

BEFORE THE
PUBLIC UTILITIES COMMISSION OF OHIO

In The Matter Of The 2014 Review Of The Demand)	
Side Management And Energy Efficiency Rider Of Ohio)	Case No. 13-2173-EL-RDR
Edison Company, The Cleveland Electric Illuminating)	
Company, And The Toledo Edison Company.)	
)	
In The Matter Of The 2015 Review Of The Demand)	
Side Management And Energy Efficiency Rider Of Ohio)	Case No. 14-1947-EL-RDR
Edison Company, The Cleveland Electric Illuminating)	
Company, And The Toledo Edison Company.)	
)	
In The Matter Of The 2016 Review Of The Demand)	
Side Management And Energy Efficiency Rider Of Ohio)	Case No. 15-1843-EL-RDR
Edison Company, The Cleveland Electric Illuminating)	
Company, And The Toledo Edison Company.)	
)	
In The Matter Of The 2017 Review Of The Demand)	
Side Management And Energy Efficiency Rider Of Ohio)	Case No. 16-2167-EL-RDR
Edison Company, The Cleveland Electric Illuminating)	
Company, And The Toledo Edison Company.)	
)	
In The Matter Of The 2018 Review Of The Demand)	
Side Management And Energy Efficiency Rider Of Ohio)	Case No. 17-2277-EL-RDR
Edison Company, The Cleveland Electric Illuminating)	
Company, And The Toledo Edison Company.)	

DIRECT TESTIMONY OF

BRANDON S. MCMILLEN

ON BEHALF OF

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

June 22, 2020

1 **INTRODUCTION**

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

3 A. My name is Brandon S. McMillen and I am an Analyst in the Rates and Regulatory Affairs
4 Department – Ohio of FirstEnergy Service Company. My business address is 76 South
5 Main Street, Akron, Ohio 44308.

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

8 A. I received a Bachelor of Science degree in Mathematics from University of Mount Union
9 (formerly, Mount Union College) and a Master of Science degree in Mathematics from
10 Youngstown State University. I have been employed by FirstEnergy Service Company
11 since 2012.

12 **Q. WHAT ARE YOUR CURRENT JOB DUTIES AND AREAS OF**
13 **RESPONSIBILITY?**

14 A. My current responsibilities include serving as the lead analyst for preparation of various
15 riders for Ohio Edison Company, The Cleveland Electric Illuminating Company and The
16 Toledo Edison Company (collectively, the “Companies”), including the Demand Side
17 Management and Energy Efficiency Rider (“Rider DSE”), and conducting other regulatory
18 research and analysis.

19 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE PUBLIC UTILITIES**
20 **COMMISSION OF OHIO?**

21 A. Yes. I testified before the Public Utilities Commission of Ohio (“Commission”) on behalf
22 of the Companies in Case No. 14-1297-EL-SSO. Additionally, I submitted testimony on
23 behalf of the Companies in Case No. 17-2436-EL-UNC.

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

2 A. My testimony addresses the following topics raised in Staff's Review and
3 Recommendation for years 2014 through 2018 (the "Review Years"):

- 4 • the recovery of program costs in 2014 that were incurred in a previous calendar
5 year, which Staff characterizes as "out-of-period expenses;"
- 6 • the carrying charge rate used by the Companies;
- 7 • expenses charged in error; and
- 8 • the collection of lost distribution revenue and shared savings through Rider DSE.

9 **Q. PLEASE DESCRIBE RIDER DSE.**

10 A. Rider DSE is associated with the Companies' energy efficiency and peak demand reduction
11 programs. Rider DSE recovers all program costs, including but not limited to any customer
12 incentives or rebates paid, applicable carrying costs, all reasonable administrative costs to
13 conduct such programs, lost distribution revenues resulting from such programs, and any
14 performance incentives such as shared savings. Rider DSE is updated and reconciled on a
15 semi-annual basis to support accurate and timely recovery, and to ensure that customers
16 are only paying for the Companies' actual program costs, lost distribution revenues, and
17 shared savings.

18 **OUT-OF-PERIOD EXPENSES**

19 **Q. WHAT ARE THE OUT-OF-PERIOD EXPENSES THAT STAFF RECOMMENDS**
20 **SHOULD BE ADJUSTED IN 2014?**

21 A. In the Staff Report in Case No. 13-2173-EL-RDR, Staff recommends an adjustment of
22 \$201,777 to exclude a prior period adjustment made by the Companies to correct an error
23 in which certain costs and revenue credits were incorrectly credited to Rider DSE for the

1 period of July 2012 through August 2014. Staff believes that it is inappropriate to "look
2 back" to previous audit periods to adjust charges which have already been approved by the
3 Commission.

4 **Q. PLEASE EXPLAIN THE CORRECTION THE COMPANIES MADE IN 2014.**

5 A. In December of 2014, the Companies made a prior period adjustment to correct an error in
6 which PJM revenue credits, renewable auction credits, and capacity transaction costs were
7 being double recorded in Rider DSE for the period July 2012 through August 2014,
8 including \$201,777 for 2012 and 2013. Since PJM revenues are included in Rider DSE as
9 a credit to offset program costs, this error resulted in an understatement of the amount
10 included for recovery in Rider DSE.

