

**BEFORE  
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of Ohio    )  
Edison Company, The Cleveland Electric    )  
Illuminating Company, and the Toledo    )  
Edison Company for Authority to Establish    ) Case No. 23-301-EL-SSO  
a Standard Service Offer Pursuant to    )  
R.C. 4928.143 in the Form of an Electric    )  
Security Plan.                                    )

Direct Testimony of

**Greg R. Meyer**

**On Behalf of the  
Office of the Ohio Consumers' Counsel**  
*65 East State Street, Suite 700  
Columbus, Ohio 43215*

October 23, 2023

## **TABLE OF CONTENTS**

	<b>PAGE</b>
I. INTRODUCTION AND OVERVIEW .....	1
II. CASE OVERVIEW .....	4
III. SPECIAL REGULATORY MECHANISMS.....	6
IV. STORM COST RECOVERY RIDER (“SCR”) .....	12
V. VEGETATION MANAGEMENT COST RECOVERY (“VMC”).....	16
VI. DELIVERY CAPITAL RECOVERY RIDER (“DCR”).....	19
VII. ADVANCED METERING INFRASTRUCTURE RIDER (“AMI”) .....	37
VIII. NON-MARKET BASED SERVICES RIDER (“NMB”) .....	40
IX. ESP VS. MRO TEST .....	40

**I. INTRODUCTION AND OVERVIEW**

***Q1. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.***

***A1.*** Greg R. Meyer. My business address is 16690 Swingley Ridge Road, Suite 140,  
Chesterfield, Missouri 63017.

***Q2. WHAT IS YOUR OCCUPATION?***

***A2.*** I am a consultant in the field of public utility regulation and a Principal with the firm  
of Brubaker & Associates, Inc. ("BAI"), energy, economic and regulatory consultants.

***Q3. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND EXPERIENCE.***

***A3.*** I graduated from the University of Missouri in 1979 with a Bachelor of Science Degree  
in Business Administration, with a major in Accounting. Subsequent to graduation I  
was employed by the Missouri Public Service Commission ("MO PSC"). I was  
employed with the MO PSC from July 1, 1979 until May 31, 2008.

I began my employment at the MO PSC as a Junior Auditor. During my employment  
at the MO PSC, I was promoted to higher auditing classifications. My final position at  
the MO PSC was an Auditor V, which I held for approximately ten years.

As an Auditor V, I conducted audits and examinations of the accounts, books, records  
and reports of jurisdictional utilities. I also aided in the planning of audits and

*Direct Testimony of Greg R. Meyer  
On Behalf of the Office of the Ohio Consumers' Counsel  
PUCO Case No. 23-301-EL-SSO.*

1 investigations, including staffing decisions, and in the development of staff positions  
2 in which the Auditing Department was assigned. I served as Lead Auditor and/or Case  
3 Supervisor as assigned. I assisted in the technical training of other auditors, which  
4 included the preparation of auditors' workpapers, oral and written testimony.

5  
6 During my career at the MO PSC, I presented testimony in numerous electric, gas,  
7 telephone and water and sewer rate cases. In addition, I was involved in cases  
8 regarding service territory transfers. In the context of those cases listed above, I  
9 presented testimony on all conventional ratemaking principles related to a utility's  
10 revenue requirement. During the last three years of my employment with the MO PSC,  
11 I was involved in developing transmission policy for the Southwest Power Pool as a  
12 member of the Cost Allocation Working Group.

13  
14 In June of 2008, I joined the firm of BAI as a Consultant. Since joining the firm, I  
15 have presented testimony and/or testified in the state jurisdictions of Arkansas,  
16 Florida, Idaho, Illinois, Indiana, Iowa, Maryland, Missouri, Montana, New Mexico,  
17 Ohio, Utah, Washington, Wisconsin and Wyoming. I have also appeared and  
18 presented testimony in Alberta and Nova Scotia, Canada. In addition, I have filed  
19 testimony at the Federal Energy Regulatory Commission ("FERC"). These cases  
20 involved addressing conventional ratemaking principles focusing on the utility's  
21 revenue requirement. The firm BAI provides consulting services in the field of energy  
22 procurement and public utility regulation to many clients including industrial and  
23 institutional customers, some utilities and, on occasion, state regulatory agencies.

*Direct Testimony of Greg R. Meyer  
On Behalf of the Office of the Ohio Consumers' Counsel  
PUCO Case No. 23-301-EL-SSO.*

1 More specifically, we provide analysis of energy procurement options based on  
2 consideration of prices and reliability as related to the needs of the client; prepare rate,  
3 feasibility, economic, and cost of service studies relating to energy and utility services;  
4 prepare depreciation and feasibility studies relating to utility service; assist in contract  
5 negotiations for utility services, and provide technical support to legislative activities.

6  
7 In addition to our main office in St. Louis, the firm also has branch offices in Corpus  
8 Christi, Texas; Detroit, Michigan; Louisville, Kentucky and Phoenix, Arizona.

9  
10 ***Q4. ON WHOSE BEHALF ARE YOU APPEARING IN THIS PROCEEDING?***

11 ***A4.*** My testimony is presented on behalf of Office of the Ohio Consumers'  
12 Counsel ("OCC").

13  
14 ***Q5. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE PUBLIC UTILITIES***  
15 ***COMMISSION OF OHIO ("PUCO" OR "THE COMMISSION")?***

16 ***A5.*** Yes.

17  
18 ***Q6. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?***

19 ***A6.*** The purpose of my testimony is to respond to various provisions of the Electric  
20 Security Plan V ("ESP V" or "Plan") by the Ohio Edison Company ("OE"), the  
21 Cleveland Electric Illuminating Company ("CEI") and the Toledo Edison Company  
22 ("TE"), (Collectively, "FirstEnergy" or "the Companies"). Specifically I will discuss  
23 the following:

- Rider SCR – Storm Cost Recovery Rider;
- Rider VMC – Vegetation Management Cost Recovery Rider;
- Rider DCR – Delivery Capital Recovery Rider;
- Rider AMI – Advanced Metering Infrastructure/Modern Grid Rider;
- Rider NMB – Non-Mark-Based Services Rider; and
- Electric Security Plan vs. Market Rate Offer (“MRO”) Test.

## **II. CASE OVERVIEW**

### ***Q7. PLEASE DESCRIBE THE ESP V PROPOSED BY FIRSTENERGY.***

**A7.** The ESP V is an eight-year plan for FirstEnergy to provide electric service to customers. The Plan includes generation, transmission and distribution service. The main objectives of the Plan, according to FirstEnergy, are to focus on reliability, affordability and stewardship. According to the testimony of Mr. Santino L. Fanelli, to achieve the objectives, ESP V includes provisions and programs to provide reliable service to customers, mitigate bill impacts and positively impact customers, their service territories and the environment.

### ***Q8. HOW DOES ESP V ADDRESS RELIABILITY?***

**A8.** FirstEnergy discusses the continuation of certain Riders and the introduction of new riders to address reliability. Specifically, FirstEnergy seeks to continue Rider AMI to recover the costs of meter replacements. FirstEnergy also requests the continuation of Rider DCR. Rider DCR recovers the costs of non-grid capital investments. In addition

1 to those two existing Riders, FirstEnergy is also proposing to establish two new  
2 Riders, namely SCR and VMC Riders. Rider SCR would support FirstEnergy's storm  
3 restoration work and Rider VMC addresses FirstEnergy's vegetation management  
4 activities.

5  
6 ***Q9. HOW DOES ESP V ADDRESS CUSTOMER AFFORDABILITY?***

7 ***A9.*** FirstEnergy is proposing changes to the Competitive Bid Processes ("CBP") that they  
8 claim will produce lower generation costs. FirstEnergy also referenced that certain  
9 Riders, namely that Riders DCR, SCR, and VMC have proposed revenue caps.  
10 According to FirstEnergy, these revenue caps address customer affordability. Finally,  
11 FirstEnergy has proposed to implement energy efficiency and demand response  
12 programs that will help customers use energy more efficiently and, thus, save on their  
13 electric bills.

14  
15 ***Q10. WHAT SUPPORT DOES FIRSTENERGY CLAIM TO SHOW THAT ESP V WILL***  
16 ***PROMOTE STEWARDSHIP?***

17 ***A10.*** FirstEnergy discusses the following areas that they claim promote stewardship:

- 18           ➤ FirstEnergy's energy efficiency and demand response programs;  
19           ➤ Reducing the number of riders and tariff provisions; and  
20           ➤ Funds to support low-income customers.

21 In the following sections of my testimony, I will address many of the programs and  
22 claimed benefits of ESP V, starting by providing background on special regulatory  
23 mechanisms generally and then delving into the specifics of the ESP V.

**III. SPECIAL REGULATORY MECHANISMS**

***Q11. PLEASE DESCRIBE YOUR UNDERSTANDING OF A SPECIAL REGULATORY MECHANISM.***

***A11.*** A special regulatory mechanism is a process that allows the utility to defer (for possible later collection from consumers) or change the collection timeframe of an expense or revenue stream. Typically, a utility's cost of service is measured at one specific point in time and considers all relevant factors of the utility operations. Special regulatory mechanisms permit certain portions of the utility operations to recognize cost or revenue changes outside the current rate case environment. Special regulatory mechanisms also allow for the recovery of an expense incurred during the test year to be collected over an extended period of time. I have listed a sample of special regulatory mechanisms I have addressed in prior utility rate cases:

- Fuel Adjustment Clauses;
- Gas Cost Recovery Clauses;
- Accounting Authority Orders;
- Amortization/Normalizations;
- Vegetation Management Programs;
- Trackers;
- Infrastructure Recovery Programs;
- Revenue Requirement Factor-up provisions – Commission expenses, bad debts; and
- Consumer Protection Plans.



