

## THE PUBLIC UTILITIES COMMISSION OF OHIO

IN THE MATTER OF THE REVIEW OF OHIO  
EDISON COMPANY, THE CLEVELAND  
ELECTRIC ILLUMINATING COMPANY, AND  
THE TOLEDO EDISON COMPANY'S  
COMPLIANCE WITH R.C. 4928.17 AND  
OHIO ADM.CODE CHAPTER 4901:1-37.

CASE NO. 17-974-EL-UNC

### ENTRY

Entered in the Journal on July 5, 2017

#### I. SUMMARY

{¶ 1} The Commission selects Sage Management Consultants, LLC to conduct the audit services necessary to assist the Commission with the review of FirstEnergy's compliance with the corporate separation rules adopted by the Commission.

#### II. DISCUSSION

{¶ 2} Ohio Edison Company, The Cleveland Electric Illuminating Company, and The Toledo Edison Company (collectively, FirstEnergy or the Companies) are electric distribution utilities, as defined by R.C. 4928.01(A)(6), and public utilities, as defined in R.C. 4905.02, and, as such, are subject to the jurisdiction of this Commission.

{¶ 3} On December 12, 2012, the Commission issued an Entry initiating an investigation into the health, strength, and vitality of Ohio's competitive retail electric service (CRES) market. *In re the Commission's Investigation of Ohio's Retail Electric Service Market*, Case No. 12-3151-EL-COI (*CRES Market Investigation Case*). The investigation was intended to establish actions that the Commission can take to enhance the health, strength, and vitality of the CRES market. In the Entry initiating the investigation, the Commission presented a series of questions to stakeholders regarding market design and corporate separation as they impact the CRES market.

{¶ 4} On March 26, 2014, the Commission issued its Finding and Order in the *CRES Market Investigation Case*, adopting, in part, Staff's recommendations, with modifications. The

Commission, in adopting one such recommendation, directed that each of the Ohio electric distribution utilities would be subject to an audit to ensure their compliance with R.C. 4928.17 and the Commission's corporate separation rules, as enumerated in Ohio Adm.Code Chapter 4901:1-37, as well as to further Ohio's policies pursuant to R.C. 4928.02. *CRES Market Investigation Case, Finding and Order* (Mar. 26, 2014) at 16-17. According to Staff's recommended audit schedule, FirstEnergy will be the first electric distribution utility to undergo the prescribed audit.

{¶ 5} On May 17, 2017, the Commission issued an Entry directing Staff to issue a Request for Proposal (RFP) to acquire audit services to assist the Commission with the review of FirstEnergy's compliance with the corporate separation rules set forth in Ohio Adm.Code Chapter 4901:1-37. Bidders were directed to demonstrate their understanding of the project and the work required by showing a clear understanding of the tasks to be completed, the experience and qualifications of the personnel who will perform the work, and the anticipated breakdown of costs and timing. All proposals were submitted on June 9, 2017, in accordance with the terms of the RFP.

{¶ 6} The proposals received in response to the RFP have been evaluated and, after consideration of those proposals, the Commission selects Sage Management Consultants, LLC (SMC). The Commission finds that SMC has the necessary experience to complete the required work.

{¶ 7} The Companies shall enter into a contract with SMC by July 26, 2017, for the purpose of providing payment for its auditing services. The contract shall incorporate the terms and conditions of the RFP, the auditor's proposal, and relevant Commission entries in this case.<sup>1</sup>

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<sup>1</sup> As the Commission is issuing this Entry on July 5, 2017, the period in which the audit is to be conducted, as noted in the RFP, shall be amended to state "July 5, 2017 thru February 28, 2018." The Commission reserves the right to amend any additional deadlines noted in the RFP or this Entry by subsequent entry.

{¶ 8} The Commission shall solely direct the work of the auditor. Staff will review and approve payment invoices submitted by the auditor.

