

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Review of the Smart) CASE NO. 16-2166-EL-RDR
Grid Modernization Initiative Contained in)
the Tariffs of Ohio Edison Company, The)
Cleveland Electric Illuminating Company,)
and The Toledo Edison Company)

**COMMENTS OF OHIO EDISON COMPANY, THE CLEVELAND ELECTRIC
ILLUMINATING COMPANY, AND THE TOLEDO EDISON COMPANY**

I. INTRODUCTION

On February 28, 2018, Ohio Edison Company, The Cleveland Electric Illuminating Company, and The Toledo Edison Company (“the Companies”) filed their Advanced Metering Infrastructure / Modern Grid Rider (Rider AMI) Report in Support of Staff’s 2017 Annual Review (“Application”), commencing the Commission’s review and audit of Rider AMI for the year ended December 31, 2017. On November 8, 2018, Staff filed their Review and Recommendations (“Staff Report”) finding that in general, costs included in Rider AMI have been appropriate.¹ Staff’s recommended adjustments include an overall increase in operations and maintenance costs of \$114,259.00 and an overall decrease in capital expenditures of \$178,620.00.²

The Companies agree with the following adjustments proposed by Staff as more fully explained below: (1) removal of \$614 for airline costs, flight change fees, hotel room expenses, and sundries;³ (2) removal of a \$200 expense for flight change fees; and (3) reclassification of

¹ Staff Report at 3 (for purposes of numbering the pages of the Staff Report, the Companies have not included the cover letter).

² *Id.*

³ The Companies previously indicated their agreement with the removal of these charges in responses to Staff data requests. *See* Staff Report at 2.

certain capital expenditures as operations and maintenance expenses for August 2017. The Companies disagree with the remaining adjustments proposed by Staff.

II. COMMENTS

A. The Companies Disagree with the Staff Report's Treatment of Out of Period Expenses.

The Staff Report notes that the Companies “included expenses related to journal corrections for switches and cable purchased outside of the test year period,” and recommends a reduction from Rider AMI of \$1,043.⁴ The Companies disagree with this recommendation.

The Companies made the purchases in question in January and February of 2016.⁵ Both purchases were used for The Cleveland Electric Illuminating Company (“CEI”)’s DA/VVC pilot. However, at the time of purchase, these materials were not charged to a CEI pilot work order and as a result were not included in Rider AMI. The May 2017 journal correction transferred the charges to a CEI pilot work order which is included in Rider AMI. Disallowing these expenses because they were recorded in Rider AMI after the year in which they were originally incurred would cause the Companies to forego recovery of valid program expenses associated with the CEI pilot area in contravention with the clear language from Case No. 10-0388-EL-SSO (“ESP II”) that “[a]ll costs associated with the [CEI Pilot] will be considered incremental for recovery under Rider AMI.”⁶ The Commission should reject this recommendation from the Staff Report.

B. The Companies Disagree with the Staff Report's Treatment of the Software & License Expense.

The Staff Report recommends that \$746 of software and license expenses be deducted from Rider AMI because “the associated invoice showed an amount lower than the amount claimed to

⁴ Staff Report at 2.

⁵ The Companies purchased the switches in January of 2016, at a cost of \$516.66. The Companies purchased the cable in February of 2016 at a cost of \$526.18.

⁶ See Opinion and Order (8/25/2010) at 13.

have been paid.”⁷ The Companies disagree with this recommendation. The \$746 expense is a sales tax adjustment made by the vendor after it was discovered that the vendor incorrectly allocated the purchase to the Companies’ General Office (in Summit County) rather than CEI’s headquarters (in Cuyahoga County). The sales tax rate for Summit County is 6.75%, and the sales tax rate in Cuyahoga County is 8%. Since this was a CEI expense, the higher Cuyahoga County tax rate had to be charged, yielding an additional expense of \$746, which was properly included in Rider AMI. The Commission should reject this recommendation from the Staff Report.

