BEFORE THE PUBLIC UTILITIES COMMISSION OF OHIO

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

DIRECT TESTIMONY
OF

JONATHAN J. BORER

ACCOUNTING AND FINANCE DIVISION
RATES AND ANALYSIS DEPARTMENT

STAFF EXHIBIT ___

October 30, 2023

1. Q. Please state your name and business address.

A. My name is Jonathan J. Borer. My business address is 180 East Broad Street, Columbus, Ohio 43215-3793.

2. Q. By whom are you employed and in what capacity?

A. I am employed by the Public Utilities Commission of Ohio (“PUCO” or “Commission”) as a Utility Specialist in the Accounting and Finance Division of the Rates and Analysis Department.

3. Q. Would you briefly state your educational background?

A. I earned a Bachelor of Science in Accounting and a Bachelor of Science in Management from Purdue University in 2014. In 2017, I attended the Annual Regulatory Studies Program offered by the Institute of Public Utilities as well as the National Association of Regulatory Utility Commissioners (“NARUC”) Utility Rate School. I am a Certified Public Accountant licensed in the State of Ohio.

4. Q. Please briefly outline your work experience.

A. I have been employed by the PUCO since November 2016. During that entire time, I have worked in the PUCO’s Rates and Analysis Department. My duties include conducting investigations of assigned phases of rate case applications and other financial audits of public utility companies subject to the jurisdiction of the PUCO. Prior to working at the PUCO, I was employed by Morgan Stanley within its Global Wealth Management Group.

5. Q. Have you previously provided testimony before the PUCO?

A. Yes. I have provided testimony in numerous cases before the Commission.

6. Q. What is the purpose of your testimony in this proceeding?

A. The purpose of my testimony is to address the Storm Cost Recovery Rider ("Rider SCR") proposed by Ohio Edison Company ("OE"), The Cleveland Electric Illuminating Company ("CEI"), and The Toledo Edison Company ("TE") (collectively, the "Companies" or "FirstEnergy"), as well as the balance of the Companies' existing deferral of storm expenses.

I will also be addressing modifications to the Companies' Tax Savings Adjustment Rider ("Rider TSA") that would be needed if the Commission adopts certain modifications to the Delivery Capital Recovery Rider ("Rider DCR") discussed in Staff witness Healey's and Mackey's testimonies.

7. Q. What is the Companies' proposal regarding Rider SCR?

A. As proposed by the Companies, Rider SCR is intended to mitigate the regulatory lag on recovery of major storm expense and to support the Companies' storm restoration efforts. The rider will ensure that customers are paying only the Companies' actual major storm expense incurred, with timely reconciliations and carrying charges or credits, subject to annual regulatory reviews and audits.[1] As proposed, Rider SCR would serve two purposes. First, it would be the mechanism through which the Companies would recover the existing balance of deferred storm expenses, which the Companies have been deferring since 2009. Second, it would recover annual storm expenses in excess of the amount included in base rates.

8. Q. Can you summarize the Companies' proposal for Rider SCR?

A. The Application proposes to recover storm restoration expenses for any storm that meets criteria currently in place, which I discuss later in my testimony. The request is to continue their existing deferral authority, but rather than deferring the expenses indefinitely—which is currently the case—the costs would be recovered in Rider SCR.

The Application also proposes annual recovery caps on the incremental storm damage expense incurred each year. These caps are based on the maximum incremental storm damage expense incurred and deferred during

[1] *See* Testimony of Juliette Lawless at 4 (April 5, 2023).

the 2016 to 2022 period. The proposed caps are $16 million for OE, $17 million for CEI, and $2 million for TE.

The recovery of the existing deferral balance would not count towards the annual caps (i.e., rider charges for recovery of the deferral balance would be in addition to the capped amounts for recovery of annual storm expenses). Regarding the existing deferral balance, the Companies have requested to amortize and recover the amount over a five-year period, and recovery would begin when Rider SCR first becomes effective.

