BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the 2019 Review of the Delivery Capital Recovery Rider of FirstEnergy.	)))))	Case No. 19-1887-EL-RDR

MOTION FOR LEAVE TO FILE THE AUDITOR'S REPORT OUT OF TIME

Blue Ridge Consulting Services, Inc. (Blue Ridge or auditor) and Staff respectfully request that the Public Utilities Commission of Ohio (PUCO) accept for filing the Blue Ridge Audit Report of the 2019 Delivery Capital Recovery Riders of Ohio Edison Company, The Cleveland Electric Illuminating Company, and The Toledo Edison Company (Report) out of time. A copy of the Report is attached to this motion, and is being filed simultaneously with this motion, subject to leave being granted.

By Entry issued May 1, 2020, Blue Ridge was granted an extension to file its Report by Friday, June 5, 2020. Due to inadvertence, the auditor failed to timely file its Report. Blue Ridge attempted to file the Report on the due date of Friday, June 5, 2020, however, due to technical difficulties and the closure of the PUCO's Offices, the Report was not accepted for filing. It was not discovered until Thursday, June 11, 2020, that the Report had not been accepted for filing.

No party will be prejudiced by the late filing. No hearing schedule has been set for this matter. Consequently, this inadvertence constitutes harmless error.

WHEREFORE, Blue Ridge and Staff respectfully request the Report be accepted for filing out of time.

Respectfully submitted,

Dave Yost
Ohio Attorney General

/s/Robert Eubanks

Robert Eubanks
Senior Assistant Attorney General
Public Utilities Section
30 East Broad Street, 16th Floor
Columbus, OH 43215
614.644.8669 telephone
614.644.8764 facsimile

CERTIFICATE OF SERVICE

I hereby certify that a true copy of the foregoing **MOTION FOR LEAVE TO FILE THE AUDITOR'S REPORT OUT OF TIME** was served by electronic mail to the following parties of record, this 12th day of June, 2020.

/s/Robert Eubanks
Robert Eubanks
Senior Assistant Attorney General

PARTIES OF RECORD:
Amy Botschner-O'Brien
Ohio Consumers' Counsel
65 East State Street, 7th Floor
Columbus, Ohio 43215-4203
amy.botschner.obrien@occ.ohio.gov

ATTORNEY EXAMINERS:
Megan Addison
Gregory Price

Docket No. 19-1887-EL-RDR

Compliance Audit of the 2019 Delivery Capital Recovery (DCR) Riders of Ohio Edison Company, The Cleveland Electric Illuminating Company, and The Toledo Edison Company

Submitted on June 5, 2020

Prepared by
Blue Ridge Consulting Services, Inc.
114 Knightsridge Road
Travelers Rest, SC 29690
(864) 420-8084

This report was formatted to print front and back.

Thus, this page is intentionally left blank.

Docket No. 19-1887-EL-RDR
Compliance Audit of the 2019 Delivery Capital Recovery (DCR) Riders of Ohio Edison Company, The Cleveland Electric Illuminating Company, and The Toledo Edison Company

DISCLAIMER 6
ORGANIZATION OF BLUE RIDGE'S REPORT 7
EXECUTIVE SUMMARY 8
- Background 8
- Purpose of Project 8
- Project Scope 9

SUMMARY OF BLUE RIDGE RECOMMENDATIONS 16
OVERVIEW OF INVESTIGATION 18
- Background 18
- Purpose of Project 19
- Project Scope 19
- Audit Standard 19
- Information Reviewed 20
- Rider DCR Compliance Filings Reviewed 20
- Variance Analyses, Transactional Testing, and Other Analyses 21

PRIOR COMPLIANCE AUDIT RECOMMENDATIONS STATUS 21
FINDINGS AND RECOMMENDATIONS 27
- Processes and Controls 29
- Variance Analysis 41
- Rider LEX, EDR, AMI, and General Exclusions 45
- Gross Plant In Service 54
- Accumulated Reserve for Depreciation 89
- Accumulated Deferred Income Taxes 91
- Depreciation Expense 93
- Property Tax Expense 95
- Service Company 96
- Commercial Activity Tax and Income Taxes 99
- Tax Cuts and Jobs Act Effect 101
- Return 107
- Rider DCR Calculation 108
- Projections 111
- Overall Impact of Findings on Rider DCR Revenue Requirements 111

APPENDICES 113
- Appendix A: Rider DCR Excerpts within Order and Combined Stipulation 114
- Appendix B: Abbreviations and Acronyms 128
- Appendix C: Data Requests and Information Provided 129
- Appendix D: Work Papers 156

Tables

Table 1: Impact of Blue Ridge's Findings on Rider DCR Revenue Requirement 9
Table 2: Incremental Change in Gross Plant from 11/30/18 to 11/30/19....11
Table 3: Incremental Change in Reserve for Depreciation from 11/30/18 to 11/30/19 12
Table 4: Incremental Change in ADIT from 11/30/18 to 11/30/19....12
Table 5: Incremental Change in Depreciation Expense from 11/30/18 to 11/30/19 13
Table 6: Incremental Change in Property Tax Expense from 11/30/18 to 11/30/19....13
Table 7: Incremental Change in CAT from 11/30/18 to 11/30/19 14
Table 8: Incremental Change in Income Tax from 11/30/18 to 11/30/19 14
Table 9: Incremental Change in Return on Rate Base from 11/30/18 to 11/30/19....15
Table 10: Rider DCR Revenue Requirements Actual 11/30/19 and Projected 2/29/20 21
Table 11: Adjusted Plant Change from 11/30/2018 to 11/30/2019 43
Table 12: : Incremental Change in Rider EDR(g) Exclusions from 2018 to 2019....46
Table 13: Incremental Change in Rider EDR(g) Exclusions from 11/30/2019 to 2/29/2020 46
Table 14: Rider AMI Gross Plant and Reserve Reported as Excluded from Rider DCR as of 11/30/2019....47
Table 15: Rider AMI Work Orders Identified in 2013 DCR Audit Excluded from the DCR as of 11/30/2019 48
Table 16: Grid Mod 1 Excluded from Rider DCR....49
Table 17: Reconciliation of Amounts Recovered through Rider AMI and Amounts Excluded in DCR....49
Table 18: Exclusions Related to the Experimental Company-Owned LED Program as of 11/30/2019....51
Table 19: Comparison of Incremental Excluded Amount vs WO Population— Experimental Company-Owned LED Program....52
Table 20: ATSI Land Lease (FERC Account 350) Excluded from Rider DCR....53
Table 21: ATSI Land Lease Incremental Change 11/30/2018–11/30/2019....53
Table 22: Incremental Change in Gross Plant from 11/30/18 to 11/30/19....54
Table 23: Work Orders and FERC Cost Line Items in Population and Sample by Company 56
Table 24 Work Orders Sampled by Company....58
Table 25: Vegetation Management Work Orders....60
Table 26: Vegetation Management Work Orders Charged to Cost Codes, 05, 14, 30, and 36 61
Table 27 Specific, Blanket, Program etc. as a % of Sample 63
Table 28 Additions, Replacements, etc. as a % of Sample 63
Table 29: 2019 Budget for TW-900625: B-New Business-Residential Underground Blanket 67
Table 30: Backlog over 15 Months of Work Order Unitization 88
Table 31: Incremental Change in Reserve for Depreciation from 11/30/18 to 11/30/19 89
Table 32: Incremental Change in ADIT from 11/30/18 to 11/30/19....91
Table 33: Recommended Adjustments to Total ADIT in Rider DCR 93
Table 34: Incremental Change in Depreciation Expense from 11/30/18 to 11/30/19 93
Table 35: Incremental Change in Property Tax Expense from 11/30/18 to 11/30/19....95
Table 36: Property Tax Rates 2018 and 2019 96
Table 37: Change in Service Company Rate Base and Expense from 11/30/18 to 11/30/19....97
Table 38: Service Company Allocation Factors 98
Table 39: Incremental Change in CAT from 11/30/18 to 11/30/19 99
Table 40: Incremental Change in Income Tax from 11/30/18 to 11/30/19 99
Table 41: Effective Income Tax Rates Reflected in Companies' Filings for 2019 and 2020....100
Table 42: Final, Audited EDIT Balances as of December 31, 2017–CONFIDENTIAL....103
Table 43: Companies' Adjustments to Property EDIT Balances as of December 31, 2017–CONFIDENTIAL 104
Table 44: Companies' Adjusted Property EDIT Balance in Rider DCR as of December 31, 2017–CONFIDENTIAL....104
Table 45: Blue Ridge Recommended Property-Related EDIT Balances as of December 31, 2017–CONFIDENTIAL....105

