

**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**

CRAIG SMITH

**SERVICES MONITORING AND ENFORCEMENT DEPARTMENT
RELIABILITY AND SERVICE ANALYSIS DIVISION**

STAFF EXHIBIT__

October 30, 2023

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

2 A. My name is Craig Smith. My business address is 180 East Broad Street,
3 Columbus, Ohio 43215.
4

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

6 A. I am employed by the Public Utilities Commission of Ohio (“PUCO”). I am
7 a Public Utilities Administrator with the Reliability and Service Analysis
8 Division within the Service Monitoring and Enforcement Department. My
9 current duties include the oversight of service reliability, consumer
10 protection policies and rules for gas, water, and electric, as well as low-
11 income assistance programs.
12

13 3. Q. Would you briefly state your educational background and work experience.

14 A. I received a Bachelor of Arts degree that included a Major in Political
15 Science and a Minor in Chemistry from Denison University. I received a
16 Master’s degree in Public Administration from The Ohio State University. I
17 received a Juris Doctor from Capital University. In addition, I completed
18 over a dozen post-baccalaureate classes in accounting from Columbus State
19 Community College.
20

21 While obtaining my Master’s and Law degrees, I served as a management
22 and legal intern with the Public Utilities Commission of Ohio in the

1 Consumers Services Department. After Law School, I began employment
2 with the Ohio Department of Taxation. While at the Department of Taxa-
3 tion I was employed as an Internal Audit Supervisor 2, Chief Counsel
4 Supervisor 2 in Tax Appeals, and as a Deputy Tax Commissioner. I have
5 also been a private sector attorney and a Certified Internal Auditor (2006-
6 2017).

7
8 In January of 2014, I accepted a Utilities Specialist 1 position with the
9 Public Utilities Commission of Ohio in the Accounting and Electricity
10 Division. In October of 2014, I accepted a Utilities Specialist 2 position
11 with the Public Utilities Commission of Ohio in the Reliability and Service
12 Analysis Division. And in October of 2015, I accepted my current position,
13 a Public Utilities Administrator 2 with the Public Utilities Commission of
14 Ohio in the Reliability and Service Analysis Division.

15
16 4. Q. What was your responsibility in this case?

17 A. My responsibility in this case was to review the application, specifically the
18 low-income assistance programs.

19
20 5. Q. Have you testified in previous cases before the PUCO?

21 A. Yes.
22

1 6. Q. What is the purpose of your testimony?

2 A. The purpose of my testimony is to provide Staff's recommendation and
3 review of the application's low-income assistance programs. In addition,
4 my testimony will address the recommendations of Interstate Gas and
5 Supply, LLC ("IGS") regarding the PUCO/OCC assessment and
6 uncollectible generation expense.
7

8 **Affordability**

9 7. Q. The Application¹ of Ohio Edison Company, The Cleveland Electric
10 Illuminating Company, and The Toledo Edison Company (collectively, the
11 "Companies" or "FirstEnergy") and the testimony of Santino L. Fanelli²
12 both describe affordability as an objective of the ESP plan proposed. Does
13 Staff believe that the ESP plan proposed rates are affordable?

14 A. No. Staff believes that the proposed rates for at least some residential
15 customers are burdensome, and that the ESP plan does not address
16 affordability for these customers. Staff, however, believes the use of
17 shareholder funds to assist at-risk customers is beneficial in addressing
18 affordability.
19

¹ *In re the Application of Ohio Edison Company, The Cleveland Electric Illuminating Company, and The Toledo Edison Company for Authority to Establish a Standard Service Offer Pursuant to R.C. 4928.143 in the Form of an Electric Security Plan (FirstEnergy ESP V)*, Case No. 23-301-EL-SSO, Application at 1-2 (April 5, 2023).

² *FirstEnergy ESP V*, Case No. 23-301-EL-SSO, Direct Testimony of Santino L. Fanelli at pages 5-6.

1 8. Q. Why does Staff believe that rates are burdensome?

2 A. The Application does not define affordability or provide a measurement to
3 suggest a goal or target for affordability. Staff believes a general definition
4 of affordability to be a standard of living at a price that does not impose an
5 unreasonable burden on households. And as explained further in my
6 testimony, for some of the Applicant's customers, affordability is a
7 concern.

