

THE PUBLIC UTILITIES COMMISSION OF OHIO

IN THE MATTER OF THE 2017 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. 16-2166-EL-RDR

IN THE MATTER OF THE 2018 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. 17-2276-EL-RDR

ENTRY

Entered in the Journal on March 3, 2020

{¶ 1} 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.

{¶ 2} R.C. 4928.141 provides that an electric distribution utility shall provide consumers within its certified territory a standard service offer (SSO) of all competitive retail electric services necessary to maintain essential electric service to customers, including a firm supply of electric generation service. 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.

{¶ 3} The Commission has approved several riders in FirstEnergy's approved ESP proceedings, some of which require the Companies to file annual updates. *In re Ohio Edison Co., The Cleveland Elec. Illum. Co., and The Toledo Edison Co.*, Case No. 08-935-EL-SSO, et al.; *In re Ohio Edison Co., The Cleveland Elec. Illum. Co., and The Toledo Edison Co.*, Case No. 10-388-EL-SSO (ESP II Case); *In re Ohio Edison Co., The Cleveland Elec. Illum. Co., and The*

Toledo Edison Co., Case No. 12-1230-EL-SSO; *In re Ohio Edison Co., The Cleveland Elec. Illum. Co., and The Toledo Edison Co.*, 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 and operates as 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. The rider is billed monthly on a fixed customer charge basis.

{¶ 4} On March 31, 2016, the Commission approved FirstEnergy's application for its fourth ESP. *ESP IV Case*, Opinion and Order (Mar. 31, 2016). Moreover, on October 12, 2016, the Commission issued the Fifth Entry on Rehearing in the *ESP IV Case*, further modifying ESP IV.

{¶ 5} Among other terms, ESP IV continued Rider AMI and required the Companies to undertake grid modernization initiatives that promote customer choice in Ohio and to file a grid modernization business plan. *ESP IV Case*, Opinion and Order at 22, 95-96. Thereafter, the Companies made the requisite application filings with the Commission for its grid modernization plan (Case No. 16-481-EL-UNC) and its distribution platform modernization plan (Case No. 17-2436-EL-UNC).

{¶ 6} The Commission issued an Opinion and Order on July 17, 2019, approving the Stipulation filed in Case Nos. 16-481-EL-UNC and 17-2436-EL-UNC, subject to the Commission's adjustments to the calculation of the total estimated net benefits proposed for the initial phase of the Companies' grid modernization efforts. As noted in the Commission's orders, the approved costs related to the Companies' grid modernization plan are recoverable by FirstEnergy through Rider AMI. *In re Ohio Edison Co., The*

Cleveland Elec. Illum. Co., and The Toledo Edison Co., Case No. 16-481-EL-UNC, et al., Opinion and Order (July 17, 2019) at ¶¶ 30-34; *ESP IV Case*, Opinion and Order (Mar. 31, 2016) at 22-23.

{¶ 7} Pursuant to the Commission's orders in the ESP and grid modernization 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. 16-2166-EL-RDR (*2017 Rider AMI Review*) and 17-2276-EL-RDR (*2018 Rider AMI Review*) on February 28, 2018, and February 28, 2019, respectively.

{¶ 8} Staff filed its review and recommendation in the *2017 Rider AMI Review* on November 8, 2018. 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 recommends that the Companies correct its August 2017 expenditures to reflect an increase of Operation and Maintenance (O&M) expenditures by \$161,698 and decrease August 2017 capital expenditures by the same amount, resulting in a December 31, 2017 rate base reduction of \$124,964. Additionally, Staff suggests that FirstEnergy reflect in its next quarterly filing O&M adjustments totaling \$47,439 and capital expenditure corrections totaling \$16,922. Ultimately, assuming the recommended adjustments are accepted, Staff concludes that FirstEnergy appropriately included in Rider AMI only those costs that were incurred as a result of serving its customers in Ohio.

{¶ 9} On November 15, 2019, Staff filed its review and recommendation in the *2018 Rider AMI Review*. 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. Upon completing its review, Staff found that FirstEnergy appropriately included in Rider AMI only those costs that were incurred as a result of serving its customers in Ohio, with some noted exceptions. Specifically, Staff recommends an adjustment of approximately \$774,535 as shown in the attachment to its review. Staff explains the recommended adjustment is comprised of both capital and maintenance expenses, with some project costs being allocated between both categories. Additionally, Staff requests that, if the Commission agrees that these charges are inappropriate for recovery, that the Commission direct the Companies to work with Staff in order to accurately reflect the adjustment within Rider AMI.

{¶ 10} At this time, the attorney examiner finds that it is appropriate to set the following procedural schedule:

- a. Motions to intervene and initial comments regarding the applications and/or Staff's recommendations be filed by April 17, 2020.
- b. Reply comments be filed by May 8, 2020.

{¶ 11} It is, therefore,

{¶ 12} ORDERED, That interested persons adhere to the procedural schedule set forth in Paragraph 10. It is, further,

{¶ 13} ORDERED, That a copy of this Entry be served upon all parties of record.

THE PUBLIC UTILITIES COMMISSION OF OHIO

/s/ Megan J. Addison

By: Megan J. Addison
Attorney Examiner

JRJ/mef

This foregoing document was electronically filed with the Public Utilities

Commission of Ohio Docketing Information System on

3/3/2020 10:06:01 AM

in

Case No(s). 16-2166-EL-RDR, 17-2276-EL-RDR

Summary: Attorney Examiner Entry setting a procedural schedule requiring all motions to intervene and initial comments to be filed by 4/17/20 and reply comments by 5/8/20. electronically filed by Ms. Mary E Fischer on behalf of Megan J. Addison, Attorney Examiner, Public Utilities Commission of Ohio