Table 46: Blue Ridge Recommended Property-Related EDIT Balances in Rider DCR Compliance Filing–CONFIDENTIAL 106
Table 47: Recommended Adjustment to ADIT in Rider DCR Actual 11/30/19 ... 106
Table 48: Recommended Adjustment to ADIT in Rider DCR Estimated 2/29/20 ... 106
Table 49: Incremental Change in Return on Rate Base from 11/30/18 to 11/30/19 ... 107
Table 50: Companies' Calculation of Annual Cap Prior to Under (Over) Recovery Adjustment ... 109
Table 51: Annual DCR Revenues Vs. Annual Cap through November 30, 2019 ... 110
Table 52: 2019 Annual DCR Revenue to Aggregate and Allocated Caps through November 30, 2019 ... 110
Table 53: Impact of Blue Ridge's Findings on Rider DCR Revenue Requirement ... 112

DISCLAIMER

The word *audit* is intended, as it is commonly understood in the utility regulatory environment, to mean a regulatory review, a field investigation, or a means of determining the appropriateness of a financial presentation for regulatory purposes. It is not intended in its precise accounting sense as an examination of booked numbers and related source documents for financial reporting purposes. Neither is the term *audit* in this case an analysis of financial statement presentation in accordance with the standards established by the American Institute of Certified Public Accountants. The reader should distinguish regulatory reviews such as those that Blue Ridge performs from financial audits performed by independent certified public accountants.

This document and the opinions, analyses, evaluations, and recommendations are for the sole use and benefit of the contracting parties. There are no intended third-party beneficiaries, and Blue Ridge shall have no liability whatsoever to third parties for any defect, deficiency, error, or omission in any statement contained in or in any way related to this document or the services provided.

This report was prepared based in part on information not within the control of the consultant, Blue Ridge Consulting Services, Inc. While it is believed that the information that has been provided is reliable, Blue Ridge does not guarantee the accuracy of the information relied upon.

ORGANIZATION OF BLUE RIDGE'S REPORT

This report is organized according to the following major sections:

- *Executive Summary*: This section provides a summary of Blue Ridge's observations, findings, conclusions, and recommendations that are presented in more detail in the body of the report.
- *Summary of Blue Ridge Recommendations*: This section contains a listing of recommendations resulting from the 2018 Rider DCR audit.
- *Overview of Investigation*: This section includes discussion of these topics: background; project purpose; project scope; audit standard; information reviewed; description of the Rider DCR Compliance Filings reviewed; and a brief summary of the variance analyses, transactional testing, and other analyses performed by Blue Ridge.
- *Prior Compliance Audits Recommendations Status*: This section presents the current status of the Companies implementation of recommendations from prior DCR Rider audits.
- *Findings and Recommendations*: This section documents Blue Ridge's analysis that led to our observations, findings, and recommendations regarding the components that comprise Rider DCR. In several instances, Blue Ridge used information obtained from the prior audits of the Riders DCR in this report. The information used is labeled to show that it was obtained during the prior audits and is provided with the workpapers supporting this report.

The report also contains appendices.

Blue Ridge prefaced each scope area with the objective of the tasks planned to accomplish that area's review. The scope of the audit includes an overview of the processes and controls policies and procedures that affect the categories that feed into the Rider DCR calculations. A set of variance analyses reviews significant changes in net plant and reserve by individual FERC account.

The scope also includes review of each component of Rider DCR. The Rider DCR specific exclusions are addressed in the subsection labeled Riders LEX, EDR, AMI and General Exclusions. It is followed by subsections for gross plant in service; accumulated reserve for depreciation; accumulated deferred income taxes; depreciation expense; property tax expense; allocated Service Company; Commercial Activity Tax (CAT) and income taxes; the effect of the Tax Cuts and Jobs Act, and the return component. The report concludes with a review of the calculation of revenue requirements, followed by a review of the projections for the first quarter 2020.

EXECUTIVE SUMMARY

BACKGROUND

Ohio's electric law, Senate Bill 221, requires electric utilities to provide consumers with a standard service offer (SSO) consisting of either a market rate offer (MRO), Section 4928.142 Revised Code, or an electric security plan (ESP), Section 4928.143 Revised Code. The Companies filed an application for approval of an ESP in Case No. 10-388-EL-SSO ("ESP II Case"). A majority of the parties in the case entered into an original stipulation and two supplemental stipulations (collectively, "Combined Stipulation"), and after a hearing, the Public Utilities Commission of Ohio ("Commission") issued an Opinion and Order approving the Combined Stipulation in its entirety on August 25, 2010.