The Companies propose to recover the Rider SCR revenue requirement on a per kWh basis for residential and lighting customers and on a per billing demand basis for commercial and industrial customers. As proposed, the revenue requirement would be allocated to the various customer classes based upon the revenue allocations from the Companies' last distribution rate case.

Finally, the Companies propose that Rider SCR be reconciled and updated annually on or about May 1, with rates to go into effect on the following June 1. No later than August 31 of each year, the Companies would file an application to initiate an audit of Rider SCR covering the prior year's rate. Using 2025 as an example year, the filing made on May 1, 2025, would include amortization of the actual May 31, 2024, existing deferral balance for the period June 1, 2025, through May 31, 2026, plus the estimated over/under recovered balance of incremental storm expense from June 1, 2024, through May 31, 2025. This filing would result in Rider SCR becoming effective June 1, 2025, unless otherwise ordered by the Commission. The subsequent filing made on August 31, 2025, would initiate the audit of the storm expenses and recoveries for the June 1, 2024, through May 31, 2025, period. Put simply, new Rider SCR rates would become effective June 1, and the audit of the expenses and recoveries upon which the new rider rates would begin on August 31.

9. Q. Is Staff recommending approval of Rider SCR?

A. Yes, but with several modifications, as summarized here and discussed in more detail below:

1. The storm restoration expenses eligible for recovery in Rider SCR should be restricted to certain types of storms.
2. The annual caps on recovery should be modified.
3. Straight-time labor cost of FirstEnergy employees should be excluded from recovery in Rider SCR.
4. The annual incremental major storm expense should be offset by certain costs related to mutual assistance provided to other utilities.
5. Modifying the timing of annual filings, audits, and when rates

become effective.

6. Modifying the Companies' request to recover the balance of the existing deferral.

It should be noted that the Companies' proposal does not include anything related to items 3 and 4 above.

10. Q. Please explain Staff's recommendation regarding which storms that will be eligible for recovery in Rider SCR.

A. Currently, the Companies can defer expenses for any storm "in which the event (i.e., time to restore customer service due to the weather event) is anticipated to last longer than 12 hours (using local only crews) including the time required to pre-stage personnel for the event. In anticipation of the weather event the Regional Dispatch Office will hold-over or call-in crews and restoration personnel for such anticipated or actual weather events."[2] Staff recommends that the existing criteria be modified such that Rider SCR only recover expenses related to storms considered major events as defined by Ohio Adm.Code 4901-1:1-10-01(T) (Major Events). Limiting the rider to Major Events would be consistent with storm riders in place for

[2] See response to Staff DR 7.

other Ohio EDUs.[3]

11. Q. Would limiting Rider SCR to recovery of expenses related to Major Events require modification of the Companies' existing deferral authority?

A. Yes, Staff recommends that the Companies' existing deferral authority cease at the time ESP V becomes effective.

12. Q. Why is Staff recommending that only Major Events be included for recovery in Rider SCR for the ESP term beginning June 1, 2024?

A. Staff has concerns about the auditability of the annual storm restoration expenses, as there are several things that could make it difficult to properly perform annual audits.

First, if Rider SCR is allowed to include expenses related to non-Major Events, it would be difficult to ensure that expenses are related to storms as opposed to routine maintenance that occurred around the same time as the storm. An example would be vegetation management expenses. It may be difficult or impossible to differentiate vegetation management expenses

[3] *See*, *In the Matter of the Application of Columbus Southern Power Company and Ohio Power Company for Authority to Establish a Standard Service Offer Pursuant to §4928.143, Ohio Rev. Code, in the Form of an Electric Security Plan,* Case Nos. 11-346-EL-SSO, et al., *In the Matter of the Application of Duke Energy Ohio for Authority to Establish a Standard Service Offer Pursuant to Section 4928.143, Revised Code, in the Form of an Electric Security Plan, Accounting Modifications and Tariffs for Generation Service,* Case Nos. 14-841-EL-SSO, et al., *In the Matter of the Application of The Dayton Power and Light Company for Authority to Recover Certain Storm-Related Service Restoration Costs,* Case Nos. 12-3062-EL-RDR, et al.

related to non-Major Events from the Companies' regular vegetation management program.

