

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**

KRYSTINA SCHAEFER

**ON BEHALF OF THE STAFF OF THE
PUBLIC UTILITIES COMMISSION OF OHIO
GRID MODERNIZATION AND RETAIL MARKETS
DIVISION WITHIN THE RATES AND ANALYSIS DEPARTMENT**

STAFF EXHIBIT ____

October 30, 2023

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

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

5 2. Q. By whom are you employed?

6 A. I am employed by the Public Utilities Commission of Ohio (“PUCO” or
7 “Commission”) as Chief of the Grid Modernization and Retail Markets
8 Division within the Rates and Analysis Department.
9

10 3. Q. Would you briefly state your educational and work experience?

11 A. I received a Bachelor of Science degree in Political Science with a minor in
12 Business from The Ohio State University, a Master of City and Regional
13 Planning degree from The Ohio State University, and a Master of Business
14 Administration degree from Capital University.

15 In September of 2010, I joined the PUCO full-time as a Utility Analyst in
16 the Efficiency and Renewables Division of the Energy and Environment
17 (E&E) Department. In March of 2011, I was promoted to a Public Utilities
18 Administrator 1 position in the Facilities, Siting and Environmental
19 Analysis Division of the E&E Department. In August of 2014, I was
20 promoted to a Public Utilities Administrator 2 position in the Forecasting,
21 Markets and Corporate Oversight Division of the Rates and Analysis

1 Department. Most recently, in February of 2017, I was promoted to my
2 current position.

3
4 4. Q. Have you testified in previous cases before the PUCO?

5 A. Yes, I have provided written testimony and been cross-examined in a
6 number of cases before the Commission, including distribution rate cases,
7 electric security plan cases, and other unclassified electric cases.

8
9 5. Q. What is the purpose of your testimony?

10 A. The purpose of my testimony is to address the Companies'¹ proposal to
11 provide \$16 million of shareholder funds during the electric security plan
12 ("ESP") term to support the electric vehicle ("EV") transition (at least \$12
13 million) and invest in grid resilience and innovation (\$4 million).
14 I will also address the Companies' proposal to maintain – without
15 modification – several voluntary time varying rate ("TVR") options for
16 standard service offer ("SSO") customers, in lieu of the rates available
17 under the standard generation service rider, which includes Rider
18 Experimental Critical Peak Pricing ("CPP"), Rider Experimental Real Time
19 Pricing ("RTP"), Rider Residential Critical Peak Pricing ("RCP"), and
20 Rider Commercial High Load Factor Experimental TOU ("HLF").

¹ The Companies are, collectively, Ohio Edison Company, The Cleveland Electric Illuminating Company, and The Toledo Edison Company.

1
2 Shareholder Funded EV & Battery Storage

3 6. Q. Please provide a description of the Companies' proposal for shareholder
4 funded EV and battery storage projects.

5 A. The Companies propose to provide \$16 million of shareholder funds during
6 the ESP term to support the EV transition (at least \$12 million) and to
7 invest in grid resilience and innovation (\$4 million).

8 The \$12 million to support the EV transition includes a commercial web
9 application, marketing, and communications campaigns around the EV
10 transition and potential benefits (\$0.5-\$0.7 million annually), financial
11 assistance for customers to support grant writing to obtain government
12 funding (\$0.4-\$0.6 million annually), educational toolkits for auto
13 dealerships (\$0.1 million annually), and financial assistance for customers
14 to obtain fleet advisory services (\$0.3-\$0.5 million annually).

15 The \$4 million for grid resilience and innovation is specifically intended to
16 support the Companies' concept paper application on a Storage as a
17 Distribution Asset ("SADA") project submitted for consideration of
18 funding under U.S. Department of Energy's ("DOE") Grid Innovation
19 Program ("GIP") of the Infrastructure Investment and Jobs Act ("IIJA"). If
20 the application is not accepted by DOE, then the Companies propose to
21 allocate all \$16 million towards EV education efforts and financial
22 incentives to encourage EV adoption. If the Companies are unable to spend

1 the entire \$16 million, then the remaining amounts will be allocated to low-
2 income programs.

3
4 7. Q. Does Staff support the Companies' proposed use of shareholder funds to
5 support the EV transition?

6 A. Staff believes there is value in electric distribution utilities exploring the
7 impacts associated with the EV transition to help inform distribution system
8 planning and, ideally, to develop rate design options to support the efficient
9 use of the distribution system in accordance with R.C. 4928.02(A).

10 Further, there is applicability to the state policy contained in R.C. 4928.02
11 (J) and (N) to "provide coherent, transparent means of giving appropriate
12 incentives to technologies that can adapt successfully to potential
13 environmental mandates while also facilitating the state's effectiveness in
14 the global economy" as noted in Case No. 20-434-EL-COI.²

15 Staff is generally supportive of the Companies' utilization of shareholder
16 funds to support the EV transition but believes the program design needs to
17 be limited to activities appropriate for an electric distribution utility
18 company, since the commitment is being made pursuant to R.C. 4928.143.

