

Tori L. Giesler
(610) 921-6658
(610) 939-8655 (Fax)

January 26, 2022

VIA ELECTRONIC FILING

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, 2nd Floor
Harrisburg, PA 17120

**Re: Office of Consumer Advocate v. Pennsylvania Power Company;
Docket No. C-2021-3026811
Pennsylvania Power Company Supplement No. 97 to Tariff Electric Pa. P.U.C.
No. 36 - Distribution System Improvement Charge;
Docket No. M-2021-3026675**

Dear Secretary Chiavetta:

Enclosed for filing please find the Joint Petition for Settlement in the above-referenced matter. As indicated on the attached Certificate of Service, copies have been served on the parties in the manner indicated.

Please contact me with any questions regarding this matter.

Very truly yours,



Tori L. Giesler

krak
Enclosures

c: As Per Certificate of Service

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Office of Consumer Advocate,	:	
Complainant	:	
v.	:	
	:	Docket No. C-2021-3026811
Pennsylvania Power Company,	:	
Respondent	:	
Pennsylvania Power Company Supplement	:	
No. 97 to Tariff Electric Pa. P.U.C. No. 36 -	:	Docket No. M-2021-3026675
Distribution System Improvement Charge	:	

**JOINT PETITION
FOR APPROVAL OF SETTLEMENT**

TABLE OF CONTENTS

I.	INTRODUCTION AND BACKGROUND	1
II.	TERMS AND CONDITIONS OF SETTLEMENT	4
III.	THE SETTLEMENT IS IN THE PUBLIC INTEREST	5
IV.	ADDITIONAL TERMS AND CONDITIONS	6

Appendices and Attachments

Appendix 1	Penn Power Statement No. 1, the Direct Testimony of Scott R. Wyman, accompanied by Penn Power Exhibit No. SRW-1 and a signed verification.
Appendix 2	Penn Power Statement No. 2, the Direct Testimony of Joanne M. Savage, accompanied by Penn Power Exhibit No. JMS-1 and a signed verification.
Appendix 3	OCA Statement No. 1, the Direct Testimony of Jerome D. Mierzwa, accompanied by Schedule JDM-1 and a signed verification.
Appendix 4	Proposed Findings of Fact and Conclusions of Law
Appendix 5	Proposed Ordering Paragraphs
Attachment A	Statement in Support – Pennsylvania Power Company
Attachment B	Statement in Support – Office of Consumer Advocate

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Office of Consumer Advocate,	:	
Complainant	:	
v.	:	
	:	Docket No. C-2021-3026811
Pennsylvania Power Company,	:	
Respondent	:	
Pennsylvania Power Company Supplement	:	
No. 97 to Tariff Electric Pa. P.U.C. No. 36 -	:	Docket No. M-2021-3026675
Distribution System Improvement Charge	:	

**JOINT PETITION
FOR APPROVAL OF SETTLEMENT**

TO PRESIDING ADMINISTRATIVE LAW JUDGE DARLENE HEEP:

Pennsylvania Power Company (“Penn Power”) and the Office of Consumer Advocate (“OCA”) (collectively, the “Joint Petitioners” or “the Parties”), by their respective counsel, submit this Joint Petition For Approval of Settlement (“Settlement”) of all issues in the above-captioned proceeding and request that the Administrative Law Judge approve the Settlement without modification. In support of this Settlement, the Joint Petitioners state as follows:

I. INTRODUCTION AND BACKGROUND

1. The Parties to this Settlement are the Office of Consumer Advocate, by its attorneys, 555 Walnut Street, 5th Floor, Forum Place, Harrisburg, PA 17101 and Pennsylvania Power Company with its principal place of business at 233 Frenz Drive, New Castle, PA 16101.¹

¹ Penn Power is a wholly-owned subsidiary of FirstEnergy Corp. (“FirstEnergy”).

2. On June 25, 2021, the OCA filed a Formal Complaint with the Commission stating that it wanted to ensure that the Company's existing and proposed Distribution System Improvement Charge ("DSIC") tariff and DSIC rate, including *inter alia*, the recovery of Advanced Distribution Management System ("ADMS") costs, do not result in rates and charges that are excessive, discriminatory or otherwise contrary to applicable statutes, Commission regulations or policy.

3. In the Complaint, the OCA made several requests for relief, including that the Commission: (1) investigate the Tariff Supplement No. 97 and refund to customers all charges found to be improper; (2) consolidate all complaints filed against Tariff Supplement No. 97; (3) hold full evidentiary hearings examining the reasonableness of the Company's rate changes; (4) hold public input hearings in Penn Power's service territory, if consumer interest arises; (5) modify or reject the DSIC rate and tariff if they are not found to be in compliance with Sections 1301, 1350, 1351, 1353 of the Public Utility Code, 66 Pa. C.S. §§ 1301, 1350, 1351, 1353; (6) modify or reject the July 1, 2021 DSIC rate and tariff if they are not found to be just and reasonable and in the public interest; and (7) grant any other relief deemed necessary.

4. On June 28, 2021, the Formal Complaint and Secretarial Letter was served upon Penn Power.

5. On June 28, 2021, the OCA issued its first set of discovery to Penn Power, which was subsequently responded to by Penn Power on July 19, 2021.

6. On July 19, 2021, Respondent, through counsel, filed an Answer to OCA's Complaint at the above docket. In its Answer, Penn Power denied, *inter alia*, that the DSIC rates calculated to recover ADMS costs during the second and third quarter of 2021 may be unjust or unreasonable and further stated that, to the contrary, the Company specifically avers that at all times relevant to this proceeding, the Company's actions have been reasonable and performed in

accordance with all applicable laws, as well as the Company's Commission-approved tariffs, the Pennsylvania Public Utility Code, Commission regulations and orders.

7. By notice dated July 20, 2021, this matter was scheduled for a Prehearing Conference on August 19, 2021 before Administrative Law Judge ("ALJ") Darlene Heep. A Prehearing Conference Order dated July 27, 2021 was also issued.

8. On August 28, 2021, the Parties each filed a Prehearing Memorandum.

9. A Prehearing Conference was convened on August 19, 2021. The Parties reported that settlement discussions were ongoing and agreed to a litigation schedule.

10. On August 20, 2021, a Call-In Telephonic Evidentiary Hearing Notice was issued which scheduled evidentiary hearings for January 26-27, 2022.

11. On September 10, 2021, the OCA issued its second set of discovery to Penn Power, which was responded to on October 4, 2021.

12. On October 13, 2021, Penn Power submitted the Direct Testimony of Scott Wyman and Joanne Savage.

13. On October 26, 2021, the OCA issued its third set of discovery to Penn Power, which was responded to on November 5, 2021.

14. On November 17, 2021, the OCA submitted the Direct Testimony of Jerome D. Mierzwa.

15. On December 14, 2021, the Parties informed ALJ Heep that a Settlement in Principle had been reached and requested a suspension of the litigation schedule. That same day, ALJ Heep advised that the procedural schedule was suspended and that the Parties were to file the settlement document and statements in support by January 26, 2022.

II. TERMS AND CONDITIONS OF SETTLEMENT

16. The Settlement consists of the following terms and conditions:

a. Penn Power agrees that it will not seek recovery of ADMS-related capital costs, as defined in and for the period of the Company's Commission-approved LTIIP II, through its DSIC Rider effective as of July 1, 2021.

b. In its calculations for the first available DSIC rate change filing following a final order approving this Settlement, Penn Power will clearly itemize a line item to reverse all ADMS costs that Penn Power has recovered for rates effective July 1, 2021 and after.

c. This Settlement in no way represents a waiver of the arguments that either Party has or would make with respect to the appropriateness of recovery of ADMS-related capital costs through Penn Power's DSIC Rider. The Parties agree that this Settlement is not intended to establish precedent as to the issues involved or restrict either Party from raising the same or similar arguments in any future proceeding before the Commission.

d. Notwithstanding and without waiver of those arguments, the Parties agree that Penn Power will not be obligated to refund any ADMS-related capital costs that were recovered through its DSIC Rider for the period effective on April 1, 2021 and ending June 30, 2021.

e. In the event that Penn Power were to elect to pursue DSIC recovery for any ADMS investment placed in service after December 31, 2024, Penn Power will issue a dedicated notice to the OCA advising of inclusion of those costs in any filed rate. This notice will be separate and distinct from the proposed rate filing including the costs.

17. The Parties stipulate to the entry of the following statements and exhibits into the record, accompanied by signed verifications and/or affidavits:

- a. On behalf of Penn Power:
 - i. Penn Power Statement No. 1, the Direct Testimony of Scott R. Wyman, accompanied by Penn Power Exhibit No. SRW-1 and a signed verification (collectively attached hereto as Appendix 1).
 - ii. Penn Power Statement No. 2, the Direct Testimony of Joanne M. Savage, accompanied by Penn Power Exhibit Nos. JMS-1, and a signed verification (collectively attached hereto as Appendix 2).
- b. On behalf of the OCA:
 - i. OCA Statement No. 1, the Direct Testimony of Jerome D. Mierzwa, accompanied by a signed verification (collectively attached hereto as Appendix 3).

III. THE SETTLEMENT IS IN THE PUBLIC INTEREST

18. Penn Power and the OCA have prepared, and attached to this Joint Petition, Statements in Support identified as Attachments A and B, respectively, setting forth the basis on which they believe the Settlement is in the public interest.

19. The Joint Petitioners submit that the Settlement is in the public interest for the following additional reasons:

- **Substantial Litigation and Associated Costs Will Be Avoided.** The Settlement amicably and expeditiously resolves several important and contentious issues. The administrative burden and costs to litigate these matters to conclusion would be substantial.

- **The Settlement is Consistent with Commission Policies Promoting Negotiated Settlements.** The Joint Petitioners arrived at the Settlement terms after conducting discovery and engaging in in-depth discussions over several weeks. The Settlement terms and conditions constitute a carefully crafted package representing reasonable negotiated compromises on the issues addressed herein. Thus, the Settlement is consistent with the Commission's rules and practices encouraging negotiated settlements (see 52 Pa. Code §§ 5.231, 69.391 and 69.401), and is supported by a substantial record.

IV. ADDITIONAL TERMS AND CONDITIONS

20. This Settlement is proposed by the Joint Petitioners to settle the instant case and is made without any admission against, or prejudice to, any position which any Joint Petitioner might adopt during subsequent litigation of this case or any other case.

21. This Settlement is conditioned upon the Commission's approval of the terms and conditions contained herein without modification. If the Commission should disapprove the Settlement or modify the terms and conditions herein, this Settlement may be withdrawn upon written notice to the Commission and all active parties within five business days following entry of the Commission's Order by any of the Joint Petitioners and, in such event, shall be of no force and effect. In the event that the Commission disapproves the Settlement or any Joint Petitioner elects to withdraw as provided above, the Joint Petitioners reserve their respective rights to fully litigate this case, including but not limited to presentation of witnesses, cross-examination and legal argument through submission of Briefs, Exceptions and Replies to Exceptions.

