

THE PUBLIC UTILITIES COMMISSION OF OHIO

IN THE MATTER OF THE REVIEW OF THE
DISTRIBUTION MODERNIZATION RIDER OF
OHIO EDISON COMPANY, THE CLEVELAND
ELECTRIC ILLUMINATING COMPANY, AND
THE TOLEDO EDISON COMPANY.

CASE No. 17-2474-EL-RDR

ENTRY

Entered in the Journal on December 13, 2017

I. SUMMARY

{¶ 1} The Commission directs Staff to issue the request for proposal for a third-party monitor to assist the Commission and Staff with the review of FirstEnergy's distribution modernization rider.

II. DISCUSSION

{¶ 2} Ohio Edison Company, The Cleveland Electric Illuminating Company, and The Toledo Edison Company (collectively, FirstEnergy) are electric distribution utilities (EDUs) 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} R.C. 4928.141 provides that an electric distribution utility shall provide consumers within its certified territory a standard service offer of all competitive retail electric services necessary to maintain essential electric services to customers, including 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 4928.143.

{¶ 4} On March 31, 2016, in Case No. 14-1297-EL-SSO, the Commission approved FirstEnergy's application for an electric security plan. *In re Ohio Edison Co., The Cleveland Elec. Illum. Co., and the Toledo Edison Co. for Authority to Provide for a Std. Serv. Offer Pursuant to Section 4928.143, Revised Code, in the Form of an Elec. Security Plan*, Case No. 14-1297-EL-SSO, Opinion and Order (Mar. 31, 2016) (*ESP IV Case*). Further, on October 12, 2016, the Commission issued the Fifth Entry on Rehearing in the *ESP IV Case*. On rehearing, the Commission authorized

FirstEnergy to implement a distribution modernization rider (Rider DMR). *ESP IV Case, Fifth Entry on Rehearing* (Oct. 12, 2016) at ¶185. Additionally, the Commission ruled that Staff will review the expenditure of Rider DMR revenues to ensure that Rider DMR revenues are used, directly or indirectly, in support of grid modernization. *ESP IV Case, Fifth Entry on Rehearing* at ¶282.

{¶ 5} Subsequently, the Commission directed Staff to prepare a request for proposal (RFP) for a third-party monitor to assist Staff in the review of Rider DMR. *ESP IV Case, Eighth Entry on Rehearing* (Aug. 16, 2017) at ¶113. Accordingly, the Commission directs Staff to issue the RFP for a third-party monitor attached to this Entry.

{¶ 6} All proposals submitted pursuant to the request for proposal are due by January 5, 2018. In order to demonstrate the ability to perform the services required in the RFP, the proposal must show, in detail, the monitor's understanding of the project and the work required. Each proposal must address, with specificity, how the monitor will handle all of the issues in the RFP. The monitor must demonstrate that it will be able to perform the required services, showing its 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. The selection criteria to be used by the Commission to determine the selection of the monitor shall be the technical and management capabilities of each firm, as well as the overall cost of each bid. The Commission intends to select the monitor by January 5, 2018.

{¶ 7} FirstEnergy shall directly contract with the monitor chosen by the Commission for the services solicited in the RFP.

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

{¶ 9} The monitor shall perform its review and investigation as an independent contractor. Any conclusions, results, or recommendations formulated by the monitor 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 the monitor or its agents in the preparation and presentation of the report.

{¶ 10} The monitor 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. The monitor 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.