As part of its Opinion and Order, the Commission approved the establishment of the Rider DCR, effective January 1, 2012, to be updated and reconciled quarterly. The Opinion and Order allowed the Companies the opportunity to recover property taxes, Commercial Activity Tax, and associated income taxes, and to earn a return on and of plant in service associated with distribution, subtransmission, and general and intangible plant, including allocated general plant from FirstEnergy Service Company, which was not included in the rate base determined in the Opinion and Order of January 21, 2009, in Case No. 07-551-EL-AIR (last rate case). On April 13, 2012, FirstEnergy filed an application for its next ESP, which was largely an extension of the Combined Stipulation, which the Commission approved with modifications on July 18, 2012, in Case No. 12-1230-EL-SSO ("ESP III Case"). The Rider DCR was extended with modifications by Order dated March 31, 2016, and reaffirmed on October 12, 2016, in Case No. 14-1297-EL-SSO ("ESP IV Case") through May 31, 2024.

The Commission ordered an annual audit review of its Rider DCR for the purpose of determining whether the amounts for which recovery is sought are not unreasonable in light of the facts and circumstances known to the Companies at the time such expenditures were committed. The agreement also stipulated that, at the Commission's discretion, either an independent third-party auditor or the Commission's Staff would conduct the annual audit review.

The Commission's Request for Proposal (RFP) sought proposals to audit and attest to the accuracy and reasonableness of FirstEnergy's compliance with its Commission-approved Rider DCR since the Companies' last Rider DCR Compliance Audit. Blue Ridge submitted a proposal and was selected to perform the 2019 compliance audit. Blue Ridge also performed the 2011, 2012, 2013, 2014, 2015, 2016, 2017, and 2018 Rider DCR compliance audits, covering plant in service since the last distribution rate case (the audits covered June 1, 2007, through November 30, 2018).

PURPOSE OF PROJECT

As defined in the RFP, the project includes the following purposes:

- Audit and attest to the accuracy and reasonableness of FirstEnergy's compliance with its Commission-approved Rider DCR with regard to the return earned on plant-in-service since the Companies' last Rider DCR Compliance Audit.

- Identify capital additions recovered through Riders LEX, EDR, and AMI, or any other subsequent rider authorized by the Commission to recover delivery-related capital additions to ensure they are excluded from Rider DCR.
- Identify, quantify, and explain any significant net plant increase within individual accounts.

PROJECT SCOPE

The audit as defined in the RFP will address the following project scope:

> Determine if FirstEnergy has implemented its Commission-approved DCR Rider and is in compliance with the Combined Stipulation agreement set forth in Case No. 10-388-EL-SSO, as extended with modifications in Case No. 14-1297-EL-SSO.

As required by the RFP, Blue Ridge reviewed appropriate information associated with the stipulation and prior cases associated with the implementation of Rider DCR. During the course of the audit, Blue Ridge reviewed the compliance filings, developed transactional testing using statistically valid sampling techniques, and performed other analyses to allow Blue Ridge to determine whether the costs included in the Rider DCR were not unreasonable.

FINDINGS AND RECOMMENDATIONS

OVERALL IMPACT OF FINDINGS ON RIDER DCR REVENUE REQUIREMENTS

Blue Ridge's review found several items that have an impact on Rider DCR Revenue Requirements, a project that was cancelled and should not have been in plant in service, two work orders over-accrued AFUDC due to incorrect service dates, over-accrual of AFUDC during inactive periods, work orders in service but not unitized with no associated retirement recorded, and a project that was incorrectly recorded in service while still in progress. We also found vegetation management expenditures that should not be charged to plant. We also found that regulatory liabilities that reflect the refund of the excess deferred taxes owed to ratepayers was different from the amount approved in the Commission-approved stipulation. The flow-through of these adjustments has the following impact on the DCR.

Table 1: Impact of Blue Ridge's Findings on Rider DCR Revenue Requirement

Adj #	Description	CEI	OE	TE	Total
	As Filed	**$ 145,965,683**	**$ 152,331,663**	**$ 39,129,604**	**$ 337,426,950**
1	Project Cancelled (13287571)	-	(129,153)	-	(129,153)
2	AFUDC Over Accrued (14370958)	-	(25,605)	-	(25,605)
3	AFUDC Over Accrued (14650547)	-	(39,185)	-	(39,185)
4	AFUDC Over Accrued (TW-000947-S-5)	-	-	(10,265)	(10,265)
5	Retirements Not Recorded (15521094)	-	(2,028)	-	(2,028)
6	Retirements Not Recorded (15667460)	-	-	(3,822)	(3,822)
7	Retirements Not Recorded (15957370)	-	-	(2,448)	(2,448)
8	Retirements Not Recorded (15993546)	-	-	(256)	(256)
9	Not in service (15298831)	-	(839,247)	-	(839,247)
10	VM-Exp, Codes 05, 36, 14, and 30	(1,399,214)	-	-	(1,399,214)
11	VM-Exp, Codes 05, 36, 14, and 30	-	(1,122,072)	-	(1,122,072)
12	VM-Exp, Codes 05, 36, 14, and 30	-	(8,504)	-	(8,504)
13	VM-Exp, Codes 05, 36, 14, and 30	-	-	(461,638)	(461,638)
14	Regulatory Liability TCJA	(837,018)	(1,475,707)	(176,726)	(2,489,450)
	Impact of All Adjustments	**(2,236,232)**	**(3,641,500)**	**(655,155)**	**(6,532,887)**
	Recommended Rider DCR Revenue Requirements	**$ 143,729,451**	**$ 148,690,163**	**$ 38,474,449**	**$ 330,894,063**

PROCESSES AND CONTROLS

Blue Ridge was able to obtain an understanding of the Companies' processes and controls that affect each of the categories within Rider DCR. We also reviewed and were satisfied with the Companies' capital spares policy, finding that it was comprehensive and complete and that it contains all the essential requirements and approval processes we expected to see Furthermore, we were satisfied with actions taken with regard to internal audits.

Blue Ridge continues to believe that the Companies' vegetation management policies and processes are in conflict with FERC Uniform System of Accounts. Blue Ridge recommends that the Commission address and define vegetation management capital and expense activity on a global basis for all electric utilities in Ohio to eliminate any bias on how VM costs should be recorded (capital versus expense) that is created based on how those costs are recovered. However, absent a Commission policy on the determination of capital and expense vegetation management activity, Blue Ridge recommends that the Companies revise their VM Accounting Policy to be consistent with the FERC Uniform System of Accounts.

Blue Ridge also expanded its review of VM regarding documentation supporting capital charges and found the Companies lacked specific support. Blue Ridge recommends the Companies provide more detail in support of the time sheet task codes used by contractors that differentiate work as capital or expense.