1 Note that this is a partial list. There are many more special regulatory mechanisms in  
2 effect for different utilities across the United States. The riders that are proposed under  
3 the ESP V should be understood in this context.

4  
5 ***Q12. WHY ARE THESE SPECIAL REGULATORY MECHANISMS INCLUDED IN A***  
6 ***UTILITY'S PORTFOLIO?***

7 ***A12.*** Some of these special regulatory mechanisms are used because of the nature of  
8 expenses involved and the potential impact for consumers' rates. For example,  
9 amortizations are commonly used to spread the collection of a certain expense from  
10 consumers over several years. As an illustration, rate case expense may be amortized  
11 over a four-year period to match the expected timeframe when the utility is likely to  
12 seek another rate increase. In this instance, the special ratemaking mechanism is  
13 preferable to collecting the rate case expenses from consumers over one-year when  
14 they are incurred and then having to adjust rates again after the rate case expenses  
15 have been collected.

16  
17 Amortizations also can address the situation where an expense is incurred in the test  
18 year but would not be incurred again the year(s) rates are in effect. In the rate case  
19 example, a large portion of the rate case expenses could be incurred during the test  
20 year of the case. Those same expenses would not be incurred again the year rates from  
21 the rate case are in effect. The amortization method allows for the collection of those  
22 costs from consumers even though they will not be a recurring expense of the utility.

*Direct Testimony of Greg R. Meyer  
On Behalf of the Office of the Ohio Consumers' Counsel  
PUCO Case No. 23-301-EL-SSO.*

1 Accounting Authority Orders (“AAO”) are another form of a special regulatory  
2 mechanism. An AAO allows the deferral of extraordinary expenses for potential  
3 collection from consumers in a future rate case. An example of an AAO would be the  
4 deferral of costs incurred by the utility to repair the utility system from the effects of  
5 an extraordinary storm. Instead of requiring the utility to quickly file a rate case to  
6 address the collection of these expenses from consumers, the utility is allowed to defer  
7 those costs for possible collection in the utility’s next rate case. In other words, the  
8 storm costs are deferred for possible future recovery in consumer rates.

9  
10 Other special regulatory mechanisms are allowed because the regulator has  
11 determined that the costs are uncontrollable by the utility and, therefore, more current  
12 collection of these costs from consumers are appropriate. A prime example of this  
13 situation is the adoption by many regulatory commissions of purchased gas recovery  
14 adjustment clauses (“PGA”). A PGA generally allows a utility to change rates in  
15 between rate cases for changes in the gas costs incurred to serve utility retail  
16 consumers.

17  
18 Other special regulatory mechanisms are adopted by regulatory commissions to  
19 address concerns expressed by utilities regarding regulatory lag. Regulatory lag is the  
20 amount of time in between when a cost is incurred by the utility and the expense is  
21 collected from the consumers. For example, several utilities have argued that new  
22 plant investment creates regulatory lag since the utility loses money from the time the

*Direct Testimony of Greg R. Meyer  
On Behalf of the Office of the Ohio Consumers' Counsel  
PUCO Case No. 23-301-EL-SSO.*

1 utility places an investment in-service until the time that plant is included in rate base  
2 in a rate case.

3  
4 Note that regulatory lag can be both positive and negative for the utility. Positive  
5 regulatory lag exists when a certain cost decreases and there is a time gap before that  
6 decreased cost for the utility is reflected in consumer rates. A prime example of  
7 positive regulatory lag is the decline in legacy rate base once rates are established in a  
8 rate case. Legacy rate base is predominantly comprised of Plant In-Service,  
9 Accumulated Depreciation Reserve and Accumulated Deferred Income Taxes. The net  
10 balance from summing these three items will decline each year after rates are  
11 established from what was included in consumer rates. It is imperative to capture this  
12 decline in rate base if other aspects of the rate base are to be singled out for recovery  
13 outside the context of a rate case. If such offsets are not captured, the profits of the  
14 utility will be greatly enhanced with no benefit provided to consumers.

15  
16 ***Q13. DO YOU BELIEVE THAT SPECIAL REGULATORY MECHANISMS ARE***  
17 ***GENERALLY MORE BENEFICIAL TO UTILITY SHAREHOLDERS THAN***  
18 ***UTILITY CONSUMERS?***

19 ***A13.*** Yes, without a doubt. I recognize that certain regulatory mechanisms are needed to  
20 allow a utility to collect costs from consumers for the provision of service. For  
21 example, the extraordinary storm example I previously discussed. But, for the most  
22 part, the special regulatory mechanisms I have seen proposed by utilities are for the  
23 overall benefit of the utility shareholders and provide for more certainty in cost  
24 recovery.

1 ***Q14. ARE YOU AWARE OF ANY COMMISSION'S CONCERNS WITH THE USE OF***  
2 ***TRACKER/RIDERS?***

3 ***A14.*** Yes. I am aware that the MO PSC has discussed the use of tracker/riders in the  
4 following Commission Orders:

5           ➤ In the MO PSC Case No. ER-2012-0166, the MO PSC stated the  
6 following:

7           “In general, the Commission remains skeptical of proposed tracking  
8 mechanisms. There is a legitimate concern that a tracker can reduce  
9 a company's incentive to aggressively control costs.”

10          ➤ In Case No. ER-2014-0258, the MO PSC clarifies that:

11           “Tracker mechanisms can be useful regulatory tools in the correct  
12 circumstances, but they should be used sparingly because they can  
13 reduce the incentive of the utility to closely control its costs.”

14  
15 ***Q15. DO YOU AGREE WITH THE CONCERNS EXPRESSED BY THE MO PSC?***

16 ***A15.*** Yes, I do. Reliance on an excessive number of trackers, riders and other special  
17 regulatory mechanisms decreases a utility's incentive to manage all aspects of its  
18 business in a cost effective manner.

19  
20 ***Q16. APPROXIMATELY HOW MANY RIDERS/TRACKERS AND OTHER TARIFF***  
21 ***PROVISIONS DOES FIRSTENERGY CURRENTLY HAVE IN EFFECT?***

22 ***A16.*** According to the Attachment SLF-1, attached to the Direct Testimony of Mr. Fanelli,  
23 FirstEnergy currently has an average of 54 riders apiece and nine tariff provisions for  
24 each of its Ohio utilities. In addition, FirstEnergy is proposing to add three more riders  
25 in ESP V. It should be noted that FirstEnergy is proposing to discontinue a few riders  
26 in ESP V.

1 ***Q17. PLEASE COMMENT ON THE NUMBER OF RIDERS FIRSTENERGY HAS IN***  
2 ***EFFECT.***

3 ***A17.*** FirstEnergy has an abundance of riders in effect. The number of riders in effect for  
4 FirstEnergy is the most riders I have seen for any utility I have audited in my career.  
5 As discussed above, an abundance of riders will reduce the incentive for cost control  
6 by the utility, to the detriment of consumers. Furthermore, an abundance of riders  
7 decreases the scope of rate cases when all relevant factors should be audited for  
8 determining just and reasonable rates to charge to consumers.

9  
10 With an abundance of riders, review of utility costs may be curtailed since collection  
11 from consumers is shifted away from base rates. An abundance of riders will be more  
12 beneficial to shareholders and will not provide the heightened consumer protection of  
13 utility cost control.

14  
15 Given the abundance of riders in FirstEnergy's tariffs, the Commission should review  
16 each rider, both individually and as part of the overall rate structure, to determine if it  
17 is truly needed to provide safe and adequate service at just and reasonable rates. The  
18 Commission should determine who is benefitting the most from each rider. If it is  
19 found that the riders are predominantly benefitting FirstEnergy's shareholders, a  
20 decreased return on equity should be ordered by the Commission.

**IV. STORM COST RECOVERY RIDER (“SCR”)**

***Q18. HAVE YOU READ FIRSTENERGY WITNESS MS. JULIETTE LAWLESS’ TESTIMONY THAT ADDRESSES RIDER SCR?***

***A18.*** Yes, I have.

***Q19. ARE YOU SUPPORTIVE OF RIDER SCR IN THE ESP V?***

***A19.*** No, I am not.

***Q20. PLEASE DISCUSS YOUR OPPOSITION TO RIDER SCR.***

***A20.*** Rider SCR engages in single issue ratemaking. Storm cost recovery should be included in the base rates of FirstEnergy and not be allowed the special regulatory treatment that FirstEnergy seeks. Currently, FirstEnergy has the ability to request accounting authority to seek the recovery of major storm costs. In this way, FirstEnergy would be required to analyze its total operations to determine if seeking accounting authority is required.

With the proposed Rider SCR, FirstEnergy would simply be allowed to record major storm costs without the necessity to determine the impact on its total operations. The SCR Rider essentially becomes an insurance policy for exact storm cost recovery without analyzing the total operations of FirstEnergy.