11 **Q. WERE THESE "OUT-OF-PERIOD EXPENSES" IN 2014 APPROPRIATE FOR**
12 **COLLECTION THROUGH RIDER DSE?**

13 A. Yes. The costs and revenue credits included in the Companies' adjustment made in
14 December 2014 are consistent with the types of costs included in the Companies' approved
15 Rider DSE. Staff's recommendation appears to be focused only on the timing of the
16 underlying costs and revenue credits. However, if Staff's recommendation is adopted, the
17 Companies would not be recovering all of their program costs which would directly
18 contradict the Commission-approved Rider DSE tariff language.

19 **CARRYING COST RATE**

20 **Q. WHAT DID STAFF RECOMMEND RELATED TO THE CARRYING CHARGE**
21 **RATE USED BY THE COMPANIES?**

1 A. In the Staff Reports for 2014, 2015, and 2016, Staff recommends that in future Rider DSE
2 filings, the Companies use their latest approved cost of long-term debt of 6.54% as the
3 carrying cost rate for Rider DSE.

4 **Q. HAVE STAFF'S RECOMMENDATIONS BEEN APPROPRIATELY**
5 **ADDRESSED?**

6 A. Yes. For 2014, 2015, and first five months of 2016, the Companies appropriately used
7 their current costs of long-term debt as the carrying cost rates for Rider DSE. Prior to the
8 issuance of the Staff Reports for these years, the Companies agreed in their fourth electric
9 security plan ("ESP IV," Case No. 14-1297-EL-SSO) to use their latest approved long-
10 term cost of debt as the carrying charge rate for all riders that solely have a debt based
11 carrying charge rate, which includes Rider DSE. The Companies' ESP IV was approved
12 by the Commission and went into effect on June 1, 2016, at which time the carrying charge
13 rate in Rider DSE was changed to 6.54% for each of the Companies, consistent with Staff's
14 recommendations. Therefore, Staff's recommendations have been addressed and no
15 further action is needed.

16 **EXPENSES CHARGED IN ERROR**

17 **Q. IN 2014 AND 2015, STAFF RECOMMENDS AN ADJUSTMENT FOR EXPENSES**
18 **CHARGED IN ERROR. DO THE COMPANIES AGREE?**

19 A. Yes. The Companies agree that expenses charged in error identified in the Staff Reports,
20 which total \$2,773 in 2014 and \$50 in 2015, should not be recovered through Rider DSE.

1 **LOST DISTRIBUTION REVENUE AND SHARED SAVINGS**

2 **Q. WHAT IS LOST DISTRIBUTION REVENUE?**

3 A. Lost distribution revenue (“LDR”) is the base distribution revenue the Companies lose
4 from the implementation of all energy efficiency and peak demand reduction programs
5 approved by the Commission, in order to comply with Section 4928.66, Revised Code.

6 **Q. WHAT ARE SHARED SAVINGS?**

7 A. Shared Savings are financial incentives earned by the Companies for delivering energy
8 efficiency programs that produce net benefits for customers, and that exceed both the
9 annual and cumulative energy efficiency savings targets as set forth in Section 4928.66,
10 Revised Code.

11 **Q. HOW DID THE COMPANIES CALCULATE THE LOST DISTRIBUTION**
12 **REVENUES AND SHARED SAVINGS INCLUDED IN RIDER DSE?**

13 A. For all Review Years, the Companies calculated lost distribution revenues and shared
14 savings consistent with methodologies previously authorized by the Commission. For
15 years 2016-2018, they also relied on the directive approved by the Commission in “ESP
16 IV” that “[a]ll lost distribution revenue shall continue to be recovered in its current fashion
17 up to the time that any decoupling mechanism is implemented.” Lost distribution revenue
18 was calculated by multiplying the Companies’ approved base distribution rates by the
19 accumulated verified energy and peak demand reduction savings determined by the
20 Companies’ Independent Evaluation, Measurement, and Verification vendor.

1 **Q. WHAT DID STAFF FIND WITH RESPECT TO LOST DISTRIBUTION**
2 **REVENUE AND SHARED SAVINGS INCLUDED IN RIDER DSE?**

3 A. Staff found that the Companies' shared savings calculation appeared to be appropriate in
4 each of the Review Years in which shared savings were collected through Rider DSE.¹
5 Staff also found that the Companies' "methodology used to determine lost distribution
6 revenue amounts appears to be appropriate." Staff noted that the total savings and net
7 benefits for each Review Year are the subject of the Commission's review of the
8 FirstEnergy 2014-2018 Energy Efficiency and Demand Reduction Programs ("EM&V
9 Review") in Case No. 19-0002-EL-UNC conducted on behalf of Staff.

10 **Q. DID THE EM&V REVIEW RECOMMEND ANY CHANGES TO ENERGY OR**
11 **PEAK DEMAND REDUCTION SAVINGS THAT COULD IMPACT THE LOST**
12 **DISTRIBUTION REVENUES AND SHARED SAVINGS COLLECTED**
13 **THROUGH RIDER DSE?**

14 A. No. The Independent Program Evaluator's EM&V review for the period covering 2014-
15 2018 contained no recommendations for any retroactive savings adjustments.

16 **CONCLUSION**

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

18 A. Yes. I reserve the right to supplement my testimony.

¹ Shared savings were not collected for the Companies' Energy Efficiency Portfolio Performance related to programs offered in 2016.

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Summary: Testimony of Brandon S. McMillen electronically filed by Mr. James F Lang on behalf of Ohio Edison Company and The Cleveland Electric Illuminating Company and The Toledo Edison Company