

THE PUBLIC UTILITIES COMMISSION OF OHIO

IN THE MATTER OF THE 2013 REVIEW OF THE
DELIVERY CAPITAL RECOVERY RIDER
CONTAINED IN THE TARIFFS OF OHIO
EDISON COMPANY, THE CLEVELAND
ELECTRIC ILLUMINATING COMPANY, AND
THE TOLEDO EDISON COMPANY.

CASE NO. 13-2100-EL-RDR

FINDING AND ORDER

Entered in the Journal on July 13, 2016

I. SUMMARY

{¶ 1} In this Finding and Order, the Commission adopts the stipulation entered into by Staff and Ohio Edison Company, The Cleveland Electric Illuminating Company, and The Toledo Edison Company regarding the 2013 audit review of Rider DCR.

II. DISCUSSION

{¶ 2} Ohio Edison Company (Ohio Edison), The Cleveland Electric Illuminating Company (CEI), and The Toledo Edison Company (Toledo Edison) (collectively, FirstEnergy or the Companies) are electric distribution utilities as defined in 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} R.C. 4928.141 provides that an electric distribution utility shall provide consumers within its certified territory a standard service offer (SSO) of all competitive retail electric services necessary to maintain essential electric services to customers, including a firm supply of electric generation services. The SSO may be either a market rate offer in accordance with R.C. 4928.142, or an electric security plan (ESP) in accordance with R.C. 4928.143.

{¶ 4} On August 25, 2010, the Commission issued an Opinion and Order in *In re Application of Ohio Edison Co., The Cleveland Elec. Illum. Co., and The Toledo Edison Co. for Authority to Establish a Std. Serv. Offer Pursuant to Section 4928.143, Revised Code, in the Form of an Elec. Security Plan*, Case No. 10-388-EL-SSO (*ESP II Case*). In that Opinion and Order, the Commission approved a combined stipulation, as modified, authorizing FirstEnergy to establish a delivery capital recovery rider (Rider DCR) effective January 1, 2012. Rider DCR provides for recovery of property taxes, commercial activity tax, and associated income taxes, and the opportunity to earn a return on and of plant-in-service associated with distribution, subtransmission, and general and intangible plant. Additionally, under the terms of the stipulation, FirstEnergy agreed to submit an annual audit review process of Rider DCR. Thereafter, on July 18, 2012, the Commission issued an Opinion and Order in *In re FirstEnergy*, Case No. 12-1230-EL-SSO (*ESP III Case*) approving a stipulation filed by various parties extending, with modifications, the combined stipulation approved by the Commission in the *ESP II Case*.

{¶ 5} On November 1, 2013, FirstEnergy filed its Rider DCR applications for Ohio Edison, CEI, and Toledo Edison in Case Nos. 13-2005-EL-RDR, 13-2006-EL-RDR, and 13-2007-EL-RDR, respectively.

{¶ 6} In the above-captioned case, by Entry issued December 4, 2013, the Commission chose Blue Ridge Consulting Services, Inc. (Blue Ridge), to conduct the audit review of Rider DCR pursuant to a request for proposal.

{¶ 7} On January 23, 2014, Ohio Consumers' Counsel (OCC) filed a motion to intervene. In its memorandum in support, OCC asserts that Ohio's residential customers may be adversely affected by this case, as it involves an investigation into the appropriateness of costs submitted by the Companies. No memoranda contra OCC's motion to intervene were filed. The Commission finds that the motion to intervene is reasonable and should be granted.

{¶ 8} On April 9, 2014, Blue Ridge filed a report on its audit review of Rider DCR (Audit Report). Thereafter, on April 14, 2014, the attorney examiner established a comment period regarding the Audit Report, requiring comments and reply comments to be filed by May 27, 2014, and June 26, 2014, respectively. No party filed comments.

{¶ 9} On May 28, 2014, FirstEnergy and the Commission's Staff (Staff) filed a joint stipulation and recommendation (Stipulation). The Stipulation, FirstEnergy and Staff contend, sets forth the understanding and agreement of the parties, and FirstEnergy and Staff urge the Commission to adopt the following recommendations made in the Audit Report:

- (a) Blue Ridge's recommendation that the Companies carefully monitor the current manual process used by Accounting Policy and Control to move contributions in aid of construction (CIACs) to ensure that the CIACs are applied to the correct work orders and Federal Energy Regulatory Commission (FERC) accounts (Audit Report at 11).
- (b) Blue Ridge's recommendation that the resolution to issues identified in Sarbanes-Oxley compliance tests during 2013 related to allowance for funds used during construction (AFUDC) rates in PowerPlant be reviewed in the next audit (Audit Report at 11).
- (c) Blue Ridge's recommendation that the American Transmission Systems, Inc. (ATSI) Land Lease calculation methodology should revert to the previous methodology for future filings and a reconciliation calculation should be included in the next

filing. Rider DCR effective June 1, 2014 incorporates this recommendation (Audit Report at 12.)

