

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of the)	
Ohio Development Services Agency)	Case No. 21-659-EL-USF
for an Order Approving Adjustments)	
to the Universal Service Fund Riders)	
of Jurisdictional Ohio Electric)	
Distribution Utilities.)	

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

On June 1, 2021, 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 16, 2021 Entry requested comments on ODSA’s methodology for calculating the Universal Service Fund’s (“USF”) revenue requirement. To enable Ohio Edison Company, The Cleveland Electric Illuminating Company, and The Toledo Edison Company (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. Additionally, the Companies recommend that the Commission adopt a process – as ODSA agreed to do in 2020 – whereby the Companies can collaborate with ODSA in calculating the reserve and, ultimately, raise objections to it if the Companies deem necessary. The Companies appreciate this collaborative approach agreed to last year and believe that a similar change this year will also improve the Rider USF process by allowing the Companies 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.

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 again appears in ODSA's 2021 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

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. 21-659-EL-USF, NOI at 8 (June 1, 2021).

reserve. Nor is there any mechanism for the Companies and other stakeholders to object to ODSA's ultimate calculation of the reserve.

In 2020, negotiations between interested stakeholders led to an unopposed stipulation during the NOI phase that provided for parties' ability to conduct effective review through a collaborative process with ODSA:

The reserve component of the USF revenue requirement shall be determined as proposed by Development at pages 7-9 of the NOI. Development will provide to the parties preliminary data supporting the application by October 1, 2020, or as soon as possible thereafter. The parties may informally provide input to Development staff regarding calculation of the reserve component upon Development's submission of the data and throughout this proceeding. Development will acknowledge receipt of the parties' input.⁵

The Commission then adopted that stipulation as reasonable and found that it was consistent with approved methodologies in prior USF proceedings.⁶

Therefore, the Companies further urge the Commission to direct that ODSA provide preliminary data supporting the application by October 1, 2021 or as soon as possible thereafter and afford the Companies an opportunity to collaborate with ODSA on the reserve calculation, as well as an opportunity to raise objections to it, as in 2020.

Conclusion

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

⁵ Case No. 20-1103-EL-USF, Joint Stipulation and Recommendation at 4 (July 28, 2020).

⁶ Case No. 20-1103-EL-USF, Opinion and Order at ¶26 (September 9, 2020).

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 6th day of July 2021. The PUCO's e-filing system will electronically serve notice of the filing of this document on counsel for all parties.

/s/ Kristen M. Fling
*An Attorney for Ohio Edison Company, The
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and The Toledo Edison Company*

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7/6/2021 3:59:54 PM

in

Case No(s). 21-0659-EL-USF

Summary: Comments COMMENTS OF OHIO EDISON COMPANY, THE CLEVELAND ELECTRIC ILLUMINATING COMPANY AND THE TOLEDO EDISON COMPANY electronically filed by Ms. Kristen M Fling on behalf of Ohio Edison Company and The Toledo Edison Company and The Cleveland Electric Illuminating Company