22. If the ALJ, in her Recommended Decision, recommends that the Commission adopt the Settlement as herein proposed without modification, the Joint Petitioners agree to waive the

filing of exceptions. However, the Joint Petitioners do not waive their rights to file exceptions with respect to any modifications to the terms and conditions of this Settlement, or any additional matters proposed by the ALJ in her Recommended Decision. The Joint Petitioners also reserve the right to file replies to any exceptions that may be filed.

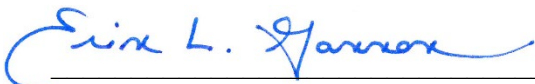
WHEREFORE, the Joint Petitioners, by their respective counsel, respectfully request that Administrative Law Judge Heep enter a Recommended Decision and the Commission enter an Order:

1. Approving the Settlement as set forth herein, including all terms and conditions thereof, as being in the public interest; and
2. Terminating the proceeding at Docket No. C-2021-3026811.

Respectfully submitted and filed by:

Office of Consumer Advocate

By:



Erin L. Gannon
PA Attorney ID No. 83487
Laura Antinucci
PA Attorney ID No. 327217
Christine Maloni Hoover
PA Attorney ID No. 50026
Office Of Consumer Advocate
555 Walnut Street
5th Floor Forum Place
Harrisburg, PA 17101
egannon@paoca.org
lantinucci@paoca.org
choover@paoca.org

Date: January 26, 2022

Pennsylvania Power Company

By:



Tori L. Giesler
PA Attorney ID No. 207742
FirstEnergy Service Company
2800 Pottsville Pike
P.O. Box 16001
Reading, PA 19612-6658
tgiesler@firstenergycorp.com

Date: January 26, 2022

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

**OFFICE OF CONSUMER ADVOCATE
v.
PENNSYLVANIA POWER COMPANY**

DOCKET NO. C-2021-3026811

**PENNSYLVANIA POWER COMPANY FILED THIRD QUARTER 2021
DISTRIBUTION SYSTEM IMPROVEMENT CHARGE - SUPPLEMENT NO 97 TO
ELECTRIC PA PUC NO 36, EFFECTIVE JULY 1, 2021**

DOCKET NO. M-2021-3026675

**Direct Testimony
of
Scott R. Wyman**

List of Topics Addressed

Advanced Distribution Management System (ADMS)

Benefits of ADMS over Existing Systems

Recoverability of ADMS Costs through the
Distribution System Improvement Charge (DSIC)

TABLE OF CONTENTS

I. INTRODUCTION AND PURPOSE 1

II. THE COMPANY’S ADMS AND THE EXISTING SYSTEMS THAT THE ADMS IS REPLACING 2

III. SUBSTANTIAL BENEFITS OF THE COMPANY’S ADMS OVER THE EXISTING SYSTEMS..... 6

IV. ADMS COSTS ARE RECOVERABLE THROUGH PENN POWER’S DSIC..... 8

V. CONCLUSION..... 9

1 details about the Company’s advanced distribution management system (“ADMS”)¹ as
2 well as the Company’s existing systems that the ADMS is replacing; (2) explain the
3 substantial benefits of the ADMS over the existing systems; and (3) establish that the
4 ADMS’s costs are just and reasonable and are properly recovered in the Company’s
5 Distribution System Improvement Charge (“DSIC”).

6 **Q. Have you prepared any exhibits to accompany your testimony?**

7 Yes. Attached as Penn Power Exhibit SRW-1 is an excerpt from the Company’s
8 Commission-approved LTIP for 2020-2024 that covers the ADMS.

9 **II. THE COMPANY’S ADMS AND THE EXISTING SYSTEMS THAT THE ADMS IS**
10 **REPLACING**

11 **Q. Would you please provide an overview of the ADMS being deployed by the Company?**

12 A. ADMS is “a software platform that integrates numerous utility systems and provides
13 automated outage restoration and optimization of distribution grid performance.”² As
14 explained in the Company’s current LTIP for 2020-2024, Penn Power is implementing “a
15 single ADMS platform to provide a foundation to support outage and distribution
16 management.” *LTIP*, p. 34. The ADMS will integrate the outage management system
17 (“OMS”) and distribution management system (“DMS”) functionality, leverage the
18 Company’s geographic information system (“GIS”),³ and segregate the distribution
19 supervisory control and data acquisition (“D-SCADA”) system from the energy
20 management system (“EMS”), *i.e.*, the transmission SCADA. *See id.* Right now, these

¹ ADMS is a software platform that supports distribution management and optimization, including automating outage restoration and optimizing grid performance.

² *VOICES of Experience: Insights into Advanced Distribution Management Systems*, U.S. DEPARTMENT OF ENERGY (Feb. 2015), available at <https://www.energy.gov/sites/prod/files/2015/02/f19/Voices%20of%20Experience%20-%20Advanced%20Distribution%20Management%20Systems%20February%202015.pdf> (last visited Oct. 11, 2021).

³ GIS is a geographical information management system that stores and maps electric facilities data including equipment, poles and structures.

1 OMS, GIS, and EMS platforms are segmented with limited D-SCADA functionality
2 managed within the EMS. By implementing the ADMS, Penn Power will fully replace the
3 OMS, GIS, and graphic work design (“GWD”) system,⁴ implement D-SCADA on a
4 dedicated network, and implement a DMS within the ADMS.

5 **Q. Is the ADMS included as “eligible property” in the Company’s current Long-Term**
6 **Infrastructure Improvement Plan (“LTIP”)?**

7 A. Yes. The ADMS platform is included in the Company’s current LTIP, which covers the
8 period 2020 to 2024 and was approved by the Pennsylvania Public Utility Commission
9 (“Commission”) by its Opinion and Order entered on January 16, 2020, at Docket Nos. P-
10 2019-3012614, *et al.* See *Petition of Pa. Power Co. for Approval of Its Long-Term*
11 *Infrastructure Improvement Plan*, 2020 Pa. PUC LEXIS 301 (Order entered Jan. 16, 2020)
12 (“*LTIP Order*”). I note that the Commission stated in its *LTIP Order*, in pertinent part,
13 the following:

14 As to the ADMS projects, FirstEnergy in response to our data requests
15 provided additional supplemental information detailing ADMS
16 expenditures that appear to satisfy LTIP review criteria. **The ADMS**
17 **projects are also consistent with our directive in the May 23, 2019**
18 **Order that the FirstEnergy Companies consider additional investment**
19 **in enhanced technology, and we note the Commission has previously**
20 **approved information technology improvements as eligible property**
21 **for purposes of LTIP recovery.** As noted by the OCA, inclusion of a
22 property in an approved LTIP is not necessarily dispositive of whether the
23 cost shall be afforded DSIC recovery.

24
25 *Id.* at *31-32 (emphasis added). Based on its review of the LTIP and the “supplemental
26 information,” the Commission approved the Company’s LTIP, finding, among other
27 things, that it “fulfill[s] the requirements of 52 Pa. Code § 121.3(a)(1) by identifying the

⁴ GWD is software that supports the design process with efficient toolsets to streamline workflows, reduce design cycle times, and share design information with other systems (such as GIS).

1 types and ages of eligible property for which [it] seek[s] DSIC recovery.” *Id.* at *32, 64-
2 67.

3 **Q. When will the ADMS be fully deployed and operational?**

4 A. Penn Power expects the ADMS to be fully deployed and operational by late 2022 or early
5 2023.

6 **Q. Please provide details on the OMS, GIS, and GWD systems that the ADMS is**
7 **replacing.**

8 A. Today, the existing OMS and GIS are at end-of-support, which has become a limiting
9 factor for deploying new features and functionality. The replacement of the OMS with an
10 ADMS will enable both outage management and distribution management functionality.
11 A standalone OMS is antiquated and does not support modern distribution practices. In
12 order to achieve improvements, segmented distribution systems must integrate into a single
13 ADMS platform that incorporates both OMS and DMS while leveraging GIS. The
14 replacement systems lay the foundation for future enablement of advanced application
15 technologies such as distribution automation, Volt/Var Control (“VVO”), and Distributed
16 Energy Resource Management System. The implementation of core ADMS functionality
17 allows for outage management and prediction, storm management, use of a connectivity
18 model, switching indication, bi-directional switching and tagging and network model
19 running power flow. The new-age GIS system will provide an enhanced electric network
20 data model to feed the ADMS’s ability to analyze system conditions and provide solutions.
21 The graphic work design is a comprehensive mapping and design tool that integrates design
22 standards and engineering calculations.

1 **Q. You also mentioned that the ADMS will segregate the D-SCADA from the EMS (the**
2 **transmission SCADA). Could you please provide details on the EMS, SCADA, and**
3 **the limited D-SCADA that is managed within the EMS?**

4 A. The ADMS will segment the distribution supervisory control and data acquisition
5 (“SCADA”)⁵ distribution devices from the transmission SCADA system providing a
6 distribution-centric SCADA interface for distribution operations. D-SCADA and
7 transmission SCADA have been historically managed within a single EMS platform. D-
8 SCADA is a dedicated SCADA system for distribution devices. This dedicated integration
9 with a separate SCADA environment allows distribution system operators (“DSO”) to
10 monitor system data and control field equipment in a single integrated platform within the
11 ADMS. DSOs will more quickly analyze, make decisions, and remotely operate field
12 equipment because they are working in one system versus multiple. As a result, restoration
13 times for outage events are expected to improve. This integration with a segmented
14 SCADA environment enables enhanced power flow calculations that enable advanced
15 future functionality such as suggested switch, VVO, and distribution automation. A
16 dedicated SCADA environment allows for the rapid deployment of field devices that aid
17 in the restoration of customer outages. Additionally, segregating the SCADA systems
18 allows for distribution focused improvements to be made to standardize processes and
19 incorporate configuration without impacting transmission’s processes focused on ensuring
20 the reliability of the bulk electric system.

⁵ SCADA is a system for gathering and analyzing real-time data to monitor and control equipment.

1 **III. SUBSTANTIAL BENEFITS OF THE COMPANY’S ADMS OVER THE EXISTING**
2 **SYSTEMS**

3 **Q. Will the Company’s ADMS provide substantial benefits over its existing systems?**

4 A. Yes, the ADMS will provide several efficiency, safety, and reliability benefits. The new
5 ADMS will provide more situational awareness allowing for DSOs to analyze more
6 efficiently, make decisions, and remotely operate field equipment because they are working
7 in one system versus multiple. As a result, Penn Power’s restoration times for outage
8 events is expected to improve.

9 Unlike today, damage assessment data will be collected in a mobile application and
10 fully integrated into the ADMS. This enhancement will result in more efficient and rapid
11 damage assessment in the field. Specifically, DSOs will be able to more quickly identify
12 damage locations, assess the scope of damage, and assign the appropriate resources to
13 repair or replace DSIC-eligible distribution facilities. Further, it is expected that during
14 large scale restoration events, damage information will be more efficiently correlated to
15 work orders and provide better information to responding crews. Collectively, these
16 improvements are expected to improve restoration times and reduce inefficiencies in
17 repairing or replacing DSIC-eligible distribution facilities.