- (d) Blue Ridge's recommendation that an adjustment be made to the next Rider DCR filing to remove the cumulative impact of advanced meter infrastructure (AMI) projects from the Rider DCR plant balances. Rider DCR effective June 1, 2014, incorporates this recommendation (Audit Report at 13.)
- (e) Blue Ridge's recommendation that the Companies correct errors identified as part of its work order transactional testing and adjust Rider DCR accordingly. Rider DCR effective June 1, 2014, incorporates this recommendation (Audit Report at 15.)
- (f) Blue Ridge's recommendation that certain costs associated with building improvements should be removed from Rider DCR. Rider DCR effective June 1, 2014, incorporates this recommendation (Audit Report at 15.)
- (g) Blue Ridge's recommendation that the Companies complete a process revision to ensure that AFUDC is not accrued on projects that are not eligible. Further, Blue Ridge's recommendation that the Companies review the entire population of utility plant included in Rider DCR to ensure other similar fees have not accrued AFUDC (Audit Report at 15.)
- (h) Blue Ridge's recommendation that the Commission consider an updated depreciation study be conducted as the last approved study was based on balances as of May 31, 2007. Additionally,

Staff's recommendation that the Commission direct the Companies to submit this study to Staff no later than June 1, 2015 (Audit Report at 17.)

- (i) Blue Ridge's recommendation that the Companies include in Rider DCR filings a comparison of the annual Rider DCR revenue to the adjusted annual cap taking into account prior years' under- and over-collections. Rider DCR effective June 1, 2014, incorporates this comparison (Audit Report at 19.)
- (j) Blue Ridge's recommendation that the Companies include quantification of any increase in efficiency and savings within its information technology project justifications for projects justified on the basis of an increase in efficiency and savings (Audit Report at 24).

{¶ 10} In consideration of the Audit Report and the Stipulation, the Commission finds that the Stipulation is reasonable and should be adopted. Consequently, the Companies shall comply with the recommendations set forth in the Stipulation.

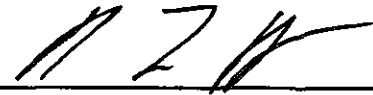
III. ORDER

{¶ 11} It is, therefore,

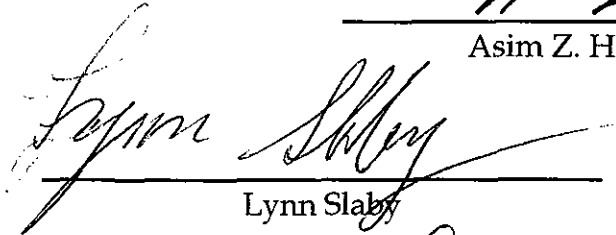
{¶ 12} ORDERED, That the Stipulation be adopted as set forth in Paragraph 9. It is, further,

{¶ 13} ORDERED, That a copy of this Finding and Order be served upon all parties of record.

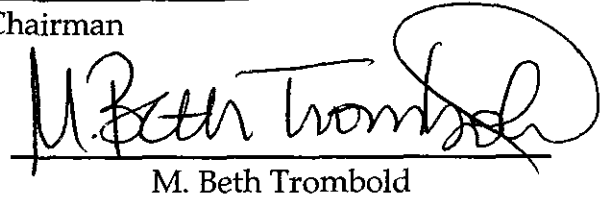
THE PUBLIC UTILITIES COMMISSION OF OHIO



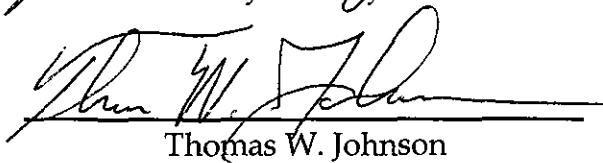
Asim Z. Haque, Chairman



Lynn Slaby



M. Beth Trombold



Thomas W. Johnson



M. Howard Petricoff

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Barcy F. McNeal
Secretary