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

III. ORDER

{¶ 13} It is, therefore,

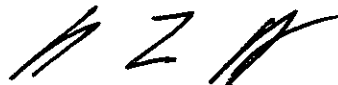
{¶ 14} ORDERED, That Staff issue the RFP attached to this Entry and that January 5, 2018, be set as the due date for proposals in response to the RFP. It is, further,

{¶ 15} ORDERED, That, in accordance with Paragraph (7), FirstEnergy bear the cost of the services of the monitor chosen by the Commission. It is, further,

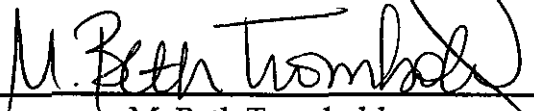
{¶ 16} ORDERED, That FirstEnergy and the monitor shall observe the requirements set forth herein. It is, further,

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

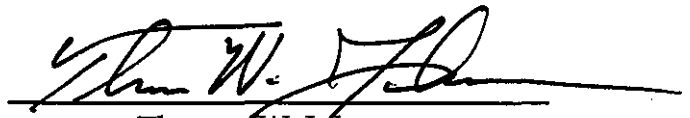
THE PUBLIC UTILITIES COMMISSION OF OHIO



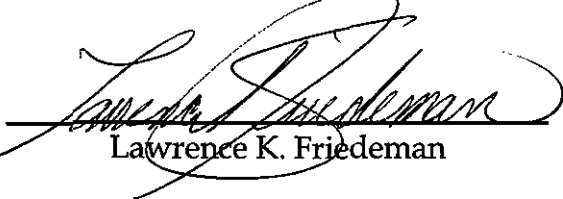
Asim Z. Haque, Chairman



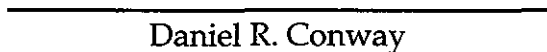
M. Beth Trombold



Thomas W. Johnson



Lawrence K. Friedeman

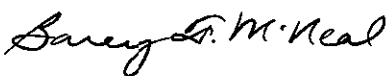


Daniel R. Conway

MJA/sc

Entered in the Journal

DEC 13 2017



Barcy F. McNeal
Secretary

REQUEST FOR PROPOSAL NO. RA17-CA-5

A COMPLIANCE REVIEW
OF THE DISTRIBUTION MODERNIZATION
RIDER OF
OHIO EDISON COMPANY,
THE CLEVELAND ELECTRIC ILLUMINATING COMPANY,
AND THE TOLEDO EDISON COMPANY

Issued by:
THE
PUBLIC UTILITIES COMMISSION OF OHIO
180 East Broad Street
Columbus, Ohio
43215-3793

PROPOSAL DUE: JANUARY 5, 2018



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I. INTRODUCTION

Ohio's electric law, Senate Bill 221, requires electric utilities to provide consumers with a standard service offer, consisting of either a market rate offer (MRO) or an electric security plan (ESP). Section 4928.141, Revised Code. Ohio Edison Company, The Cleveland Electric Illuminating Company, and The Toledo Edison Company (collectively FirstEnergy or the Companies) filed an application for approval of an ESP on August 4, 2014. As part of its Fifth Entry on Rehearing, the Commission approved the establishment of the Distribution Modernization Rider (Rider DMR), effective January 1, 2017, to be updated and reconciled annually¹. The Commission affirmed its ruling in its Eighth Entry on Rehearing and directed that a third party consultant (the Monitor) be engaged to assist Staff and work with FirstEnergy and FirstEnergy Corp. to ensure that the DMR funds are expended pursuant to the provisions of the Commission's Fifth and Eighth Entries on Rehearing. Specifically, the Monitor will provide interim quarterly updates to Staff on the use of Rider DMR funds, docket a mid-report on the Rider DMR within 60 days after the filing of an application for extension², and docket a final report of Rider DMR 90 days after the termination of the Rider DMR or its extension.

II. PURPOSE

In accordance with the Commission's Order in Case No. 14-1297-EL-SSO, the Commission is seeking proposals for a monitor to assist Staff in determining FirstEnergy's compliance with its Commission-approved Rider DMR. The Monitor's review will include an identification, quantification, and explanation of the use of the Rider DMR funds and FirstEnergy's use of those funds in a manner consistent with the Commission's directives.

