

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       ) Case No. 19-361-EL-RDR  
Edison Company for an Extension of the       )  
Distribution Modernization Rider               )

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**DIRECT TESTIMONY OF**

**SANTINO L. FANELLI**

**ON BEHALF OF**

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

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**MARCH 1, 2019**

1 **INTRODUCTION**

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

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

6 **Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND**  
7 **PROFESSIONAL EXPERIENCE.**

8 A. I graduated from John Carroll University with a Bachelor of Science degree in Mathematics  
9 and I received a Master of Science degree in Operations Research from Rutgers University.  
10 I joined FirstEnergy Service Company in 2004 and have worked in various departments,  
11 including Rates and Regulatory Affairs, the Controller's Department, Internal Auditing,  
12 Treasury, and Investor Relations. I have worked in Rates and Regulatory Affairs since  
13 2007 and have taken on roles of increasing responsibility. I assumed my current position,  
14 as Director of Rates and Regulatory Affairs, in May 2016.

15 **Q. WHAT ARE YOUR CURRENT JOB DUTIES AND AREAS OF**  
16 **RESPONSIBILITY?**

17 A. I am responsible for managing the regulatory activities of Ohio Edison Company, The  
18 Cleveland Electric Illuminating Company ("CEI"), and The Toledo Edison Company  
19 (collectively, the "Companies"). I have experience in numerous matters that have come  
20 before the Public Utilities Commission of Ohio ("Commission"), and I interact with  
21 Commission Staff ("Staff") and other stakeholders on a routine basis.

22 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE PUBLIC UTILITIES**  
23 **COMMISSION OF OHIO?**

1 A. Yes. I testified on behalf of the Companies in Case Nos. 09-906-EL-SSO, 14-828-EL-  
2 UNC, 14-1297-EL-SSO, 16-481-EL-UNC, 17-2436-EL-UNC, 18-1604-EL-UNC, and  
3 18-1656-EL-ATA.

4 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?**

5 A. My testimony addresses the following topics:

- 6 • the purpose of the Distribution Modernization Rider (“Rider DMR”);
- 7 • how the conditions for recovery under Rider DMR have been satisfied;
- 8 • the Companies’ proposal for extending Rider DMR; and
- 9 • benefits of extending Rider DMR.

10 **Q. HAS THE COMMISSION AUTHORIZED THE COMPANIES TO FILE AN**  
11 **APPLICATION IN THIS PROCEEDING TO EXTEND RIDER DMR FOR AN**  
12 **ADDITIONAL TWO-YEAR TERM?**

13 A. Yes. In its Fifth Entry on Rehearing in Case No. 14-1297-EL-SSO (“ESP IV”), the  
14 Commission adopted and approved Staff’s proposal to establish Rider DMR for an initial  
15 three-year term, with a possible two-year extension. The initial three-year term of Rider  
16 DMR ends December 31, 2019. Specifically, in the Eighth Entry on Rehearing in ESP IV,  
17 the Commission ordered that the Companies may apply for a two-year extension of Rider  
18 DMR by filing an application in a separate docket by February 1, 2019. Thus, on February  
19 1, 2019, the Companies filed an application in this proceeding to extend Rider DMR for a  
20 two-year period.

21 **Q. WHAT IS THE PURPOSE OF RIDER DMR?**

22 A. As explained in the Commission’s Fifth Entry on Rehearing in ESP IV, Rider DMR  
23 provides a needed incentive to the Companies to focus innovation and resources on grid

1 modernization. The credit support provided by Rider DMR assists the Companies in  
2 accessing capital markets in order to fund grid modernization investments.

3 **Q. WHAT IS THE CURRENT AUTHORIZED AMOUNT OF RIDER DMR?**

4 A. The Companies are authorized to collect Rider DMR revenue of \$132.5 million annually,  
5 adjusted for income taxes at the prevailing federal corporate income tax rate.

6 **FIRSTENERGY AND THE COMPANIES HAVE SATISFIED THE CONDITIONS FOR**  
7 **CONTINUED RECOVERY OF RIDER DMR**

8 **Q. WHAT CONDITIONS MUST FIRSTENERGY AND THE COMPANIES SATISFY**  
9 **TO CONTINUE RECEIVING RIDER DMR REVENUES?**

10 A. The Commission conditioned recovery of Rider DMR revenue upon: (1) continued  
11 retention of the corporate headquarters and nexus of operations of FirstEnergy Corp.  
12 (“FirstEnergy”) in Akron, Ohio; (2) no change in “control” of the Companies as that term  
13 is defined in R.C. 4905.402(A)(1); and (3) a demonstration of sufficient progress in the  
14 implementation and deployment of grid modernization programs approved by the  
15 Commission. The Commission also directed Staff to ensure that FirstEnergy and the  
16 Companies use Rider DMR revenues, directly or indirectly, in support of grid  
17 modernization.

