

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Review of the Delivery Capital)
Recovery Rider Contained in the Tariffs of Ohio) Case No. 15-1739-EL-RDR
Edison Company, Cleveland Electric Illuminating)
Company, and the Toledo Edison Company.)

**REPLY COMMENTS
BY
THE OFFICE OF THE OHIO CONSUMERS' COUNSEL**

This case is about ensuring that costs charged to FirstEnergy's customers through its Delivery Capital Recovery Rider ("DCR")¹ are just and reasonable. In this regard, the OCC in its Initial comments raised concerns regarding FirstEnergy's project planning process for non IT- related projects.² OCC's concerns stemmed from reviewing the Auditor's findings on a sample of work orders where approximately 27% of the work orders were over-budget by over 15%.³

In their initial comments, the Staff of the PUCO raised this same concern:

Blue Ridge expressed concern regarding the project planning process related to non-IT related projects. Blue Ridge recommended that the FirstEnergy be directed to review the planning process related to non-IT-related projects to ensure that the methodology ensures that projects are fully scoped prior to execution. Staff concurs with Blue Ridge's recommendation and notes that this was also a finding and recommendation made by Blue Ridge in Case No. 16-2041-EL-RDR, the 2016 FirstEnergy Annual Rider DCR Compliance Audit. As this concern and recommendation has been known to FirstEnergy, Staff

¹ Rider DCR provides 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. Compliance Audit of the 2015 Delivery Capital Riders of Ohio Edison Company, The Cleveland Electric Illuminating Company, and The Toledo Edison Company at 9 (April 22, 2016) *hereinafter* "Audit Report".

² OCC Initial Comments at 1-6 (June 23, 2017).

³ Audit Report at 60.

recommends that the 2017 FirstEnergy Annual Compliance Audit not only ascertain that such a review by the Companies has occurred but also assess the sufficiency of the changes.⁴

Although the PUCO Staff has recommended that FirstEnergy review its planning process for non-IT related projects and report on the sufficiency of the changes, the PUCO Staff's recommendation stops short of protecting customers from paying for project costs that may not be just and reasonable. OCC urges the PUCO to go further.

Issues with the scoping and budgeting of projects are not new; in fact, similar issues were raised regarding IT projects in 2013. Since this constitutes an ongoing issue, OCC recommended that FirstEnergy provide the independent auditor with all work orders over \$1 million that have exceeded their scoped budget by 15%.⁵ This would enable the PUCO to more accurately judge the scope and severity of the over-budgeting issue.

Additionally, OCC is recommending a rebuttable presumption that cost overruns of 30% or more over budget, are imprudent and should not be charged to customers.⁶ As OCC commented such a standard would protect customers and would create an incentive for FirstEnergy to manage and control the costs being charged to customers under Rider DCR.⁷

The PUCO should act upon the concerns of its Staff and OCC regarding the significant cost overruns for capital projects that have been included in FirstEnergy's

⁴ PUCO Staff's Initial Comments at 5 (June 23, 2017).

⁵ OCC Initial Comments at 5.

⁶ Id.

⁷ Id. at 6.

DCR Rider. This would be a step toward protecting customers from paying unjust and unreasonable rates under Rider DCR.

Respectfully submitted,

BRUCE WESTON (0016973)
OHIO CONSUMERS' COUNSEL

/s/ Jodi Bair

Jodi J. Bair (0062921)

Counsel of Record

Ajay K. Kumar (0092208)

Assistant Consumers' Counsel

Office of the Ohio Consumers' Counsel

10 West Broad Street, Suite 1800

Columbus, Ohio 43215-3485

(614) 466-9559 – Bair Direct

(614) 466-1292 – Kumar Direct

Jodi.bair@occ.ohio.gov

Ajay.kumar@occ.ohio.gov

(Both will accept service via email)

CERTIFICATE OF SERVICE

I hereby certify that a copy of these Reply Comments was served on the persons stated below via electronic transmission, this 24th day of July, 2017.

/s/ Jodi Bair _____
Jodi Bair
Assistant Consumers' Counsel

SERVICE LIST

steven.beeler@ohioattorneygeneral.gov

cdunn@firstenergycorp.com
rendris@firstenergycorp.com
dhasbrook@ralaw.com
ewilcheck@ralaw.com

Attorney Examiner:

Gregory.price@puc.state.oh.us
Mandy.willey@puc.state.oh.us

This foregoing document was electronically filed with the Public Utilities

Commission of Ohio Docketing Information System on

7/24/2017 5:11:11 PM

in

Case No(s). 15-1739-EL-RDR

Summary: Comments Reply Comments by the Office of the Ohio Consumers' Counsel electronically filed by Ms. Deb J. Bingham on behalf of Bair, Jodi Ms.