18 Third, the ADMS’s replacement of the GIS will result in improved design and
19 mapping of the distribution system. Specifically, as part of the GIS replacement, facility
20 data will be reviewed to assure that the global positioning system coordinate locations are
21 correct. This will result in crews being able to respond to exact outage locations and repair
22 or replace other DSIC-eligible property more expeditiously. Further, the Company will
23 improve the work design software resulting in design efficiency, more accurate
24 construction prints and consistent standardized construction designs. The new design tool

1 and mobile technology that employees will use are expected to result in operational and
2 process improvements that will improve GIS data accuracy and greatly reduce the amount
3 of time it takes for GIS updates to occur. Also, these improvements are expected to
4 enhance safety and reliability because employees rely on accurate GIS information to make
5 the best operational decisions.

6 Fourth, the ADMS's suggested switching functionality will provide DSOs with the
7 switching steps necessary to restore power safely. Suggested switching will consider
8 factors such as system loading, efficiency of switching steps necessary to restore power,
9 equipment status, and power quality constraints. Improved reliance on technology to make
10 decisions around the steps necessary to restore power, when many factors need to be
11 considered, is expected to lead to improved restoration times and simultaneously enhance
12 safety.

13 Fifth, the ADMS's power flow analysis will provide DSOs information in a timely
14 manner to make better operational decisions. Today, DSOs must contact engineering staff
15 to obtain feedback on possible capacity or power quality concerns when making restoration
16 decisions. Having better access to this information through the ADMS's power flow
17 analysis will enable DSOs to obtain the necessary information faster and is expected to
18 improve service restoration times.

19 Sixth, the ADMS has an integrated operator training simulator that enables
20 enhanced learning development of DSOs. Creating scenarios and providing an
21 environment that can be used for learning purposes will benefit employees as they develop
22 skills and operational knowledge related to safe restoration of power.

1 Seventh, the ADMS will provide integration with Penn Power’s smart meters and,
2 therefore, provide several reliability benefits. In particular, outages will be confirmed
3 remotely, which will reduce the number of truck rolls and enable the Company to allocate
4 resources more efficiently. Further, the ADMS’s access to smart meter data will improve
5 outage detection, leading to improved restoration times. The utilization of integrated smart
6 meter data with the ADMS is also expected to help enhance outage communications.

7 **IV. ADMS COSTS ARE RECOVERABLE THROUGH PENN POWER’S DSIC**

8 **Q. Is it Penn Power’s position that the costs of the ADMS are recoverable through the**
9 **Company’s DSIC?**

10 A. Yes. Penn Power maintains that the ADMS is “an essential part of or,” at the very least,
11 “necessarily related to” the “DSIC project for which recovery is sought.” 66 Pa.C.S. §
12 1351. By providing “more accurate mapping and data quality” that will “prevent errors,
13 and reduce engineering design time,” Penn Power will be able to repair or replace DSIC-
14 eligible property (*e.g.*, poles, overhead and underground conductors, transformers, fuses,
15 reclosers, capacitors, etc.) in a quicker and more efficient manner. LTIIP, p. 34.

16 In addition, the ADMS will enhance “safety by improving the Company’s ability
17 to timely and safely assess, respond to, and resolve outages.” *Id.* Many electric service
18 outages on the distribution system involve the repair and/or replacement of DSIC-eligible
19 property, so safely and quickly responding to such outages is critical.

20 Furthermore, at a more fundamental level, I believe that the ADMS aligns with the
21 entire purpose of the DSIC. Section 1353(a) states that the DSIC’s purpose is to “provide
22 for the timely recovery of the reasonable and prudent costs incurred to repair, improve or
23 replace eligible property in order to ensure and maintain adequate, efficient, safe, reliable
24 and reasonable utility service.” 66 Pa.C.S. § 1353(a). As explained previously, the ADMS

1 will provide several efficiency, safety, and reliability benefits by improving the Company's
2 ability to repair and/or replace DSIC-eligible property in a quick, efficient, and safe
3 manner.

4 V. **CONCLUSION**

5 Q. **Does this conclude your testimony?**

6 A. Yes.

ADMS

Description

Implement a single ADMS platform to provide a foundation to support outage and distribution management.

Scope

This project will integrate the outage management system (“OMS”) and distribution management system (“DMS”), leverage the geographic information system (“GIS”), and segregate distribution SCADA (“D-SCADA”) from transmission SCADA, or the Energy Management System (“EMS”). Today, the OMS, GIS, and EMS platforms are segmented with limited D-SCADA functionality managed within the EMS. The project will fully replace OMS, GIS and Graphic Work Design (“GWD”), implement D-SCADA on a dedicated network, and implement DMS within the ADMS.

Benefits of the new ADMS include enhanced system monitoring allowing distribution system operators to respond more quickly to outages; remote configuration to enable the safe isolation of equipment, preventing outages, and allowing for safer and more efficient restoration; and advanced monitoring and control capabilities improving situational awareness and increasing efficiency. Further, the new OMS will expedite response times, ensure grid stability in restoration scenarios, and improve damage assessment and estimated time of restoration management during outage events.

Other benefits include more accurate mapping and data quality which will improve safety and reliability, prevent errors, and reduce engineering design time. The implementation of ADMS will also provide the base functionality to enable advanced applications such as distribution automation, advanced metering infrastructure, and other advanced functionality in the future.

Acceleration

The Company is currently implementing ADMS as a necessary project to replace and integrate OMS and GIS prior to the end of their technical support. The recovery of ADMS project costs through the DSIC as an LTIP II initiative will help maintain and accelerate the integration of OMS, GIS, and EMS into a unified ADMS platform.

Project Determination Method

N/A

Success Metric

N/A

Long-Term Goal

N/A



Long-Term Infrastructure Improvement Plan

Age of Infrastructure

The current applications for OMS and GIS are at the end of technical support.

Schedule

The ADMS project is projected to go-live in various phases throughout 2022.

Planned Annual Expenditures (in millions)

2020	2021	2022	2023	2024	Total
\$-	\$-	\$3.31	\$-	\$-	\$3.31

Anticipated Locations

ADMS will be implemented Company-wide.

Resume: Education and Experience of Scott R. Wyman

Education:

BSEE – Geneva College
MBA – Gannon University
Professional Engineers License – Pennsylvania

Work History:

2019 – Present	President, Pennsylvania Operations – FirstEnergy Service Company
2012 – 2019	President, Pennsylvania Electric Company
2008 – 2012	Director, Operations Services – Pennsylvania Electric Company
2007 – 2008	Director, Regional Asset Management – Pennsylvania Electric Company
2002 – 2007	Director, Operations Support – Pennsylvania Electric Company
1998 – 2002	Various Manager positions (Meter Services, Line) – Pennsylvania Power Company
1994 – 1998	Various Engineer positions (Distribution, System Operations, Substation Maintenance) – Pennsylvania Power Company
1992 – 1994	Engineer (Distribution) – Ohio Edison Company

Prepared and presented testimony in the following cases:

New York Public Service Commission Case: Case No:
Case 21-E-0252

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Office of Consumer Advocate,	:	
Complainant	:	
v.	:	
	:	Docket No. C-2021-3026811
Pennsylvania Power Company,	:	
Respondent	:	
Pennsylvania Power Company Supplement	:	
No. 97 to Tariff Electric Pa. P.U.C. No. 36 -	:	Docket No. M-2021-3026675
Distribution System Improvement Charge	:	

VERIFICATION

I, Scott R. Wyman, hereby state that the facts set forth in my Direct Testimony, Penn Power Statement No. 1, which includes Exhibit SRW-1, is true and correct to the best of my knowledge, information and belief. I understand that the statements herein are made subject to the penalties of 18 Pa.C.S. § 4904 (relating to unsworn falsification to authorities).

January 26, 2022
Date



Scott R. Wyman
President, Pennsylvania Operations
FirstEnergy Service Company

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

**OFFICE OF CONSUMER ADVOCATE
v.
PENNSYLVANIA POWER COMPANY**

DOCKET NO. C-2021-3026811

**PENNSYLVANIA POWER COMPANY FILED THIRD QUARTER 2021
DISTRIBUTION SYSTEM IMPROVEMENT CHARGE - SUPPLEMENT NO 97 TO
ELECTRIC PA PUC NO 36, EFFECTIVE JULY 1, 2021**

DOCKET NO. M-2021-3026675

**Direct Testimony
of
Joanne M. Savage**

List of Topics Addressed

DSIC Rider Overview
DSIC Waiver Proceeding
ADMS Costs in DSIC Charge

TABLE OF CONTENTS

I. INTRODUCTION AND PURPOSE 1

II. DSIC RIDER OVERVIEW 2

III. DSIC WAIVER PROCEEDING 6

IV. ADMS COSTS IN DSIC RIDER CHARGES 7

V. CONCLUSION..... 9

1 Department since that time. In March 2019, I was named to my current position. My work
2 experience is more fully described in Appendix A to my testimony.

3 **Q. Have you ever testified before the Commission?**

4 A. Yes. I have testified before the Commission in other rate-related proceedings.

5 **Q. On whose behalf are you testifying in this proceeding?**

6 A. I am testifying on behalf of Penn Power.

7 **Q. What is the purpose of your testimony?**

8 A. The purpose of my testimony is to respond to various issues raised in the Formal Complaint
9 of the Office of Consumer Advocate (“OCA”). Specifically, I will be providing an
10 overview of the Company’s Distribution System Improvement Charge (“DSIC”) Rider and
11 the DSIC waiver proceeding as well as addressing the OCA’s claims about the recovery of
12 advanced distribution management system (“ADMS”) investments in the Penn Power
13 DSIC Rider charge effective April 1, 2021, and July 1, 2021.

14 **Q. Have you prepared any exhibits to accompany your testimony?**

15 A. Yes. Attached as Penn Power Exhibit JMS-1 is the Company’s Commission-approved
16 DSIC Rider.

17 **II. DSIC RIDER OVERVIEW**

18 **Q. As background, please provide a general description of the Penn Power DSIC Rider.**

19 A. The purpose of the DSIC Rider is to recover, outside of a base rate case, a return on and a
20 return of capitalized costs related to eligible property placed in-service to repair, improve,
21 or replace portions of the distribution system. Eligible property must be installed pursuant
22 to a Commission-approved long-term infrastructure improvement plan (“LTIIIP”).¹ In

¹ 66 Pa.C.S. §§ 1352, 1353(b)(3).

1 addition, the investment must not have been previously reflected in the utility's rate or rate
2 base,² but rather have been placed in service between the most recent base rate case.³

3 **Q. When was the DSIC Rider implemented by Penn Power?**

4 A. On June 9, 2016, the Commission entered an Order approving the petition for a DSIC filed
5 by Penn Power. In the Order, the Commission determined that the petition complied with
6 the requirements of Act 11 of 2012 ("Act 11") and the Commission's Final Implementation
7 Order implementing Act 11.⁴ As part of the Final Implementation Order, the Commission
8 established a model tariff that contains the terms and conditions that must be included in a
9 tariff to implement a DSIC. The Commission found Penn Power's petition to be consistent
10 with applicable law and Commission policy and allowed the tariff to go into effect on July
11 1, 2016.