{¶ 9} SMC will execute its duties pursuant to the Commission's statutory authority to investigate and acquire records, contracts, reports, and other documentation under R.C. 4903.02, 4903.03, 4905.06, 4905.15, and 4905.16. SMC is subject to the Commission's statutory duty under R.C. 4901.16, which provides:

Except in his report to the public utilities commission or when called on to testify in any court or proceeding of the public utilities commission, no employee or agent referred to in section 4905.13 of the Revised Code shall divulge any information acquired by him in respect to the transaction, property, or business of any public utility, while acting or claiming to act as such employee or agent. Whoever violates this section shall be disqualified from acting as agent, or acting in any other capacity under the appointment or employment of the commission.

{¶ 10} Upon request of SMC or Staff, the Companies shall provide any and all documents or information requested. The Companies may conspicuously mark such documents or information "confidential" if the Companies believe the document should be deemed as such. In no event, however, shall the Companies refuse or delay in providing such documents or information.

{¶ 11} Once disclosure is permitted by R.C. 4901.16, the following process applies to the release of any document or information marked as confidential. Three days' prior notice of intent to disclose shall be provided to the party claiming confidentiality. Three days after such notice, Staff or the auditor may disclose or otherwise make use of such documents or information for any lawful purpose, unless the Commission receives a request for a protective order pertaining to such documents or information within the three-day notice period. The three-day notice period will be computed according to Ohio Adm.Code 4901-1-07.

{¶ 12} SMC shall perform its audit and investigation as an independent contractor. Any conclusions, results, or recommendations formulated by SMC may be examined by any participant to this proceeding. Further, it shall be understood that the Commission and/or its Staff shall not be liable for any acts committed by SMC or its agents in the preparation and presentation of the report.

### III. ORDER

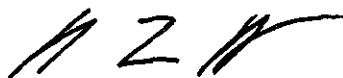
{¶ 13} It is, therefore,

{¶ 14} ORDERED, That SMC be selected to perform the consulting activities set forth above and in the RFP. It is, further,

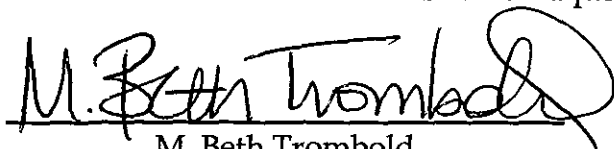
{¶ 15} ORDERED, That the Companies and SMC shall observe the requirements set forth herein. It is, further,

{¶ 16} ORDERED, That a copy of this Entry be served upon all parties of record.

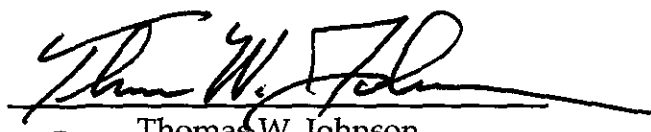
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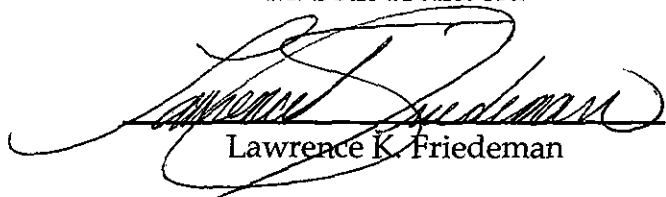
Asim Z. Haque, Chairman



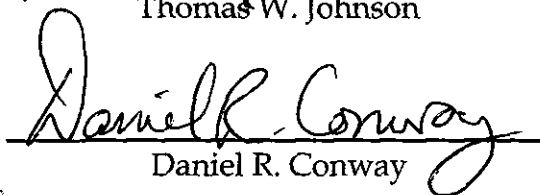
M. Beth Trombold



Thomas W. Johnson



Lawrence K. Friedeman



Daniel R. Conway

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Barcy F. McNeal  
Secretary