Based on information reviewed and except for the recommendations regarding vegetation management, Blue Ridge concludes that the Companies' controls were adequate and not unreasonable.

VARIANCE ANALYSIS

FirstEnergy's responses regarding the variances in plant account balances were largely as a result of normal work order activity and are not uncommon among utilities. The change in total plant balances for each of the Companies was not unreasonable.

RIDER LEX, EDR, AMI, AND GENERAL EXCLUSIONS

Blue Ridge reviewed the Companies' exclusion for capital additions recovered through Commission-approved Riders LEX, EDR, and AMI. We also reviewed other subsequent riders authorized by the Commission that recover delivery-related capital additions to ensure they have been excluded from DCR. These included Experimental Company Owned LED Light Program and the Government Directive Recovery Rider (Rider GDR). We also reviewed other general exclusions like land leased to ATSI, FirstEnergy's transmission subsidiary, and Generation to ensure they were properly excluded. Blue Ridge found that the Companies' exclusions were not unreasonable.

GROSS PLANT IN SERVICE

FirstEnergy's responses regarding the variances in plant account balances were largely as a result of normal work order activity and are not uncommon among utilities. The change in total plant balances for each of the Companies was not unreasonable.

The Rider DCR Compliance Filings include the following gross plant-in-service incremental change for each company from the time of the prior audit.

Table 2: Incremental Change in Gross Plant from 11/30/18 to 11/30/19

Company	11/30/2018	11/30/2019	Incremental
The Cleveland Electric Illuminating Company	$ 3,177,791,509	$ 3,282,389,260	$ 104,597,751
Ohio Edison Company	3,581,667,230	3,728,185,289	146,518,058
The Toledo Edison Company	1,219,433,557	1,262,294,764	42,861,207
Total	**$ 7,978,892,296**	**$ 8,272,869,313**	**$ 293,977,016**

The Companies provided a list of work orders that support gross plant in service for December 2018 through November 2019. Blue Ridge selected a statistically valid sample of work orders (and added additional work orders using professional judgement) for detailed transactional testing.

For the most part, Blue Ridge found that observations and findings from the testing steps were met with justifications that proved to be not unreasonable.

Blue Ridge found that with the exception of vegetation management, plant in service was associated with distribution, subtransmission, and general and intangible plant.

As discussed in the Processes and Controls section above, Blue Ridge found fault with the classification of capital work regarding Vegetation Management. Blue Ridge has calculated the impact to the DCR and has applied the appropriate adjustment.

Blue Ridge found that, based on the description of the work performed and the Companies' explanations, all work orders in the sample were closed to the proper FERC accounts except for the VM work orders discussed above.

Blue Ridge reviewed the justification for all work orders in the sample, exclusive of blanket, multi-year projects, transfers, and adjustments, and found all project work orders included justifications that were not unreasonable. In addition, the explanations for transfers and adjustments was not unreasonable.

Additionally, Blue Ridge found no anomalies in its review of proper approval level for work orders / projects. However, we did find a rather high percentage of work that was over budget by greater than 15%. While we did not find anything that we believe required an adjustment, we do recommend that the Companies further enhance and refine their project estimating process.

Of work orders tested, one work order's distribution portion of work was cancelled, yet it was incorrectly placed in service. Two work orders over-accrued AFUDC due to incorrect in-service dates. One work order accrued AFUDC during inactive periods. Four work orders were in service but not unitized with no associated retirement. One work order was incorrectly recorded in service while still in progress. Appropriate adjustments were recommended for all these work orders.

Additionally, field verification was performed for nine selected projects. Seven were confirmed installed and used and useful. The remaining two work orders should not have been included in the DCR and adjustments were recommended.

The Companies have experienced a significant increase in the unitization backlog due to internal resources being committed to other regulatory projects during 2019. Blue Ridge recommends that the Companies make a concerted effort to reduce the volume of backlog work orders both in quantity and dollar value.

Insurance recoveries can reduce gross plant and should be taken into consideration in the calculation of the DCR. FirstEnergy stated that there were no insurance recoveries charged to capital for the Companies from December 1, 2018, through November 30, 2019.

Accumulated Reserve for Depreciation

The Rider DCR Compliance Filings include the following accumulated reserve for depreciation ("reserve") incremental change from the prior audit for each company.

Table 3: Incremental Change in Reserve for Depreciation from 11/30/18 to 11/30/19

Company	11/30/2018	11/30/2019	Incremental
The Cleveland Electric Illuminating Company	$ (1,392,028,303)	$ (1,459,339,899)	$ (67,311,596)
Ohio Edison Company	(1,450,186,133)	(1,522,980,899)	(72,794,766)
The Toledo Edison Company	(633,339,860)	(664,513,182)	(31,173,322)
Total	**$ (3,475,554,296)**	**$ (3,646,833,980)**	**$ (171,279,684)**

As discussed above, Blue Ridge found adjustments to gross plant that also required adjustments to the reserve balances to ensure that net plant is appropriately reflected in the DCR. The specific adjustments are discussed in Gross Plant in Service subsections. The impacts of these findings are discussed in the Overall Impact of Findings on Rider DCR Revenue Requirements subsection of this report.

Accumulated Deferred Income Taxes

The Rider DCR Compliance Filings include the following accumulated deferred income taxes (ADIT) incremental change from the prior audits for each company.

Table 4: Incremental Change in ADIT from 11/30/18 to 11/30/19

Company	11/30/2018	11/30/2019	Incremental
The Cleveland Electric Illuminating Company	$ (246,517,542)	$ (443,087,058)	$ (196,569,516)
Ohio Edison Company	(307,470,479)	(524,038,117)	(216,567,638)
The Toledo Edison Company	(77,183,499)	(137,423,190)	(60,239,691)
Total	**$ (631,171,519)**	**$ (1,104,548,365)**	**$ (473,376,845)**

Blue Ridge found that the ADIT balances did not appropriately reflect the EDIT balances resulting from the Tax Cuts and Jobs Act of 2017, as ordered in Case No. 18-1604-EL-UNC. The standard ADIT items resulting from typical book tax differences were consistent with prior filings, were related to plant in service, and are not unreasonable. The Tax Cuts and Jobs Act Effects subsection of this report discusses the Companies' treatment of excess accumulated deferred income taxes (EDIT) arising from the Tax Cuts and Jobs Acts (TCJA) in further detail.

Depreciation Expense

The Rider DCR Compliance Filings include incremental depreciation expense for each company from the prior audit as shown in the following table.