Second, the number of storms that currently qualify for deferral creates complications with providing assurance of proper cost assignment, i.e., whether a specific cost was related to storm restoration work and that cost was related to a specific storm. During its investigation, Staff counted the number of unique storms included in the deferral. Based on the data received from the Companies, Staff found over 800 unique storms for which the restoration expenses were deferred for recovery.[4] The data consists of expenses from 2009 through mid-2023, or about 14.5 years. That means, on average, there were over 50 storms per year which would qualify for deferral and recovery based on the Companies' existing deferral authority.

Separately, Staff evaluated over the same time period the Companies' Rule 10 Reports, which list the dates of each Major Event Outage (MEO)[5] in a given year, from 2009 through 2022. For this time period, there were 224

[4] See response to Staff DRs 1 and 7.

[5] In certain circumstances, an outage may qualify as a Major Event, but be excluded from the Companies' MEOs in its Rule 10 Report if, for example, the storm is reported as a Transmission Outage instead. The use of Major Event Outages is only intended to describe the reporting requirements of the Rule 10 Report, and acknowledge that in certain situations, not all outages which qualify as Major Events (per Ohio Adm,Code 4901:1-10-01(T)) would be reported as MEOs within the Rule 10 Report. For avoidance of doubt, the use of MEOs is not intended to suggest Staff's recommendation is that storms eligible for recovery in Rider SCR are storms that both qualify as Major Events *and* are reported as an MEO in a Rule 10 Report.

dates of MEOs listed in the Companies' Rule 10 Reports. To quantify unique MEOs, Staff considered MEOs occurring over consecutive days to be a single unique storm. Based on this, Staff determined there were 175 unique storms that would be considered Major Events between 2009 and 2022.[6] This means from 2009 through 2022, there were approximately 12 Major Events per year.

In summary, if only Major Events were included in the Companies' deferral (similar to what Ohio's other EDUs can include in their storm riders), there would only have been around 12 storms per year. But because of the broader definition allowed for the deferral (a definition that the Companies want to keep using going forward), the Companies have been including more than 50 storms per year based on the broad definition of storms in the deferral. Limiting recovery under Rider SCR for storms occurring during ESP V to Major Events will eliminate this substantial discrepancy.

13. Q. Does Staff have any other reasons for recommending that Rider SCR be limited to Major Events?

A. There are issues with recovering all (or nearly all) storm restoration costs above what is included in base rates. Fundamentally, Staff believes storm

[6] Note that Staff is aware certain Major Events may not be considered MEOs for purposes of the Rule 10 Report; however, Staff believes its use of the Rule 10 Report to quantify Major Events provides a reasonable estimate.

riders should only recover Major Events, as these are highly unpredictable and have the potential to cause significant financial harm to a utility. Non-Major Events, in contrast, should be recovered through base distribution rates.

14. Q. What is Staff's recommendation regarding the annual recovery caps for Rider SCR?

A. If the Commission adopts Staff's recommendation to limit Rider SCR to only include recovery of Major Events, Staff believes the proposed recovery caps would not be meaningful. Applying the Major Event criteria is a cap on recovery, as it restricts the costs to a limited number of storms each year. Given the inherent unpredictability of the cost and occurrence of Major Events, it would be difficult to determine an annual cap that is reasonable and based on a typical year. For example, Ohio Edison may have one Major Event in 2024, and then five Major Events in 2025. This approach would be consistent with the storm riders in place for the other EDUs in the state. Regardless, although it is difficult to predict the annual storm restoration costs related to Major Events, if the Commission adopts Staff's recommendation, the annual costs recoverable under Rider SCR would necessarily be lower than the Companies' proposal because storm restoration costs associated with Major Events are only a subset of the costs which the Companies' have proposed to recover.