8
9 9. Q. How has affordability been measured for electric service in the past and
10 what has been considered an unreasonable burden on households?

11 A. Staff has generally relied upon a ratio of expenditure to total household
12 income as a ratio of affordability. For instance, the Percentage of Income
13 Payment Plan Plus ("PIPP") uses such a ratio of 10% for all electric
14 premises and 5% for gas and electric premises to determine a PIPP
15 customer's share of payments.

16
17 The Ohio Department of Development recently reduced the PIPP ratio for
18 electric from 6% to 5% in Ohio.Adm.Code 122:5-3-04(A)(1). Staff believes
19 that households that spend more than 5% (10% for all electric premises) of
20 their household income on electric service are approaching an unreasonable
21 burden on the household.

22

1 10. Q. Does Staff believe that an Ohio median income household would find
2 electric service as presented in the application as unaffordable based on a
3 5% ratio?

4 A. No. A median household income of \$61,938³ with a 1,000 kWh monthly
5 usage at the proposed bill year 1 amount of \$190.25 would amount to a
6 ratio of 3.7%, which is under a 5% ratio.

7
8 11. Q. Can Staff identify when customers would exceed the ratio of 5% based on
9 the application?

10 A. Yes. The application proposes a monthly year 1 bill amount of \$190.25 for
11 a typical residential customer using 1,000 kWh per month which calculates
12 an annual expense of \$2,283. Customers with household incomes of
13 \$45,660 or less would have a 5% or greater ratio based on the application's
14 proposed year 1 bill.

15
16 12. Q. Other than using a 5% ratio of household income to expenditure for electric
17 service, does Staff have additional concerns demonstrating a decline in
18 customers standard of living?

19 A. Yes, based on monthly data reported through the PIPP Metrics Report,
20 residential monthly usage has dropped from between 16% and 25% in June

³ US Census website /www.census.gov/quickfacts/fact/table/OH/INC110221.

1 of 2022 to between 11% and 13% in July of 2023, depending upon the
2 Applicant's operating company and has remained below year over year
3 usage for 2021 and 2022 for residential customers. Customers' standard of
4 living, namely the amount of electricity usage, declined as prices increased
5 during June with standard service offer ("SSO") generation price changes.
6

7 13. Q. Does Staff have an explanation for the drop in usage?

8 A. Yes. Staff believes that it is directly tied to the increase in the SSO rate for
9 generation. A similar reduction in household usage occurred for other Ohio
10 utilities which increased their SSO rates earlier.
11

12 14. Q. Has the increase in electric service price resulted in the consequence of a
13 significant increase in customer disconnections?

14 A. No, Staff believes the Companies are not experiencing a significant rise in
15 disconnections at this time. Disconnections for the Companies in June and
16 July of 2023 were at a five-year high and up almost 6% from the same
17 period in 2022. However, disconnections are at the same level as in 2018
18 and are not at an unaffordable condition forcing customers to disconnect.
19 Staff believes that several factors have contributed to the avoidance of a
20 significant increase in disconnections during the summer of 2023.
21

1 There have been several governmental actions taken over the last three
2 years and more recently with the suspension of disconnections for 30 days
3 for those seeking low-income assistance.⁴ The federal government
4 throughout 2021 and 2022 provided additional low-income assistance for
5 utility service through the various COVID stimulus packages. In addition,
6 Ohio expanded the income eligibility for PIPP from 150% to 175% as well
7 as a disconnection moratorium for the Companies between April 2020 and
8 September 2020.

9
10 In addition, the Ohio labor market remains tight with household incomes
11 increasing and unemployment low.

12
13 15. Q. Does Staff have concerns regarding disconnections?

14 A. Staff does have concerns that disconnections of electric service are
15 increasing. Post-Covid, the resources available for payment assistance with
16 electric service have diminished. Income eligible customers can utilize
17 PIPP to keep their service affordable as well as assistance through the
18 Home Energy Assistance Program (“HEAP”) and the federal
19 weatherization and crisis programs. But as identified above, those not
20 eligible for PIPP but with a household income less than \$45,660 may be

⁴ See *In re the Commission’s Consideration of Solutions Concerning the Disconnection of Gas and Electric Service in Winter Emergencies for the 2022-2023 Winter Heating Season*, Case No. 22-668-GE-UNC, Finding and Order (July 12, 2023).

