.08%	126.322	19.687
Variance					0.000	0.000
(5) Total Excluding Riders	\$ 808.880		\$ 55.050		\$ 449.433	\$ 30.503
** Total Variance					125.918	4.257
(6) Annual Rider Savings			\$ 38.929	34.12%		\$ 13.282
(7) Annual Value with Riders			\$ 93.979			\$ 43.785

**Footnotes:**

- (1) Supplemental Settlement - Normalized Property EDIT - Flow-back pursuant to ARAM; assumed straight-line 25 year flow-back for modeling purposes
- (2) Supplemental Settlement - Non-Normalized Property EDIT- 10-yr amortization
- (3) Supplemental Settlement - Non-Normalized Non-Property EDIT - 5-yr amortization
- (4) Supplemental Settlement - Annual income tax savings of \$35.1 million related to the reduction in the FIT rate to include a one time carrying charge; annual savings will continue in new distribution rates resulting from a rate case.
- (5) Supplemental Settlement
- (6) Annual rider savings from TCJA reflected in riders
- \*\* Excludes Cumulative Return on Normalized EDIT and CAT Gross-Up

FirstEnergy Settlement Variance By Category By Company  
TCJA and Grid Mod I Case  
Case No. 18-1604-EL-UNC, et al.

Ohio Edison Company

\$M	Federal Income Tax Category	Total Value	Amort. (Yr)	Annual Value	Residential Allocation	Total Value Residential	Annual Value Residential
	Demand	\$ 101.44	25	4.003	40.86%	41.446	1.635
	Energy	\$ 101.44	25	4.003	38.08%	38.627	1.524
	Original Settlement	\$				80.073	3.160
(1)	Normalized Property EDIT	\$ 202.870	25	\$ 8.060	62.45%	\$ 126.693	\$ 5.033
	Variance					46.620	1.874
	Demand	\$ 58.104	10	5.732	40.86%	23.741	2.342
	Energy	\$ 58.104	10	5.732	38.08%	22.126	2.183
	Original Settlement	\$				45.867	4.525
(2)	Non-Normalized Property EDIT	\$ 116.207	10	\$ 11.542	62.45%	\$ 72.571	\$ 7.208
	Variance					26.704	(2.683)
	Demand	\$ (31.241)	5	(6.164)	40.86%	(12.765)	(2.518)
	Energy	\$ (31.241)	5	(6.164)	38.08%	(11.897)	(2.347)
	Original Settlement	\$				(24.662)	(4.866)
(3)	Non-Normalized EDIT	\$ (62.483)	5	\$ (12.412)	62.45%	\$ (39.021)	\$ (7.751)
	Variance					(14.4)	(2.9)
(4)	Income Tax Savings	\$ 104.788	6.4	\$ 16.331	62.45%	\$ 65.440	\$ 10.198
	Original Settlement	\$ 104.788	6.4	\$ 16.331	62.45%	\$ 65.440	\$ 10.198
	Variance					0.0	0.0
(5)	Total Excluding Riders	\$ 361.382		\$ 23.520		\$ 225.683	\$ 14.689
**	Total Variance					58.965	(3.695)
(6)	Annual Rider Savings			\$ 17.719	39.57%		\$ 7.012
(7)	Annual Value with Riders			\$ 41.239			\$ 21.700

Footnotes:

- (1) Supplemental Settlement - Normalized Property EDIT - Flow-back pursuant to ARAM; assumed straight-line 25 year flow-back for modeling purposes
- (2) Supplemental Settlement - Non-Normalized Property EDIT- 10-yr amortization
- (3) Supplemental Settlement - Non-Normalized Non-Property EDIT - 5-yr amortization
- (4) Supplemental Settlement - Annual income tax savings of \$35.1 million related to the reduction in the FIT rate to include a one time carrying charge; annual savings will continue in new distribution rates resulting from a rate case.
- (5) Supplemental Settlement
- (6) Annual rider savings from TCJA reflected in riders
- \*\* Excludes Cumulative Return on Normalized EDIT and CAT Gross-Up



FirstEnergy Settlement Variance By Category By Company  
TCJA and Grid Mod I Case  
Case No. 18-1604-El-UNC, et al.