12 **Q. Please explain the calculation of the Company's DSIC charge.**

13 A. The DSIC charge is updated on a quarterly basis to reflect eligible plant additions placed
14 in service during the three-month period ending one month prior to the effective date of
15 each DSIC charge. Those plant additions are added to the eligible plant additions placed
16 in service since the DSIC started to calculate the updated DSIC charge. The calculation
17 begins with the original cost of the cumulative eligible plant investments less accumulated
18 depreciation to date.

19 The fixed costs of eligible property that may be recovered under a DSIC are defined in
20 Section 1357(a)(3) as "depreciation and pretax return."⁵ The Company calculates
21 depreciation expense using the accrual rates employed in the most recent base rate case for

² *Id.* § 1357(a)(1)(i).

³ *Id.* § 1357(a)(1)(ii), (a)(2).

⁴ *Implementation of Act 11 of 2012*, Docket No. M-2012-2293611 (Order entered Aug. 2, 2012).

⁵ 66 Pa.C.S. § 1357(a)(3).

1 the plant included in the DSIC calculation. The pre-tax return is calculated using statutory
2 federal and state income tax rates, the Company's actual capital structure, and the
3 Company's actual cost rate for long-term debt for the period ending one month prior to the
4 effective date of the proposed DSIC charge. The cost of equity used in the calculation is
5 the rate of return on equity calculated for electric utilities and published in the Bureau of
6 Technical Utility Services Report on the Quarterly Earnings of Jurisdictional Utilities.

7 The sum of depreciation and pre-tax return is then grossed-up for Gross Receipts Tax, and
8 the resulting value is divided by Projected Quarterly Revenues for distribution service,
9 including all applicable clauses and riders, but excluding revenues billed under Rate
10 Schedules GSDS and GT at voltage levels over 69,000 volts. The Company's DSIC Rider
11 is provided as Exhibit JMS-1.

12 **Q. What property is eligible to be reflected in the Company's DSIC calculations?**

13 A. For electric distribution companies ("EDCs"), Section 1351 of the Public Utility Code
14 defines "eligible property" as "includ[ing]": (i) "[p]oles and towers"; (ii) "[o]verhead and
15 underground conductors"; (iii) "[t]ransformers and substation equipment"; (iv) "[a]ny
16 fixture or device related to eligible property under subparagraphs (i), (ii) and (iii), including
17 insulators, circuit breakers, fuses, reclosers, grounding wires, crossarms and brackets,
18 relays, capacitors, converters and condensers; (v) "[u]nreimbursed costs related to highway
19 relocation projects where an electric distribution company must relocate its facilities"; and
20 (vi) "[o]ther related capitalized costs."⁶

21 All of the plant additions included in the Company's calculation of the DSIC charge consist
22 of property included in these categories of plant as identified and described in the

⁶ 66 Pa.C.S. § 1351.

1 Company's Commission-approved LTIPs for the 2016-2019 and 2020-2024 terms. The
2 Commission found and determined that the Company's LTIPs met the requirements and
3 satisfy the standards set forth in Section 1352(a) of the Public Utility Code, including that
4 the LTIPs identify the infrastructure improvement projects that constitute "eligible
5 property owned or operated by the utility for which the utility would seek recovery under
6 this subchapter."⁷

7 **Q. Was the Penn Power DSIC charge set to zero after the last base rate proceeding?**

8 A. Yes. The DSIC was reset to zero as of January 27, 2017, the effective date of new base
9 rates in the Company's most recent base rate proceeding. The plant additions included in
10 the Company's DSIC charge are for the period after the last base rate case. The DSIC
11 restarted as of April 1, 2018, when the Company exceeded the plant investments included
12 in the rate case 2017 fully projected future test year. Therefore, only the costs of new
13 eligible plant additions that have not previously been reflected in Penn Power's base rates
14 are included in the quarterly updates of the DSIC.

⁷ *Id.* § 1352(a).

1 **III. DSIC WAIVER PROCEEDING**

2 **Q. Please describe the prior DSIC proceeding that resulted in an increase in the statutory**
3 **DSIC cap for Penn Power.**

4 A. On August 30, 2019, Penn Power filed a Petition seeking a waiver of the statutory cap
5 limiting recovery under its DSIC to 5% of the amount billed to customers for distribution
6 service (including all applicable clauses and riders) as determined on an annualized basis.
7 The parties to the case included the OCA, Office of Small Business Advocates (“OSBA”),
8 Penn Power Users Group and the Commission’s Bureau of Investigation and Enforcement
9 (“I&E”). After the submittal of direct testimony by the parties, rebuttal testimony by the
10 Company, and surrebuttal testimony by the parties, a Joint Petition of Settlement (“Waiver
11 Settlement”) was filed on January 17, 2020.

12 **Q. What were the terms of the Waiver Settlement?**

13 A. The Waiver Settlement consisted of the following terms and conditions:

- 14 a. Penn Power’s 5% statutory cap will be waived and its DSIC recovery will
15 be instead limited to a 7.5% temporary cap (2.5% increase higher than the
16 statutory 5% cap);
- 17 b. The waiver will end, and the cap will return to 5% on the earlier of the
18 conclusion of the term of LTIIP II (proposed to span 2020-2024) or on the
19 effective date of new base rates;
- 20 c. The Parties recognize that the Act 40/federal and state income tax issue
21 raised by the OCA is being litigated in a separate proceeding before the
22 Courts on appeal from the Commission (at Docket Nos. 697 CD 2018 and
23 P-2015-2508942, respectively); and

1 **Q. Do you believe that the DSIC Rider charges that include recovery of ADMS costs are**
2 **just and reasonable and comply with Pennsylvania law?**

3 A. Yes. Penn Power’s DSIC Rider charges are just and reasonable. The ADMS constitutes
4 an “[o]ther related capitalized cost” because it is: (1) “an essential part of or necessarily
5 related to the DSIC project for which recovery is sought”; and (2) a cost that is “permitted
6 to be capitalized pursuant to the Uniform System of Accounts and Generally Accepted
7 Accounting Principles.”⁸ As explained in the direct testimony of Mr. Wyman, the ADMS
8 will provide more accurate mapping and data quality that will prevent errors and reduce
9 engineering design time. Penn Power will be able to repair or replace DSIC-eligible
10 property (e.g., poles, overhead and underground conductors, transformers, fuses, reclosers,
11 capacitors, etc.) in a quicker and more efficient manner. The ADMS also will enhance
12 safety by improving the Company’s ability to timely and safely assess, respond to, and
13 resolve outages. As Mr. Wyman noted, many outages involve the repair and/or
14 replacement of DSIC-eligible property, so safely and quickly responding to such outages
15 is critical. In addition, the ADMS aligns with the entire purpose of the DSIC, which is to
16 “provide for the timely recovery of the reasonable and prudent costs incurred to repair,
17 improve or replace eligible property in order to ensure and maintain adequate, efficient,
18 safe, reliable and reasonable utility service.”⁹ As explained by Mr. Wyman, the ADMS
19 will provide several efficiency, safety, and reliability benefits by improving the Company’s
20 ability to repair and/or replace DSIC-eligible property in a quick, efficient, and safe
21 manner. Therefore, the Company properly included the ADMS costs in the quarterly DSIC
22 Rider updates effective April 1, 2021, and July 1, 2021, and I believe the recovery of

⁸ *Implementation of Act 11 of 2012*, Docket No. M-2012-2293611, p. 54 (Order entered Aug. 2, 2012).

⁹ 66 Pa.C.S. § 1353(a).

1 ADMS costs through the DSIC Rider is just, reasonable, and in compliance with the
2 explicit language and intent of Pennsylvania law.

3 V. **CONCLUSION**

4 Q. **Does this conclude your testimony?**

5 A. Yes, it does.

RIDERS

RIDER O
DISTRIBUTION SYSTEM IMPROVEMENT CHARGE

In addition to the net charges provided for in this Tariff, a charge of X.XX% will apply consistent with the Commission Order dated June 9, 2016 at Docket No. P-2015-2508931, approving the Distribution System Improvement Charge (“DSIC”). This charge will be effective during the period XXXX through XXXX.

1. General Description

- A. Purpose: To recover the reasonable and prudent costs incurred to repair, improve, or replace eligible property which is completed and placed in service and recorded in the individual accounts, as noted below, between base rate cases and to provide Pennsylvania Power Company with the resources to accelerate the replacement of aging infrastructure, to comply with evolving regulatory requirements and to develop and implement solutions to regional supply problems.

The costs of extending facilities to serve new customers are not recoverable through the DSIC.

- B. Eligible Property: The DSIC-eligible property will consist of the following:

- Poles and towers (account 364);
- Overhead conductors (account 365) and underground conduit and conductors (accounts 366 and 367);
- Line transformers (account 368) and substation equipment (account 362);
- Any fixture or device related to eligible property listed above, including insulators, circuit breakers, fuses, reclosers, grounding wires, crossarms and brackets, relays, capacitors, converters and condensers;
- Unreimbursed costs related to highway relocation projects where an electric distribution company must relocate its facilities; and
- Other related capitalized costs.

- C. Effective Date: The DSIC will become effective July 1, 2016.

Rider O (Continued)

2. Computation of the DSIC

A. Calculation: The initial DSIC, effective July 1, 2016, shall be calculated to recover the fixed costs of eligible plant additions that have not previously been reflected in the Company's rates or rate base and will have been placed in service during the month of May 2016. Thereafter, the DSIC will be updated on a quarterly basis to reflect eligible plant additions placed in service during the three-month periods ending one month prior to the effective date of each DSIC update. Thus, changes in the DSIC rate will occur as follows:

<u>Effective Date of Change</u>	<u>Date to which DSIC-Eligible Plant Additions Reflected</u>
January 1	September – November
April 1	December – February
July 1	March – May
October 1	June - August

B. Determination of Fixed Costs: The fixed costs of eligible distribution system improvements projects will consist of depreciation and pre-tax return, calculated as follows:

1. Depreciation: The depreciation expense shall be calculated by applying the annual accrual rates employed in Pennsylvania Power Company's most recent base rate case for the plant accounts in which each retirement unit of DSIC-eligible property is recorded to the original cost of DSIC-eligible property.
2. Pre-tax return: The pre-tax return shall be calculated using the statutory state and federal income tax rates, the Company's actual capital structure and actual cost rates for long-term debt and preferred stock as of the last day for the three-month period ending one month prior to the effective date of the DSIC and subsequent updates. The cost of equity will be the equity return rate approved in the Company's last fully litigated base rate proceeding for which a final order was entered not more than two years prior to the effective date of the DSIC. If more than two years shall have elapsed between the entry of such a final order and the effective date of the DSIC, then the equity return rate used in the calculation will be the equity return rate calculated by the Commission in the most recent Quarterly Report on the Earnings of Jurisdictional Utilities released by the Commission.