If the Commission does not adopt Staff's recommendation to limit Rider SCR to only include recovery of Major Events, and instead permits the Companies to recover a broader scope of storm expenses (for example, allowing the Companies to recover costs similar to the existing deferral authority), a cap would be necessary. Establishing the appropriate cap under those circumstances would require the completion of the audit of the current deferral balance because the caps would need to be based on a thorough analysis of historical storm expenses. Therefore, in this scenario, Staff would recommend that the annual caps be determined at the time the Companies file for recovery in a separate proceeding. Later in my testimony, I discuss the need for a separate proceeding to address recovery of the deferral.

15. Q. How would the revenue requirement of Rider SCR be determined if the rider only recovers expenses related to Major Events?

A. Staff recommends that the revenue requirement be determined in a similar manner to what the Companies have proposed. Specifically, the amount recovered through Rider SCR would be based on the incremental storm damage expense related to Major Events each year using the amount of storm damage expenses currently in base rates as the baseline. In a given year, if the prudently incurred expenses related to Major Events is higher than what is included in base rates, the Companies would recover the amount in excess, and if the prudently incurred expenses related to Major Events is less than what is included in base rates, the Companies would refund the difference. For example, Cleveland Electric Illuminating has approximately $4,900,000 of storm expenses in its base rates.[7] If Major Event expenses in 2025 are $6,000,000, CEI will recover $1,100,000 through the SCR. If instead the Major Event expenses in 2025 are $4,000,000, CEI will refund $900,000 through the SCR.

16. Q. Will the Companies' upcoming base rate case impact Rider SCR?

A. The rate case will reset the baseline amount for Major Event expense against which the incremental expense in Rider SCR is compared. For example, assume in 2025, the Commission approves bases rates for Ohio Edison that include $5 million in expenses related to storm expenses for Major Events in the test year. If Major Event expenses are $7 million in 2026, the SCR will recover $2 million. If instead Major Event expenses are $4 million in 2026, the SCR will credit $1 million to customers.

17. Q. Why is Staff recommending that straight-time labor be excluded from recovery in Rider SCR?

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[7] Juliette Lawless testimony. Attachment JL-1 p. 4. Note: The actual value in base rates is $4,896,650. Staff used $4,900,000 in the example for simplicity.

A. Currently, the Companies are able to defer all types of expenses related to storm restoration, including internal labor costs. The internal labor cost would include internal employees' straight-time and overtime compensation, and Staff is concerned that the inclusion of straight-time compensation could result in double-recovery, since it would not be possible to ensure that employees' straight-time labor is not being recovered elsewhere. This is because the first 40 hours of straight-time labor for Company employees working in storm restoration are built into base rates, which means ratepayers are already paying for employees' straight-time labor. Because there is not a practical method to ensure employees' straight-time labor is not recovered through base rates or elsewhere, Staff believes all straight-time labor should be excluded from Rider SCR to avoid double-recovery. This recommendation is consistent with the treatment of straight-time labor in the storm riders for other utilities.[8]

As a point of clarification, Staff does not oppose recovery through Rider SCR of employees' overtime labor or "premium" time paid in accordance

[8] *See In the Matter of the Application of Duke Energy Ohio for Authority to Establish a Standard Service Offer Pursuant to Section 4928.143, Revised Code, in the Form of an Electric Security Plan, Accounting Modifications and Tariffs for Generation Service,* Case Nos. 14-841-EL-SSO, et al., Opinion and Order (Apr. 2, 2015) at 74; *In the Matter of the Application of Ohio Power Company for Authority to Establish a Standard Service Offer Pursuant to R.C. 4928.143, in the Form of an Electric Security Plan*, Case Nos. 13-2385-EL-SSO, et al., Opinion and Order (Feb. 25, 2015) at 56; *In the Matter of the Application of The Dayton Power and Light Company to Increase Its Rates for Electric Distribution*, Case Nos. 15-1830-EL-AIR, et al., Opinion and Order (Sept. 26, 2018).

with union contracts, such as any overtime portion of an employee's first 40 hours worked in a given week.

18. Q. Staff is making a recommendation regarding mutual assistance. Can you describe what mutual assistance is?

A. Mutual assistance refers to voluntary agreements that allow for one utility to provide another utility (or an affiliate of the utility) with resources, labor, and equipment to perform storm restoration services outside of the service territory of the utility providing the service.

