BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of the Ohio Development Services Agency for an Order Approving Adjustments to the Universal Service Fund Riders of Jurisdictional Ohio Electric Distribution Utilities.	))))))	 Case No. 20-1103-EL-USF

<u>COMMENTS OF OHIO EDISON COMPANY, THE CLEVELAND ELECTRIC ILLUMINATING COMPANY AND THE TOLEDO EDISON COMPANY</u>

On May 29, 2020, the Ohio Development Services Agency ("ODSA") filed with the Commission its Notice of Intent to File an Application for Adjustments to Universal Service Fund Riders (the "NOI"). The Commission's June 8, 2020 Entry requested comments on ODSA's methodology for calculating the Universal Service Fund's ("USF") revenue requirement. Ohio Edison Company, The Cleveland Electric Illuminating Company, and The Toledo Edison Company (the "Companies") need to review ODSA's methodology to ensure the USF is sufficient to support the Companies' customers who depend on it, and to ensure the rate impacts to the Companies' remaining customers are fair and reasonable. To enable the Companies to conduct an effective review, the Companies recommend that the Commission reject ODSA's proposed third factor for calculating the reserve in its USF revenue requirement, because the factor lacks sufficient definition to allow for a reasonable review. Also, the Companies recommend that the Commission direct ODSA to incorporate in its revenue requirement methodology the impacts of changes ODSA has made to the Percentage of Income Payment Plan Plus ("PIPP") program as a result of the COVID-19 pandemic, as well as ODSA's assumptions about future COVID-19 impacts on the PIPP program.

The Commission should modify ODSA's proposed methodology for calculating the reserve.

Historically, ODSA's NOI has included a reserve in its USF Rider revenue requirement methodology to account for PIPP-related cash flow fluctuations throughout the year.[1] Prior to 2019, the reserve was calculated using quantitative factors such as monthly deficits and projected beginning year account balances:

> First, ODSA will consider the highest monthly deficit during the test period for the EDUs in the aggregate rather than individually, because the funds are deposited in one USF account. Second, ODSA will consider the projected USF beginning year account balance in determining if a reserve is needed for the upcoming year.[2]

Beginning in 2019, ODSA added a third element to its reserve calculation: "Third, ODSA will take into account other cash flow considerations based on its experience."[3] This element appears in ODSA's 2020 NOI.[4]

Whereas the two historic factors used to calculate the reserve are quantitative and capable of being objectively examined, ODSA's proposed third factor has no defined parameters and is incapable of being tested for reasonableness. "[O]ther cash flow considerations based on [ODSA's] experience" gives the Companies no reasonable opportunity to evaluate whether the reserve will support customers of the Companies who depend on the USF while also ensuring rate impacts to the Companies' remaining customers are fair and reasonable. Therefore, the Commission should eliminate this third factor.

Moreover, the methodology lacks the necessary process to ensure the reserve is properly vetted. There is no process whereby the Companies can collaborate with ODSA in calculating the

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[1] *See* Case No. 20-1103-EL-USF, NOI at 8 (May 29, 2020); *see also* Case No. 19-1270-EL-USF, NOI at 7 (May 30, 2019); Case No. 18-0976-EL-USF, NOI at 7 (May 31, 2018); Case No. 17-1377-EL-USF, NOI at 7 (May 31, 2017).
[2] Case No. 18-0976-EL-USF, NOI at 8 (May 31, 2018); Case No. 17-1377-EL-USF, NOI at 8 (May 31, 2017).
[3] Case No. 19-1270-EL-USF, NOI at 7 (May 30, 2019).
[4] Case No. 20-1103-EL-USF, NOI at 8 (May 29, 2020).

reserve. Nor is there any mechanism for the Companies and other stakeholders to object to ODSA's ultimate calculation of the reserve. Therefore, the Companies further urge the Commission to direct that ODSA provide the Companies with an opportunity to collaborate with ODSA on the reserve calculation, as well as an opportunity to raise objections to it.

The Commission should instruct ODSA to address the impact of COVID-19.

ODSA has made changes to the PIPP program to protect PIPP customers during the COVID-19 pandemic. For instance, in or around mid-March 2020, ODSA stopped unenrolling PIPP Plus customers from the program in order to assist customers who may have been facing increased financial and other challenges as a result of COVID-19. At the same time, ODSA requested that EDUs suspend PIPP unenrollments in their systems, and the Companies complied with the request. To date ODSA has not indicated when the currently suspended PIPP unenrollments will resume. As a result of these measures, and due to a possible increase in new PIPP customers, it is reasonable to expect that more customers have enrolled in and/or remain on the PIPP program today than in the past, including customers who have not reverified or cannot reverify their compliance with program requirements.

Notwithstanding changes to the PIPP program which can be reasonably expected to increase demands on the USF, ODSA's proposed revenue requirement calculation methodology includes no adjustments or assumptions related to the COVID-19 pandemic and the various orders and directives of the State of Ohio and the Commission in response to the emergency. Rather, ODSA proposes to utilize the same USF rider revenue requirement methodology it has used in the past.[5] A methodology that insufficiently accounts for the impacts of COVID-19 increases the likelihood of volatility in the Rider USF rates in a subsequent reconciliation. Further, the proposal

[5] *See generally,* NOI.

to potentially cushion the reserve by taking into account "other cash flow considerations based on [ODSA's] experience" provides inadequate protection for the Companies' customers, for reasons explained above.

Without explicitly incorporating impacts of COVID-19 and ODSA's assumptions in the revenue requirement methodology, the Companies' ability to review the methodology for adequacy and fairness is compromised. Therefore, the Companies request that the Commission instruct ODSA to address the impact of COVID-19 on the USF rider revenue requirement methodology in an amended or supplemental application and allow an opportunity for comments.

Conclusion

The Companies respectfully request that the Commission adopt the recommendations set forth in these Comments.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that the foregoing Comments of 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 26th day of June 2020. The PUCO's e-filing system will electronically serve notice of the filing of this document on counsel for all parties.

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