Table 5: Incremental Change in Depreciation Expense from 11/30/18 to 11/30/19

Company	11/30/2018	11/30/2019	Incremental
The Cleveland Electric Illuminating Company	$ 102,103,616	$ 105,851,498	$ 3,747,881
Ohio Edison Company	106,951,437	111,354,161	4,402,723
The Toledo Edison Company	39,729,937	41,096,571	1,366,635
Total	**$ 248,784,991**	**$ 258,302,230**	**$ 9,517,239**

Blue Ridge found that the calculation of depreciation expense was consistent with the methodology used in the last distribution rate case and that stopping depreciation of FERC account 390.3 CEI and OE Actual is appropriate. The Rider DCR uses gross plant-in-service balances consistent with the last distribution rate case to develop the depreciation expense component of the revenue requirements. Any revisions to gross plant should be flowed through the Rider DCR model to ensure that the appropriate amount of depreciation expense is included within the DCR.

The depreciation accrual rates used in the Rider DCR are based upon balances as of May 31, 2007. The Companies updated the depreciation study using plant as of December 31, 2013, and provided the updated study to the Commission Staff on June 1, 2015. Since the last depreciation study was based on balances from seven years ago, Blue Ridge had recommended in the Year 2018 DCR audit that the Companies perform a deprecation study. In stipulated in Case No. 16-381-EL-UNC, FirstEnergy has agreed to perform a Depreciation Study by June 30, 2023. The Commission has approved the Stipulation in that case.

PROPERTY TAX EXPENSE

The Rider DCR Compliance Filings include the following incremental property tax expense for each company from the prior audit.

Table 6: Incremental Change in Property Tax Expense from 11/30/18 to 11/30/19

Company	11/30/2018	11/30/2019	Incremental
The Cleveland Electric Illuminating Company	$ 112,908,431	$ 113,625,090	$ 716,659
Ohio Edison Company	94,527,764	95,504,386	976,621
The Toledo Edison Company	31,477,071	33,797,539	2,320,468
Total	**$ 238,913,267**	**$ 242,927,015**	**$ 4,013,748**

Blue Ridge found that the calculation of property tax is not unreasonable. As the Rider DCR uses plant-in-service balances to develop the property tax component of the revenue requirements, any revisions to gross plant should be flowed through the Rider DCR model to ensure the appropriate amount of property tax is included within the DCR.

SERVICE COMPANY

Blue Ridge found nothing that would indicate that Service Company costs included within Rider DCR are unreasonable.

COMMERCIAL ACTIVITY TAX AND INCOME TAXES

The Rider DCR Compliance Filings include the following incremental commercial activity tax (CAT) for each company. The CAT is calculated based on the statutory 0.26 percent.

Table 7: Incremental Change in CAT from 11/30/18 to 11/30/19

Company	11/30/2018	11/30/2019	Incremental
The Cleveland Electric Illuminating Company	$ 399,040	$ 369,231	$ (29,809)
Ohio Edison Company	408,510	385,594	(22,917)
The Toledo Edison Company	101,638	98,642	(2,996)
Total	**$ 909,189**	**$ 853,467**	**$ (55,722)**

The Rider DCR Compliance Filings include the following incremental income tax expense for each company.

Table 8: Incremental Change in Income Tax from 11/30/18 to 11/30/19

Company	11/30/2018	11/30/2019	Incremental
The Cleveland Electric Illuminating Company	$ 9,470,320	$ 7,078,426	$ (2,391,894)
Ohio Edison Company	10,990,575	8,933,745	(2,056,830)
The Toledo Edison Company	1,844,768	1,125,713	(719,054)
Total	**$ 22,305,663**	**$ 17,137,884**	**$ (5,167,779)**

Blue Ridge found that the commercial activity tax and income tax expense were calculated consistently with prior filings and are not unreasonable. Any adjustments discussed in other subsections of this report will impact the final commercial activity tax and income tax included within the Rider DCR.

Tax Cuts and Jobs Act Effect

The Rider DCR Compliance Filings include the following incremental commercial activity tax (CAT) for each company. The CAT is calculated based on the statutory 0.26 percent.

As part of the current year investigation of the 2019 DCR Compliance Filing, Blue Ridge compared the property-related EDIT values to the balances in the Stipulation agreed to by the Parties and approved by the Commission. They did not tie out as expected. In response to data requests, the Companies presented various adjustments, some of which on net reduce the total liability owed to customers. The Companies' revisions also reflected reclasses between EDIT categories that should have a net-zero impact on the total liability subject to refund, albeit they do impact the period over which the amortizing credits flow back to customers through the new credit mechanism.

While there may be adjustments with a rational basis, the standard for year-end financial statement audits is the "fairness" of the reported balances at the date certain. Since there are no specific true-up provisions in the Stipulation to adjust to the 2017 filed tax returns and other later known variables, Blue Ridge recommends restoring the EDIT balances to reflect those agreed to within the settlement and allowing parties to consider the Company's changes, such as the assertion that there is no EDIT associated with AFUDC equity, within the next Rider TSA annual filing. With respect to the reclass adjustments, Blue Ridge is neutral on their adoption since they have no impact on the total agreed upon liability to be refunded to customers. The EDIT categories with varying amortization periods are judgmental to some extent and an audit opinion would not render such definitional determinations official or correct.

Blue Ridge recommends reversing all EDIT adjustments, except for reclasses between normalized and non-normalized property, so that the Total Property EDIT reflected in Rider DCR matches the Total Property EDIT as of December 31, 2017, in the Stipulation. The scope of Blue Ridge's current investigation is limited to the property related EDIT balances in Rider DCR. Blue Ridge therefore has not and cannot validate the reclass from property to non-property was appropriately reflected in the new credit mechanism.

Return

The Rider DCR Compliance Filings include the following calculated return on rate base at 8.48% for each company.

Table 9: Incremental Change in Return on Rate Base from 11/30/18 to 11/30/19[1]

Company	11/30/2018	11/30/2019	Incremental
The Cleveland Electric Illuminating Company	$ 53,560,482	$ 40,052,616	$ (13,507,866)
Ohio Edison Company	63,612,126	51,498,355	(12,113,772)
The Toledo Edison Company	10,560,235	6,442,848	(4,117,387)
Total	**$ 127,732,843**	**$ 97,993,818**	**$ (29,739,025)**

Although the adjustments discussed in other subsections of this report will affect the final return included within the DCR, Blue Ridge found that the calculation of the return component of the DCR is not unreasonable.

Rider DCR Calculation

The Compliance Filing Summary Schedules pull together the various components allowed within Rider DCR and calculate the revenue requirements based upon the actual November 30, 2019, and estimated February 29, 2020, balances. The Annual Rider DCR Revenue is compared against the Commission-approved Revenue Cap in the Companies' filings.

