

**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**

**NATALIA MESSENGER**

**ON BEHALF OF THE STAFF OF THE  
PUBLIC UTILITIES COMMISSION OF OHIO**

**STAFF EXHIBIT \_\_\_\_**

**October 30, 2023**

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

2 A. My name is Natalia Messenger. My business address is 180 E. Broad St,  
3 Columbus, Ohio, 43215.

4

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

6 A. I am employed by the Public Utilities Commission of Ohio (PUCO or  
7 Commission) as a Public Utilities Administrator in the Accounting and  
8 Finance Division of the Rates and Analysis Department.

9

10 3. Q. Briefly describe your educational background.

11 A. I have earned a Bachelor of Arts degree from The Ohio State University  
12 and a law degree from Capital University Law School. I am a licensed  
13 attorney in the State of Ohio.

14

15 4. Q. Briefly outline your work experience.

16 A. I began working in my current position in March, 2022. I supervise a team  
17 of analysts in conducting financial audits of electric distribution utilities  
18 subject to the jurisdiction of the PUCO and assist in the review of standard  
19 service offer applications filed under R.C. 4928.141.

20

21 Prior to joining the Rates and Analysis Department, I worked as a Staff

1 attorney in the PUCO's Legal Department and as an Assistant Attorney  
2 General representing the PUCO.  
3

4 5. Q. What is the purpose of your testimony?

5 A. The purpose of my testimony is to (i) show that the electric security plan  
6 (ESP) proposed by Ohio Edison Company, The Cleveland Electric  
7 Illuminating Company, and The Toledo Edison Company (collectively,  
8 FirstEnergy or the Companies), as modified by the recommendations found  
9 in Staff's testimony, is more favorable in the aggregate than a hypothetical  
10 market-rate offer (MRO), and (ii) propose modifications to the Vegetation  
11 Management Cost Recovery Rider (Rider VMC) proposed by FirstEnergy  
12 in its application.  
13

14 **More Favorable in the Aggregate Test**

15 6. Q. Is the ESP, as modified by Staff's recommendations, more favorable in the  
16 aggregate than a hypothetical MRO, pursuant to R.C. 4928.143(C)(1)?

17 A. Yes, when all the provisions are considered, the ESP proposed by  
18 FirstEnergy, as modified by Staff's recommendations, is more favorable in  
19 the aggregate than a hypothetical MRO. In comparing the difference  
20 between an ESP and an MRO, I considered both quantitative and qualitative  
21 factors.  
22

1     7.     Q.     What are the quantitative factors you considered in your analysis?

2           A.     Because the Application provides for the SSO load to be procured through a  
3           competitive bidding process, there is no difference between market-based  
4           SSO rates under an ESP or an MRO.

5  
6           Distribution riders that are included in the ESP do not add costs to the ESP  
7           as compared to an MRO because the costs recovered through those riders  
8           would be subject to recovery in a base distribution rate case under an MRO.

9  
10          A quantitative benefit of the ESP are the shareholder-funded programs,  
11          which benefit consumers without added costs. Such programs are not  
12          required as part of an MRO.

13  
14     8.     Q.     What are the qualitative factors you considered in your analysis?

15          A.     The Application, with Staff's proposed modifications, provides important  
16          benefits to ratepayers, including low-income assistance programs, limiting  
17          bill impacts to consumers, and establishing riders that promote transparency  
18          through annual audits.

19  
20          For example, Staff's proposals for the Storm Cost Recovery Rider and the  
21          Vegetation Management Recovery Rider limit recovery of incremental  
22          spending until a base distribution rate case is filed and provide for an

1 annual prudence audit. Additionally, the new Energy Efficiency Rider  
2 provides benefits for low-income residential customers through programs  
3 targeted at educating and assisting those customers in lowering their energy  
4 usage.

5 To the extent that the different provisions contained in the ESP provide  
6 added costs, they are outweighed by the benefits provided.

7  
8 **Vegetation Management Cost Recovery Rider**

9 9. Q. What is the Companies' proposal for Rider VMC?

10 A. Rider VMC is intended for recovery of incremental vegetation management  
11 operations and maintenance (O&M) expenses compared to the baseline  
12 recovered in base distribution rates, which is about \$30 million. The  
13 Companies will update the rider rates annually in May with rates going into  
14 effect June 1 and will file an application every October for an audit of the  
15 previous year's costs. Rider VMC will be subject to reconciliation based on  
16 these annual audits. Further, the Companies propose that total vegetation  
17 management expenses be capped at \$759.8 million over eight years.<sup>1</sup>

18  
19 10. Q. Does Staff support the Companies' proposal for Rider VMC?