The Cleveland Electric Illuminating Company

\$M	Federal Income Tax Category	Total Value	Amort. (Yr)	Annual Value	Residential Allocation	Total Value Residential	Annual Value Residential
	Demand	\$ 112.548	25	4.473	31.75%	35.734	1.420
	Energy	\$ 112.548	25	4.473	29.06%	32.707	1.300
	Original Settlement	\$				68.441	2.720
(1)	Normalized Property EDIT	\$ 225.097	25	\$ 8.975	47.55%	\$ 107.034	\$ 4.268
	Variance					38.593	1.548
	Demand	\$ 24.525	10	2.437	31.75%	7.787	0.774
	Energy	\$ 24.525	10	2.437	29.06%	7.127	0.708
	Original Settlement	\$				14.914	1.482
(2)	Non-Normalized Property EDIT	\$ 49.050	10	\$ 4.889	47.55%	\$ 23.323	\$ 2.325
	Variance					8.410	0.843
	Demand	\$ (8.994)	5	(1.787)	31.75%	(2.855)	(0.567)
	Energy	\$ (8.994)	5	(1.787)	29.06%	(2.614)	(0.519)
	Original Settlement	\$				(5.469)	(1.087)
(3)	Non-Normalized EDIT	\$ (17.987)	5	\$ (3.586)	47.55%	\$ (8.553)	\$ (1.705)
	Variance					(3.084)	(0.618)
(4)	Income Tax Savings	\$ 85.702	6.4	\$ 13.356	47.55%	\$ 40.751	\$ 6.351
	Original Settlement	\$ 85.702	6.4	\$ 13.356	47.55%	\$ 40.751	\$ 6.351
	Variance					0.0	0.0
(5)	Total Excluding Riders	\$ 341.862		\$ 23.635		\$ 162.555	\$ 11.238
**	Total Variance					43.919	1.772
(6)	Annual Rider Savings			\$ 13.716	31.41%		\$ 4.308
(7)	Annual Value with Riders			\$ 37.350			\$ 15.546

Footnotes:

- (1) Supplemental Settlement - Normalized Property EDIT - Flow-back pursuant to ARAM; assumed straight-line 25 year flow-back for modeling purposes
- (2) Supplemental Settlement - Non-Normalized Property EDIT- 10-yr amortization
- (3) Supplemental Settlement - Non-Normalized Non-Property EDIT - 5-yr amortization
- (4) Supplemental Settlement - Annual income tax savings of \$35.1 million related to the reduction in the FIT rate to include a one time carrying charge; annual savings will continue in new distribution rates resulting from a rate case.
- (5) Supplemental Settlement
- (6) Annual rider savings from TCJA reflected in riders
- \*\* Excludes Cumulative Return on Normalized EDIT and CAT Gross-Up

FirstEnergy Settlement Variance By Category By Company  
TCJA and Grid Mod I Case  
Case No. 18-1604-EL-UNC, et al.

The Toledo Edison Company

\$M	Federal Income Tax Category	Total Value	Amort. (Yr)	Annual Value	Residential Allocation	Total Value Residential	Annual Value Residential
	Demand	\$ 27.398	25	1.081	27.67%	7.581	0.299
	Energy	\$ 27.398	25	1.081	23.20%	6.356	0.251
	Original Settlement	\$				13.937	0.550
(1)	Normalized Property EDIT	\$ 54.796	25	\$ 2.177	57.93%	\$ 31.743	\$ 1.261
	Variance					17.806	0.711
	Demand	\$ 14.568	10	1.437	27.67%	4.031	0.398
	Energy	\$ 14.568	10	1.437	23.20%	3.380	0.333
	Original Settlement	\$				7.411	0.731
(2)	Non-Normalized Property EDIT	\$ 29.136	10	\$ 2.894	57.93%	\$ 16.879	\$ 1.676
	Variance					9.468	0.945
	Demand	\$ (6.523)	5	(1.287)	27.67%	(1.805)	(0.356)
	Energy	\$ (6.523)	5	(1.287)	23.20%	(1.513)	(0.299)
	Original Settlement	\$				(3.318)	(0.655)
(3)	Non-Normalized EDIT	\$ (13.046)	5	\$ (2.591)	57.93%	\$ (7.558)	\$ (1.501)
	Variance					(4.239)	(0.847)
(4)	Income Tax Savings	\$ 34.751	6.4	\$ 5.416	57.93%	\$ 20.131	\$ 3.137
	Original Settlement	\$ 34.751	6.4	5.416	57.93%	20.131	3.137
	Variance					0.0	0.0
(5)	Total Excluding Riders	\$ 105.636		\$ 7.895		\$ 61.195	\$ 4.574
**	Total Variance					23.034	0.810
(6)	Annual Rider Savings			\$ 7.495	26.18%		\$ 1.962
(7)	Annual Value with Riders			\$ 15.390			\$ 6.536

**Footnotes:**

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**This foregoing document was electronically filed with the Public Utilities**

**Commission of Ohio Docketing Information System on**

**2/1/2019 11:27:03 AM**

**in**

**Case No(s). 16-0481-EL-UNC, 17-2436-EL-UNC, 18-1604-EL-UNC, 18-1656-EL-ATA**

Summary: Testimony Direct Testimony of Wm Ross Willis in Support of The January 25, 2019 Supplemental Stipulation and Recommendation electronically filed by Ms. Jamie Williams on behalf of Etter, Terry Mr.