C. The Companies Disagree with the Staff Report’s Treatment of Certain Miscellaneous Travel Expenses.

The Staff Report notes that the Companies incorrectly “included fees for airfare, room, flight change, and sundries totaling \$614,” which should be removed from Rider AMI.⁸ The Companies previously agreed that these fees should be removed, and that position has not changed.⁹ However, the Staff Report states that an additional \$543 for a flight change fee and rental car should be removed from Rider AMI.¹⁰ The Companies agree that of this \$543, a \$200 expense for flight change fees should be removed. However, the Companies disagree with Staff’s recommendation to remove \$336 for a rental car.¹¹ This expense was incurred for a June 2017 trip to Bellevue, Washington to participate in a group conference to learn from other companies that were using the same software as was being used in the CEI pilot area. This trip allowed CEI employees to collaborate, influence, and prioritize future fixes, changes, and updates to the software, and provided a forum to discuss and resolve issues associated with CEI’s pilot

⁷ Staff Report at 2.

⁸ *Id.*

⁹ *Id.*

¹⁰ *Id.*

¹¹ *Id.*

experience. The \$336 rental car expense for this trip is properly included in Rider AMI because the cost is directly associated with the CEI pilot and would not otherwise have been incurred.

D. The Companies Disagree with the Staff Report’s Treatment of the Short-Term Incentive Program (“STIP”).

The Staff Report asserts that the Companies included in Rider AMI \$61,422 of STIP pay that was not directly and exclusively based on safety or reliability-related Key Performance Indicators (“KPIs”), and recommends reducing the Companies’ Rider AMI recovery by \$61,422.¹² Although the Companies cannot fully determine how Staff derived the \$61,422 they assert should be removed,¹³ the Companies disagree with this recommendation. The STIP included in Rider AMI in 2017 is part of employee compensation to directly support the CEI pilot. These costs should be included in Rider AMI because they are associated with the CEI pilot and are considered incremental under ESP II.¹⁴ Further, the Companies’ treatment of STIP expenses in Rider AMI in 2017 is similar to prior years’ Rider AMI filings, and no exceptions were previously identified. The Commission should reject this recommendation.

E. The Companies Agree with the Staff Report’s Recommended Capital Expenditure Reclassification.

The Staff Report notes that the Companies “included in the Application an incorrect calculation of capital expense for August 2017.”¹⁵ Specifically, the Staff Report found that “\$161,698 of O&M expenses were erroneously classified as capital expenses within the Company’s revenue requirement schedules. Actual capital expenditures for the month totaled \$2,096, however the Company’s filing indicated the amount was \$163,794. The correction of this

¹² Staff Report at 2.

¹³ The KPI awards total \$61,402, which is \$20 less than the amount identified by Staff.

¹⁴ See Opinion and Order (8/25/2010) at 13.

¹⁵ Staff Report at 2.

error results in a reduction to the rate base of \$124,964 as of December 31, 2017.”¹⁶ Staff recommends that this reduction be made. The Companies agree with this recommendation.

III. CONCLUSION

For the foregoing reasons, the Companies respectfully request that the Commission:

- A. Remove \$614 for airline costs, flight change fees, hotel room expenses, and sundries, as well as \$200 for flight change fees;
- B. Accept Staff’s reclassification of capital expenditures to operations and maintenance expenses;
- C. Reject the remainder of Staff’s recommendations to the Application; and
- D. Approve the Application.

Respectfully submitted,

/s/Christine E. Watchorn

Christine E. Watchorn (0075919)

Counsel of Record

FIRSTENERGY SERVICE COMPANY

100 East Broad Street, Suite 2225

Columbus, Ohio 43215

(614) 437-0183

cwatchorn@firstenergycorp.com

*Attorney for Ohio Edison Company, The Cleveland
Electric Illuminating Company, and The Toledo
Edison Company*

¹⁶ *Id.*

CERTIFICATE OF SERVICE

The undersigned certifies that the foregoing Comments by Ohio Edison Company, The Cleveland Electric Illuminating Company, and The Toledo Edison Company were filed electronically through the Docketing Information System of the Public Utilities Commission of Ohio on this 17th day of April, 2020. The Public Utilities Commission of Ohio's e-filing system will electronically serve notice of the filing of this document on counsel for all parties.

/s/Christine E. Watchorn

Christine E. Watchorn (0075919)

*Attorney for Ohio Edison Company, The Cleveland
Electric Illuminating Company and The Toledo
Edison Company*

This foregoing document was electronically filed with the Public Utilities

Commission of Ohio Docketing Information System on

4/17/2020 3:53:16 PM

in

Case No(s). 16-2166-EL-RDR

Summary: Comments electronically filed by Ms. Christine E. Watchorn on behalf of Ohio Edison Company and The Cleveland Electric Illuminating Company and The Toledo Edison Company