

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the 2019 Review of the)	
Smart Grid Modernization Initiative)	
Contained in the Tariffs of Ohio Edison)	Case No. 18-1647-EL-RDR
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 December 24, 2020 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 \$373,824.42 that would remove certain expenses related to the Ohio Site Deployment of the Smart Grid Modernization Initiative (the “CEI Pilot”) in the amount of \$265,701.42, as well as recovery associated with employee incentive programs in the amount of \$108,123.00.²

The Companies agree with Staff that \$27,956.33 for two reclosers that are outside of the CEI Pilot footprint should be removed from Rider AMI.³ The Companies previously agreed with Staff that these costs should be excluded from Rider AMI, as noted in their Comments in Case No.

¹ Staff Report at 2 (for purposes of numbering the pages of the Staff Report, the Companies have not included the cover letter).

² *Id.*

³ *Id.*, Attachment 1 at page 1, items 1 (\$675.92) and 5 (\$27,280.41).

17-2276-EL-RDR,⁴ and as reflected in Attachment 1 to the Staff Report.⁵ In addition, the Companies agree that \$21,172.00 of the costs for the employee incentive program should be removed from Rider AMI, the portion of the incentive compensation related to the achievement of financial goals. However, the Companies dispute the remaining adjustments, as explained more fully below.

On May 19, 2021, The Office of the Ohio Consumers' Counsel ("OCC") filed comments also recommending the two exceptions identified by Staff⁶ and further arguing that the Companies may not recover costs associated with the CEI Pilot after June 1, 2019.⁷ OCC further argues that the Commission should require the Companies to clearly track two categories of costs authorized for recovery in Grid Mod I, including costs related to advanced metering-related distribution infrastructure, and costs incurred for work needed to support technologies as part of the Companies' Grid Mod II plan.⁸ As explained below, with the exception of certain exclusions to which the Companies agree, OCC's arguments should not be adopted by the Commission.

II. REPLY COMMENTS

A. The Costs Associated with the CEI Pilot Are for the Continued Operation of the Pilot Itself and Are Properly Recoverable Through Rider AMI.

The Staff Report recommends the removal of \$265,701.42 of costs associated with the CEI Pilot.⁹ The Staff Report acknowledges that the Companies received Commission approval to recover costs associated with the completion of Volt Var Optimization and Distribution

⁴ Case No. 17-2276-EL-RDR, Comments of Ohio Edison Company, The Cleveland Electric Illuminating Company, and The Toledo Edison Company (4/17/2020).

⁵ Staff Report, Attachment 1.

⁶ Comments on FirstEnergy's SmartGrid Charges by Office of the Ohio Consumers' Counsel (5/19/2021) ("OCC Comments").

⁷ *Id.* at 1-3.

⁸ *Id.* at 3.

⁹ Staff Report at 2.

Automation studies in the CEI Pilot for the period June 1, 2015 through June 1, 2019¹⁰ but concludes that this authority to complete the studies does not allow for the recovery of new plant, capital replacements, and associated O&M costs.¹¹ OCC agrees and argues that the \$265,701.42 in costs identified by Staff pertain to capital investments that were not authorized as part of the CEI Pilot and should be disallowed to the extent they were incurred after June 1, 2019.¹² Relatedly, OCC argues that the Companies are prohibited from recovering any costs related to the CEI Pilot after June 1, 2019 of \$1.3 million.¹³

With the exception of \$27,956.33 for two reclosers that are outside the CEI Pilot footprint,¹⁴ the Commission should allow the remaining costs, because they are associated with the continued operation of the CEI Pilot itself (*i.e.*, the ongoing functionality of the technologies that were deployed) and are not associated with the data collection for the completion of the Volt Var Optimization and Distribution Automation studies that the Commission approved for the period June 1, 2015 through June 1, 2019.¹⁵ While recovery for the studies ended on June 1, 2019, the CEI Pilot and its grid-modernizing technologies remain and continue to operate for the benefit of customers. The identified costs were incurred to conduct necessary maintenance, repair, and replacement of the technology investments the Companies made in the CEI Pilot footprint, and they are therefore recoverable pursuant to Rider AMI as expressly set forth in Rider AMI itself.