Rider O (Continued)

C. Application of DSIC: The DSIC will be expressed as a percentage carried to two decimal places and will be applied to the total amount billed to each customer for distribution service under the Company's otherwise applicable rates and charges, excluding amounts billed for the State Tax Adjustment Surcharge (STAS). All Customers will be billed the DSIC on a bills-rendered basis. To calculate the DSIC, one-fourth of the annual fixed costs associated with all property eligible for cost recovery under the DSIC will be divided by the Company's projected revenue for distribution service (including all applicable clauses and riders) for the quarterly period during which the charge will be collected, exclusive of the STAS.

D. Formula: The formula for calculation of the DSIC is as follows:

$$\text{DSIC} = \frac{((\text{DSI} * \text{PTRR}) + \text{Dep} + e) \times 1 / (1 - T)}{\text{PQR}}$$

Where:

- DSI = Original cost of eligible distribution system improvement projects net of accrued depreciation.
- PTRR = Pre-tax return rate applicable to DSIC-eligible property.
- Dep = Depreciation expense related to DSIC-eligible property.
- e = Amount calculated (+/-) under the annual reconciliation feature or Commission audit, as described below.
- PQR = Projected quarterly revenues for distribution service (including all applicable clauses and riders) from existing customers, excluding customers served under the Company's Rate Schedule GSDS over 69,000 volts and Rate Schedule GT over 69,000 volts, plus revenue from any customers which will be acquired by the beginning of the applicable service period.
- T = Pennsylvania gross receipts tax rate in effect during the billing month, expressed in decimal form.

Minimum bills shall not be reduced by reason of the DSIC, nor shall changes hereunder be a part of the monthly rate schedule minimum. The DSIC shall not be subject to any credits or discounts. The STAS included in this Tariff is applied to charges under the DSIC.

RIDERS

Rider O (Continued)

3. Quarterly Updates:

Supporting data for each quarterly update will be filed with the Commission and served upon the Commission's Bureau of Investigation and Enforcement, the Bureau of Audits, the Office of Consumer Advocate, and the Office of Small Business Advocate at least ten (10) days prior to the effective date of the update.

4. Customer Safeguards

- A. Cap: The DSIC is capped at 7.5% of the amount billed to customers for distribution service (including all applicable clauses and riders) as determined on an annualized basis.
- B. Audit/Reconciliation: The DSIC is subject to audit at intervals determined by the Commission. Any cost determined by the Commission not to comply with any provision of 66 Pa C.S. §§ 1350, *et seq.*, shall be credited to customer accounts. The DSIC is subject to annual reconciliation based on a reconciliation period consisting of the twelve months ending December 31 of each year or the Company may elect to subject the DSIC to quarterly reconciliation but only upon request and approval by the Commission. The revenue received under the DSIC for the reconciliation period will be compared to the Company's eligible costs for that period. The difference between revenue and costs will be recouped or refunded, as appropriate, in accordance with Section 1307(e), over a one-year period commencing on April 1 of each year, or in the next quarter if permitted by the Commission. If DSIC revenues exceed DSIC-eligible costs, such over collections will be refunded with interest. Interest on over collections and credits will be calculated at the residential mortgage lending rate specified by the Secretary of Banking in accordance with the Loan Interest and Protection Law (41 P.S. §§ 101, *et seq.*) and will be refunded in the same manner as an over collection. The Company is not permitted to accrue interest on under collections.
- C. New Base Rates: The DSIC will be reset at zero upon application of new base rates to customer billings that provide for prospective recovery of the annual costs that had previously been recovered under the DSIC. Thereafter, only the fixed costs of new eligible plant additions that have not previously been reflected in Pennsylvania Power Company's rates or rate base will be reflected in the quarterly updates of the DSIC.
- D. Customer Notice: Customers shall be notified of changes in the DSIC by including appropriate information on the first bill they receive following any change. An explanatory bill insert shall also be included with the first billing.
- E. Customer classes: Effective July 1, 2016, the DSIC shall be applied equally to all customer classes except Rate Schedule GSDS over 69,000 volts and Rate Schedule GT over 69,000 volts

RIDERS

Rider O (Continued)

- F. Earning Reports: The DSIC will also be reset at zero if, in any quarter, data filed with the Commission in the Company's then most recent Annual or Quarterly Earnings reports show that the Utility would earn a rate of return that would exceed the allowable rate of return used to calculate its fixed costs under the DSIC as described in the pre-tax return section. The Company shall file a tariff supplement implementing the reset to zero due to overearning on one-day's notice and such supplement shall be filed simultaneously with the filing of the most recent Annual or Quarterly Earnings reports indicating that the Company has earned a rate of return that would exceed the allowable rate of return used to calculate its fixed costs.
- G. Residual E-Factor Recovery Upon Reset to Zero: The Company shall file with the Commission interim rate revisions to resolve the residual over/under collection or E-factor amount after the DSIC rate has been reset to zero. The Company can collect or credit the residual over/under collection balance when the DSIC rate is reset to zero. The Company shall refund any over collection to Customers and is entitled to recover any under collections as set forth in Section 4.B. Once the Company determines the specific amount of the residual over or under collection amount after the DSIC rate is reset to zero, the Company shall file a tariff supplement with supporting data to address that residual amount. The tariff supplement shall be served upon the Commission's Bureau of Investigation and Enforcement, the Bureau of Audits, the Office of Consumer Advocate and the Office of Small Business Advocate at least ten (10) days prior to the effective date of the supplement.

Resume: Education and Experience of Joanne M. Savage

Education:

- 2006 Bachelor of Science Degree in Accounting and Finance – Albright College
2010 Master of Business Administration Degree in Corporate Finance –
Alvernia University

Experience:

- 6/05 – 5/06 Intern – Rates & Regulatory Affairs – Pennsylvania – FirstEnergy
Service Company
5/06 – 2/11 Analyst – Rates & Regulatory Affairs – Pennsylvania – FirstEnergy Service
Company
2/11 – 4/16 Analyst – Rates & Regulatory Affairs – Ohio – FirstEnergy Service Company
5/16 – 3/19 Manager, Revenue Requirements – Rates & Regulatory Affairs – Ohio –
FirstEnergy Service Company
3/19 – present Director – Rates & Regulatory Affairs – Pennsylvania – FirstEnergy Service
Company

Prepared and presented testimony in the following rate-related cases:

Pennsylvania Public Utility Commission Cases: Docket Nos.

M-2010-2162846
M-2010-2162848
M-2010-2186760
M-2010-2186764
M-2010-2186772
M-2011-2228497
M-2011-2228617
P-2019-3012628
C-2020-3019347

Public Utilities Commission of Ohio Cases: Case Nos.

13-2145-EL-CSS
14-1297-EL-SSO
16-925-EL-UNC
17-993-EL-UNC
18-857-EL-UNC
19-361-EL-RDR

New York Public Service Commission Case: Case No:

Case 21-E-0252


**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Office of Consumer Advocate,	:	
Complainant	:	
v.	:	
	:	Docket No. C-2021-3026811
Pennsylvania Power Company,	:	
Respondent	:	
Pennsylvania Power Company Supplement	:	
No. 97 to Tariff Electric Pa. P.U.C. No. 36 -	:	Docket No. M-2021-3026675
Distribution System Improvement Charge	:	

VERIFICATION

I, Joanne Savage, hereby state that the facts set forth in my Direct Testimony, Penn Power Statement No. 2, which includes Exhibit JMS-1, is true and correct to the best of my knowledge, information and belief. I understand that the statements herein are made subject to the penalties of 18 Pa.C.S. § 4904 (relating to unsworn falsification to authorities).

January 26, 2022
Date



Joanne Savage
Director, Rates & Regulatory Affairs
FirstEnergy Service Company

OCA STATEMENT 1

BEFORE THE PENNSYLVANIA PUBLIC UTILITY COMMISSION

Office of Consumer Advocate)	
)	Docket Nos. C-2021-3026811
v.)	M-2021-3026675
)	
Pennsylvania Power Company)	

DIRECT TESTIMONY

OF

JEROME D. MIERZWA

ON BEHALF OF THE

PENNSYLVANIA OFFICE OF CONSUMER ADVOCATE

November 17, 2021

EXETER
ASSOCIATES, INC.

10480 Little Patuxent Parkway, Suite 300
Columbia, Maryland 21044

DIRECT TESTIMONY OF JEROME D. MIERZWA

1 Q. WOULD YOU PLEASE STATE YOUR NAME AND BUSINESS
2 ADDRESS?

3 A. My name is Jerome D. Mierzwa. I am a Principal with and a Vice President of Exeter
4 Associates, Inc. (“Exeter”). My business address is 10480 Little Patuxent Parkway,
5 Suite 300, Columbia, Maryland 21044. Exeter specializes in providing public utility-
6 related consulting services.

7 Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND
8 EXPERIENCE.

9 A. I graduated from Canisius College in Buffalo, New York, in 1981 with a Bachelor of
10 Science Degree in Marketing. In 1985, I received a Master’s Degree in Business
11 Administration with a concentration in finance, also from Canisius College. In July
12 1986, I joined National Fuel Gas Distribution Corporation (“NFGD”) as a Management
13 Trainee in the Research and Statistical Services Department (“RSS”). I was promoted
14 to Supervisor RSS in January 1987. While employed with NFGD, I conducted various
15 financial and statistical analyses related to the Company’s market research activity and
16 state regulatory affairs. In April 1987, as part of a corporate reorganization, I was
17 transferred to National Fuel Gas Supply Corporation’s (“NFG Supply”) rate
18 department where my responsibilities included utility cost of service and rate design
19 analysis, expense and revenue requirement forecasting and activities related to federal
20 regulation. I was also responsible for preparing NFG Supply’s Purchased Gas
21 Adjustment (“PGA”) filings and developing interstate pipeline and spot market supply
22 gas price projections. These forecasts were utilized for internal planning purposes as
23 well as in NFGD’s 1307(f) proceedings.

1 In April 1990, I accepted a position as a Utility Analyst with Exeter. In
2 December 1992, I was promoted to Senior Regulatory Analyst. Effective April 1, 1996,
3 I became a Principal of Exeter. Since joining Exeter, I have specialized in revenue
4 requirement analysis, evaluating the gas purchasing practices and policies of natural
5 gas utilities, utility class cost of service and rate design analysis, sales and rate
6 forecasting, performance-based incentive regulation, the unbundling of utility services,
7 and the evaluation of customer choice natural gas transportation programs.

8 Q. HAVE YOU PREVIOUSLY TESTIFIED IN REGULATORY
9 PROCEEDINGS ON UTILITY RATES?

10 A. Yes. I have provided testimony on more than 400 occasions in proceedings before the
11 Federal Energy Regulatory Commission (“FERC”), and state utility regulatory
12 commissions in Arkansas, Delaware, Georgia, Illinois, Indiana, Louisiana, Maine,
13 Massachusetts, Montana, Nevada, New Hampshire, New Jersey, Ohio, Rhode Island,
14 South Carolina, Texas, Utah, and Virginia, as well as before the Pennsylvania Public
15 Utility Commission (“Commission”).