18 **Q. HAVE FIRSTENERGY AND THE COMPANIES SATISFIED THESE**  
19 **CONDITIONS DURING THE INITIAL TERM OF RIDER DMR?**

20 A. Yes. FirstEnergy has retained its corporate headquarters and nexus of operations in Akron  
21 during the initial term of Rider DMR, and there has been no change in control of the  
22 Companies during this time. The Companies have made sufficient progress toward  
23 implementing and deploying grid modernization programs. Company witness Pannell  
24 describes how Rider DMR has directly and indirectly supported grid modernization.

1   **Q.   PLEASE EXPLAIN HOW THE COMPANIES HAVE MADE SUFFICIENT**  
2       **PROGRESS TOWARD IMPLEMENTING AND DEPLOYING GRID**  
3       **MODERNIZATION PROGRAMS.**

4   A.   Consistent with the Commission’s directives, the Companies have invested substantial  
5       time and effort into researching, analyzing, and developing grid modernization programs  
6       that have been filed with the Commission.

7           The Companies have continued to gain practical experience and knowledge from a  
8       grid modernization pilot program in CEI’s service territory. This pilot includes the  
9       deployment of advanced metering infrastructure (“AMI”), distribution automation (“DA”)  
10      and integrated Volt/VAR control (“IVVC”). The ongoing management, operation, and  
11      analysis of the pilot has informed and contributed to the Companies’ grid modernization  
12      efforts.

13          Also, FirstEnergy has partnered with the Electric Power Research Institute and the  
14      U.S. Department of Energy since 2018 in the development of the Next Generation  
15      Distribution System Platform. This ongoing project is intended to develop a framework  
16      that will guide investments needed to integrate reliable and resilient operation of the  
17      distribution system with emerging grid technologies, for the benefit of customers. The  
18      results of this work can be utilized as a prototype for other utilities.

19          In addition, FirstEnergy and the Companies have dedicated significant time to  
20      researching and implementing emerging technologies. These efforts included a cross-  
21      functional initiative to identify, analyze, and prioritize potential opportunities such as grid  
22      modernization, microgrids, energy storage, and plug-in electric vehicles. FirstEnergy spent  
23      nearly \$1 million for an expert consultant to support this initiative, which spanned multiple

1 months. Following this work, FirstEnergy created an Emerging Technologies (EmT)  
2 organization, consisting of two departments responsible for developing strategy and  
3 implementing emerging technologies. The establishment of the EmT departments  
4 demonstrates FirstEnergy's and the Companies' commitment to institutionalize a process  
5 for focusing on grid modernization that will benefit customers.

6 Moreover, the Companies have been and continue to be active participants in the  
7 Commission's PowerForward Initiative, including all phases held throughout 2017 and  
8 2018. I was one of several representatives of the Companies who joined the more than 100  
9 speakers at the PowerForward sessions, which included many hours of education on all  
10 aspects of grid modernization. The Commission's PowerForward Roadmap, released on  
11 August 29, 2018, makes several recommendations about the future of the distribution grid,  
12 and further recommends the creation of a collaborative along with two additional  
13 workgroups, the Distribution System Planning Workgroup and the Data and Modern Grid  
14 Workgroup. The Companies will continue to engage in the robust discussions of the  
15 collaborative and the two workgroups.

16 **Q. PLEASE EXPLAIN OTHER STEPS THE COMPANIES HAVE TAKEN TO**  
17 **EXPAND GRID MODERNIZATION IN OHIO.**

18 A. The Companies have developed and made two filings with the Commission requesting  
19 approval of grid modernization programs. The Companies filed their Grid Modernization  
20 Business Plan in Case No. 16-481-EL-UNC ("Business Plan") on February 29, 2016, and  
21 filed their Distribution Platform Modernization ("DPM") Plan in Case No. 17-2436-EL-  
22 UNC on December 4, 2017.

23 **Q. WHAT WERE THE COMPONENTS OF THE BUSINESS PLAN?**

1 A. The Companies' Business Plan identified three potential scenarios for grid modernization  
2 deployment that would provide benefits to customers. Each of the three scenarios included  
3 full deployment of AMI and an Advanced Distribution Management System ("ADMS"),  
4 along with investments in DA and IVVC on a varying number of circuits.