19. Q. Please explain Staff's recommendation related to mutual assistance.

A. Staff recommends that when Company employees provide mutual assistance to other utilities (including non-Ohio FirstEnergy affiliates), any straight-time labor should be tracked, and the total straight-time labor cost incurred should offset the incremental Major Event expenses. The Companies are ultimately reimbursed by the other utility for the cost of providing mutual assistance to that utility. As a result, if there is no adjustment to offset the Rider SCR revenue requirement with the straight-time labor of Company employees providing mutual assistance to other utilities, there would be double-recovery: once from ratepayers because the employees' labor is already included in base rates, and again when they are reimbursed by the utility receiving the mutual assistance.

20. Q. What is Staff's recommendation regarding the annual filings for Rider SCR?

A. Using 2025 as an example, the Companies propose that Rider SCR be reconciled and updated annually on or about May 1, 2025, with rates to automatically go into effect on June 1, 2025, which would recover incremental storm restoration expenses from June 1, 2024, through May 31, 2025. No later than August 31, 2025, the Companies will file an application to initiate an audit of Rider SCR covering the prior year's rate.

Staff recommends this proposal be modified such that the May 1 filing updating rates be eliminated, and instead the August 31 filing would both update Rider SCR rates as well as initiate the audit of Major Event storm restoration expenses incurred during the prior period for June through May. Without modification, the Companies' proposal to update rates on May 1 would mean that a portion of the storm restoration costs to be recovered are based entirely on estimates. In other words, if a filing is made on May 1, 2025, to recover storm restoration expense from June 1, 2024, through May 31, 2025, it would require all storm expenses in May to be based on estimates. Staff believes Rider SCR rates should not be updated until the actual expense data for the entire period is known. Thus, under Staff's proposal, the Companies' first filing for annual storm costs under Rider

SCR would be in August 2025 for recovery of costs from June 1, 2024, through May 31, 2025.

Staff recommends that rates go into effect 60 days after the application is filed, unless otherwise ordered by the Commission. Because this reduces regulatory lag, Staff recommends that no carrying charges be applied to the Major Event expenses recovered through Rider SCR.[9]

21. Q. Regarding the existing deferral, what expenses are currently eligible for deferral?

A. Currently, the Companies can defer expenses for any storm "in which the event (i.e., time to restore customer service due to the weather event) is anticipated to last longer than 12 hours (using local only crews) including the time required to pre-stage personnel for the event. In anticipation of the weather event the Regional Dispatch Office will hold-over or call-in crews and restoration personnel for such anticipated or actual weather events."[10]

22. Q. What is the balance of the existing deferral?

A. FirstEnergy witness Lawless' testimony details the estimated balance as of

[9] As a point of clarification, this recommendation is not intended to address carrying charges on the balance of the existing deferral. Staff believes the carrying charges on the balance of the existing deferral should be addressed in a separate proceeding.

[10] See response to Staff DR 7.

May 31, 2024, for each operating company.[11] The Companies have proposed that the balance be amortized and recovered over a five-year period and that carrying charges accrue on the unrecovered balance during recovery. The following table details the Companies' estimates for the balance of the deferral for each operating company as of May 31, 2024, the estimated interest to be accumulated while the balance is recovered, and the annual recovery during the 5-year period:

Line No.	Line Item	OE	CEI	TE	Total	Reference
1	Estimated Balance of Deferral as of 5/31/24	(13,385,315)	114,195,547	25,367,942	126,178,174	Att. JL-1 p. 2
2	Interest Accumulated During Recovery	(2,261,449)	19,293,338	4,285,914	21,317,803	Att. JL-1 p. 2
3	Total Recovery	(15,646,764)	133,488,885	29,653,856	147,495,977	Line 1 + Line 2
4	Annual Recovery (5-Year Amortization)	$ (3,129,353)	$ 26,697,777	$ 5,930,771	$ 29,499,195	Line 3 ÷ 5

It should be noted that the estimated balance of the deferral in Line 1 includes both the incremental expenses deferred, and carrying charges accrued over the duration of the deferral prior to recovery. The carrying charges included in Line 1 are separate from the carrying charges to be accrued during recovery which are listed in Line 2 – Interest Accumulated During Recovery. In other words, the Companies' proposal includes two sets of carrying charges: the amount accrued while the expenses were being deferred, but prior to being recovered (Line 1); and the amounts to be

[11] *Id.* Attachment JL-1.

accrued during recovery (Line 2).