16 Q. ON WHOSE BEHALF ARE YOU TESTIFYING IN THIS PROCEEDING?

17 A. I am appearing on behalf of the Pennsylvania Office of Consumer Advocate (“OCA”).

18 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

19 A. On June 21, 2021, Pennsylvania Power Company (“Penn Power” or “Company”) filed
20 Supplement No. 97 to Tariff Electric Pa. PUC No. 36 (Supplement No. 97) in which
21 the Company proposed to change its Distribution System Improvement Charge
22 (“DSIC”) to 3.58%, effective July 1, 2021. According to its filing, Penn Power began
23 claiming investment in its Advanced Distribution Management System (“ADMS”)
24 costs in its DSIC as of December 2020. The recovery of ADMS costs through the
25 Company’s DSIC was the subject of a settlement approved by the Commission in

1 Docket No. P-2019-3012628. The settling parties to that proceeding, which included
2 Penn Power and the OCA, agreed that the Company could present a future claim to
3 recover ADMS costs in the DSIC and that the other parties could review and challenge
4 such a claim. See Petition of Pennsylvania Power Co. for a Waiver of the DSIC Cap,
5 Docket No. P-2019-3012628, Joint Petition for Settlement, ¶12.d (approved by PUC
6 Order entered Mar. 12, 2020). On June 25, 2021, the OCA filed a Formal Complaint
7 challenging Penn Power’s inclusion of ADMS costs in its DSIC.

8 On July 20, 2021, Penn Power filed Supplement No. 99 to Tariff Electric Pa.
9 PUC No. 36 (Supplement No. 99), which was assigned Docket No. M-2021-3027397.
10 In this filing, Penn Power stated that, in response to the OCA’s Formal Complaint, it
11 had not implemented the DSIC rate reflected in Supplement No. 97. As such, the DSIC
12 in effect for July 2021 was 0.0%. Thus, through Supplement No. 99, Penn Power
13 proposed to recover three months of DSIC investment (for the eligible period March,
14 April, and May 2021) through a DSIC rate of 5.38% effective for August and
15 September 2021. As stated in Penn Power’s filing, the OCA supported this means of
16 making up the missed recovery during July 2021. On July 29, 2021, the Commission
17 issued a Secretarial Letter permitting Supplement No. 99 to become effective. The
18 purpose of my testimony is to explain why the ADMS investment placed in service
19 since December 2020 is not eligible for DSIC recovery pursuant to Sections 1301 and
20 1350 through 1353 of the Public Utility Code, 66 Pa. C.S. §§ 1301, 1350-1353.¹

¹ The April 1 DSIC rate was filed as Supplement No. 90 to Tariff Electric Pa. PUC No. 36 (Supplement No. 96) and assigned Docket No. M-2021-3024738. As a practical matter, the OCA’s complaint currently impacts Penn Power’s DSIC rates effective April 1, 2021 (Supplement No. 96) and August 1, 2021 (Supplement No. 98).

1 Q. PLEASE PROVIDE A BRIEF HISTORY OF DSICs IN PENNSYLVANIA
2 AND PENN POWER’S DSIC RIDER.

3 A. Act 11 of 2012 (“Act 11”) provided jurisdictional electric distribution utilities, water²
4 and wastewater utilities, natural gas distribution utilities, and city natural gas
5 distribution operations with the ability to implement a DSIC to recover reasonable and
6 prudent costs incurred to repair, improve, or replace certain eligible distribution
7 property that is part of the utility’s distribution system. Under Act 11, a utility’s DSIC
8 is reset to zero when the utility adopts new base rates as a result of a base rate
9 proceeding. An electric utility’s DSIC is capped at 5% of distribution revenues unless
10 the Commission grants a waiver of the 5% cap. Additionally, as a precondition to the
11 implementation of a DSIC, Act 11 requires that a utility must file a Long-Term
12 Infrastructure Improvement Plan (“LTIP”).³

13 Penn Power initially filed to establish a DSIC Rider on February 16, 2016
14 (Docket No. P-2015-2508931). By Order entered June 9, 2016, the Commission
15 approved Penn Power’s proposed DSIC Rider. Penn Power’s DSIC Rider became
16 effective July 1, 2016. The settlement in Docket No. P-2019-3012628 provided for a
17 temporary increase in Penn Power’s DSIC cap to 7.5 percent during the term of its
18 current 2020-2024 LTIP or until the effective date of new base rates.

19 Q. DID PENN POWER PROVIDE AN OVERVIEW OF THE ADMS BEING
20 DEPLOYED BY THE COMPANY?

² Jurisdictional water utilities already had this authority under 66 Pa. C.S. § 1307(g), which was repealed by Act 11.

³ The Commission entered Orders on August 2, 2012 (Final Implementation Order) and September 21, 2016 (Supplemental Implementation Order) in *Implementation of Act 11 of 2012*, Docket Number M-2012-2293611, which established procedures and guidelines to implement Act 11 and included a Model Tariff for DSIC filings. The Commission also entered an Order on May 23, 2014 (Final Rulemaking Order) in *Review of Long-Term Infrastructure Improvement Plan*, Docket No. L-2012-2317274, which established procedures and criteria for the filing and subsequent periodic review of LTIPs.

1 A. Yes. Penn Power witness Scott R. Wyman presents an overview of the ADMS being
2 deployed by the Company on pages 2-3 of Pennsylvania Power Company Statement
3 No. 1, and Mr. Wyman presents additional details concerning the ADMS on pages 4-5
4 of Statement No. 1. Penn Power Exhibit SRW-1 presents the description of the ADMS
5 that was included in the 2020-2024 LTIP.

6 Q. WHAT ARE THE ANTICIPATED COSTS OF THE ADMS?

7 A. Total ADMS investment which has been included in the DSIC to date is \$98,844. As
8 indicated in the response to OCA Set II No. 1 which is attached to my Direct Testimony
9 as Schedule JDM-1, total projected costs of the ADMS are \$2.7 million, and the ADMS
10 project is expected to be completed in the fourth quarter of 2022.

11 Q. IS IT REASONABLE TO RECOVER ADMS COSTS THROUGH THE
12 DSIC?

13 A. The eligibility of the costs of electronic systems and software like the ADMS for
14 recovery through the DSIC must be reviewed on a case-by-case basis at the time a
15 request is made to include those costs in the DSIC. As a general matter, to the extent
16 the costs are, in fact, similar to tools and work equipment and are capitalized as
17 overheads as part of DSIC-eligible projects, I agree it is reasonable to include the costs
18 as DSIC-eligible. However, when the electronic systems and software like the ADMS
19 are necessary in the normal course of business, independent of DSIC-eligible projects,
20 then the costs should not be recovered through the DSIC. Such costs are properly
21 recovered through base rates as part of the Company's overall capital improvements
22 program.

23 Penn Power indicates that ADMS will replace Penn Power's current outage
24 management system ("OMS") and geographic information system ("GIS"). Those
25 systems are used for the routine planning, operation and maintenance of utility

1 distribution systems but are not unique or specific to making distribution system
2 improvements. Based on the information in Penn Power's filing and testimony, it does
3 not appear that ADMS costs should be recovered through the DSIC because
4 Pennsylvania Power would incur ADMS costs regardless of whether the Company was
5 making any investment in DSIC-eligible projects.

6 Q. CAN YOU PROVIDE ADDITIONAL EXAMPLES AND REASONS AS TO
7 WHY THE ADMS COSTS SHOULD NOT BE INCLUDED IN A DSIC?

8 A. According to the Company's filing, the ADMS will be utilized to design facilities to
9 extend service to new customers and for operation and management of those new
10 facilities. The cost of extending facilities to new customers are not recoverable through
11 Penn Power's DSIC.

12 In addition, the investment in facilities eligible for DSIC recovery are specified
13 by Section 1351 of the Public Utility Code. For electric distribution companies like
14 Penn Power, those facilities include poles, towers, overhead and underground
15 conductors, and transformers and substation equipment. The investment associated
16 with any fixture or device related to eligible property, and unreimbursed highway
17 relocation costs are also eligible for DSIC recovery. All of the eligible property
18 specified in Section 1351 is located outdoors in the field. DSIC recovery of general
19 plant like the ADMS which is not in the field but inside corporate office facilities would
20 be inconsistent with Section 1351.

21 Finally, as explained by Mr. Wyman, the ADMS will segregate the distribution
22 supervisory contract and data acquisition ("D-SCADA") system from the energy
23 management system which is the transmission SCADA. Therefore, the ADMS costs
24 which Pennsylvania Power is proposing to recover through the DSIC may include
25 transmission costs which are not DSIC-eligible costs.

1 Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

2 A. Yes, it does.

OCA STATEMENT 1

BEFORE THE PENNSYLVANIA PUBLIC UTILITY COMMISSION

Office of Consumer Advocate)	
)	Docket Nos. C-2021-3026811
v.)	M-2021-3026675
)	
Pennsylvania Power Company)	

SCHEDULE ACCOMPANYING THE DIRECT TESTIMONY

OF

JEROME D. MIERZWA

ON BEHALF OF THE

PENNSYLVANIA OFFICE OF CONSUMER ADVOCATE

November 17, 2021

Penn Power Response to OCA Interrogatory Set II, No. 1
Witnesses: J.M. Savage and S.R. Wyman
Page 1 of 2

**PENNSYLVANIA POWER COMPANY
DISTRIBUTION SYSTEM IMPROVEMENT CHARGE EFFECTIVE JULY 1, 2021
DOCKET NO. M-2021-3026675**

OFFICE OF CONSUMER ADVOCATE SET II, NO. 1

“Reference the response to OCA Set I, No. 1.

- a. Please provide a projection of the Advanced Distribution Management System costs to be included in the Company’s October 1, 2021 DSIC filing and the additional costs projected to be incurred over the next three years that will be included in the Company’s DSIC filings; and
- b. Please provide a detailed description of the function of each ADMS investment item identified in subpoint (a).”

RESPONSE:

- a. Penn Power’s October 1, 2021 Distribution System Improvement Charge (“DSIC”) does not include any incremental plant additions for automated distribution management system (“ADMS”) costs. The ADMS project is expected to be completed in the fourth quarter of 2022 with projected costs of \$2.7M. Based on this expected in-service date, the remaining project costs may be included in the January 2023 DSIC rate filing. There are no costs projected to be incurred for 2023 or 2024.
- b. The investment included in the DSIC is for the implementation of the ADMS, a new geographic information system (“GIS”) and graphic work design module (“GWD”), as well as a dedicated distribution-centric supervisory control and distribution automation (“SCADA”) interface. The ADMS will integrate a new outage management system (“OMS”) and distribution management system (“DMS”), into one platform to support outage and distribution management - creating reliability efficiencies and improvements for the distribution system. The ADMS will leverage the new GIS and GWD, creating efficiencies between ADMS and GIS with improved design and mapping that Penn Power has not previously had the advantage of. This new capability will improve GIS data accuracy by greatly reducing the amount of time it takes for GIS updates to occur. In turn, because Penn Power’s employees rely heavily on accurate GIS information to make the best possible operational decisions, this project, once completed, is expected to lead to improved safety and reliability performance.

