

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of Staff’s Review of Select) CASE NO. 17-2276-EL-RDR
Tariffs of Ohio Edison Company, The)
Cleveland Electric Illuminating Company,)
and The Toledo Edison Company)

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

I. INTRODUCTION

In Staff’s November 15, 2019 Review and Recommendations (“Staff Report”), Staff found that Ohio Edison Company, The Cleveland Electric Illuminating Company, and The Toledo Edison Company (“Companies”) “appropriately included in Rider AMI only those costs that were incurred as a result of serving [their] customers in Ohio, with the exceptions noted.”¹ Staff recommended adjustments totaling \$774,535 that would remove certain capital and maintenance expenses related to The Cleveland Electric Illuminating Company (“CEI”) pilot program.² In the Companies’ initial comments,³ they agreed that the following should be removed from Rider AMI: (1) \$60,497 for two reclosers that are outside of CEI’s pilot footprint;⁴ and (2) \$20,623 for work that was not associated with the CEI pilot.⁵ However, the Companies dispute the remaining adjustments, as explained more fully in the Companies’ Comments.⁶

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 Comments of Ohio Edison Company, The Cleveland Electric Illuminating Company, and The Toledo Edison Company (4/17/2020) (“Companies’ Comments”).

⁴ Staff Report, Attachment 1 at page 1, items 1 and 5.

⁵ Staff Report, Attachment 1 at page 2, item 18.

⁶ *See generally*, Companies’ Comments.

On February 28, 2020, The Office of the Ohio Consumers' Counsel ("OCC") filed comments parroting the two exceptions identified by Staff.⁷ Specifically, regarding capital installations, OCC erroneously asserts that the Companies should not recover expenses that are not matched by the United States Department of Energy ("DOE"),⁸ falsely states that the Commission "specifically disallowed"⁹ certain expenses that the Companies are seeking to recover, and baselessly suggests that the Companies are filing unnecessary and expensive annual reports.¹⁰ OCC further repeats Staff's recommendation that certain replacement and repair costs be excluded from Rider AMI.¹¹ As explained below and in the Companies' Comments, OCC's arguments are misplaced and should be disregarded by the Commission.

II. REPLY COMMENTS

A. OCC Makes Erroneous and Misleading Assertions about the Companies' Recovery for Capital Installations Related to Data Collection.

OCC supports Staff's recommended adjustment of \$676,912 for capital expenditures.¹² OCC incorrectly argues that the costs should be excluded because they were not matched by the DOE and because they were not separately approved by the Commission.¹³

Contrary to OCC's argument, the capital expenditures are not subject to the DOE match requirement, and they were approved by the Commission.¹⁴ As detailed in the Companies' Comments, the capital expenditures are part of the Companies' Commission-approved Application

⁷ Comments for Consumer Protection in Support of Disallowing Certain Expenses from being Collected from Consumers through Rider AMI ("OCC Comments").

⁸ OCC Comments at 1-2.

⁹ *Id.* at 3.

¹⁰ *Id.* at 3-4.

¹¹ *Id.* at 4.

¹² *Id.* at 3.

¹³ *Id.*

¹⁴ The Companies reiterate that they agree that \$60,497 for two reclosers that are outside of CEI's pilot footprint should be removed from Rider AMI.

for Cost Recovery to Complete Studies Related to the Ohio Site Deployment of the Smart Grid Modernization Initiative.¹⁵ The capital expenditures are not subject to the DOE match requirement imposed by the Commission in 2010,¹⁶ because they are components of the Companies' 2014 Study Completion Application which sought *additional* cost recovery to cover a period *after* the conclusion of the DOE funding.¹⁷ In the Companies' Study Completion Application, they observed that "DOE funding for the Ohio Site Deployment completes on June 1, 2015" but that they "still have several years remaining of data collection to complete for the Volt Var Optimization and Distribution Automation studies."¹⁸ The Companies specifically requested "approval to collect 100% of the on-going data collection and maintenance costs for the completion of the Volt Var and Distribution Automation studies after June 1, 2015."¹⁹ The Commission's approval of the Companies' request post-dates and effectively supersedes the DOE match requirement.²⁰ Further, OCC's argument that the Commission "specifically disallowed"²¹ these expenses is simply wrong. The Commission approved the Companies' Study Completion Application, thus allowing the expenses.²²

In addition, and as explained in the Companies' Comments, the referenced capital installations are recoverable through the Companies' Commission-approved Rider AMI, as expressly set forth in Rider AMI itself. In the Companies' ESP IV case,²³ the Commission

¹⁵ See Case Nos. 09-1820-EL-ATA, *et al.* (12/22/2014) Application of Ohio Edison Company, The Cleveland Electric Illuminating Company, and The Toledo Edison Company for Cost Recovery to Complete Studies Related to the Ohio Site Deployment of the Smart Grid Modernization Initiative ("Study Completion Application").

¹⁶ Case No. 10-388-EL-SSO (8/25/2010) Opinion and Order at 13-14.

¹⁷ Study Completion Application at 2.

¹⁸ *Id.*

¹⁹ *Id.*

²⁰ Case Nos. 09-1820-EL-ATA, *et al.* (5/28/2015) Finding and Order.

²¹ OCC Comments at 2-3.

²² Case Nos. 09-1820-EL-ATA, *et al.* (5/28/2015) Finding and Order at 2-3.