Although Blue Ridge found that the balances used in the Rider DCR calculations should be adjusted, Blue Ridge found that the Rider DCR revenue requirements calculation is not unreasonable.

The Annual Rider DCR Revenue through November 30, 2019, is under both the aggregate annual cap and the allocated annual cap by company.

Projections

The Compliance Filings include projections for the first two months in 2020. To develop the first quarter 2020 estimates, the Companies used estimated plant-in-service and reserve balances as of February 28, 2020, the most recent (December 2019) forecast from PowerPlan. The estimated February 28, 2020, plant and reserve balances were then adjusted to reflect current assumptions (including project additions and delays), to incorporate recommendations from prior Rider DCR Audit Reports, and to remove the pre-2007 impact of a change in pension accounting.

Blue Ridge found that the projected amounts included through February 2020 are not unreasonable. In addition, the projected amounts will be reconciled to the actual amounts, and the

[1] WP V&V FE DCR Compliance Filing 1.2.2020—Confidential.

Rider DCR revenue requirement will be adjusted to actual in the next quarter's Rider DCR Compliance Filings.

SUMMARY OF BLUE RIDGE RECOMMENDATIONS

For the DCR Year 2019 assessment, Blue Ridge summarizes its adjustments as follows:

Adjustment #1: Work Order 13287571: Distribution portion canceled but incorrectly placed in service.
Adjustment #2: Work Order 1437958: AFUDC accrued due to incorrect in-service date.
Adjustment #3: Work Order 14650547: AFUDC accrued due to incorrect in-service date.
Adjustment #4: Work Order 000947-S-5: AFUDC accrued during inactive periods.
Adjustment #5: Work Order 15521094: WO was in service but not unitized with no associated retirement.
Adjustment #6: Work Order 15667460: WO was in service but not unitized with no associated retirement.
Adjustment #7: Work Order 1597370: WO was in service but not unitized with no associated retirement.
Adjustment #8: Work Order 15993546: WO was in service but not unitized with no associated retirement.
Adjustment #9: Work Order 15298831: WO still in progress and incorrectly recorded in service.
Adjustments #10, 11, 12, 13: Vegetation Management: Removal of costs charged to capital task codes 05, 14, 30, and 36.
Adjustment #14: Regulatory Liability EDIT: It does not reflect the Commission-approved stipulation balances.

Beyond the above adjustments, for the DCR Year 2019 assessment, Blue Ridge summarizes its recommendations as follows:

Rec-01. *Internal Audits*: Based on recommendation 5 of the 2018 DCR Report, an internal audit that had not yet completed at the time the audit report was issued was recommended for review in the current audit after completion. That internal audit related to CREWS Modernization Pre-Implementation has not yet concluded. Blue Ridge continues to recommend that the internal audit results be reviewed by the DCR auditors when they become available. (DCR Year 2019 Report, pp. 24–25)

Rec-02. Vegetation Management (VM): In both the 2017 DCR Audit and the 2018 DCR Audit, Blue Ridge had recommended that the vegetation management costs charged to the DCR associated with capital task codes 05, 36, 14, and 30 be excluded from the DCR due to the Companies policy "Accounting for the Clearing of Transmission and Distribution Corridors" being in conflict with FERC accounting requirements. In both those audits, after reviewing the treatment of those costs in Rider DCR, the Companies disagreed with Blue Ridge, believing their inclusion was appropriate. In the current audit, Blue Ridge expanded the review of VM to include detail that supports selected contractor charges to determine whether the Companies have sufficient documentation to support the inclusion of charges as capital in the DCR. The review was also intended to check whether the Companies are following their stated policies for time sheet field activity verification and if those policies are adequate to support the inclusion of VM charges to capital. In Blue Ridge's opinion, the Companies did not provide sufficient detailed documentation to support the inclusion of capital charges in the DCR or to support verification of work according to current VM policies. Review of the VM issue in the prior DCR audits and the current one focused on the specific task codes designated for capital work. Therefore, regarding VM, Blue Ridge includes the following recommendations for the current audit:

a. Blue Ridge recommends that the Companies supplement their VM policies and procedures to provide more detail in support of the time sheet task codes used by contractors. The form of that support can be schematics, drawings, or pictures. A simple method would be to take a before and after picture in support of work performed and charged to the above-mentioned task codes.
b. Blue Ridge recommends that the Commission address and define vegetation management capital and expense activity on a global basis for all electric utilities in Ohio to eliminate any bias on how VM costs should be recorded (capital versus expense) that is created based on how those costs are recovered.
c. Absent a Commission policy on the determination of capital and expense vegetation management activity, Blue Ridge recommends that the Companies revise their VM Accounting Policy to be consistent with the FERC Uniform System of Accounts.

(DCR Year 2019 Report, pp. 40–41, 42, and 62)

Rec-03. *Cost Overruns 15% and Greater*: Blue Ridge recommends that the Companies further enhance and refine their project estimating process. (DCR Year 2019 Report, p. 66)

Rec-04. *Cost Categories*: Blue Ridge recommends that, since the software capitalization process, by which fees between capital and maintenance are split, is activated by a vendor which is not an independent source of information, Internal Audit should review the process to determine that the split of charges between capital and expense is not unreasonable. (DCR Year 2019 Report, p. 81)

Rec-05. *Work Orders in Service but not Unitized:* Blue Ridge found five work orders that, as of November 30, 2019, were in-service, but not unitized. The Companies stated that they will be manually unitized and the retirement will be recorded at the time of unitization. At that time, retirement estimates are reviewed, assets are identified, and the appropriate retirements are booked. While Utility Plant in Service was overstated as of November 30, 2019, by the retirement amounts not recorded, the Companies were unable to provide a retirement estimate prior to unitization. The Companies stated, and Blue Ridge recommends, that an adjustment be made to the Rider DCR revenue requirement in a future Rider DCR filing to reflect the retirements when the actual amount is known. (DCR Year 2019 Report, p. 82)

Rec-06. *Work Order Backlog*: Blue Ridge recommends that the Companies make a concerted effort to reduce the volume of backlog work orders both in quantity and dollar value. (DCR Year 2019 Report, p. 89)

Rec-07. *Depreciation Expense*: In verifying the mathematical accuracy of the depreciation expense calculations, Blue Ridge found that CEI and OE stopped depreciating FERC account 390.3—Leasehold Improvements on an actual basis in recognition that the leasehold improvements had been fully amortized. However, the Companies continued to accrue depreciation in account 390.3 on an estimated basis. This action was incorrect; however, no adjustment is necessary since the estimated expense was corrected through the normal reconciliation process in the Companies' April 2, 2020, Rider DCR Compliance Filing. Blue Ridge recommends that the Companies rectify the inconsistent formula between actual and estimated calculation by the next filing date. (DCR Year 2019 Report, p. 94)