1 ***Q21. WOULD THE RECOVERY OF STORM COSTS BE MORE APPROPRIATELY***  
2 ***ADDRESSED IN A RATE CASE?***

3 ***A21.*** Yes, in a base rate case a normalized level of storm costs can be established. If a major  
4 storm occurs, the utility would have the opportunity to compare storm costs included  
5 in base rates to that level of current storm costs and determine if an AAO should be  
6 sought.

7  
8 ***Q22. ARE YOU AWARE THAT FIRSTENERGY HAS INDICATED THAT THEY***  
9 ***WILL FILE A RATE CASE IN 2024?***

10 ***A22.*** Yes, that is my understanding. That rate case would be the correct time to address the  
11 recovery of storm costs by proposing a normalized level of storm costs in base rates  
12 that consumers pay.

13  
14 ***Q23. IN THE PROPOSED RIDER SCR, REVENUE CAPS WERE PROPOSED BASED***  
15 ***ON THE LARGEST MAJOR STORM COST DIFFERENTIAL EXPERIENCED***  
16 ***BY EACH UTILITY. PLEASE RESPOND TO THOSE REVENUE CAPS.***

17 ***A23.*** The revenue caps are the largest differential between the storm costs included in base  
18 rates and actual storm costs occurring between 2016 and 2022. I have prepared  
19 Table GRM-1 that shows the proposed revenue caps for each of the FirstEnergy  
20 utilities.

<b>TABLE GRM-1</b>				
<b><u>Revenue Caps in Context</u></b>				
<b><u>Line</u></b>	<b><u>Utility</u></b>	<b><u>Revenue Cap<sup>1</sup></u></b>	<b><u>Revenue Cap as % of Total Revenues<sup>2</sup></u></b>	<b><u>Revenue Cap as % of Total O&amp;M Expenses<sup>2</sup></u></b>
1	OE	\$ 16 Million	1.13%	1.87%
2	CEI	\$ 17 Million	1.59%	2.73%
3	TE	\$ 2 Million	0.43%	0.66%
Sources:				
<sup>1</sup> Attachment JL-3				
<sup>2</sup> Calculated using FERC Form 1, pages 114-117				

1

2 ***Q24. HOW WERE THESE REVENUE CAPS DETERMINED?***

3 ***A24.*** The revenue caps were determined based on the greatest difference between storm  
4 costs included in base rates and the actual storm costs incurred for a calendar year.

5 The revenue caps were determined based on information dating back to 2016 shown in  
6 Attachment JL-3.

7

8 ***Q25. DO YOU BELIEVE THESE REVENUE CAPS REPRESENT SIGNIFICANT***  
9 ***IMPACTS TO EITHER OPERATIONS AND MAINTENANCE (“O&M”)***  
10 ***EXPENSES OR REVENUES FOR EACH UTILITY?***

11 ***A25.*** No. Table GRM-1 shows the relationship between the revenue cap and the revenues  
12 and O&M expenses for each utility.



1 As can be seen from Table GRM-1 the revenue cap which represents the largest  
2 differential between storm costs included in base rates and actual storm cost recovery  
3 does not impose a significant impact on either the revenue or O&M expenses for each  
4 utility.

5  
6 ***Q26. BASED ON THE RESULTS FROM TABLE GRM-1, DO YOU BELIEVE***  
7 ***RIDER SCR SHOULD BE APPROVED?***

8 ***A26.*** No. Given that the storm recovery costs differential is not significant to either the  
9 utilities' overall revenue or expenses, I recommend that storm cost recovery be  
10 considered an issue in the upcoming rate case in 2024. In that rate case, a normalized  
11 level of storm costs can be established and if a major storm occurs, the utility can  
12 evaluate its operating results and, if needed, request accounting authority to defer (for  
13 possible later collection from consumers) the actual storm costs.

14  
15 ***Q27. FIRSTENERGY IS PROPOSING TO AMORTIZE STORM DEFERRAL***  
16 ***BALANCES OVER FIVE YEARS. DO YOU AGREE THIS ISSUE NEEDS TO BE***  
17 ***ADDRESSED IN ESP V?***

18 ***A27.*** No, I disagree that this issue needs to be addressed in ESP V. I would recommend that  
19 the issue of storm deferral costs can be addressed in FirstEnergy's next general rate  
20 case filed in May 2024. The issue can be fully investigated and an appropriate normal  
21 recovery can be established. During the pendency of the rate case, the authorization to  
22 defer storm costs can be addressed and the proper amortization period, as well as the  
23 prudence of storm cost recovery. This issue is more appropriately addressed in rate  
24 cases.

**V. VEGETATION MANAGEMENT COST RECOVERY (“VMC”)**

***Q28. HAVE YOU REVIEWED THE TESTIMONY OF FIRSTENERGY WITNESS BRANDON MCMILLEN DISCUSSING RIDER VMC?***

***A28.*** Yes, I have.

***Q29. PLEASE DESCRIBE FIRSTENERGY’S PROPOSED RIDER VMC.***

***A29.*** Rider VMC is being proposed to recover incremental vegetation management expenses compared to a baseline level established in base distribution rates charged to consumers. According to FirstEnergy, Rider VMC is intended to reduce regulatory lag for vegetation management expenses.

***Q30. ARE YOU SUPPORTIVE OF RIDER VMC AS PART OF ESP V?***

***A30.*** No.

***Q31. PLEASE DISCUSS YOUR OPPOSITION TO RIDER VMC.***

***A31.*** As discussed previously with Rider SCR, Rider VMC engages in single issue rate making. Given the abundance of riders in FirstEnergy’s current portfolio, there is no need to establish a new rider. The VMC program can be included in FirstEnergy’s upcoming rate case.

**Q32. ARE THERE ANY OTHER REASONS WHY THE VEGETATION MANAGEMENT ISSUE SHOULD BE CONSIDERED IN THE UPCOMING RATE CASE INSTEAD OF THIS ELECTRIC SECURITY PLAN?**

**A32.** Yes. According to the rebuttal testimony of FirstEnergy's witness Shawn Standish, there will be significant savings associated with the VMC program. However, I could not find any reference in Mr. Standish's testimony on how those savings were going to be passed through to consumers. I have prepared Table GRM-2 that shows the current level of vegetation management costs, the projected level of enhanced vegetation management costs and the projected cost savings by year for the ESP V period.

<b>Table GRM-2</b>				
<b><u>VMC Cost Versus Savings (\$ Millions)</u></b>				
<b><u>Year</u></b>	<b><u>Minimum Regulatory Costs<sup>1</sup></u></b>	<b><u>Additional Reliability Improvements<sup>1</sup></u></b>	<b><u>Projected Cost Savings<sup>2</sup></u></b>	
Year 1	\$ 51.7	\$ 46.8	\$	-
Year 2	\$ 53.3	\$ 47.8	\$	7.9
Year 3	\$ 54.9	\$ 48.9	\$	27.0
Year 4	\$ 56.5	\$ 50.0	\$	55.6
Year 5	\$ 58.2	\$ 26.0	\$	85.9
Year 6	\$ 60.0	\$ 26.4	\$	117.9
Year 7	\$ 61.8	\$ 26.8	\$	136.6
Year 8	\$ 63.6	\$ 27.3	\$	156.4
Total	\$ 460.0	\$ 300.0	\$	587.3
Sources:				
1. Direct Testimony of Shawn T. Standish Page 12.				
2. Ohio Edison Company Attachment STS-3				

*Direct Testimony of Greg R. Meyer  
On Behalf of the Office of the Ohio Consumers' Counsel  
PUCO Case No. 23-301-EL-SSO.*

1 As can be seen from Table GRM-2, there are significant savings identified by  
2 FirstEnergy from the expanded vegetation management program, with the most  
3 significant savings occurring in later years of the proposed eight-year electric security  
4 plan. At a minimum, given these savings, it could be argued that FirstEnergy should  
5 spend the increased vegetation management costs without seeking special regulatory  
6 treatment in Rider VMC.

7  
8 ***Q33. HOW WOULD YOU PROPOSE TO ADDRESS VEGETATION MANAGEMENT***  
9 ***EXPENSES?***

10 ***A33.*** I would propose that vegetation management expenses should be addressed in  
11 FirstEnergy's next rate case to be filed in May 2024. In that rate case, a normalized  
12 level of vegetation management expenses and a mechanism to recognize the cost  
13 savings resulting from the enhanced vegetation management program can be  
14 established, which assures that consumers will receive the benefits of the vegetation  
15 management program which they are being asked to fund.

16  
17 ***Q34. IN FIRSTENERGY'S TESTIMONY, COULD YOU FIND ANY DISCUSSION BY***  
18 ***FIRSTENERGY TO REDUCE RIDER VMC FOR THE COST SAVINGS?***

19 ***A34.*** No, I could not. That is why I am proposing to address this issue in the context of a  
20 rate case where all of the factors affecting an enhanced vegetation program can be  
21 addressed.

1    ***Q35. DOES THE RATE CASE APPROACH OVERALL BENEFIT CUSTOMERS?***

2    ***A35.*** Yes, I believe it does. By normalizing vegetation management expenses, the incentive  
3           for cost control on behalf of FirstEnergy is much greater than collecting vegetation  
4           management costs through Rider VMC. In addition, the rate case would allow parties  
5           to establish certain performance standards for having circuits trimmed within a certain  
6           time frame. Vegetation management reporting would allow regulators to stay apprised  
7           of the utility performance in this area.