²³ Case No. 14-1297-EL-SSO.

approved Rider AMI tariff language authorizing the recovery of “costs associated with the Ohio Site Deployment of the Smart Grid Modernization Initiative in Case No. 09-1280-EL-ATA” including “any additional costs associated with expansion of the Ohio Site Deployment. . . .”²⁴ This tariff language was approved by the Commission on May 25, 2016 and went into effect on June 1, 2016²⁵ -- *after* the Commission’s May 28, 2015 Order approving the Study Completion Application.²⁶

OCC also argues that customers have been “responsible for paying approximately **\$8.5 million annually for reports** involving the performance of the Distribution Automation Circuit Refiguration (“DACR”) and Volt-Var Optimization (“VVO”) circuits that deployed in 2010.”²⁷ This argument is baseless, and OCC is mistaken. In their Study Completion Application, the Companies “estimated that the ongoing costs to complete the data collection through June 1, 2019 will be approximately \$8.5 million.”²⁸ Thus, the estimate for **all** of the on-going data collection and maintenance costs for the completion of the Volt Var and Distribution Automation studies **over the course of four years** (*i.e.*, between June 1, 2015 and June 1, 2019) was \$8.5 million. Moreover, as explained in the Companies’ Comments, in the Study Completion Application, the Companies sought cost recovery for data collection (which includes communication backhaul, servers, software upgrades, and field devices such as reclosers, among other things) and ongoing support of the system – they did not seek cost recovery simply for “reports.”²⁹ In accordance with the Commission’s order, the Companies file annual reports regarding the data obtained from the

²⁴ Case No. 14-1297-EL-SSO (8/4/2014) Application at Attachment 5; (3/31/2016) Opinion and Order at 120-122.

²⁵ Case No. 14-1297-EL-SSO (5/25/2016) Finding and Order at 3, approving the Companies’ Rider AMI compliance tariffs filed on 5/13/2016, effective 6/1/2016.

²⁶ Case Nos. 09-1820-EL-ATA, *et al.* (5/28/2015) Finding and Order.

²⁷ OCC Comments at 3 (emphasis added).

²⁸ Study Completion Application at 5.

²⁹ *Id.* at 5; *see also*, Companies’ Comments at 3.

studies,³⁰ and they will continue to do so in compliance with the order. However, it is false to argue, as OCC does, that customers are paying \$8.5 million per year for “reports.”

B. With the Exception of One Item, the Companies Properly Included Replacement and Repair Costs as Expenses in Rider AMI.

OCC repeats Staff’s recommendation that capital expenditures and expenses associated with replacements and repairs of smart meters, communication devices, and recloser controls for the CEI pilot totaling \$97,623 be removed from Rider AMI³¹ and makes no additional arguments of its own.³²

As the Companies explained in the Companies’ Comments, they agree that \$20,623 should be removed from Rider AMI, as this work was not part of CEI’s pilot project.³³ The Companies corrected this, and these dollars have all been removed from Rider AMI. However, all other replacements and repairs were properly recorded by the Companies as operations and maintenance expenses, not as capital expenditures. Further, the Companies note that similar maintenance and repair expenses have been included in prior Rider AMI filings with no exceptions identified.

OCC reiterates Staff’s recommendation that replacement and repair costs should be outside the scope of Rider AMI, and that capital replacements should be recognized within the Delivery Capital Recovery Rider (Rider DCR) and repairs are typically recovered through base rates.³⁴ The Companies disagree, as explained in the Companies’ Comments. The referenced costs are directly associated with the Ohio Site Deployment pilot part of the Smart Grid Modernization Initiative and would not otherwise have been incurred. The costs are considered incremental, consistent

³⁰ Case No. 09-1820-EL-ATA (5/28/2015), Order at 3.

³¹ Staff Report at 2-3.

³² OCC Comments at 4-5.

³³ Companies’ Comments at 6-7; *see also*, Staff Report, Attachment 1 at page 2, item 18.

³⁴ OCC Comments at 4.

with the Commission’s approval of the Companies’ Ohio Site Deployment.³⁵ Moreover, as set forth above, Rider AMI authorizes the recovery of “costs associated with the Ohio Site Deployment of the Smart Grid Modernization Initiative in Case No. 09-1280-EL-ATA” including “any additional costs associated with expansion of the Ohio Site Deployment. . .”³⁶ and here, as Staff noted, the expenses are related to the CEI pilot area.³⁷ Finally, the 2018 Rider DCR audit did not identify or recommend any dollars be moved from Rider AMI to Rider DCR. Thus, the replacement and repair expenses are properly recovered under Rider AMI, and the Commission should disregard OCC’s recommendations.

III. CONCLUSION

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

- A. Remove \$60,497 for two reclosers and \$20,623 for work that was not associated with the CEI pilot from the Companies’ Application;
- B. Reject the remainder of Staff’s and OCC’s exceptions to the Application; and
- C Approve the Application.

³⁵ Case No. 10-388-EL-SSO (8/25/2010) Opinion and Order at 13, ¶18(b) (“All costs associated with the [Ohio Site Deployment of the smart grid initiative] will be considered incremental for recovery under Rider AMI.”).

³⁶ Case No. 14-1297-EL-SSO (5/25/2016) Finding and Order at 3, approving the Companies’ Rider AMI compliance tariffs filed on 5/13/2016 effective 6/1/2016.

³⁷ Staff Report at 3.

Respectfully submitted,

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CERTIFICATE OF SERVICE

The undersigned certifies that the foregoing Reply 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 8th day of May 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.

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Summary: Reply 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