Rec-08. *EDIT*: Blue Ridge recommends reversing all EDIT adjustments, except for reclasses between normalized and non-normalized property, so that the Total Property EDIT reflected in Rider DCR matches the Total Property EDIT as of December 31, 2017, in the Stipulation. (DCR Year 2019 Report, p. 104)

OVERVIEW OF INVESTIGATION

The FirstEnergy Service Company, on behalf of the three Ohio-regulated operating companies—The Cleveland Electric Illuminating Company (CE, CEI, or CECO), Ohio Edison Company (OE or OECO), and The Toledo Edison Company (TE or TECO), collectively referred to as "FirstEnergy" or "Companies"—prepared and submitted Compliance Filings regarding the Commission-approved Delivery Capital Recovery (DCR) Rider for actual plant in service through November 30, 2019, and estimated plant in service through February 29, 2020. Blue Ridge Consulting Services, Inc. ("Blue Ridge") was retained to perform a compliance audit of the filings.

BACKGROUND

Ohio's electric law, Senate Bill 221, requires electric utilities to provide consumers with a standard service offer (SSO) consisting of either a market rate offer (MRO), Section 4928.142 Revised Code, or an electric security plan (ESP), Section 4928.143 Revised Code. The Companies filed an application for approval of an ESP in Case No. 10-388-EL-SSO ("ESP II Case"). A majority of the parties in the case entered into an original stipulation and two supplemental stipulations (collectively, "Combined Stipulation"), and after a hearing, the Public Utilities Commission of Ohio ("Commission") issued an Opinion and Order approving the Combined Stipulation in its entirety on August 25, 2010.

As part of its Opinion and Order, the Commission approved the establishment of the Rider DCR, effective January 1, 2012, to be updated and reconciled quarterly. The Opinion and Order allowed the Companies the opportunity to recover property taxes, Commercial Activity Tax, and associated income taxes, and to earn a return on and of plant in service associated with distribution, subtransmission, and general and intangible plant, including allocated general plant from FirstEnergy Service Company, which was not included in the rate base determined in the Opinion and Order of January 21, 2009, in Case No. 07-551-EL-AIR (last rate case). On April 13, 2012, FirstEnergy filed an application for its next ESP, which was largely an extension of the Combined Stipulation, which the Commission approved with modifications on July 18, 2012, in Case No. 12-1230-EL-SSO ("ESP III Case"). The Rider DCR was extended with modifications by Order dated March 31, 2016, and reaffirmed on October 12, 2016, in Case No. 14-1297-EL-SSO ("ESP IV Case") through May 31, 2024.

The Commission ordered an annual audit review of its Rider DCR for the purpose of determining whether the amounts for which recovery is sought are not unreasonable in light of the facts and circumstances known to the Companies at the time such expenditures were committed. The agreement also stipulated that, at the Commission's discretion, either an independent third-party auditor or the Commission's Staff would conduct the annual audit review.

The Commission's Request for Proposal (RFP) sought proposals to audit and attest to the accuracy and reasonableness of FirstEnergy's compliance with its Commission-approved Rider DCR since the Companies' last Rider DCR Compliance Audit. Blue Ridge submitted a proposal and was selected to perform the 2019 compliance audit. Blue Ridge also performed the 2011, 2012, 2013, 2014, 2015, 2016, 2017, and 2018 Rider DCR compliance audits, covering plant in service since the last distribution rate case (the audits covered June 1, 2007, through November 30, 2018).

Excerpts of the Rider DCR provisions within the Opinion and Orders and Combined Stipulation are included within Appendix A. Appendix B contains a list of abbreviations and acronyms used within this report.

PURPOSE OF PROJECT

As defined in the RFP, the project includes the following purposes:

- Audit and attest to the accuracy and reasonableness of FirstEnergy's compliance with its Commission-approved Rider DCR with regard to the return earned on plant-in-service since the Companies' last Rider DCR Compliance Audit.
- Identify capital additions recovered through Riders LEX, EDR, and AMI, or any other subsequent rider authorized by the Commission to recover delivery-related capital additions to ensure they are excluded from Rider DCR.
- Identify, quantify, and explain any significant net plant increase within individual accounts.

PROJECT SCOPE

The audit as defined in the RFP will address the following project scope:

> Determine if FirstEnergy has implemented its Commission-approved DCR Rider and is in compliance with the Combined Stipulation agreement set forth in Case No. 10-388-EL-SSO, as extended with modifications in Case No. 14-1297-EL-SSO.

AUDIT STANDARD

Blue Ridge used the following standard during the course of the audit: "The audit shall include a review to confirm that the amounts for which recovery is sought are not unreasonable. The determination of whether the amounts for which recovery is sought are not unreasonable shall be determined in light of the facts and circumstances known to the Companies at the time such expenditures were committed."[2]

[2] Case No. 10-0388-EL-SSO Second Supplemental Stipulation, July 22, 2010, page 4.

INFORMATION REVIEWED

Blue Ridge reviewed the following information outlined in the RFP:

- Case Nos. 10-388-EL-SSO, 12-1230-EL-SSO, and 14-1297-EL-SSO and related stipulation agreements
- Case Nos. 11-5428-EL-RDR, 12-2855-EL-RDR, 13-2100-EL-RDR, 14-1929-EL-RDR, 15-1739-EL-RDR, 16-2041-EL-RDR, 17-2009-EL-RDR, and 18-1542-EL-RDR Compliance Audit of the DCR Rider
- Applicable testimony and workpapers
- All additions, retirements, transfers, and adjustments to current date value of plant in service that have occurred from December 1, 2018, through November 30, 2019. The information was included in the January 2, 2020, quarterly filings
- All appropriate documentation relating to the Companies' compliance with the Commission-approved Rider DCR
- Companies' implementation of the Tax Cuts and Jobs Act of 2017, as approved by the Commission on July 17, 2019, in Case No. 18-1656-EL-ATA
- Companies' policies related to capital spares and their recovery through Rider DCR
- Companies' adherence to their Accounting for the Clearing of Transmission and Distribution Corridors Policy, including an assessment of the verification processes and documentation relied upon by the Companies to ensure compliance with all aspects of the Accounting for the Clearing of Transmission and Distribution Corridors Policy as it relates to clearing of the distribution corridors
- Companies' 2018 internal audits concerning controls which would affect Rider DCR
- All appropriate documentation relating to compliance with Finding (22) in the Commission's Finding and Order in Case Nos. 11-5428-EL-RDR, 12-2855-EL-RDR, and 13-2100-EL-RDR and contained in the Stipulation in Case Nos. 14-1929-EL-RDR and 15-1739-EL-RDR.