19 8. Q. What is Staff's recommendation regarding the Companies' proposed use of
20 shareholder funds to support the EV transition?

² *In the Matter of the Commission's Investigation into Electric Vehicle Charging Service in the State*, Case No. 20-434-EL-COI, Finding & Order, at 2 (July 1, 2020).

1 A. Staff recommends that the Companies’ proposal to provide at least \$12
2 million in shareholder funds to support the EV transition be approved, but
3 recommends that the Companies modify the program design so that their
4 associated activities are limited to those directly related to providing
5 distribution service, *e.g.*, customer education about rate options for EVSE
6 site hosts, shareholder funded credits to encourage charging during times of
7 low localized distribution system demand, or improvements to the siting
8 and interconnection process for EVSE. To develop a modified EV transition
9 program, the Companies should meet with interested parties within 90 days
10 of an Opinion and Order in the current case to discuss how the money
11 should best be spent. For any shareholder funded EV transition programs,
12 the Companies should file annual status updates in the current case to detail
13 progress and associated spending each year.

14
15 9. Q. Does Staff support the Companies’ proposed shareholder funds to support
16 the battery storage project under the GIP of the IIJA?

17 A. Yes, Staff supports the Companies’ pursuit of funding opportunities under
18 the Grid Innovation Program to “deploy projects that use innovative
19 approaches to transmission, storage, and distribution infrastructure to
20 enhance grid resilience and reliability.”³

³ <https://www.energy.gov/gdo/grid-resilience-and-innovation-partnerships-grip-program>

1
2 10. Q. What is the status of the U.S. DOE's GIP funding opportunities?

3 A. On October 18, 2023, the U.S. DOE announced the applicants selected to
4 receive funding under the first funding opportunity for the GIP and the
5 other Grid Resilience and Innovation Partnership Program investments. The
6 Companies' proposed SADA project application was not selected to receive
7 funding.⁴
8

9 11. Q. What is Staff's recommendation regarding the Companies' proposed use of
10 shareholder funds to support the battery storage project?

11 A. Given that the Companies did not receive funding under the first funding
12 opportunity under the GIP, Staff supports the Companies' proposal to
13 reallocate the \$4 million towards the other shareholder-funded EV and low-
14 income programs included in the Application.

15 However, if the Companies pursue and receive approval of the SADA
16 project through future funding opportunities, then Staff recommends that
17 the Companies' proposal to provide \$4 million in support of the proposed
18 SADA project under U.S. DOE's GIP of the IIJA be approved. Staff notes
19 that the second funding cycle is expected in the first quarter of the 2024
20 fiscal year.

⁴ <https://www.energy.gov/gdo/grid-resilience-and-innovation-partnerships-grip-program-projects>

1 Staff further recommends that any plant-in-service or operations and
2 maintenance expenses associated with the SADA project that are funded
3 through IIJA funding and the shareholder funds, if applicable, be excluded
4 from distribution rates, *i.e.*, be ineligible for inclusion in rate base and/or
5 test year expenses, for the life of the assets.
6

7 12. Q. Does Staff have anything to add on the use of shareholder funding?

8 A. Yes. Staff notes that in Case Nos. 14-1297-EL-SSO, et al. (prior ESP), the
9 Companies agreed to the following provision: “During the period June 1,
10 2016 through May 31, 2024, the Companies will contribute \$3 million
11 dollars per each 12-month period (totaling \$24 million over the eight-year
12 period) of shareholder dollars to fund energy conservation programs in the
13 Companies’ service territories, and economic development and job
14 retention programs in Ohio.”⁵ However, based on the response to a Staff
15 data request, the Companies have only spent \$2,170,944, as of July 31,
16 2023.⁶
17

⁵ *In the Matter of the Application of Ohio Edison Company, The Cleveland 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*, Case No. 14-1297-EL-SSO, et al., Third Supplemental Stipulation and Recommendation, at 17 (Dec. 1, 2015).

⁶ See PUCO DR-005-1.

1 13. Q. What is the Staff’s recommendation regarding the contribution of
2 shareholder dollars for energy conservation and economic development and
3 job retention programs associated with the previous ESP?

4 A. Staff recommends that the Commission direct the Companies to credit any
5 unused shareholder funds committed to energy conservation programs and
6 economic development as part of the \$24 million contribution described
7 above, *i.e.*, amounts not spent by May 31, 2024, to ratepayers. The credit
8 should be provided through the Companies’ next Economic Development
9 Rider or Consumer Rate Credit Rider rate adjustment filing following an
10 Opinion and Order in the current case.
11

12 Time Varying Rates

13 14. Q. Please provide a general overview of Rider CPP, Rider RTP, Rider RCP,
14 and Rider HLF.