8  
9    ***Q36. IF THE COMMISSION CONTINUES TO BELIEVE RIDER VMC IS***  
10   ***APPROPRIATE, DO YOU HAVE ANY RECOMMENDATIONS?***

11   ***A36.*** Yes, I would strongly recommend that the savings identified be a component of the  
12           vegetation expense recovery. It is simply not fair to collect vegetation management  
13           costs from consumers through a rider without properly recognizing the cost savings to  
14           consumers that have been identified by FirstEnergy.

15  
16   ***VI. DELIVERY CAPITAL RECOVERY RIDER ("DCR")***

17  
18   ***Q37. HAVE YOU READ THE DIRECT TESTIMONY OF MR. MCMILLEN***  
19   ***PERTAINING TO RIDER DCR?***

20   ***A37.*** Yes, I have.

21  
22   ***Q38. ARE YOUR ARGUMENTS ABOUT APPROVING RIDER DCR IDENTICAL TO***  
23   ***THE ARGUMENTS YOU PRESENTED IN ADDRESSING RIDERS SCR AND***  
24   ***VMC?***

25   ***A38.*** Yes, they are and I will not repeat those opposing arguments again.

1    ***Q39. HOW LONG HAS RIDER DCR BEEN IN EFFECT FOR FIRSTENERGY?***

2    ***A39.*** Rider DCR was established in FirstEnergy's second electric security plan ("ESP II").

3           The effective date of Rider DCR was January 1, 2012.

4  
5    ***Q40. DO YOU HAVE ANY ADDITIONAL COMMENTS REGARDING***  
6    ***INFRASTRUCTURE TRACKERS/RIDERS LIKE RIDER DCR?***

7    ***A40.*** Yes, I do. Infrastructure trackers/riders are prevalent throughout the electric industry.

8           However, those trackers/riders should have a finite life. In that regard, I would  
9           recommend that the Commission perform an extensive review of the necessity for this  
10          special infrastructure mechanism and determine if Rider DCR should continue for the  
11          entire ESP V planning horizon. A cost benefit analysis should be required of  
12          FirstEnergy to continue Rider DCR. At the conclusion of ESP V, Rider DCR will have  
13          been in effect for 20 years. Rider DCR should not become a permanent rider for  
14          FirstEnergy.

15  
16   ***Q41. DO YOU HAVE ANY SPECIFIC RECOMMENDATIONS ABOUT HOW THE***  
17   ***RIDER DCR MECHANISM SHOULD OPERATE?***

18   ***A41.*** Yes. If the PUCO approves Rider DCR, then the following terms and conditions  
19          should be adopted to increase consumer protection. The goal should be to make the  
20          rider's terms and conditions as clear and transparent as possible. I have been informed  
21          that the PUCO has been moving in this direction in recent ESP cases. This is a worthy  
22          goal for two reasons. First, the capital expense riders become more well-defined and  
23          less open to subjective interpretation. If the language of a rider mechanism is too  
24          generalized, utility companies could interpret it in subtle ways that increase their

revenues beyond what was intended. Second, more standardized rider language results in more uniform treatment of consumers throughout Ohio. This also makes the auditing process more efficient. For example, if an auditor makes a recommendation as to how a rider process could be improved, then the recommendation could be adopted in rider audits for other utility companies.

**Q42. DO YOU HAVE ANY RECOMMENDATION FOR DEFINING THE TERMS AND CONDITIONS OF HOW THE RIDER DCR MECHANISM WOULD OPERATE?**

**A42.** Yes. I recommend that the methodology for how the rider mechanism would operate should be spelled out in clear and simple language, as follows:

The Rider [DCR] revenue requirement shall be limited to: (i) a return on distribution rate base using the weighted average cost of capital approved in the most recent base electric distribution rate case, grossed up for prevailing tax rates; (ii) depreciation expense; and (iii) property taxes on the incremental rate base (i.e., net plant less Accumulated Deferred Income Taxes (“ADIT”)) accumulated since the date certain in the Rate Case, grossed up for commercial activity taxes.

This language is consistent with how the PUCO has defined the capital riders in recent ESP cases such as: *In re AES Ohio ESP IV*, Case No. 22-900-EL-SSO, Opinion & Order at ¶ 77, page 25 (Aug. 9, 2023) and *In re Duke ESP IV*, Case No. 17-1263-EL-SSO, Opinion & Order at ¶ 114, pages 39-40 (Dec. 19, 2018).

**Q43. DO YOU HAVE ANY RECOMMENDATION AS TO WHETHER THE RIDER DCR MECHANISM SHOULD BE LIMITED TO SPECIFIC FERC ACCOUNTS?**

**A43.** Yes. The rider mechanism should identify the specific FERC accounts covered by the rider in clear language, as follows:

*Direct Testimony of Greg R. Meyer  
On Behalf of the Office of the Ohio Consumers' Counsel  
PUCO Case No. 23-301-EL-SSO.*

Capital costs included in Rider DCR shall be those recorded in FERC Accounts 360 through 374, provided such costs are not recovered elsewhere, such as in Rider AMI. Rider DCR shall be computed by comparing the current rate base associated exclusively with plant accounts recorded in the FERC accounts noted above to the rate base related to the same accounts as included in the overall rate base approved in the most recent base electric distribution rate case.

This is similar to the language used in recent ESP cases such as: *In re AES Ohio ESP IV*, Case No. 22-900-EL-SSO, Opinion & Order at ¶ 77, page 25 (Aug. 9, 2023) and *In re Duke ESP IV*, Case No. 17-1263-EL-SSO, Opinion & Order at ¶ 114, pages 39-40 (Dec. 19, 2018).

**Q44. WHY IS SUCH LANGUAGE NEEDED TO PROTECT FIRSTENERGY CONSUMERS?**

**A44.** FirstEnergy Corp. owns a subsidiary transmission company, American Transmission Service, Inc. (“ATSI”), which provides transmission service in Ohio and Pennsylvania. ATSI is implementing a multi-year program known as Energizing the Future, which it describes as “a multi-year initiative designed to upgrade FirstEnergy's transmission system with advanced equipment and technologies that will reinforce the power grid and help reduce the frequency and duration of customer outages.”<sup>1</sup>

Under the FERC Uniform System of Accounts (“USoA”), Account Nos. 350-359 are classified as plant accounts for transmission plant, as shown in the Table of Contents:

300–399 Plant accounts  
3. Transmission Plant  
350 Land and land rights.

---

<sup>1</sup> FirstEnergy Corp. News Release, *FirstEnergy Building New Transmission Line in Northeast Ohio* (November 30, 2022).



*Direct Testimony of Greg R. Meyer  
On Behalf of the Office of the Ohio Consumers' Counsel  
PUCO Case No. 23-301-EL-SSO.*

1 351 [Reserved]  
2 352 Structures and improvements.  
3 353 Station equipment.  
4 354 Towers and fixtures.  
5 355 Poles and fixtures.  
6 356 Overhead conductors and devices.  
7 357 Underground conduit.  
8 358 Underground conductors and devices.  
9 359 Roads and trails.  
10 359.1 Asset retirement costs for transmission plant.

11 If the FirstEnergy Utilities own any distribution plant, which supports ATSI's  
12 transmission business and is classified under these FERC USoA transmission  
13 accounts, then the costs should not be collected from consumers through Rider DCR.  
14 The capital riders for other Ohio utility companies only cover Accounts 360-374 and  
15 Rider DCR should be limited in the same manner for FirstEnergy consumers.

16  
17 ***Q45. HOW SHOULD O&M BE TREATED IN RIDER DCR?***

18 ***A45.*** O&M should be excluded from Rider DCR except to the extent that the FERC USoA  
19 rules allow for O&M to be capitalized as part of a distribution plant project recorded  
20 in Accounts 360-374. In addition, in AEP's pending *ESP V* case, the settlement  
21 excludes costs for physical security upgrades. I recommend the following language:

22 Except for O&M which is capitalized and recorded under FERC  
23 Accounts 360 through 374, O&M shall be excluded from the rider.  
24 FirstEnergy shall not use Rider DCR to collect O&M physical security  
25 upgrade costs.

26 This would be consistent with the treatment of O&M in other ESP cases, such as: *In re*  
27 *AEP ESP V*, Case No. 23-23-EL-SSO, Stipulation at page 20 (Sept. 6, 2023) and *In re*  
28 *AES Ohio ESP IV*, Case No. 22-900-EL-SSO, Opinion & Order at ¶ 77, page 25 (Aug.  
29 9, 2023).

1    ***Q46. HOW SHOULD PROPERTY TAXES BE TREATED IN RIDER DCR?***

2    ***A46.*** FirstEnergy should not over-collect property tax expense from consumers in

3       Rider DCR. This could be avoided by using the following language:

4               The depreciation reserve used to calculate property taxes shall be  
5               adjusted to eliminate the cumulative amortization of the excess  
6               depreciation reserve and the net plant to which the property tax is  
7               applied.