1 struggling with affordability. Residential customers, including PIPP
2 customers, have reacted to the increased prices in June by reducing their
3 usage significantly. Staff believes the reduction in usage to be a clear
4 demonstration of customers not finding value in their electric service and
5 pulling back on its use. Any downturn in household incomes or
6 employment, however, will further impact disconnections as customers
7 have pulled back on consumption already which precedes potential
8 payment concerns.

9
10 16. Q. Does Staff propose any recommendations to assist with affordability?

11 A. Yes, Staff recommends that the Companies expand the shareholder funded
12 bill assistance beyond the traditional low-income customer (household
13 income below 175% of Federal income guidelines) to customers who are at
14 risk of disconnection but do not qualify for low-income assistance.

15
16 **Stewardship**

17 17. Q. The Companies' application⁵ and the testimony of Santino L. Fanelli⁶ both
18 describe stewardship as an objective of the ESP plan proposed. Does Staff
19 support the ESP plan's proposed stewardship assistance for low-income
20 and senior customers as described in the application?

⁵ *FirstEnergy ESP V*, Application at page 2.

⁶ *FirstEnergy ESP V*, Direct Testimony of Santino L. Fanelli at pages 6-9.

1 A. No. Staff has concerns regarding the proposed bill assistance as well as the
2 senior discount.

3
4 18. Q. What are Staff's concerns regarding the proposed bill assistance?

5 A. The Companies' proposal is modeled on their existing bill assistance
6 program that was initiated from their last ESP. FirstEnergy is proposing
7 \$20 million in bill payment assistance or \$2.5 million per year of the
8 proposed ESP. One change from the current bill payment assistance is a
9 new administrator through a competitive process and availability to
10 customers of all three Companies instead of only a single company.

11
12 Staff has monitored and reviewed the current bill assistance program
13 throughout the duration of the current ESP and has observed mixed results.

14 The bill assistance program administered through OPAE, which
15 FirstEnergy proposes to continue, successfully distributed bill assistance
16 and timely provided aid during the period between the end of the Special
17 Reconnection Order and the Summer Crisis Program. Staff's review of this
18 program is positive. The discontinued bill program, however, failed to
19 assist customers as designed and should not be repeated. In addition, the
20 program was not available to customers of Toledo Edison or Ohio Edison,
21 limiting its reach. Staff believes that changing administrators will not
22 necessarily correct the deficiencies of the current process. In addition, Staff

1 believes that bill assistance should not just focus on low-income customers
2 but customers at risk of disconnection beyond the traditional low-income
3 customer. As noted above, affordability for those households just above
4 175% of the federal income guidelines is concerning and these customers
5 are increasingly at risk of disconnection with little to no bill assistance
6 available.

7
8 Staff generally is neutral or silent regarding the use of shareholder money
9 as these funds are outside the purview of rates. FirstEnergy, however, has
10 included the programs within its Application and Staff supports the
11 Companies overall efforts at stewardship regarding bill assistance.
12 However, Staff believes that increased efforts are necessary to ensure
13 money is provided to customers not just in need but at risk of
14 disconnection.

15
16 19. Q. What are Staff's recommendation regarding the proposed bill assistance?

17 A. Staff recommends that FirstEnergy continue the bill assistance through
18 OPAE. Staff, however, does not support the second proposed bill assistance
19 program based on the results of the existing program. Staff does believe,
20 however, that the Companies should designate some bill assistance towards
21 customers at risk of disconnection including customers above the 175% of
22 the Federal income guidelines and not just low-income. Staff recommends

1 that the Companies expand the funding and eligibility for the three
2 emergency hardship funds (Project REACH, Community Outreach
3 Opportunity Program, and Neighbors helping Neighbors) administered by
4 the Salvation Army or develop and fund an internal bill assistance program
5 like AEP's neighbor to neighbor program⁷ to assist customers in crisis of
6 disconnection and who may be above the 175% threshold for low-income
7 assistance. Staff believes that bill assistance should be available to
8 customers first at risk of disconnection including customers above 175% of
9 the Federal income Guidelines. Staff recommends that customers under
10 300% of the Federal income Guidelines should be eligible for bill
11 assistance. There are few programs or assistance for customers just above
12 the federal income guidelines yet many of these customers face the same
13 affordability burdens. In addition, for customers having difficulty
14 navigating the income assistance process or who otherwise might not be
15 eligible, an additional resource to prevent disconnection is helpful.