23. Q. Does Staff have a recommendation regarding the balance of the existing deferral?

A. Staff recommends that audit of the deferral balance be completed in a separate proceeding. This can either be the Companies' upcoming rate case (which I understand they are required to file in May 2024), or a standalone proceeding.

In this separate proceeding, Staff or its designee would complete a comprehensive review of the deferral. During the course of this review, Staff or its designee would be permitted to evaluate any and all aspects of the deferral that Staff or its designee deem appropriate.

Additionally, Staff recommends recovery of the existing deferral not begin until after the conclusion of the audit, regardless of which proceeding the audit occurs.

24. Q. Why does Staff believe the audit of the deferral should be resolved in a separate proceeding?

A. The Companies have been deferring these storm expenses since 2009 and continue to defer additional expenses. For reference, the deferral includes nearly 350,000 line item expenses totaling $337.5 million through June 2023.[12] Since the Companies will continue to defer storm restoration costs until ESP V becomes effective, Staff believes a separate proceeding is necessary to ensure a comprehensive audit of the entire balance can be performed. The magnitude of the deferral means a significant amount of time is needed to ensure the balance is audited thoroughly and with the proper due diligence. Because the Companies have requested recovery of the deferral in this ESP case, Staff has begun to audit the expenses deferred through June 2023, and Staff believes the best approach would be to continue the current audit process with a goal of completing the audit sometime in the middle of 2024 (in a separate proceeding) once all amounts deferred through May 31, 2024, are known.

25. Q. Would the scope of this separate proceeding be limited to an audit of the deferred expenses?

A. In addition to auditing the deferred expenses and determining the amount to be recovered, Staff recommends all other aspects of the deferral be addressed. One aspect to be addressed would be the recovery period of the deferral. Although Staff has initial concerns about the Companies' proposal to amortize and recover the deferral over five years, Staff believes the

[12] See response to Staff DR 7. Staff notes that this figure represents the total expenses deferred, not the total balance of the deferral to be recovered. The total balance of the deferral to be recovered accounts for the amount of storm expenses in base rates as well as carrying charges.

recovery period should not be determined until after the amount to be recovered is known.

Rider TSA

26. Q. Describe the Tax Cuts and Jobs Act of 2017 ("TCJA") and how it affected utilities and ratepayers.

A. On December 22, 2017, the TCJA was signed into law. Among other changes, the TCJA lowered the federal corporate income tax rate from a maximum 35 percent to a flat 21 percent, effective January 1, 2018. Additionally, the reduction in the federal corporate tax rate resulted in excess accumulated deferred income taxes ("EDIT") balances because the amount of accumulated deferred income taxes that a public utility has recorded in its books exceeded the amount the public utility needs to pay its future for its federal income tax obligations. Ratepayers receive these benefits because the utility rates have been reduced to reflect the tax-related savings.

27. Q. Briefly describe EDIT and it is treated for ratemaking purposes.

A. EDIT falls into two categories, Normalized and Non-Normalized. The Normalized EDIT represents amounts that must be amortized in accordance with the Average Rate Assumption Method ("ARAM"), and Non-Normalized EDIT represents amounts that do not need to be amortized using ARAM.

For ratemaking purposes, the balance of accumulated deferred income taxes ("ADIT")[13] is used as a reduction to the Companies' rate base. As the EDIT is amortized the balance of deferred taxes used to reduce rate base decreases, which means the utility's rate base increases, all else being equal. Since a utility's revenue requirement is its rate base multiplied by its authorized rate of return, the revenue requirement increases as EDIT is amortized, all else equal.