8       OCC and PUCO Staff advocated this position in the *AEP ESP 3*, Case

9       No 13-2385-EL-SSO, Opinion & Order at page 44 (Feb. 25, 2015). As Rider DCR

10      could be adjusted again prior to the PUCO's Order in the May 2024 base distribution

11      rate case, this language would be an important consumer protection to prevent

12      FirstEnergy from over-collecting property tax expense.

13  
14    ***Q47. HOW SHOULD DEPRECIATION RATES BE TREATED IN RIDER DCR?***

15    ***A47.*** My understanding is that FirstEnergy was required to complete a new depreciation

16      study by 2023. The PUCO should require FirstEnergy to file the new depreciation

17      study in the upcoming base distribution rate case to be filed by May 2024. The PUCO

18      should approve new depreciation rates in that case and FirstEnergy should be required

19      to incorporate the new depreciation rates in Rider DCR. This recommendation could be

20      implemented with the following language:

21               In the May 2024 distribution rate case, FirstEnergy shall file the  
22               2023 Depreciation Study and adjust its depreciation rates accordingly.  
23               Rider DCR shall incorporate the depreciation rates approved by the  
24               PUCO in the most recent base distribution rate case.

**Q48. HOW SHOULD ACCUMULATED DEFERRED INCOME TAX (“ADIT”) BALANCES BE TREATED IN RIDER DCR?**

**A48.** FirstEnergy should adjust the ADIT balances in the upcoming May 2024 base distribution rate case, consistent with the balances resulting from the Tax Cuts and Jobs Act of 2017.

The Blue Ridge Audit Report in Case No. 22-892-EL-RDR explained at page 11 that a dispute has existed between Blue Ridge and FirstEnergy since 2019, as to whether the total ADIT offset in rate base correctly reflects the Excess Deferred Income Tax (“EDIT”) balances from the Tax Cut and Jobs Act of 2017. FirstEnergy should follow this recommendation by Blue Ridge. The PUCO should protect consumers by resolving this dispute with the following suggested language:

In the May 2024 distribution rate case, FirstEnergy shall adjust the ADIT balances to reflect the Excess Deferred Income Tax balances resulting from the Tax Cuts and Jobs Act of 2017, as ordered in: *In re FirstEnergy Implementation of Matters Relating to the Tax Cuts and Jobs Act of 2017*, Case No. 18-1604-EL-UNC, Opinion and Order (July 17, 2019). The adjustments to the ADIT balances shall be credited to consumers as an offset to the DCR revenue requirement.

This would be consistent with the auditor’s recommendation in: *In re Rider DCR Audit for 2022*, Case No. 22-892-EL-RDR, Audit Report at 11 (May 23, 2023). This could also be consistent with the PUCO’s treatment of this issue in: *In re AES Ohio ESP IV*, Case No. 22-900-EL-SSO, Opinion & Order at ¶ 77 (Aug. 9, 2023).

To be very clear, the ADIT issue should be addressed in FirstEnergy’s 2024 rate case. I am generally opposed to using riders/trackers to collect unrelated expenses.

**Q49. HOW SHOULD THE PRE-TAX RETURN AND GROSS-UP RATE BE CALCULATED IN RIDER DCR?**

**A49.** I recommend that the methodology for calculating the pre-tax return and gross-up rate should be clearly defined, as follows:

The pre-tax return on rate base shall be calculated using the after-tax weighted-average cost of capital from the most recent rate case, grossed up for the 21 percent federal income tax rate.

This would be consistent with the settlement in: *In re AEP ESP V*, Case No. 23-23-EL-SSO, Stipulation at page 11 (Sept. 6, 2023) and with the PUCO's approach in: *In re Duke ESP IV*, Case No. 17-1263-EL-SSO, Opinion & Order at ¶ 114, page 40 (Dec. 19, 2018).

**Q50. HOW SHOULD INCENTIVE COMPENSATION BE TREATED IN RIDER DCR?**

**A50.** It is my understanding that the PUCO's past practice has been to eliminate incentive compensation tied to financial performance. The PUCO should spell out in Rider DCR the extent to which incentive compensation should be excluded. This would be consistent with the PUCO's approach in: *In re AES Ohio ESP IV*, Case No. 22-900-EL-SSO, Opinion & Order at ¶ 77, page 27 (Aug. 9, 2023).

**Q51. HOW SHOULD THE REVENUE CAPS BE ESTABLISHED FOR RIDER DCR?**

**A51.** The PUCO should synchronize the revenue caps with the upcoming May 2024 base distribution rate case. The existing revenue caps should remain in effect until the base distribution rate case is decided. The new revenue caps should not begin until after the known and measurable date certain cutoff in the 2024 distribution rate case.

1   ***Q52. DO YOU HAVE ANY RECOMMENDATION AS TO WHETHER THE RIDER***  
2   ***DCR REVENUE CAPS SHOULD BE TIED TO RELIABILITY***  
3   ***PERFORMANCE?***

4   ***A52.*** Yes. The additional spending on Rider DCR should lead to greater reliability. The  
5       PUCO should require FirstEnergy to work with the parties to establish a methodology  
6       for quantifying the reliability benefits that will be provided through the additional  
7       funding from the DCR rider. FirstEnergy will incorporate those improvements in its  
8       next reliability standards case. The Rider DCR revenue caps should ratchet down if  
9       FirstEnergy does not achieve these reliability improvements.

11   ***Q53. HOW SHOULD THE AMOUNT OF THE RIDER DCR ANNUAL REVENUE***  
12   ***CAP INCREASES BE CALCULATED?***

13   ***A53.*** The revenue cap should provide for maximum of 3% annual increases. Any greater  
14       level of revenue caps would harm consumers because it would tend to eliminate  
15       FirstEnergy's incentive to control costs.

17   ***Q54. SHOULD ANY UNUSED SPACE UNDER THE RIDER DCR REVENUE CAPS***  
18   ***BE APPLIED TO FUTURE YEARS?***

19   ***A54.*** No. The purpose of revenue cap increases is to mitigate any impact from rising costs  
20       during the current year. If FirstEnergy has unused revenue cap space, there is no  
21       reasonable expectation that costs will increase at a higher rate during the next year,  
22       such that additional revenue cap space would be needed. Allowing unused cap space  
23       to carry-over would harm consumers because it would tend to eliminate FirstEnergy's  
24       incentive to control costs. This could be addressed if the PUCO adopts the following  
25       provision:

*Direct Testimony of Greg R. Meyer  
On Behalf of the Office of the Ohio Consumers' Counsel  
PUCO Case No. 23-301-EL-SSO.*

1 DCR revenue collected from consumers less than the cap in a given  
2 year shall not increase caps for future years.

3 This would be consistent with the PUCO's approach in: *In re AES Ohio ESP IV*, Case  
4 No. 22-900-EL-SSO, Opinion & Order at ¶ 77 (Aug. 9, 2023).

5  
6 **Q55. SHOULD THE RIDER DCR REVENUE CAPS BE HARD CAPS?**

7 **A55.** Yes. The Rider DCR revenue caps should be hard caps. It would be unjust for  
8 FirstEnergy to receive a deferral for spending in excess of the revenue caps. This  
9 would harm consumers because it would tend to eliminate FirstEnergy's incentive to  
10 control costs. This could be addressed if the PUCO adopts the following provision:

11 If the Rider DCR investments exceed the amount of the revenue cap,  
12 then PISCC, property tax expense and depreciation expense shall not be  
13 accrued or collected for any investment amounts in excess of the  
14 revenue cap.

15 This would be consistent with the approach taken in: *In re Columbia Gas PHMSA*  
16 *Rider*, Case No. 23-46-GA-ALT, Joint Stipulation and Recommendation at pages 1.2  
17 and 1.41 (Sept. 6, 2023).

18  
19 **Q56. SHOULD THE RIDER DCR ACCRUALS END WHEN THE RIDER ENDS?**

20 **A56.** Yes. The accruals for post-in-service carrying costs ("PISCC"), property tax expense  
21 and depreciation expense should end when the rider ends. This could be followed by a  
22 distribution base rate case.

23 Accruals for the PISCC, property tax and depreciation expenses related  
24 to Rider DCR for investments placed in service by December 31<sup>st</sup> of  
25 the final year of the current ESP shall end as of December 31<sup>st</sup> and shall  
26 not continue to be accrued after that date.

This would be consistent with the approach taken in: *In re Columbia Gas PHMSA Rider*, Case No. 23-46-GA-ALT, Joint Stipulation and Recommendation at page 1.2 (Sept. 6, 2023).

**Q57. SHOULD RIDER DCR INCLUDE INVESTMENTS FUNDED BY GRANT PROGRAMS?**

**A57.** No. The DCR should not fund investments already funded by the All Ohio Future Fund or the Grid Innovation Program (“GIP”) of the federal Infrastructure Investment and Jobs Act (“IIJA”). This could be addressed if the PUCO adopts the following provision:

Any investment funded by grants received under the All Ohio Future Fund created by R.C. § 126.62 or the Grid Innovation Program (“GIP”) of the federal Infrastructure Investment and Jobs Act (“IIJA”) will be excluded from the DCR to the extent of such grant funding.

This would be consistent with the approach in: *In re AEP ESP V*, Case No. 23-23-EL-SSO, Stipulation at page 18 (Sept. 6, 2023).