16
17 20. Q. Does Staff have additional recommendations to assist low-income
18 customers?

19 A. Staff recommends that the Companies engage with customers at resource
20 fairs and community events, particularly in conjunction with Community

⁷ <https://www.aepohio.com/community/caring/neighbor-to-neighbor>

1 Action Agencies and municipal and county governments to educate
2 customers on available resources for assistance, and to directly assist
3 customers with applications for assistance enrolling in payment plans
4 during those events. Staff also recommends that FirstEnergy continue to
5 educate customers regarding the price of SSO generation service and the
6 impact that has on their bills.

7
8 21. Q. What are Staff's concerns regarding the \$5 senior credit?

9 A. FirstEnergy is proposing to credit \$5 per bill for customers 65 and older to
10 be funded through \$16 million in shareholder money at \$2 million per year.
11 Staff generally is neutral or silent regarding the use of shareholder money
12 as these funds are outside the purview of rates. FirstEnergy, however, has
13 included the programs within its Application and Staff supports the
14 Companies' efforts at stewardship regarding bill assistance. However, Staff
15 does have concerns with providing some customers such as seniors with a
16 reduced cost to serve that is not tied to any causation, need, or risk.
17 Customers over 65 would certainly appreciate a \$5 bill credit from the
18 applicant's shareholders, but so would other customers who are struggling
19 to pay.

20
21 22. Q. What are Staff's recommendations regarding the \$5 senior credit?

1 A. Staff recommends that the Companies direct the \$16 million towards
2 seniors at risk of disconnection as bill assistance instead of a \$5 monthly
3 credit for all residential customers over 65.

4
5 23. Q. What are Staff's recommendations for FirstEnergy's low-income assistance
6 programs?

7 A. FirstEnergy has proposed bill assistance or fuel funds to be administered by
8 third parties as well as a \$5 bill credit for seniors both funded with
9 shareholder money. Staff supports the continued funding of the OPAE bill
10 assistance program. Staff, however, recommends that the Companies create
11 an internal bill assistance program to assist customers that might not have
12 other options and are at immediate risk of disconnection, or add to the
13 existing hardship emergency funding and eligibility if necessary. Staff also
14 recommends that the Companies target at-risk seniors with bill assistance
15 instead of a \$5 credit program. Finally, Staff would recommend that the
16 Companies provide Staff with annual accountings for each of the bill
17 assistance programs.

18
19 24. Q. Will Staff's recommendations further the State Policy in R.C. § 4928.02(L)
20 of protecting at-risk populations?

21 A. Yes, Staff believes that by targeting both low-income customers and
22 customers at risk of disconnection with bill assistance programs, State

1 Policy is furthered. FirstEnergy's proposed bill assistance program only
2 applies to low-income customers instead of targeting at risk customers who
3 may not necessarily fall within the Federal income guidelines for
4 assistance. Similarly, the \$5 bill credit proposed in the application for
5 customers over 65 does not target either low-income or at-risk customers
6 but provides relief for customers based only on age. Staff's
7 recommendation to provide these monies for specific bill assistance for at-
8 risk customers over 65 instead of the entire senior population is in line with
9 protecting at-risk customers.

10
11 25. Q. Does Staff have any additional recommendations?

12 A. Yes, Staff believes that an annual reporting to Staff on the results of each of
13 the bill assistance programs is beneficial in evaluating and monitoring the
14 programs. The annual disclosures during the current ESP regarding the
15 assistance programs have been valuable to Staff.

16
17 26. Q. IGS witness, Matthew White in his direct testimony⁸ recommends
18 removing all SSO generation-related uncollectible expense from
19 distribution rates. Does Staff agree?

