

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of the)	
Ohio Department of Development for)	Case No. 22-556-EL-USF
an Order Approving Adjustments to)	
the Universal Service Fund Riders)	

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

On May 27, 2022, the Ohio Department of Development (“ODOD”) 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 6, 2022 Entry requested comments on ODOD’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 adopt a process – as ODOD agreed to do in 2020 and 2021 – whereby the Companies have the opportunity to collaborate with ODOD in calculating the reserve and, ultimately, raise objections to it if the Companies deem necessary. The Companies appreciate this collaborative approach agreed to in previous years and believe that a similar change this year will also improve the Rider USF process to balance the need to ensure the USF is sufficient to support the Companies’ customers who depend on it, with ensuring fair and reasonable rate impacts to the Companies’ remaining customers.

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

Historically, ODOT'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, ODOT 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 ODOT's 2022 NOI.⁴

Whereas the two historic factors used to calculate the reserve are quantitative and capable of being objectively examined, ODOT's proposed third factor has no defined parameters, which makes it difficult to test for reasonableness. "[O]ther cash flow considerations based on [ODOT's] experience" does not provide the Companies a 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.

¹ See Case No. 21-659-EL-USF, NOI at 7 (June 1, 2021); *see also* 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. 22-556-EL-USF, NOI at 7 (May 27, 2022).

Moreover, the methodology lacks any process whereby the Companies and other stakeholders can collaborate with ODOD in calculating the reserve. Nor is there any mechanism for the Companies and other stakeholders to object to ODOD's ultimate calculation of the reserve.

In 2021, 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 ODOD:

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, 2021, 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 The Companies appreciate the opportunity to provide feedback to ODOD on the calculation of the reserve in prior years, and believe it is a good process improvement to implement again this year.

Therefore, the Companies further urge the Commission to direct that ODOD provide preliminary data supporting the application by October 1, 2022 or as soon as possible thereafter and afford the Companies an opportunity to collaborate with ODOD on the reserve calculation, as well as an opportunity to raise objections to it, as in previous years.

Conclusion

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

⁵ Case No. 21-659-EL-USF, Joint Stipulation and Recommendation at 5 (August 6, 2021).

⁶ Case No. 21-659-EL-USF, Opinion and Order at ¶29 (October 6, 2021).

Respectfully submitted,

/s/ Kristen M. Fling

Kristen M. Fling (0099678)

Counsel of Record

FirstEnergy Service Company

76 South Main Street

Akron, OH 44308

(330) 606-8087

kfling@firstenergycorp.com

*Attorney for Ohio Edison Company, The
Cleveland Electric Illuminating Company
and The Toledo Edison Company*

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 2022. 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
Cleveland Electric Illuminating Company
and The Toledo Edison Company*

**This foregoing document was electronically filed with the Public Utilities
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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