III. SCOPE OF INVESTIGATION

The Monitor's continuous review and assessments shall determine if FirstEnergy has implemented its Commission-approved Rider DMR in compliance with the Fifth and Eighth Entries on Rehearing set forth in *In the Matter of the Application of Ohio Edison Company, The Cleveland Electric Illuminating Company, and The Toledo Edison Company for Authority to Establish a Standard Service Offer Pursuant to Section 4928.143, Revised Code, in the Form of an Electric Security Plan*, Case No. 14-1297-EL-SSO, et al. The Monitor's activities shall include but not be limited to:

¹ The Companies are to file their annual request to update Rider DMR on December 1, with an effective date of January 1, absent a ruling otherwise by the Commission.

² The request for an extension of the DMR Rider must occur no later than February 1, 2019. Case No. 14-1297-EL-SSO, Eighth Entry on Rehearing, (August 16, 2017) at ¶ 115.

A. General Project Requirements

The Monitor selected shall:

- Review Case 14-1297-EL-SSO and related stipulation agreements.
- Read all applicable testimony and work papers.
- Obtain and review all appropriate documentation relating to the Companies' compliance with the Commission-approved Rider DMR.

B. Role Of The Monitor

The Monitor who is chosen by the Commission to perform this review expressly agrees to perform his or her duties as an independent contractor. Any conclusions, results, or recommendations formulated by the Monitor may be examined by any participant to the extension proceeding for which the assessment report was generated. Further, it shall be understood that the Commission and/or Staff shall not be liable for any acts committed by the Monitor or its agents in the preparation and presentation of the Monitor's reports.

C. Commission Staff Supervision

Staff will oversee the project. Staff personnel shall be informed of all correspondence between the Monitor selected and the Companies, and shall be given at least three working days' notice of all meetings and interviews with the Companies to allow Staff the opportunity to attend. The Monitor shall meet with Staff no less than quarterly throughout the duration of this contract. These meetings may occur via telephone.

D. Cost Of Monitor And Quotation Of Charges

The proposed cost of the work performed pursuant to this RFP shall include all expenses associated with conducting the review and presenting the findings and recommendations in the monitoring and assessment reports. A detailed presentation of costs shall be provided, broken down by phase/task, in conformance with this Request for Proposal. The proposed costs shall be considered firm prices for performing the work described in the proposal.

E. Cost Of Presenting Expert Testimony

The proposed cost of the review shall include actual costs associated with serving as an expert witness before the Commission during the applicable hearing, including time and materials. These expenses will be billed separately from the cost of the audit. Expenses associated with the presentation of testimony will include the following:

- Actual transportation expense (i.e., airfare, etc.).
- Actual living expenses (hotels, meals, local transportation).
- Actual preparation time, up to 8 hours per witness.
- Actual hours spent in travel.
- Actual hours spent presenting testimony.

IV. DEADLINES AND DELIVERABLES

A. Availability Of Documents

The Companies shall provide any and all documents or information requested by the Monitor and Staff. The Companies may conspicuously mark such documents or information as being “confidential.” In no event, however, shall the Companies refuse or delay to provide such documents or information.

Staff or the Monitor shall not publicly disclose any document marked “confidential” by the Companies. Any requests for information received by the Monitor shall be immediately noticed to Staff and the Companies’ counsel. Three days after such notice, Staff may disclose or otherwise make use of such documents or information for any purpose, unless the Companies move the Commission 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 Section 4901-1-07, Ohio Administrative Code. Service shall be complete upon mailing or delivery in person.

B. Fiscal Reports

The Monitor will submit invoices quarterly to Staff. The invoices shall include details regarding the dates and activities covered by each invoice, and shall be sufficiently detailed to allow Staff to identify the work completed, the time spent in each billable activity, the personnel involved, and the corresponding charges in

relation to the activity schedule originally set forth in the Monitor's proposal. All invoices are to be sent to the Companies and copies are to be sent to Staff.

After approval of the invoice by Staff, the Companies will be authorized to make payment.

The Companies shall be ordered by the Commission to enter into a contract, which shall incorporate by reference all provisions of this proposal, with the Monitor chosen by the Commission to perform the audit. The Monitor shall submit a copy of this contract agreement between the Monitor and Companies to the Staff member assigned to the audit.