**Q58. SHOULD RIDER DCR INCLUDE A SUNSET PROVISION?**

**A58.** Yes. Rider DCR should include a sunset provision, such that the rider adjusts to \$0 if FirstEnergy fails to file its next distribution base rate case by an agreed date. This could be addressed if the PUCO adopts the following provisions:

Should FirstEnergy fail to file a new base distribution rate case on or before May 31, 2024, then the DCR will sunset and the DCR rate shall be set to zero on June 1, 2024. Should FirstEnergy fail to file a following new base distribution rate case on or before May 31, 2028, then the DCR will sunset and the DCR rate shall be set to zero on June 1, 2028.

This would be consistent with the approach in: *In re AES Ohio ESP IV*, Case No. 22-900-EL-SSO, Opinion & Order at ¶ 77, page 27 (Aug. 9, 2023).

**Q59. SHOULD RIDER DCR INCLUDE A FILING SCHEDULE AND AUDIT REQUIREMENT?**

**A59.** Yes. This would be consistent with PUCO practice. This could be addressed as follows:

FirstEnergy shall file quarterly updates on or about the first of February, May, August, and November, with rates charged to consumers being effective 60 days after filing unless otherwise suspended by the Commission. The filings shall be subject to review, as well as an annual audit with the expenses relating to such audits being deferred and collected from consumers through the DCR. Annual audits will include but not be limited to:

1. On-site inspections of new capital assets;
2. Tracking capital expenses from continuing property records, invoices, and other supporting documentation to the used and useful assets and vice versa;
3. Verification of proper accounting and computation of annual property tax expense;
4. Verification of proper accounting and computation of state, local, and federal income tax expense, as well as taxes other than income;
5. Verification of proper accounting for DCR resources;
6. Verification with FERC Form 1; and
7. Verification that the costs were prudently incurred and related to a project that is used and useful.

This would be consistent with the approach in: *In re AES Ohio ESP IV*, Case No. 22-900-EL-SSO, Opinion & Order at ¶ 77, page 28 (Aug. 9, 2023).



**Q60. SHOULD FIRSTENERGY BE REQUIRED TO PROVIDE PRIOR NOTICE OF CHANGES IN ACCOUNTING POLICIES?**

**A60.** Yes. This could be addressed as follows:

Any changes to FirstEnergy's capitalization policy that affect its jurisdictional revenue requirement shall be identified in a quarterly filing, along with a quantification of the impact of such changes on the revenue requirement for Rider DCR. New or modified capitalization policies are subject to Commission approval, which approval shall occur sixty days after the quarterly filing in which they are identified, unless otherwise suspended by the Commission.

This would be consistent with the approach in: *In re Duke ESP IV*, Case

No 17-1263-EL-SSO, Opinion & Order at ¶ 113, pages 38-39 (Dec. 19, 2018).

**Q61. SHOULD FIRSTENERGY BE REQUIRED TO PROVIDE AN ANNUAL WORK PLAN FOR RIDER DCR?**

**A61.** Yes. This would be consistent with existing practice and would allow Staff and consumer input to help identify the most cost-effective solutions to reliability problems. This could be addressed as follows:

FirstEnergy shall work with Staff and OCC to develop an annual plan to emphasize proactive distribution maintenance that will focus spending on where it will have the greatest impact on maintaining and improving reliability for customers. The plan shall specifically include identification of those expenditures that will help reduce customers' minutes interrupted. The plan shall be submitted to Staff and OCC annually starting on or about the first of November.

This would be consistent with the approach in *Duke ESP IV*, Case

No 17-1263-EL-SSO, Opinion & Order at ¶ 119, page 41 (Dec. 19, 2018).

1    ***Q62. HOW SHOULD OVER-COLLECTIONS BE HANDLED?***

2    ***A62.***    The PUCO should require FirstEnergy to flow back any over-collections from  
3               consumers under Rider DCR as a bill credit for the next Rider DCR filing period.  
4

5    ***Q63. SHOULD THE RIDER DCR TARIFF INCLUDE "SUBJECT TO REFUND"***  
6    ***LANGUAGE?***

7    ***A63.***    Yes. The PUCO has not decided the House Bill 6 investigation cases and, to the extent  
8               that any House Bill 6 costs spill into Rider DCR, these costs should be collected  
9               subject to refund.  
10

11   ***Q64. LASTLY, ARE THERE ANY OTHER RECOMMENDATIONS YOU HAVE FOR***  
12   ***RIDER DCR?***

13   ***A64.***    Yes, consistent with arguments I presented in Duke Energy Ohio related to Rider CEP  
14               (Capital Expenditure Program), natural gas rate case, Case No. 22-507-GA-AIR, I  
15               recommend that a depreciation offset be utilized when calculating the return  
16               component of Rider DCR. Rider DCR allows FirstEnergy to charge customers  
17               in-between rate cases for new investment placed in-service. As discussed previously,  
18               this special regulatory mechanism requires FirstEnergy consumers to pay for new  
19               investment without looking at all of the relevant factors of FirstEnergy's operations.  
20               Rider DCR captures the main costs of placing new investments in rate base (return on  
21               investment, depreciation and property taxes.)

1 **Q65. HAS RIDER DCR ALLOWED FOR SIGNIFICANT INVESTMENT IN PLANT**  
2 **IN-SERVICE?**

3 **A65.** Yes. As previously mentioned, Rider DCR has been in effect since January 1, 2012.  
4

5 **Q66. PLEASE DISCUSS THE DEPRECIATION OFFSET AS IT WOULD PERTAIN**  
6 **TO RIDER DCR.**

7 **A66.** The depreciation offset would account for the depreciation from legacy plant that was  
8 included in FirstEnergy's previous rate case or, for that matter, the upcoming  
9 May 2024 rate case. The depreciation offset properly recognizes that the legacy net  
10 plant from FirstEnergy's last rate case has declined during the period of time that  
11 Rider DCR investments have been placed in-service. The depreciation offset is used to  
12 reduce the return component of the newly invested DCR plant.  
13

14 **Q67. DO YOU SUPPORT THE DEPRECIATION OFFSET BEING INCLUDED AS**  
15 **PART OF RIDER DCR?**

16 **A67.** Absolutely. To protect consumers, the depreciation offset is necessary to keep  
17 FirstEnergy's shareholders from enjoying enhanced profits from the new investment,  
18 subject to Rider DCR collection from consumers.  
19

20 **Q68. COULD YOU PROVIDE AN EXAMPLE SHOWING HOW PROFITS COULD BE**  
21 **ENHANCED WITHOUT A DEPRECIATION STUDY?**

22 **A68.** Yes. Assume the following conditions:

- 23 ➤ FirstEnergy just completed a rate case with rates effective January 1, 2023.
- 24 ➤ In that rate case, it was determined that FirstEnergy had Gross Plant
- 25 In-Service of \$120,000,000 and Net Plant In-Service of (Original Plant
- 26 In-Service less Accumulated Depreciation Reserve) of \$100,000,000.

*Direct Testimony of Greg R. Meyer  
On Behalf of the Office of the Ohio Consumers' Counsel  
PUCO Case No. 23-301-EL-SSO.*

- FirstEnergy's annual depreciation included in rates was 5%, or \$6,000,000.
- FirstEnergy invested in new plant and filed a Rider DCR request after one-year of new rates effective from the rate case totaling \$20,000,000.
- FirstEnergy's rate of return is 10%.

Given these assumptions, if FirstEnergy filed Rider DCR charges after the first year to recover the \$20 million of new investments, the effect of the depreciation offset can be seen in the tables below.

<b>Table GRM-3</b>		
<b><u>Scenario 1 - No Depreciation Offset</u></b>		
<b><u>Line</u></b>	<b><u>Description</u></b>	<b><u>Amount</u></b>
1	Existing Net Plant in Service	\$100,000,000
2	Assumed Rate of Return	<u>10%</u>
3	Return Included in Existing Rates (Line 1 x Line 2)	\$10,000,000
4	New Rider DCR Investment	\$20,000,000
5	Assumed Rate of Return	<u>10%</u>
6	Return on New Rider DCR Investment (Line 4 x Line 5)	\$2,000,000
7	Total Return (Line 3 + Line 6)	<u><u>\$12,000,000</u></u>

As can be seen from Table GRM-3, without a depreciation offset the costs to consumers would be \$12 million.