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<sup>1</sup> Direct Testimony of Brandon S. McMillen at 19 (April 5, 2023).

1           A.     Staff supports approval of Rider VMC as of June 1, 2024 (*i.e.*, the start of  
2                   the new ESP) but recommends that the Commission (i) approve caps lower  
3                   than those proposed in the Companies' application, and (ii) revisit those  
4                   caps in the Companies' upcoming base distribution rate case.

6   11.   Q.     What are Staff's proposed caps for Rider VMC?

7           A.     Staff proposes the following annual caps on recovery of vegetation  
8                   management expenses for Rider VMC:

- 9           •     Year 1 \$22.1 million<sup>2</sup>
- 10          •     Year 2 \$23.7 million
- 11          •     Year 3 \$25.3 million
- 12          •     Year 4 \$26.9 million
- 13          •     Year 5 \$28.6 million
- 14          •     Year 6 \$30.4 million

15               Staff's proposal would amount to \$334.6 million over 6 years—a  
16               significant reduction to the Companies' proposal of \$759.8 million over 8  
17               years.<sup>3</sup>

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<sup>2</sup> As discussed below, in Year 1, there would also be a \$14.6 million credit to customers in Rider VMC related to a final reconciliation of inactive riders. The total charges under Rider VMC in Year 1, therefore, would not exceed \$7.5 million.

<sup>3</sup> I am recommending caps for a six-year term because Staff witness Healey recommends a six-year term for the Companies' ESP instead of the Companies' proposed eight-year term.

12. Q. Please explain Staff's proposal.

A. In his testimony, FirstEnergy witness Standish estimated O&M expenses for the Companies' proposed vegetation management program. The cost breakdown provides estimates for completing minimum regulatory work and additional reliability improvements.<sup>4</sup> Based on Staff's review of the Companies' recent historical vegetation management spending and reliability performance, the cost estimates for completing minimum regulatory work are reasonable estimates for required vegetation management spending during the term of the ESP. Thus, Staff set its recommended Rider VMC caps at the amount that the Companies stated they need to spend to meet their regulatory requirements, minus the amount that is already being collected in base distribution rates.

Further, any caps set by the Commission in this ESP case should be revisited in the upcoming base distribution rate case to, at a minimum, account for any change in baseline vegetation management spending approved in the rate case.

13. Q. Does Staff propose any other modifications for Rider VMC?

A. Staff proposes the following modifications to Rider VMC:

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<sup>4</sup> Direct Testimony of Shawn T. Standish, Attachment STS-2 (April 5, 2023).

- 1           1)     Rates will become effective 60 days after filing, unless otherwise  
2                     ordered by the Commission. The Companies' proposal<sup>5</sup> of rates  
3                     going into effect on June 1 following a May filing does not provide  
4                     sufficient time for Staff to identify issues that may prompt the  
5                     Commission to pause the updated rates.
- 6           2)     No carrying charges should be applied to Rider VMC rates. An  
7                     annual reconciliation and updated rates for Rider VMC that go into  
8                     effect 60 days after filing significantly reduces regulatory lag in cost  
9                     recovery for the Companies. It is not necessary to apply carrying  
10                    charges in addition to the increased vegetation management costs to  
11                    consumers.

12

13           **Inactive Riders**

- 14   14.   Q.     What is FirstEnergy's proposal regarding inactive riders?
- 15           A.     FirstEnergy has outstanding balances associated with inactive or expired  
16                   riders and tariff provisions. FirstEnergy is proposing to reconcile the  
17                   balances, a net liability of \$14.6 million, through Rider VMC. The 12  
18                   outstanding balances are found in the testimony of Companies' witness  
19                   McMillen.<sup>6</sup>
- 20

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<sup>5</sup> See Direct Testimony of Brandon S. McMillen at 20 (April 5, 2023).

<sup>6</sup> See Direct Testimony of Brandon S. McMillen at 15 (April 5, 2023).



1 15. Q. What is Staff's position on the recovery of deferral balances for inactive  
2 riders and expired tariffs?

3 A. Staff does not object to the recovery of the deferral balances. Staff verified  
4 the Commission authority for each deferral as well as the unrecovered  
5 balance of each.

6

7 16. Q. Does this conclude your testimony?

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

## PROOF OF SERVICE

I hereby certify that a true copy of the foregoing **Direct Testimony of Natalia Messenger** 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 30<sup>th</sup> day of October, 2023.

/s/ Thomas G. Lindgren

**Thomas G. Lindgren**  
Assistant Attorney General

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Naeder on behalf of PUCO.