C. Reports

One copy of the mid and final assessment reports plus one reproducible original shall be docketed with the Commission by the morning of the date specified in Section I. The mid and final reports should include an executive summary of recommendations. The docketed reports should contain an overview of the investigation, recommended adjustments, if any, and an attestation by the Monitor that the financial information contained in the application is from a reliable source. Along with the docketed reports, the Monitor shall deliver to Staff one unbound hard copy of the reports, and shall submit to Staff a flash drive containing a complete version of the mid and final reports. If it is necessary to prepare a redacted report, due to confidentiality concerns, two copies of a non-redacted report shall also be provided to both the Commission and the Companies. The non-redacted report shall clearly be labeled "confidential."

D. Working Papers

A complete set of working papers is an integral part of the monitoring requirements. With of the reports provided for in the Commission's Entries on Rehearing, as detailed in Section I. of this RFP, the Monitor shall deliver to Staff one complete set of working papers that contain documents used and procedures followed to develop the conclusions set forth in the mid and final reports. Working papers should include Applicant's name, case number, description (items in folder), and source documents. Voluminous documents may be included only as references in the working papers, upon Staff's agreement. Confidential documents should be clearly marked and provided in a separate section of the working papers.

The Monitor selected shall maintain working papers and document all supporting information, including, without limitation, meetings, interviews, or any pertinent information. The Monitor shall utilize Staff's data request procedures, utilizing a Microsoft Outlook public folder (or similarly accessible method) for issuing information requests and recording responses or may use its own system, provided Staff has full access to all data requests and responses and is able to store the requests and responses in Microsoft Outlook. All text documents should be word searchable and all data and formulas in Excel spreadsheets shall be fully disclosed and accessible.

E. Production Of Documents

At any time, upon request of the Commission or Staff, the Monitor shall immediately produce any document of information obtained or produced within the scope of its duties pursuant to this RFP.

F. Testimony

The Monitor shall present expert testimony during the course of any hearing at which the docketed reports are considered. The individual providing testimony will be one or more persons who conducted or directed the monitoring and assessment activities being considered at any hearing.

V. MINIMUM CONTENTS OF PROPOSAL

Each proposal shall contain page numbers and a table of contents. In a separate section, reflected in the table of contents, the following information shall be provided:

- A. Name, mailing address, and telephone number of the individual to contact if further information is desired;
- B. An indication of how the bidder plans to incorporate Staff's participation in the proposed work plan; and
- C. The name(s) of all subcontractors to be used in the performance of the proposed work, identification of the specific items to be performed/provided by the subcontractor, and the cost of the proposed subcontractor's work; or if no subcontractors are to be used, the entry "Subcontractor – none" (all such subcontractors indicated in the proposal will be acknowledged as accepted by the Commission upon selection of the proposal for contract awarded unless the Monitor is previously notified of the contrary. No addition, deletion, or substitution of

subcontractors will be permitted during the course of the contract unless approved in advance by Staff in writing.) If subcontractors are proposed, all information required in this section shall be supplied for each subcontractor proposed. Such information shall be supplied in a format parallel to the overall format specified for the contractor.

- D. The following required Equal Employment Opportunity (EEO) data must be provided for the Monitor and each subcontractor:
1. The total number of employees;
 2. The percentage of the total which are women;
 3. The percentage of the total which are Black, Hispanic, Asian, or American Indian (please specify);
 4. The total number of employees located in Ohio offices;
 5. The percentage of the Ohio total which are women;
 6. The percentage of the Ohio total which are Black, Hispanic, Asian, or American Indian (please specify);
 7. The number of individuals to be assigned to the project;
 8. The percentage of the total assigned which are women; and
 9. The percentage of the total assigned which are Black, Hispanic, Asian, or American Indian (please specify).
- E. A listing of contracts the proposer and each subcontractor has with the State of Ohio and:
1. Name of the state agency(s) for each contract;
 2. The cost of each contract; and
 3. The duration of each current contract.