5 **Q. WHAT DID THE COMPANIES PROPOSE IN THEIR DPM PLAN?**

6 A. The DPM Plan is a portfolio of work intended to modernize the Companies' distribution  
7 system, provide meaningful benefits to customers, and enable future grid modernization  
8 investments. The categories of work included in the DPM Plan are circuit ties, circuit  
9 reconductoring, remote-controlled recloser installations, a Supervisory Control and Data  
10 Acquisition ("SCADA") System, and an ADMS.

11 **Q. PLEASE DESCRIBE THE PROGRESS MADE IN THE BUSINESS PLAN AND**  
12 **DPM PLAN FILINGS.**

13 A. The Companies, Staff and interested parties filed a Stipulation and Recommendation in the  
14 Business Plan, DPM Plan, and other cases on November 9, 2018, and a Supplemental  
15 Stipulation with the same and additional parties on January 25, 2019 (collectively,  
16 "Stipulation"). The Stipulation provides for the first phase of significant grid  
17 modernization investments by the Companies over a three-year period, called "Grid Mod  
18 I." The Stipulation provides a significant step towards modernizing the Companies' grid,  
19 while setting up a collaborative process to discuss and evaluate future phases of investment.  
20 Grid Mod I will benefit customers through investments in AMI, DA, IVVC, an ADMS,  
21 and other distribution system upgrades. These investments are expected to improve system  
22 reliability, facilitate faster restoration, reduce end-use energy consumption, allow  
23 customers to make more informed choices about energy usage, and better enable the

1 Companies to make future grid modernization investments. Hence, the Companies have  
2 made more than sufficient progress toward implementing and deploying grid  
3 modernization programs. The needs for full deployment of grid modernization, however,  
4 will exceed the initial three-year term of Grid Mod I.

5 **TWO-YEAR EXTENSION OF RIDER DMR**

6 **Q. WHAT IS THE COMPANIES' PROPOSAL FOR EXTENDING RIDER DMR?**

7 A. The Companies request that the Commission extend Rider DMR for a two-year period at  
8 the same level as currently approved and under the same terms and conditions.

9 **Q. WILL EXTENDING RIDER DMR IMPROVE FIRSTENERGY'S ABILITY TO**  
10 **MAINTAIN ITS CORPORATE HEADQUARTERS AND NEXUS OF**  
11 **OPERATIONS IN OHIO?**

12 A. Yes. As explained in the testimony of Company witness Staub, extending Rider DMR will  
13 help FirstEnergy maintain its headquarters in Akron, Ohio. If an out-of-state utility  
14 company acquired FirstEnergy, the City of Akron (and the state of Ohio) would be  
15 dramatically impacted by the departure of a major employer, taxpayer, and contributor. In  
16 ESP IV, the Commission found that Rider DMR has a \$568 million annual economic  
17 impact through the retention of the FirstEnergy corporate headquarters in Akron, Ohio,  
18 which supports thousands of jobs and generates hundreds of millions of dollars in annual  
19 payroll throughout Ohio. An extension of Rider DMR will help Ohioans continue to  
20 benefit from FirstEnergy's substantial economic impact on the state.

21 **Q. HOW IS EXTENDING RIDER DMR CONSISTENT WITH AND SUPPORTIVE**  
22 **OF STATE POLICY?**



1 A. Rider DMR helps position the Companies to make future grid modernization investments,  
2 consistent with the Commission's stated objectives in the PowerForward Initiative.  
3 Importantly, the need for distribution grid modernization will not end after the initial three-  
4 year Rider DMR term, or even after the proposed three-year deployment of Grid Mod I.  
5 To the contrary, future grid modernization phases could potentially require billions of  
6 dollars of investment over many years. Indeed, of the three scenarios included in the  
7 Companies' Business Plan, the shortest deployment period was eight years and the longest  
8 deployment was 15 years, while all three proposed scenarios included investments in  
9 excess of the levels proposed in Grid Mod I. By providing credit support to assist in  
10 accessing capital markets, extending Rider DMR will continue to support the Companies'  
11 grid modernization efforts, consistent with the Commission's PowerForward Initiative.

12 In addition, an extension of Rider DMR to support grid modernization is consistent  
13 with state policy in R.C. 4928.02(A) to "[e]nsure the availability to consumers of adequate,  
14 reliable, safe, efficient, nondiscriminatory, and reasonably priced retail electric service."  
15 The Rider DMR extension also furthers the state policy in R.C. 4928.02(D), to  
16 "[e]ncourage innovation and market access for cost-effective supply- and demand-side  
17 retail electric service including . . . smart grid programs, and implementation of advanced  
18 metering infrastructure."

## 19 **CONCLUSION**

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

21 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 1st day of March, 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 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