Penn Power Response to OCA Interrogatory Set II, No. 1
Witnesses: J.M. Savage and S.R. Wyman
Page 2 of 2

Additionally, as part of this project, distribution SCADA line devices will be segmented from the transmission SCADA system. This will allow for a dedicated distribution-centric SCADA interface which will monitor system data and control field equipment in a single integrated platform within the ADMS. As a result, distribution system operators (“DSO”) will be able to quickly analyze, make decisions, and remotely operate field equipment because they are working in one system versus multiple. As a result, restoration times for outage events are also expected to improve.

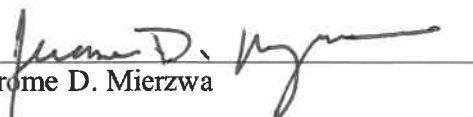
BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Office of Consumer Advocate	:	
	:	Docket Nos. C-2021-3026811
v.	:	M-2021-3026675
	:	
Pennsylvania Power Company	:	

VERIFICATION

I, Jerome D. Mierzwa, hereby state that the facts above set forth in my Direct Testimony, OCA Statement 1, are true and correct and that I expect to be able to prove the same at a hearing held in this matter. I understand that the statements herein are made subject to the penalties of 18 Pa.C.S. § 4904 (relating to unsworn falsification to authorities).

DATED: November 17, 2021
*320055

Signature: 
Jerome D. Mierzwa

Consultant Address: Exeter Associates, Inc.
10480 Little Patuxent Parkway
Suite 300
Columbia, MD 21044-3575

APPENDIX 4

PROPOSED FINDINGS OF FACT

1. Penn Power is defined as an electric distribution company and default service provider under the Public Utility Code.¹

2. Penn Power provides service to approximately 170,000 electric utility customers in Allegheny, Beaver, Butler, Crawford, Lawrence and Mercer Counties.

3. The Consumer Advocate is empowered to represent the interests of consumers before the Pennsylvania Public Utility Commission, pursuant to Act 161 of the Pennsylvania General Assembly, 71 P. S. §§ 309-1 et seq, as enacted July 9, 1976.

4. On June 9, 2016, the Commission entered an Order approving the petition for a Distribution System Improvement Charge filed by Penn Power.

5. The DSIC charge is updated on a quarterly basis to reflect eligible plant additions placed in service during the three-month period ending one month prior to the effective date of each DSIC charge. Those plant additions are added to the eligible plant additions placed in service since the DSIC started to calculate the updated DSIC charge. The calculation begins with the original cost of the cumulative eligible plant investments less accumulated depreciation to date.²

6. On June 21, 2021, Penn Power filed Supplement No. 97 to Tariff Electric Pa. PUC No. 36 (Supplement No. 97), which proposed to change the DSIC to 3.58%, effective July 1, 2021.

7. The cover letter accompanying the tariff filing of Penn Power stated that, as of December 2020, ADMS costs are included for recovery in Penn Power's DSIC.

8. Penn Power's ADMS project includes development of a software platform that will integrate its outage, distribution management and geographic information systems and segregate

¹ 66 Pa.C.S. § 2803.

² *Id.*, p. 3.

the distribution and transmission supervisory control and data acquisition systems.³

9. On January 16, 2020, the Commission approved the Company's LTIIP for 2020-2024, which included Penn Power's ADMS project. The total project cost was estimated to be \$3.31 and planned for 2022.⁴

10. As of the date of the Joint Petition, the amount of ADMS property put in service totals \$98,844; \$99,417 of this amount was included in Penn Power's DSIC rate beginning on April 1, 2021, which amount was reduced by a credit in the amount of \$573.00 that was accounted for as an offset to Penn Power's DSIC rate beginning on August 1, 2021.

11. No ADMS costs were included in Penn Power's October 1, 2021 or January 1, 2022 DSIC rate change filings.

12. The remaining amount Penn Power forecasts to place in service associated with its ADMS projects totals \$2,746,500, with an expected in-service date happening between October and December 2022.

³ Pennsylvania Power Company Statement No. 1, pp. 2-3.

⁴ *Petition of Pennsylvania Power Co. for Approval of its Long-Term Infrastructure Improvement Plan*, Docket No. P-2019-3012614, Order at 16, 42 (Jan. 16, 2020).

PROPOSED CONCLUSIONS OF LAW

1. The party seeking a rule or order from the Commission has the burden of proof in this proceeding.⁵

2. A party's burden of proof is met by establishing a preponderance of the evidence, which requires proof by a greater weight of the evidence.⁶

3. The Joint Petition for Settlement is consistent with the Commission's regulations and policies supporting settlement.⁷

4. Approval of the Joint Petition for Settlement is in the public interest.

⁵ 66 Pa.C.S. § 332(a).

⁶ *Lansberry v. Pa. Pub. Util. Comm'n*, 578 A.2d 600, 602 (Pa. Commw. Ct. 1990).

⁷ 52 Pa. Code §§ 5.231, 69.391 and 69.401.

APPENDIX 5

PROPOSED ORDERING PARAGRAPHS

1. The Joint Petition for Approval of Settlement filed on January 26, 2022, at the above referenced docket is granted.
2. The formal complaint of the Office of Consumer Advocate filed against Pennsylvania Power Company at the above-referenced docket shall be marked as closed.

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Office of Consumer Advocate,	:	
Complainant	:	
v.	:	
	:	Docket No. C-2021-3026811
Pennsylvania Power Company,	:	
Respondent	:	
Pennsylvania Power Company Supplement	:	
No. 97 to Tariff Electric Pa. P.U.C. No. 36 -	:	Docket No. M-2021-3026675
Distribution System Improvement Charge	:	

STATEMENT OF PENNSYLVANIA POWER COMPANY
IN SUPPORT OF
THE JOINT PETITION FOR APPROVAL OF SETTLEMENT

January 26, 2022

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Office of Consumer Advocate,	:	
Complainant	:	
v.	:	
	:	Docket No. C-2021-3026811
Pennsylvania Power Company,	:	
Respondent	:	
Pennsylvania Power Company Supplement	:	
No. 97 to Tariff Electric Pa. P.U.C. No. 36 -	:	Docket No. M-2021-3026675
Distribution System Improvement Charge	:	

STATEMENT OF PENNSYLVANIA POWER COMPANY
IN SUPPORT OF
THE JOINT PETITION FOR APPROVAL OF SETTLEMENT

I. INTRODUCTION

Pennsylvania Power Company (“Penn Power” or the “Company”), by its counsel, submits this Statement in Support of the Joint Petition For Approval of Settlement (“Joint Petition”) of all issues in the above-captioned proceeding and requests that the Administrative Law Judge approve the Settlement without modification. The Joint Petition sets forth the factual background and procedural history of this case. This Statement in Support (the “Statement”) is filed pursuant to Paragraph 18 of the Joint Petition.

The settlement embodied in the Joint Petition (the “Settlement”) was achieved after an investigation commenced upon the filing of a Formal Complaint by OCA with the Commission stating that it wanted to ensure that the Company’s existing and proposed Distribution System Improvement Charge (“DSIC”) tariff and DSIC rate, including inter alia, the recovery of Advanced Distribution Management System (“ADMS”) costs, do not result in rates and charges that are excessive, discriminatory or otherwise contrary to applicable statutes, Commission regulations or

policy (the “Complaint”). This investigation included the exchange of discovery and the submission of direct testimony. Apart from these efforts, over the course of several months’ time, the parties actively engaged in discussions and negotiations to come to agreement on the terms of the Settlement.

The Company is in full agreement with each of the reasons set forth in the Joint Petition. In this Statement, following a summary of the Settlement, Penn Power offers additional reasons why the Settlement is in the public interest and should be approved.

II. SUMMARY OF THE SETTLEMENT

The Complaint made several requests for relief, including that the Commission: (1) investigate the Tariff Supplement No. 97 and refund to customers all charges found to be improper; (2) consolidate all complaints filed against Tariff Supplement No. 97; (3) hold full evidentiary hearings examining the reasonableness of the Company’s rate changes; (4) hold public input hearings in Penn Power’s service territory, if consumer interest arises; (5) modify or reject the DSIC rate and tariff if they are not found to be in compliance with Sections 1301, 1350, 1351, 1353 of the Public Utility Code, 66 Pa.C.S. §§ 1301, 1350, 1351, 1353; (6) modify or reject the July 1, 2021 DSIC rate and tariff if they are not found to be just and reasonable and in the public interest; and (7) grant any other relief deemed necessary.¹

Under the Settlement, Penn Power agrees that it will not seek recovery of ADMS-related capital costs as defined in and for the period of the Company’s Commission-approved long term infrastructure improvement plan (“LTIIIP”) spanning the period January 1, 2020 through December 31, 2024 (“LTIIIP II”),² through its DSIC Rider effective as of July 1, 2021, or at any point

¹ OCA Formal Complaint, p. 3.

² *Petition of Pennsylvania Power Company for Approval of its Long-Term Infrastructure Improvement Plan*, Docket No. P-2019-3012614 (approved by Opinion and Order entered January 16, 2020).

thereafter. In its calculations for the first available DSIC rate change filing following a final order approving this Settlement, Penn Power will clearly itemize a line item to reverse all ADMS costs that Penn Power has recovered for rates effective July 1, 2021 and after. This Settlement in no way represents a waiver of the arguments that either Party has or would make with respect to the appropriateness of recovery of ADMS-related capital costs through Penn Power's DSIC Rider. The Parties agree that this Settlement is not intended to establish precedent as to the issues involved or restrict either Party from raising the same or similar arguments in any future proceeding before the Commission. Notwithstanding and without waiver of those arguments, the Parties agree that Penn Power will not be obligated to refund any ADMS-related capital costs that were recovered through its DSIC Rider for the period effective on April 1, 2021 and ending June 30, 2021.

In the event that Penn Power were to elect to pursue DSIC recovery for any portion of its ADMS-related costs after 2024, Penn Power will issue a dedicated notice to the OCA advising of inclusion of those costs in any filed rate. This notice will be separate and distinct from the proposed rate filing including the costs.

III. THE SETTLEMENT IS IN THE PUBLIC INTEREST

It is well established that it is the policy of the Commission to encourage settlements.³ The standard for Commission approval of a settlement is that it must be determined that the proposed terms and conditions, viewed in the context of a settlement as a whole, are in the public interest.⁴ As explained therein, the resolution reached by these collective terms is consistent with, and promotes, the public interest.

³ 52 Pa. Code § 5.231.

⁴ *Pa. P.U.C. v. CS Water & Sewer Assoc.*, 74 Pa. P.U.C. 767, 771 (1991); *Pa. P.U.C. v. Phila. Elec. Co.*, 60 Pa. P.U.C. 1, 22 (1985).

In reaching the Settlement, the parties thoroughly considered all contested issues raised in testimony and evidence. As a result of that consideration, Penn Power believes that the Settlement meaningfully addresses all issues raised by the parties to the case and reduces issues for dispute in a way that produces an overall outcome that is well within the range of reasonable outcomes that are supported by the record evidence in this proceeding. In so doing, the Settlement appropriately balances the interests of Penn Power customers in receiving safe, adequate and reliable service at just and reasonable rates with the interests of the Company and its shareholders in being given a reasonable opportunity to earn a fair return on their investment in property dedicated to the public service.