- F. A listing of the proposer's and each subcontractor's clients which may have a financial interest in the Companies, or their affiliates. Proposers maintaining any present ongoing contracts or agreements with the Companies and affiliates may, at the discretion of the Commission, be disqualified by reason of possible conflict of interest. In the proposal, such contracts should be described in sufficient detail that the Commission can determine whether a conflict of interest exists. A response indicating that this information will be provided on request or that such contracts are too numerous to enumerate will be cause for disqualification of the proposer.
- G. A listing of all the proposer's and each subcontractor's offices, facilities, and equipment to be used in performance under this contract and their locations, including a specification of offices, facilities, and equipment located in Ohio. If none, state – none.
- H. A statement of financial responsibility including certification that the proposer, joint partners if the proposer is a conglomerate operation, and any subcontractors have no outstanding liens or claims against them.
- I. Contact persons that the Commission or Staff may call to receive an assessment of the proposer's, and each subcontractor's previous performance. References should be provided for the company or companies proposing and for the individuals designated as principals for the project. The information required for each reference is as follows:
- Name of individual to contact for reference.
 - Company/facility which employed the individual.
 - Telephone number.
 - Whether reference is for the company or a principal.
 - Project or work for which reference is given.
- J. A description of the proposed scope of work to be performed including a work plan, expected deliverable products and task timing. In a separately numbered section, the proposer will provide a detailed cost breakdown by phase/task of the work plan including the class of personnel performing each phase/task of the work, the hourly rate charged for each class, the number of hours charged for each class, an equivalent breakdown of all subcontracted work, any direct or indirect cost items which the proposer plans to charge, and the total cost.
- K. Identification, by name, of the lead personnel to be employed, the extent of their involvement in the project, and a description of how the proposed personnel's

experience matches project requirements. Contract terms will not permit substitution of lead personnel without prior written approval of the Commission. Identification of lead personnel in the cost proposal will not constitute satisfactory compliance with this requirement.

- L. A description of the qualifications, experience, and proven results achieved by all professional lead or significant personnel to be employed on the project, with a summary of work performed on projects similar to the one contemplated by this RFP including specific references. The Commission reserves the right to request samples of prior relevant work from any proposer prior to making its final consultant selection.
- M. Identification by name and title and the hourly rate of pay and all other related costs of the individual or individuals who will present expert testimony before the Commission during the appropriate hearing.

VI. REVIEW CRITERIA

Proposals will be evaluated on a basis which includes the following criteria:

A. Compliance With Minimum Contents Requirements

Lack of satisfactory response to the minimum contents requirements will be grounds for elimination of any proposal from further consideration.

B. Cost

The total proposed contract price is not specified in the Proposal. Proposers are encouraged to provide as competitive a bid as is practicable.

C. Understanding Of Project

Whether the entity bidding on the project has grasped the intent of the project; is knowledgeable of the technical aspects required; indicates understanding of potential problems; demonstrates understanding of regulatory issues, trends, and perspectives; and the work plan indicates appropriate phasing. Whether the method of handling the project is indicated, the proposal reflects thorough understanding of project requirement, the methods appear realistic under stated time constraints, and innovative methodologies appear appropriate to the project. The proposal is responsive to the RFP.

D. Experience Of Personnel Assigned To Project And Related Organizational Experience

Relevant experience in field, qualified to undertake assignment. References of previous clients/projects provided.

E. Timelines

Demonstrated ability to meet stated deadline; realistic timelines provided; demonstrated proven results of lead personnel.

VII. OTHER PROPOSAL CRITERIA

A. Relevance

The proposer shall include only relevant information and pertinent exhibits in the proposal. Duplication of materials provided in the RFP, exhaustive resumes, inclusion of standard company promotional materials, etc., will not garner additional points in the evaluation process and may detract from the clarity and conciseness of the proposal.