¹⁰ Case No. 09-1820-EL-ATA, *et al.* Finding and Order (5/28/2015) at ¶¶ 7-8. While not germane to the issues presented in *this* case, the Companies note that they do not agree that the Commission limited their recovery for the completion of Volt Var Optimization and Distribution Automation studies solely to O&M costs. *See*, Case No. 17-2276-EL-RDR Comments of Ohio Edison Company, The Cleveland Electric Illuminating Company, and The Toledo Edison Company (4/17/2020) at 2-4.

¹¹ Staff Report at 2.

¹² OCC Comments at 1-2.

¹³ *Id.* at 1-2.

¹⁴ Staff Report, Attachment 1 at page 1, items 1 and 5.

¹⁵ Case No. 09-1820-EL-ATA, *et al.* Finding and Order (5/28/2015) at ¶¶ 7-8.

In the Companies' ESP IV case,¹⁶ the Commission approved Rider AMI tariff language authorizing the recovery of "costs associated with the Ohio Site Deployment of the Smart Grid Modernization Initiative [*i.e.*, the CEI Pilot] in Case No. 09-1280-EL-ATA" including "any additional costs associated with expansion of the Ohio Site Deployment. . . ."¹⁷ This tariff language was approved by the Commission on May 25, 2016 and went into effect on June 1, 2016¹⁸ -- *after* the Commission's May 28, 2015 Finding and Order approving the cost recovery for the completion of the Volt Var Optimization and Distribution Automation studies.¹⁹ Rider AMI, as effective on June 1, 2016, authorized recovery of ***all costs*** associated with the CEI Pilot area, subject to audit and reconciliation as specified in the Rider AMI tariff.

The referenced costs are directly associated with the CEI Pilot and would not otherwise have been incurred. The costs are considered incremental, consistent with the Commission's approval of the CEI Pilot.²⁰ 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 [*i.e.*, the CEI Pilot]" including "any additional costs associated with expansion of the Ohio Site Deployment. . . ."²¹ Thus, the replacement and repair expenses to keep the CEI Pilot technologies up and running for the benefit of customers are properly recovered under Rider AMI, and, with the exception noted by the Companies, the adjustments recommended by Staff and echoed by OCC should not be made.

¹⁶ Case No. 14-1297-EL-SSO.

¹⁷ Case No. 14-1297-EL-SSO, Application (8/4/2014) at Attachment 5; Opinion and Order (3/31/2016) at 120-122.

¹⁸ Case No. 14-1297-EL-SSO Finding and Order (5/25/2016) at 3, approving the Companies' Rider AMI compliance tariffs filed on 5/13/2016, effective 6/1/2016.

¹⁹ Case Nos. 09-1820-EL-ATA, *et al.* Finding and Order (5/28/2015).

²⁰ Case No. 10-388-EL-SSO Opinion and Order (8/25/2010) 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.").

²¹ Case No. 14-1297-EL-SSO Finding and Order (5/25/2016) at 3, approving the Companies' Rider AMI compliance tariffs filed on 5/13/2016, effective 6/1/2016.

The Commission should also reject OCC's related argument that the Companies should not recover \$1.3 million related to the CEI Pilot.²² While not explained by OCC in its Comments, the Companies surmise that OCC multiplied the total annual spend of \$2,153,892.65²³ by 7/12 (presumably representing the seven-month period from June 1, 2019 through December 31, 2019) and concluded that the resulting amount of approximately \$1.3 million is not recoverable because the authority to recover for the Volt Var Optimization and Distribution Automation studies ended on June 1, 2019. Putting aside that OCC's argument incorrectly presumes that equal Rider AMI costs were incurred in each month of 2019, the fact remains that the Companies are permitted to recover through Rider AMI all costs associated with the CEI Pilot area, subject to audit and reconciliation as specified in the Rider AMI tariff.