15 A. Rider CPP, Rider RTP, Rider RCP, and Rider HLF are all voluntary TVR
16 options available to SSO customers, in lieu of the rates available under the
17 standard generation service rider.

- 18 • The CPP provides a voluntary critical peak pricing structure for
19 generation service and is currently available to General Service –
20 Secondary (GS), General Service – Primary (GP), General Service –
21 Subtransmission (GSU), and General Service – Transmission (GT)
22 customers in Cleveland Electric Illuminating (“CEI”), Ohio Edison

1 (“OE”), and Toledo Edison (“TE”) service territories. The rate has a
2 \$37.50 program administrative charge and includes a midday peak,
3 shoulder peak, and off-peak rate for both summer and winter, which
4 are volumetric for capacity and energy charges.

- 5 • The RTP provides a voluntary, experimental pricing structure for
6 generation service to “test customer response to hourly price signals
7 quoted by PJM” and is currently available to GS, GP, GSU, and GT
8 customers in CEI, OE, and TE service territories. The RTP billing
9 consists of a \$150 program charge, RTP Energy Charge (based on
10 the day ahead LMP rate), and an RTP Fixed Charge (Rider GEN
11 SSO less forecasted LMP rates) to recover generation capacity costs.
- 12 • The RCP provides a voluntary critical peak pricing structure for
13 generation service and is currently available to residential customers
14 that were in the Smart Grid Modernization Initiative (CEI only), *i.e.*,
15 smart grid pilot, and limited to 250 participants. The structure offers
16 an off-peak, on-peak, and critical peak rate for participating
17 customers during the summer, and the standard volumetric capacity
18 and energy charges (from the generation service rider) apply during
19 the winter.
- 20 • The HLF provides a voluntary seasonal time-of-use rate (summer
21 midday-peak and off-peak) option for generation service. The HLF
22 is available to commercial customers served under the Rate GS or

GP rate schedules that have: 1) headquarters in Ohio; 2) at least 30 facilities within the CEI, OE, and TE service territories that each use, at least, 1,500,000 kWh per year; 3) the majority of the facility load is for refrigeration; and 4) an average monthly load factor of 70%, or higher, for the previous 12 months. During the summer billing period, the midday-peak hours apply Monday through Friday noon to 6:00 p.m. (excluding holidays).

15. Q. How many customers were enrolled on Rider CPP, Rider RTP, Rider RCP, and Rider HLF over the last ESP term, i.e., June 1, 2016, to date?

A. No customers were enrolled on Rider CPP during that period.

No customers were enrolled on Rider RTP during that period.

The Companies had 24 customers enrolled on Rider RCP in 2016 and that number has generally declined since then, with 4 customers currently enrolled in the 2023 calendar year. Since only non-shopping residential customers within the CEI pilot are eligible to participate, there were 5,751 eligible customers in 2016 and 2,887 eligible customers in 2023.⁷

No customers were enrolled on Rider HLF during that period.

⁷ See PUCO DR-009 Attachment 1.

1 16. Q. Does Staff support the Companies continuing to offer Rider CPP, Rider
2 RTP, Rider RCP, and Rider HLF through the new ESP term?

3 A. Staff is generally supportive of the implementation of time-differentiated
4 pricing to encourage innovation and market access for cost-effective supply
5 and demand side retail electric service, pursuant to R.C. 4928.02(D).
6 However, Staff notes that there's been little to no participation under Rider
7 CPP, Rider RTP, Rider RCP, and Rider HLF during the last ESP term, so
8 it's unlikely that any significant benefits have accrued.

9
10 17. Q. What is Staff's recommendation for Rider CPP, Rider RTP, Rider RCP, and
11 Rider HLF?

12 A. The Companies should meet with interested intervening parties within 90
13 days of an Opinion and Order in the current case to discuss their experience
14 with offering Rider CPP, Rider RTP, Rider RCP, and Rider HLF, to date,
15 and discuss opportunities to improve the rider design to encourage
16 participation and improve the associated benefits. This could include things
17 like increasing customer education around rate options, providing
18 customers with bill information detailing money saved (or lost) on the
19 voluntary TVR compared to the standard generation service rider, providing
20 a rate calculator for customers to estimate potential savings/costs associated
21 with enrolling in a TVR, etc. Based on the feedback, the Companies should

1 file an application to update the riders through an EL-ATA case within 120
2 days of an Opinion and Order in the current case.

3

4 18. Q. Does this conclude your direct testimony?

5 A. Yes.

PROOF OF SERVICE

I hereby certify that a true copy of the foregoing **Direct Testimony of Krystina Schaefer** 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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Summary: Testimony Direct Testimony of Krystina Schaefer, on Behalf of the Staff of the Public Utilities Commission of Ohio, Grid Modernization and Retail Markets, Division within the Rates and Analysis Department electronically filed by Mrs. Kimberly M. Naeder on behalf of PUCO.