*Direct Testimony of Greg R. Meyer  
On Behalf of the Office of the Ohio Consumers' Counsel  
PUCO Case No. 23-301-EL-SSO.*

<b>Table GRM-4</b>		
<b><u>Scenario 2 - With Depreciation Offset</u></b>		
<b><u>Line</u></b>	<b><u>Description</u></b>	<b><u>Amount</u></b>
1	Existing Net Plant in Service	\$100,000,000
2	Assumed Rate of Return	<u>10%</u>
3	Return Included in Existing Rates (Line 1 x Line 2)	\$10,000,000
4	Existing Gross Plant in Service	\$120,000,000
5	New Rider DCR Investment	\$20,000,000
6	Assumed Depreciation of 5% on Existing Gross Plant (Line 4 x 5%)	<u>\$6,000,000</u>
7	Rider DCR Investment Net of Depreciation Offset (Line 5 - Line 6)	\$14,000,000
8	Assumed Rate of Return	<u>10%</u>
9	Return on New Rider DCR Investment Net of Depreciation Offset (Line 7 x Line 8)	\$1,400,000
10	Total Return (Line 3 + Line 9)	<u><u>\$11,400,000</u></u>

1 Table GRM-4 shows the charges to consumers with the depreciation offset to be  
2 \$11.4 million.

*Direct Testimony of Greg R. Meyer  
On Behalf of the Office of the Ohio Consumers' Counsel  
PUCO Case No. 23-301-EL-SSO.*

<b>Table GRM-5</b>		
<b><u>Scenario 2 Mimics Rate Case Treatment of Plant</u></b>		
<b><u>Line</u></b>	<b><u>Description</u></b>	<b><u>Amount</u></b>
1	Existing Net Plant	\$100,000,000
2	Existing Gross Plant	\$120,000,000
3	Less: A Year of Depreciation Expense at 5% Rate	(6,000,000)
4	Plus: New Rider DCR Investment	<u>20,000,000</u>
5	Net Rate Base Under Scenario 2 (Line 1 + Line 3 + Line 4)	\$114,000,000
6	Assumed Rate of Return in Scenario 2	<u>10%</u>
7	Return on Rate Base After One Year (Line 5 x Line 6)	<u><u>\$11,400,000</u></u>

Table GRM-3 shows what the costs would be to consumers if measured one-year from the rate effective date of a FirstEnergy rate case. Table GRM-4 shows that the depreciation offset more closely approximates the cost to consumers as shown in Table GRM-5. The depreciation offset is necessary to protect consumers from paying too much and restricting the harmful effects of enhanced profits to FirstEnergy's shareholders.

As can be seen from the above example, in exchange for allowing FirstEnergy to charge customers in-between rate cases for new Rider DCR investment, it is only fair for consumers to offset the return component of the Rider DCR investment by the depreciation offset. By adopting the depreciation offset, consumers are only required

1 to provide the true return on legacy and new investments. If the depreciation offset is  
2 not utilized, FirstEnergy's shareholders will recognize enhanced profits of \$600,000 in  
3 this example. The depreciation offset is needed to protect consumers by preventing  
4 enhanced profits for FirstEnergy's shareholders. Therefore, the OCC supports the  
5 depreciation offset for Rider DCR.

6  
7 It should also be noted that Rider DCR investments have been made since January  
8 2012. Those investments will continue to decline in value during the period of new  
9 Rider DCR filings. It is only fair to consumers to capture that decline in value  
10 in-between rate cases to offset increased Rider DCR charges from new investment. If  
11 the PUCO accepts this depreciation offset, then the language proposed in the response  
12 to Question 41 should be amended to include such an offset.

13  
14 **VII. ADVANCED METERING INFRASTRUCTURE RIDER ("AMI")**

15  
16 ***Q69. HAVE YOU REVIEWED THE DIRECT TESTIMONY OF MR. MCMILLEN AS***  
17 ***IT ADDRESSES RIDER AMI?***

18 ***A69.*** Yes, I have.

19  
20 ***Q70. PLEASE DESCRIBE RIDER AMI?***

21 ***A70.*** Rider AMI allows for the recovery of costs associated with the Ohio Site Development  
22 of the Smart Grid Modernization Initiative, as well as any costs of additional grid  
23 modernization programs. Currently, FirstEnergy is allowed to collect grid investments

1 approved by the Commission in Grid Mod I. FirstEnergy has filed for approval of Grid  
2 Mod II.

3  
4 ***Q71. ARE YOU SUPPORTIVE OF RIDER AMI?***

5 ***A71.*** No, I am not.

6  
7 ***Q72. PLEASE DISCUSS THE REASONS FOR YOUR OPPOSITION.***

8 ***A72.*** Similar to my previous arguments regarding proposed riders, Rider AMI engages in  
9 single issue ratemaking. Rider AMI should be addressed in the upcoming FirstEnergy  
10 rate case. Additionally, Rider AMI provides another infrastructure rider mechanism to  
11 collect costs from consumers separately from Rider DCR that I have previously  
12 addressed. In the upcoming rate case, the replacement of customer meters can be  
13 addressed in detail. Replacing meters can be easily accomplished in the context of a  
14 base rate case. FirstEnergy has not provided compelling arguments why the Rider  
15 AMI is necessary.

16  
17 ***Q73. IN RIDER AMI, IS FIRSTENERGY PROPOSING A REVENUE CAP AS A***  
18 ***CONSUMER PROTECTION?***

19 ***A73.*** No, since Rider AMI is essentially another special infrastructure program, there exists  
20 the real possibility that the consumer protections sought in Rider DCR will be  
21 undermined since Rider AMI has no revenue cap. In Rider DCR, the revenue cap is  
22 intended to protect consumers, yet Rider AMI is another infrastructure mechanism  
23 with no revenue cap. When combined, FirstEnergy consumers could be required to



1 pay rates in excess of the revenue cap simply by having two infrastructure  
2 mechanisms.

3  
4 ***Q74. IS THERE AN ADJUSTMENT THAT YOU WOULD PROPOSE IF THE METER***  
5 ***REPLACEMENT PROGRAM CONTINUES?***

6 ***A74.*** Yes, to the extent the meter replacement program generates stranded investments, I  
7 would propose that FirstEnergy not be allowed to collect a return on and of those  
8 stranded investments. By allowing a return on and of those stranded investments,  
9 FirstEnergy's shareholders would be recognizing a profit return on and a return of two  
10 meters when only one meter is providing service, and when only one meter would be  
11 considered "used and useful." FirstEnergy's consumers should only be required to  
12 provide a return on and of one meter serving the premises. In this case if Rider AMI is  
13 approved, I would recommend that the Commission require FirstEnergy to show that it  
14 is not seeking to charge consumers for recovery of any stranded investments.

15  
16 ***Q75. ARE YOU AWARE OF ANY LAWS THAT ADDRESS THE RECOVERY OF***  
17 ***STRANDED INVESTMENTS?***

18 ***A75.*** It is my understanding, per the advice of counsel, that the Ohio Revised Code  
19 indicates that only plant that is used and useful as of the date certain may be included  
20 in rate recovery. Specifically, the Ohio Revised Code section 4909-15(A) states:

21 (A) The public utilities commission, when fixing and determining  
22 just and reasonable rates, fares, tolls, rentals, and charges, shall  
23 determine:

24 (1) The valuation as of the date certain of the property of the public  
25 utility used and useful or, with respect to a natural gas, water-

*Direct Testimony of Greg R. Meyer  
On Behalf of the Office of the Ohio Consumers' Counsel  
PUCO Case No. 23-301-EL-SSO.*

works, or sewage disposal system company, projected to be used and useful as of the date certain, in rendering the public utility service for which rates are to be fixed and determined. The valuation so determined shall be the total value as set forth in division (C)(8) of section 4909.05 of the Revised Code, and a reasonable allowance for materials and supplies and cash working capital as determined by the commission.

Under a plain reading of this statutory language, it appears that rates may not include any consideration of plant that is neither used nor useful as of the date certain. Given that language, my recommendation would be to exclude recovery for stranded AMI investments from any approved Rider AMI.

**VIII. NON-MARKET BASED SERVICES RIDER (“NMB”)**

***Q76. DO YOU HAVE ANY RECOMMENDATIONS FOR FIRSTENERGY’S RIDER NMB PROPOSAL?***

***A76.*** Yes. I recommend that the Pilot Rider NMB should be eliminated as recommended by Exeter in Case No. 22-391-EL-RDR and that the PUCO reject FirstEnergy’s new Rider NMB proposal. Consistent with Exeter’s recommendation from Case No. 22-391-EL-RDR that, if Rider NMB is continued, then I recommend that it should not be expanded beyond the scope of the current Pilot Rider NMB program.

**IX. ESP VS. MRO TEST**

***Q77. HAVE YOU REVIEWED THE TESTIMONY OF FIRSTENERGY WITNESS MR. FANELLI’S DISCUSSIONS RELATING TO THE ESP VS. MRO TEST?***

***A77.*** Yes, I have.

1 **Q78. DO YOU AGREE WITH THE CONCLUSION MR. FANELLI DETERMINED**  
2 **THAT THE ESP WAS MORE FAVORABLE THAN THE EXPECTED RESULTS**  
3 **THAT WOULD APPLY UNDER AN MRO?**

4 **A78.** I do not.

5  
6 **Q79. PLEASE EXPLAIN YOUR REASONING WHY YOU BELIEVE THE ESP TEST**  
7 **FAILED.**

8 **A79.** In his testimony Mr. Fanelli states, that the provision of Standard Service Offers'  
9 pricing will not be different between the ESP V and an MRO as the Companies will  
10 use a competitive process to procure generation service. Mr. Fanelli states that the ESP  
11 V has several provisions that will provide benefits that would not be realized under an  
12 MRO.

13 Mr. Fanelli lists the benefits he claims will be realized under the ESP V:

- 14 ➤ Energy efficiency and demand response programs that will provide  
15 between \$139 million and \$524 million, including avoided energy,  
16 capacity, transmission and distribution costs.
- 17 ➤ First Energy commits to spend \$52 million on programs designed to  
18 support low-income customers and enhance the customer experience,  
19 forgoing recovery of these expenses from consumers.
- 20 ➤ Riders DCR, AMI, SCR, and VMC.