28. Q. How are Companies' ratepayers receiving the benefits of the TCJA?

A. Rider TSA was established in Case Nos. 18-1656-EL-ATA ("Tax Case"),[14] and is the mechanism through which the Companies refund to customers the tax savings resulting from the TCJA. The tax savings refunded to customers through Rider TSA include two primary components: the annual income tax expense savings, and the refund of EDIT (both Normalized and Non-Normalized amounts).

29. Q. What component of Rider TSA is relevant to your testimony?

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[13] For clarification ADIT includes *all* deferred income taxes, both excess amounts and amounts deferred at a tax rate of 21 percent.

[14] *In the Matter of the Application of Ohio Edison Company, The Cleveland Electric Illuminating Company, and The Toledo Edison Company for Approval of a Tariff Change,* Case No. 18-1656-EL-ATA, et al.

A. Rider TSA recovers the cumulative return on rate base associated with the amortization Normalized EDIT (Cumulative Return) that would otherwise be recovered in the Companies' Rider DCR. The revenue requirement in Rider DCR is, in part, based on the difference in the balance of ADIT between the date certain in the Companies' previous rate case and the current Rider DCR period. The date certain balance of ADIT is fixed; therefore, the incremental balance of ADIT will reflect changes in the balance between the prior rate case and the current Rider DCR period. Because the balance of EDIT is included in the total ADIT balance, the Rider DCR revenue requirement will reflect the increase to rate base as a result of the amortization of EDIT.

30. Q. How was the Cumulative Return addressed in the Tax Case?

A. As part of the stipulation in the Tax Case, parties agreed to keep the balance of Normalized EDIT in Rider DCR fixed at the December 31, 2017, balances, and the Cumulative Return, which would otherwise be recovered in Rider DCR, would instead be recovered in Rider TSA.[15]

31. Q. What is Staff's recommended modification to Rider TSA?

A. If the Commission adopts Staff's recommendation to remove non-

[15] *Id.* Opinion & Order (July 7, 2019).

distribution plant from Rider DCR, the Cumulative Return on Normalized EDIT attributable to non-distribution should be removed from Rider TSA. This recommendation would remove and render ineligible for recovery in Rider TSA all of the Cumulative Return on Normalized EDIT related to non-distribution plant, which means that the associated Cumulative Return would be ineligible for inclusion in Rider TSA on a going-forward basis, and the total historical amounts currently reflected in Rider TSA rates would be removed from Rider TSA (i.e., the Cumulative Return on the total amortization of non-distribution Normalized EDIT from January 1, 2018).

32. Q. Why does Staff's recommendation to modify Rider DCR require a corresponding modification to Rider TSA?

A. The Cumulative Return recovered in Rider TSA represents amounts that would otherwise be recovered in Rider DCR. Therefore, if Normalized EDIT attributable to non-distribution plant is removed from Rider DCR, Rider TSA should be modified to remove the Cumulative Return on Normalized EDIT related to non-distribution plant. This modification is necessary because if the Commission adopts Staff's recommendation to remove non-distribution plant from the DCR, the Companies will no longer be able to recover through the DCR the rate-base-related effect of the Normalized EDIT associated with non-distribution plant. Since the Cumulative Return included in Rider TSA reflects amounts that would otherwise be included in the DCR, if a certain portion of the Normalized EDIT is related to plant investment that is no longer eligible to be included in the DCR, the Cumulative Return on the Rider DCR-ineligible EDIT should be removed Rider TSA. Put simply, if the rate base-related effect Normalized EDIT associated with non-distribution plant is not eligible for recovery in Rider DCR, it should not be eligible for recovery in Rider TSA as well.

33. Q. Does this conclude your testimony?

A. Yes. However, I reserve the right to submit supplemental testimony as new information subsequently becomes available or in response to positions taken by other parties.

PROOF OF SERVICE

I hereby certify that a true copy of the foregoing **Direct Testimony of Jonathan J. Borer** submitted on behalf of the Staff of the Public Utilities Commission of Ohio, was served via electronic mail, upon the following parties of record, this 30th day of October, 2023.

/s/ Thomas G. Lindgren
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