B. Only the Incentive Compensation Related to the Achievement of Financial Goals Should Be Removed from Rider AMI.

The Staff Report recommends the exclusion of \$108,123, which it characterizes as "earnings based financial incentives."²⁴ OCC agrees.²⁵ The Companies agree that a portion of incentive compensation, consisting of earnings-based financial incentives in the amount of \$21,172.00, should be excluded from Rider AMI for this audit period.²⁶ However, the Commission should not exclude the entire \$108,123, which represents the total amount of O&M incentive pay related to the CEI Pilot in 2019.²⁷ The Companies dispute the exclusion of \$86,951.00 in incentive compensation, as this amount is not tied to the achievement of financial goals, but rather to key performance indicators related to operational safety and reliability. The

²² OCC Comments at 1-2.

²³ See Staff Report, Attachment 1, at p. 3.

²⁴ Staff Report at 2.

²⁵ OCC Comments at 2-3.

²⁶ See, e.g., *In re Ohio Power Company*, Case Nos. 17-0038-EL-RDR, 18-0230-EL-RDR, Opinion and Order (June 17, 2020) at ¶ 47; *In re Duke Energy Ohio, Inc.*, Case No. 18-397-EL-RDR, Finding and Order (July 31, 2019) at ¶ 17.

²⁷ See Companies' Response to PUCO DR-20.

operational safety-based and reliability-based incentive compensation included in Rider AMI in 2019 is part of employee compensation to directly support the CEI Pilot and it should not be excluded from recovery.

C. As Evidenced by This Audit, and Prior Audits of Rider AMI, the Commission is Already Requiring the Companies to Clearly Track Costs Related to Rider AMI and Grid Modernization.

OCC additionally argues that the Commission should require the Companies to clearly track two categories of costs authorized for recovery in Grid Mod I: costs related to advanced metering-related distribution infrastructure, and costs incurred for work needed to support technologies as part of the Companies' Grid Mod II plan.²⁸ OCC's argument is unnecessary. The Commission *is* requiring the Companies to clearly track costs related to advanced metering-related infrastructure (as well as all other Grid Mod I related costs), as evidenced in this – and prior – audits of Rider AMI. To the extent OCC's argument is premised upon a portion of the Companies' Grid Mod I stipulation that referenced a cap on costs to support Grid Mod II,²⁹ that portion of the Companies' Grid Mod I stipulation was removed and replaced in the Companies' Grid Mod I supplemental stipulation.³⁰ Further, the stipulation, which was supported or non-opposed by numerous parties, includes several ongoing reporting, tracking, and auditing requirements related to the Companies' Grid Mod I investments.

III. CONCLUSION

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

²⁸ *Id.* at 3 and n. 9.

²⁹ OCC Comments at 3, n. 9.

³⁰ Compare: Case No. 16-481-EL-UNC, *et al.*, Stipulation and Recommendation (11/9/2018) at 25, Section V.I. (referring to “up to \$50 million for work needed to install or support grid modernization technologies as part of Grid Mod II”) with Case No. 16-481-EL-UNC, *et al.*, Supplemental Stipulation and Recommendation (1/25/2019) at 7, Section V.I. (referring to “up to \$50 million in distribution platform modernization work as outlined in more detail in Case No. 17-2436-EL-ENC....”).

- A. Remove \$27,956.33 for two reclosers that are outside of the CEI Pilot footprint;
- B. Remove \$21,172.00 in earnings-based incentive compensation;
- C. Decline to adopt the remainder of Staff's and OCC's exceptions to the Application; and
- D. Approve the Application.

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 22nd day of September, 2021. 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

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Case No(s). 18-1647-EL-RDR

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