⁸ *FirstEnergy ESP V*, Testimony of Mathew White on Behalf of Interstate Gas Supply, LLC and the Retail Energy Supply Association at page 9 (Oct. 23, 2023).

1 A. No. As the provider of last resort for default service, the Companies’
2 inclusion of SSO generation uncollectible expense is consistent with
3 established practices. These costs are distribution costs and thus
4 recoverable in distribution rates.

5
6 27. Q. IGS witness, Matthew White in his direct testimony⁹ recommends that the
7 Companies unbundle the PUCO/OCC assessment related to SSO revenue.
8 Does Staff agree?

9 A. No. The Companies, as the provider of last resort for default service, should
10 include the PUCO/OCC assessment expense for SSO generation in
11 distribution rates. These costs are distribution costs and thus recoverable in
12 distribution rates.

13
14 28. Q. Does this conclude your testimony?

15 A. Yes, this concludes my testimony. However, I reserve the right to submit
16 supplemental testimony as described herein, as new information
17 subsequently becomes available or in response to positions taken by other
18 parties.

⁹ *Id.* at page 7.

PROOF OF SERVICE

I hereby certify that a true copy of the foregoing **Direct Testimony of Craig Smith** 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

Thomas G. Lindgren

Assistant Attorney General

Parties of Record:

mkurtz@BKLawfirm.com;
jkylercohn@BKLawfirm.com;
trhayslaw@gmail.com;
Leslie.kovackik@toledo.oh.gov;
cgrundmann@spilmanlaw.com;
dwilliamson@spilmanlaw.com;
slee@spilmanlaw.com;
bojko@carpenterlipps.com;
easley@carpenterlipps.com;
dstinson@brickergraydon.com;
gkrassen@nopec.org;
dparram@brickergraydon.com;
rmains@brickergraydon.com;
dborchers@brickergraydon.com;
kherrnstein@brickergraydon.com;
glpetrucci@vorys.com;
mjsettineri@vorys.com;
aasanyal@vorys.com;
Stacie.Cathcart@igs.com;
Michael.nugent@igs.com;
Evan.betterton@igs.com;
ahaque@bakerlaw.com;
eprouty@bakerlaw.com;
pwillison@bakerlaw.com;

todd.schafer@outlook.com;
jpetroff@lawforlabor.com;
jrb@smxblaw.com;
mkl@smxblaw.com;
jrb@sxblaw.com;
MKeaney@beneschlaw.com;
KHehmeyer@beneschlaw.com;
bknipe@firstenergycorp.com;
cwatchorn@firstenergycorp.com;
TAlexander@beneschlaw.com;
Paul@carpenterlipps.com;
Brian.gibbs@nationwideenergypartners.com;
dromig@nationwideenergypartners.com;
emcconnell@elpc.org;
trent@hubaydougherty.com;
mpritchard@mcneeslaw.com;
awalke@mcneeslaw.com;
cpirik@dickinsonwright.com;
todonnell@dickinsonwright.com;
kshimp@dickinsonwright.com;
knordstrom@theOEC.org;
ctavenor@theOEC.org;
eowoyt@vorys.com;
jdunn@oneenergyllc.com;

john.finnigan@occ.ohio.gov;
keith.layton@occ.ohio.gov;
connor.semple@occ.ohio.gov;
rdove@keglerbrown.com;
nbobb@keglerbrown.com;
meissnerjoseph@yahoo.com;
little@litohio.com;
hogan@litohio.com;

ktreadway@oneenergylc.com;
whitt@whitt-sturtevant.com;
jang@calfee.com;
mbarbara@calfee.com;
dproano@bakerlaw.com;
ahaque@bakerlaw.com;
eprouthy@bakerlaw.com;
pwillison@bakerlaw.com

Attorney Examiners:

megan.addison@puco.ohio.gov;
gregory.price@puco.ohio.gov;
jacqueline.St.John@puco.ohio.gov

**This foregoing document was electronically filed with the Public Utilities
Commission of Ohio Docketing Information System on**

10/30/2023 4:27:00 PM

in

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

Summary: Testimony Direct Testimony of Craig Smith, Services Monitoring and Enforcement Department, Reliability and Service Analysis Division electronically filed by Mrs. Kimberly M. Naeder on behalf of PUCO.