B. Proprietary Data In Proposal

Submissions to the Public Utilities Commission of Ohio become public documents available to open inspection. Proprietary data in a proposal will also assume this status. Therefore, discretionary action is recommended for any proprietary data to be submitted in proposals.

C. Due Date And Submittal Address

Any proposal submitted hereunder must be received at the following address no later than 5:00 p.m. on January 5, 2018. The proposal should be sent in a sealed container, clearly marked and addressed to:

Doris McCarter
Response to RFP NO. RA17-CA-5
The Public Utilities Commission of Ohio
3rd Floor, 180 East Broad Street
Columbus, OH 43215-3793

An electronic copy may also be sent to doris.mccarter@puco.ohio.gov. Such electronic copy shall not fulfill the requirement for submitting paper responses.

Note: By responding to this request for proposal, the proposer expressly accepts and is bound by all the terms thereof including all attachments, exhibits, and schedules.

D. Copies

Five copies of the proposal are to be submitted to the Commission, one of which shall be an unbound copy.

E. Contractor Requirements And Minority Participation

The Commission, in awarding the contract, will give preference to Ohio contractors. Ohio contractors include not only established domestic companies actively doing business in Ohio but also encompass multi-state companies with headquarters outside of Ohio but with substantial commitments of offices, divisions, and facilities within the state. The Commission will give preference to proposals that demonstrate compliance with minority and women EEO criteria.

F. Late Proposals

A proposal is late if received at any time after the due date set for receipt of the proposals. A late proposal will be considered along with other proposals only if it is received before the evaluation of proposals has, in the sole opinion of the Commission, substantially progressed, and then only if one of the three following conditions exists:

1. Mail delay – The lateness is due solely to a delay in the mail when the response has been sent by registered or certified mail for which an official dated postmark on the original receipt has been obtained.
2. Commission error – If it is received by a reasonable means at the Commission in sufficient time to be delivered at the office designated for the opening and would have been received at such office except the delay due to mishandling at the Commission. Only an appropriate date or item stamp showing the time of the receipt will be accepted as evidence of timely receipt of the proposal.

3. Exceptions – Any other late proposal will not be considered, unless it is the only proposal received or in the sole judgment of the Commission it offers some important technical or scientific advantage that is of benefit to the Commission.

G. Modification Or Withdrawal Of Proposal

Any proposal may be modified or withdrawn upon written request of the proposer if such request is received by the Commission at the above address by the date set for receipt of original proposals.

H. Modification Or Withdrawal Of This RFP

This Request for Proposal may be modified or withdrawn at any time prior to the time set for receipt of proposals and thereafter, as long as no proposal has been opened. Upon any such modification or withdrawal, all bidders will be notified and any person or firm who has expressly requested such notice in writing will also be notified of such changes at the discretion of the Commission.

I. Right To Reject Any And All Proposals

The Commission reserves the right, without limitation or discussion with those submitting proposals, to reject any and all proposals.

J. Penalty For Divulging Information

The Monitor shall abide by all provisions of Sections 4901.16 of the Ohio Revised Code which states; “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.”

The Monitor shall not divulge any information regarding its activities to the media or to any other entity, except in its report and testimony before the Commission, before, during, and /or after the audit. All comments or concerns that the Monitor wants to address shall be directed to the Commission’s Public Affairs Office.

K. RFP Website

All firms wishing to remain on the Commission's bidder list must subscribe to the Commission RFP list by clicking on the "RFP – Requests for Proposals" link at:

<http://www.puco.ohio.gov/PUCO/Docketing>

Pending RFPs and further information will be posted at the above website.

L. Statutory Scope Of Audit

The Monitor shall execute its duties pursuant to the Public Utilities Commission's statutory authority to investigate and acquire records, contracts, reports and other documentation under Sections 4903.02, 4903.03, 4905.06, 4905.15, and 4905.16, Revised Code.

VIII. QUESTIONS

Technical and administrative questions regarding this RFP should be directed to Doris McCarter at 614-995-0137.