Further, the Settlement reduces the administrative burdens on the Commission and the litigation costs of all parties. By reaching this resolution, the parties and the Commission's staff have been able to avoid the costly and laborious evidentiary hearing process, and the preparation of briefs and exceptions, and likely any possible appeals that would have followed. Meanwhile, the parties having knowingly entered into compromises they were comfortable with are able to enjoy greater regulatory certainty and collaboration in such a way that makes the outcome one that satisfies all parties in a way they may not otherwise have been able to expect should they have litigated. The Settlement is in the public interest and should be approved without modification.

IV. CONCLUSION

For the reasons set forth above and in the Joint Petition, Penn Power submits that the Settlement is a fair and reasonable compromise that is fully supported by the record evidence in this proceeding. Accordingly, for the reasons set forth above and in the Joint Petition, Penn Power

submits that the Joint Petition for Settlement is in the public interest and respectfully requests that the Administrative Law Judge and the Commission approve it without modification.

Respectfully submitted,

Date: January 26, 2022



Tori L. Giesler (ID # 207742)
FirstEnergy Service Company
2800 Pottsville Pike
P.O. Box 16001
Reading, PA 19612-6001
Phone: 610-921-6658
E-mail: tgiesler@firstenergycorp.com

Counsel for Pennsylvania Power Company

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Office of Consumer Advocate	:	
	:	Docket Nos. M-2021-3026675
v.	:	C-2021-3026811
	:	
Pennsylvania Power Company	:	

OCA STATEMENT IN SUPPORT OF
JOINT PETITION FOR SETTLEMENT

The Office of Consumer Advocate (OCA), one of the signatory parties to the Joint Petition for Approval of Settlement (Settlement) respectfully requests that the terms and conditions of the Settlement be approved by the Pennsylvania Public Utility Commission (Commission). This request is based upon the OCA’s conclusion that the proposed Settlement is in the public interest and is in the interest of the customers of Pennsylvania Power Company (Penn Power or Company).

I. INTRODUCTION

On June 21, 2021, Penn Power filed Supplement No. 97 to Tariff Electric Pa. PUC No. 36 (Supplement No. 97), which proposed to change the Distribution System Improvement Charge (DSIC) to 3.58%, effective July 1, 2021. According to its filing, Penn Power began claiming investment in its Advanced Distribution Management System (ADMS) as of December 2020. The recovery of ADMS costs was the subject of a settlement in Docket No. P-2019-3012628. The settling parties, which included Penn Power and the OCA, agreed that the Company could present a future claim to recover ADMS costs in rates and that the other parties could review and challenge such a claim. See Petition of Pennsylvania Power Co. for a Waiver of the DSIC Cap, Docket No. P-2019-3012628, Joint Petition for Settlement, ¶12d (approved by PUC Order entered Mar. 12,

2020). On June 25, 2021, the OCA filed a Formal Complaint challenging Penn Power's inclusion of ADMS in its DSIC rate.

In its Formal Complaint, the OCA's expressed its concern that the DSIC rates calculated to recover the ADMS investment placed in service since December 2020 were unjust or unreasonable because the ADMS investment is not DSIC-eligible property for purposes of Sections 1301 and 1350 through 1353 of the Public Utility Code, 66 Pa. C.S. §§ 1301, 1350-1353.¹ Formal Complaint at 2-3. As relief, the OCA requested, among other things, that the Public Utility Commission (Commission) investigate the Company's DSIC tariff and rate and refund all charges found to be improper. *Id.* at 3. On July 19, 2021, Penn Power filed an Answer to the OCA's Formal Complaint.²

This matter was assigned to the Office of Administrative Law Judge on July 23, 2021 and subsequently assigned to Administrative Law Judge Darleen Heep (ALJ Heep). On July 27, 2021 ALJ Heep issued a Prehearing Conference Order establishing a Prehearing Conference for this matter. A Prehearing Conference was held on August 19, 2021, during which the parties mutually agreed to a procedural schedule. Penn Power filed Direct Testimony on October 13, 2021 and the OCA filed OCA Statement 1, the Direct Testimony of Jerome D. Mierzwa³, on November 17, 2021.

¹ As a practical matter, the OCA's complaint currently impacts Penn Power's DSIC rates effective since April 1, 2021. PUC Docket Nos. M-2021-3024738, Tariff Supp. No. 90 (eff. Apr. 1, 2021); M-2021-302739798, Tariff Supp. No. 98 (eff. Aug. 1, 2021); M-2021-3028703, Tariff Supp. No. 100 (eff. Oct. 1, 2021); M-2021-3030135, Tariff Supp. No. 105 (eff. Jan. 1, 2021).

² Penn Power's pleading was captioned as an "Answer and New Matter," however, no "New Matter" was specifically identified within the pleading and no Notice to Plead was provided.

³ Mr. Mierzwa is a principal at and the President of the utility consulting firm, Exeter Associates Inc., and has been affiliated with the firm since April 1990. During his tenure with Exeter, Mr. Mierzwa has specialized in, among other things, evaluating the gas purchasing practices of natural gas utilities, utility cost of service and rate design analysis, performance-based incentive regulation and revenue requirement analysis. Mr. Mierzwa has testified in more than 300 utility regulatory proceedings in 13 states, including Pennsylvania. He holds a Bachelor's degree and a Masters of Business Administration degree from Canisius College.

On December 14, 2021, Penn Power and the OCA (the Parties) notified ALJ Heep that they had reached a comprehensive agreement to resolve all issues prior to the due date for rebuttal testimony. Upon notifying ALJ Heep of the agreement, the litigation schedule was suspended and evidentiary hearings were cancelled. ALJ Heep indicated that a Petition for Settlement should be filed by the Parties no later than January 26, 2021, along with Statements in Support and a Joint Stipulation for the admission of testimony and exhibits into the record.

The terms and conditions of the Settlement satisfactorily address the issues raised in the OCA's Formal Complaint and testimony. The OCA recognizes that this Settlement contains modifications from the original recommendations proposed by the OCA. The OCA submits, however, that the agreed upon Settlement achieves a fair resolution of the issues presented in this proceeding.

The OCA submits this Statement in Support to provide its views on why the proposed Settlement is in the public interest.

II. TERMS AND CONDITIONS OF SETTLEMENT

The following terms of the proposed Settlement directly address the OCA's concerns raised in its Formal Complaint:

A. Recovery of ADMS Costs (Settlement ¶¶ 16a, b, d)

As discussed by witness Jerome D. Mierzwa in the OCA's Direct Testimony, ADMS-related capital costs should not be included in Penn Power's DSIC because the software investment is necessary in the normal course of business, independent of DSIC-eligible projects. OCA St. 1 at 5-6. Such costs are properly recovered through base rates as part of the Company's overall capital improvements program. The OCA also raised concerns that Penn Power's ADMS will be utilized to design, operate and manage new facilities to extend service to new customers and may

include transmission costs, however, neither of those cost categories are eligible for DSIC recovery. See Implementation of Act 11 of 2012, Docket No. M-2012-2293611, Final Implementation Order at 23-24, App. A at 2 (Aug. 2, 2012); OCA St. 1 at 6.

To date, Penn Power has recovered a total of \$98,844 for ADMS investment put in service in the quarter ending one month prior to its DSIC rate effective on April 1, 2021.⁴ Penn Power St. 2 at 5, 7. Penn Power did not make any further ADMS investment in 2021. OCA Sch. JDM-1 (Penn Power response to OCA-II-1). Penn Power projects that it will invest an additional \$2.7 million in ADMS in 2022, which it planned to recover through DSIC rates in 2022 and 2023. Id.

Under the terms of the proposed Settlement, Penn Power will not be required to refund the \$98,844 that was recovered through the DSIC rate effective April 1, 2021 through June 30, 2021. Settlement ¶ 16d. Penn Power will refund any ADMS costs recovered in DSIC rates effective after July 1, 2021 and will not recover any additional ADMS costs through 2024 (projected to be \$2.7 million) in its DSIC rates. Settlement ¶ 16a. Refunds will be effected in the first DSIC rate change filing following a final order approving this Settlement and will be clearly itemized in the supporting calculations submitted with its filing. Settlement ¶ 16b.

The OCA submits that this represents a reasonable compromise because it addresses the OCA's position that all or some of the ADMS capital costs are not properly recovered through the DSIC mechanism and, more generally, serves to limit the scope and amount of costs that will be recovered from customers between base rate cases. Penn Power will still have the opportunity to present a claim to recover its ADMS costs through base rates in a future base rate proceeding, subject to the OCA's rights to review and challenge the reasonableness and prudence of such claim.

⁴ Penn Power included \$99,417 for ADMS costs in its DSIC rate effective April 1, 2021 and a credit of \$573 in the DSIC rate effective in August and September 2021 for a net recovery of \$98,844. Penn Power St. 2 at 7.

As such, the OCA submits that these provisions of the Settlement are in the public interest and in the interest of the ratepayers, and should be approved by the Commission.

B. Future Claim for DSIC Recovery of ADMS Costs (Settlement ¶¶ 16c, e)

The Settlement also provides that if Penn Power claims DSIC recovery for any ADMS investment placed in service after December 31, 2024, Penn Power will issue a dedicated notice to the OCA advising of inclusion of those costs in any filed rate, separate and distinct from the proposed rate filing including the costs. Settlement ¶ 16e. Additionally, the proposed Settlement preserves the Parties' rights to address the appropriateness of recovery of ADMS-related capital costs through Penn Power's DSIC Rider in any future proceeding. Settlement ¶ 16c. These provisions ensure that the OCA will have notice and opportunity to review and challenge such claim and as such, the OCA submits that these settlement provisions should be approved.

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Office of Consumer Advocate,	:	
Complainant	:	
v.	:	
	:	Docket No. C-2021-3026811
Pennsylvania Power Company,	:	
Respondent	:	
Pennsylvania Power Company Supplement	:	
No. 97 to Tariff Electric Pa. P.U.C. No. 36 -	:	Docket No. M-2021-3026675
Distribution System Improvement Charge	:	

CERTIFICATE OF SERVICE


I hereby certify that I have this day served a true and correct copy of the Direct Testimony of Pennsylvania Power Company upon the individuals listed below, in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant).

Service by electronic mail only as follows:

Administrative Law Judge Darlene Heep
Office of Administrative Law Judge
Pennsylvania Public Utility Commission
801 Market St
Philadelphia, PA 19107
dheep@pa.gov

Erin L. Gannon, Esquire
Laura Antinucci, Esquire
Christine Maloni Hoover, Esquire
Office of Consumer Advocate
555 Walnut Street 5th Floor Forum Place
Harrisburg, PA 17101
egannon@paoca.org
lantinucci@paoca.org
choover@paoca.org

Dated: January 26, 2022



Tori L. Giesler
FirstEnergy Service Company
2800 Pottsville Pike
P.O. Box 16001
Reading, Pennsylvania 19612-6001
(610) 921-6658
tgiesler@firstenergycorp.com