21 However Mr. Fanelli fails to recognize that these claimed benefits also could be  
22 accomplished in the upcoming rate case to be filed in May 2024. I have not seen any  
23 testimony that the benefits from the ESP V plan could not be accomplished in a base  
24 rate case filing. To pass the test, one would expect detailed testimony describing  
25 benefits that could not be achieved through other regulatory means. In this case, there  
26 is no such evidence.

1   ***Q80. DO YOU BELIEVE THE BENEFITS THAT ARE ATTRIBUTED TO ESP V***  
2   ***COME WITH A PRICE TO FIRSTENERGY'S CONSUMERS?***

3   ***A80.*** Absolutely. FirstEnergy seems to ignore the fact that under its proposed ESP V,  
4       FirstEnergy's consumers will be required to pay for energy efficiency programs,  
5       demand response programs and the multiple riders, in-between base rate cases. These  
6       charges will add costs to the bills of FirstEnergy's consumers without a review of all  
7       the relevant factors of FirstEnergy's operations.

8  
9       Not only can many, if not all, of these benefits be captured through other traditional  
10      regulatory proceedings (base rate case), but ESP V requires FirstEnergy to pay in  
11      advance for these benefits than they otherwise would have to under traditional  
12      regulation. That comes at a cost to consumers which is not recognized in the utilities'  
13      ESP vs. MRO comparison.

14  
15   ***Q81. DO YOU BELIEVE FIRST ENERGY'S ESP V VS MRO TEST CONCLUSIONS***  
16   ***ARE MISGUIDED?***

17   ***A81.*** Yes, I do. I would contend that if all factors including rate impacts are considered, the  
18      ESP V vs. MRO test fails, contrary to the position of FirstEnergy.

19  
20   ***Q82. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?***

21   ***A82.*** Yes, it does. However, I reserve the right to supplement my testimony if additional  
22      testimony is filed, or if new information or data in connection with this proceeding  
23      becomes available.

## **CERTIFICATE OF SERVICE**

I hereby certify that a true copy of the foregoing *Direct Testimony of Greg R. Meyer on Behalf of the Office of the Ohio Consumers' Counsel* was served via electronic transmission to the persons listed below on this 23<sup>rd</sup> day of October 2023.

/s/ John Finnigan  
John Finnigan  
Assistant Consumers' Counsel

The PUCO's e-filing system will electronically serve notice of the filing of this document on the following parties:

### **SERVICE LIST**

<a href="mailto:thomas.lindgren@ohioago.gov">thomas.lindgren@ohioago.gov</a>	<a href="mailto:bknipe@firstenergycorp.com">bknipe@firstenergycorp.com</a>
<a href="mailto:amy.botschnerobrien@ohioago.gov">amy.botschnerobrien@ohioago.gov</a>	<a href="mailto:cwatchorn@firstenergycorp.com">cwatchorn@firstenergycorp.com</a>
<a href="mailto:rhiannon.howard@ohioago.gov">rhiannon.howard@ohioago.gov</a>	<a href="mailto:talexander@beneschlaw.com">talexander@beneschlaw.com</a>
<a href="mailto:mkurtz@BKLlawfirm.com">mkurtz@BKLlawfirm.com</a>	<a href="mailto:mkeaney@beneschlaw.com">mkeaney@beneschlaw.com</a>
<a href="mailto:jkylercohn@BKLlawfirm.com">jkylercohn@BKLlawfirm.com</a>	<a href="mailto:khehmeyer@beneschlaw.com">khehmeyer@beneschlaw.com</a>
<a href="mailto:rdove@keglerbrown.com">rdove@keglerbrown.com</a>	<a href="mailto:dproano@bakerlaw.com">dproano@bakerlaw.com</a>
<a href="mailto:nboobb@keglerbrown.com">nboobb@keglerbrown.com</a>	<a href="mailto:ahaque@bakerlaw.com">ahaque@bakerlaw.com</a>
<a href="mailto:Stacie.Cathcart@igs.com">Stacie.Cathcart@igs.com</a>	<a href="mailto:eprouity@bakerlaw.com">eprouity@bakerlaw.com</a>
<a href="mailto:Evan.Betterton@igs.com">Evan.Betterton@igs.com</a>	<a href="mailto:pwillison@bakerlaw.com">pwillison@bakerlaw.com</a>
<a href="mailto:Michael.Nugent@igs.com">Michael.Nugent@igs.com</a>	<a href="mailto:dstinson@brickergraydon.com">dstinson@brickergraydon.com</a>
<a href="mailto:cgrundmann@spilmanlaw.com">cgrundmann@spilmanlaw.com</a>	<a href="mailto:gkrassen@nopec.org">gkrassen@nopec.org</a>
<a href="mailto:slee@spilmanlaw.com">slee@spilmanlaw.com</a>	<a href="mailto:josephmeissner@yahoo.com">josephmeissner@yahoo.com</a>
<a href="mailto:todd.schafer@outlook.com">todd.schafer@outlook.com</a>	<a href="mailto:trhayslaw@gmail.com">trhayslaw@gmail.com</a>
<a href="mailto:mjsettineri@vorys.com">mjsettineri@vorys.com</a>	<a href="mailto:leslie.kovacik@toledo.oh.gov">leslie.kovacik@toledo.oh.gov</a>
<a href="mailto:glpetrucci@vorys.com">glpetrucci@vorys.com</a>	<a href="mailto:bojko@carpenterlipps.com">bojko@carpenterlipps.com</a>
<a href="mailto:aasanyal@vorys.com">aasanyal@vorys.com</a>	<a href="mailto:easley@carpenterlipps.com">easley@carpenterlipps.com</a>
<a href="mailto:dparram@brickergraydon.com">dparram@brickergraydon.com</a>	<a href="mailto:mkl@smxblaw.com">mkl@smxblaw.com</a>
<a href="mailto:rmains@brickergraydon.com">rmains@brickergraydon.com</a>	<a href="mailto:jrb@smxblaw.com">jrb@smxblaw.com</a>
<a href="mailto:dromig@nationwideenergypartners.com">dromig@nationwideenergypartners.com</a>	<a href="mailto:little@litohio.com">little@litohio.com</a>
<a href="mailto:brian.gibbs@nationwideenergypartners.com">brian.gibbs@nationwideenergypartners.com</a>	<a href="mailto:hogan@litohio.com">hogan@litohio.com</a>
<a href="mailto:paul@carpenterlipps.com">paul@carpenterlipps.com</a>	<a href="mailto:ktreadwav@oneenergyllc.com">ktreadwav@oneenergyllc.com</a>
<a href="mailto:mpritchard@mcneeslaw.com">mpritchard@mcneeslaw.com</a>	<a href="mailto:jdunn@oneenergyllc.com">jdunn@oneenergyllc.com</a>
<a href="mailto:awalke@mcneeslaw.com">awalke@mcneeslaw.com</a>	<a href="mailto:trent@hubaydougherty.com">trent@hubaydougherty.com</a>
<a href="mailto:tdougherty@theOEC.org">tdougherty@theOEC.org</a>	<a href="mailto:emcconnell@elpc.org">emcconnell@elpc.org</a>
<a href="mailto:ctavenor@theOEC.org">ctavenor@theOEC.org</a>	<a href="mailto:cpirik@dickinsonwright.com">cpirik@dickinsonwright.com</a>
	<a href="mailto:todonnell@dickinsonwright.com">todonnell@dickinsonwright.com</a>
	<a href="mailto:kshimp@dickinsonwright.com">kshimp@dickinsonwright.com</a>
	<a href="mailto:eowoyt@vorys.com">eowoyt@vorys.com</a>

Attorney Examiners:

[megan.addison@puco.ohio.gov](mailto:megan.addison@puco.ohio.gov)  
[greg.price@puco.ohio.gov](mailto:greg.price@puco.ohio.gov)  
[jacqueline.st.john@puco.ohio.gov](mailto:jacqueline.st.john@puco.ohio.gov)

[whitt@whitt-sturtevant.com](mailto:whitt@whitt-sturtevant.com)  
[katherine.hollingsworth@lasclev.org](mailto:katherine.hollingsworth@lasclev.org)  
[sjagers@ohiopoveritylaw.org](mailto:sjagers@ohiopoveritylaw.org)  
[mwalters@proseniors.org](mailto:mwalters@proseniors.org)  
[knordstrom@theOEC.org](mailto:knordstrom@theOEC.org)  
[dmanor@ablelaw.org](mailto:dmanor@ablelaw.org)  
[jlang@calfee.com](mailto:jlang@calfee.com)  
[mbarbara@calfee.com](mailto:mbarbara@calfee.com)  
[jpetroff@lawforlabor.com](mailto:jpetroff@lawforlabor.com)  
[jmcinerney@lawforlabor.com](mailto:jmcinerney@lawforlabor.com)  
[rnader@communitylegalaid.org](mailto:rnader@communitylegalaid.org)

**This foregoing document was electronically filed with the Public Utilities  
Commission of Ohio Docketing Information System on  
10/23/2023 4:19:29 PM**

**in**

**Case No(s). 23-0301-EL-SSO**

Summary: Testimony Direct Testimony of Greg R. Meyer on Behalf of the Office of the Ohio Consumers' Counsel electronically filed by Mrs. Tracy J. Greene on behalf of Finnigan, John.