During the audit process, Blue Ridge requested and was provided additional information. A list of the data requested is included as Appendix C. Electronic copies of the information obtained was provided to Staff.

RIDER DCR COMPLIANCE FILINGS REVIEWED

On January 2, 2020, the Companies submitted various schedules, bill impacts, and tariff pages that provide the detailed calculations related to plant in service, accumulated depreciation reserve, income taxes, commercial activity taxes, property taxes, rate base, depreciation expense, and the resulting revenue requirement related to the Rider DCR (Compliance Filings) as contemplated by the Orders in the Companies' Case Nos. 10-388-EL-SSO, 12-1230-EL-SSO, and 14-1297-EL-SSO Electric Security Plan proceedings. These schedules included actual amounts through November 30, 2019, and projected balances for the three months ended February 29, 2020.

The following summarizes Rider DCR Revenue Requirements requested by each of the FirstEnergy operating companies.

Table 10: Rider DCR Revenue Requirements Actual 11/30/19 and Projected 2/29/20[3]

	Revenue Requirements		
Operating Company	Actual 11/30/19	Projected 2/29/20	Total
The Cleveland Electric Illuminating Company	$ 142,011,860	$ 3,953,823	$ 145,965,683
Ohio Edison Company	$ 148,305,239	$ 4,026,424	$ 152,331,663
The Toledo Edison Company	$ 37,939,314	$ 1,190,290	$ 39,129,604
Total	$ 328,256,413	$ 9,170,537	$ 337,426,950

VARIANCE ANALYSES, TRANSACTIONAL TESTING, AND OTHER ANALYSES

To identify, quantify, and explain any significant net plant increases within the individual accounts, Blue Ridge performed account variance analyses. The Companies were asked to explain any significant changes. The results of the analyses are included under the subsection labeled Variance Analysis.

In addition, Blue Ridge selected a sample of work orders from the population of work orders that support the gross plant in service for detailed transactional testing. The sample was selected using a statistically valid sampling technique. Additional work orders were selected based on professional judgment. The results of the transactional testing are included in the subsection labeled Gross Plant in Service.

Blue Ridge also performed various analyses, including mathematical verifications and source data validation, of the multitude of schedules that support the Rider DCR Compliance Filings. The report addresses each component of the Rider DCR, and the results of these analyses are included within each component's subsection.

A list of Blue Ridge's workpapers is included in Appendix D. Electronic copies were provided to the Staff of the Public Utilities Commission of Ohio and the Companies.

PRIOR COMPLIANCE AUDIT RECOMMENDATIONS STATUS

Blue Ridge performed the Rider DCR compliance audit that covered capital additions from December 1, 2017, through November 30, 2018. Blue Ridge's report included several findings and recommendations and was filed in Case No. 18-1542-EL-RDR. The following list includes those recommendations. Following each recommendation is FirstEnergy's response regarding the recommendation's status[4] and Blue Ridge's associated comments based upon observations from this compliance audit.

---

[3] WP V&V FE DCR Compliance Filing 1.2.2020—Confidential.

[4] All FirstEnergy status remarks are obtained from FirstEnergy's responses to Data Requests BRC Set 2-INT-5—Confidential.

1. Recommendation 1, 2018 DCR Report, pp. 46 and 67, *Vegetation Management*: The Companies policy "Accounting for the Clearing of Transmission and Distribution Corridors" is in conflict with FERC accounting requirements, particularly in regard to certain capital-defined timesheet activity codes. Therefore, Blue Ridge recommends that the vegetation management costs charged to the DCR-associated with activity codes 05, 36, 14, and 30, be excluded from the DCR.

   FirstEnergy Response: The Companies have continued to review the treatment of these costs in Rider DCR and believe their inclusion is appropriate. The Companies filed comments on a similar recommendation in the 2017 Rider DCR Audit Report in Case No. 17-2009-EL-RDR on May 10, 2019, and June 10, 2019.

   Blue Ridge Comments: Blue Ridge had disagreed with the Companies' comments regarding the similar recommendation in the 2017 audit and continues to recommend an adjustment be made to the Rider DCR to remove the vegetation management costs that have been misclassified as capital.

2. Recommendation 2, 2018 DCR Report, p. 46, *Vegetation Management*: Because the vegetation throughout Ohio is similar in terms of geography and types of vegetation, to standardize treatment of vegetation management issues, Blue Ridge recommends that the Commission address and define vegetation management capital and expense activity on a global basis for all electric utilities in Ohio to eliminate any bias on how vegetation management costs should be recorded (capital versus expense) that may be created based on how those costs are recovered.

   FirstEnergy Response: This recommendation was not directed to the Companies.

   Blue Ridge Comments: Blue Ridge agrees this recommendation was intended for the Commission and its Staff.

3. Recommendation 3, 2018 DCR Report, p. 46, *Vegetation Management*: Absent a Commission policy on the determination of capital and expense vegetation management activity (as suggested in Recommendation #2 above), and considering section 1.3 of the Companies' policy "Accounting for the Clearing of Transmission and Distribution Corridors" directs the capitalizing of FERC-defined maintenance work, Blue Ridge recommends that the Companies revise the specified policy to be consistent with the FERC Uniform System of Accounts.

   FirstEnergy Response: The Companies have continued to review the treatment of these costs in Rider DCR and believe their inclusion is appropriate. The Companies filed comments on a similar recommendation in the 2017 Rider DCR Audit Report in Case No. 17-2009-EL-RDR on May 10, 2019, and June 10, 2019.

   Blue Ridge Comments: Blue Ridge had disagreed with the Companies' comments regarding the similar recommendation in the 2017 audit, and continues to recommend the Companies revise the specified policy to be consistent with the FERC Uniform System of Accounts.

4. Recommendation 4, 2018 DCR Report, p. 46, *Vegetation Management*: In the absence of a Commission policy on the determination of capital and expense vegetation management activity (as suggested in Recommendation #2 above), Blue Ridge recommends that

Commission Staff undertake a periodic audit (review) of the Companies' vegetation management activities.

FirstEnergy Response: This recommendation was not directed to the Companies.

Blue Ridge Comments: Blue Ridge agrees this recommendation was intended for the Commission and its Staff.

5. Recommendation 5, 2018 DCR Report, p. 47, *Internal Audits*: Regarding three internal audits in progress in 2018 regarding controls that would affect Rider DCR, Blue Ridge recommends that the results of the audits be reviewed in next year's DCR audit. (2018 DCR Report, p. 47)

   FirstEnergy Response: The following is an update on the three internal audits.

   Information Technology Asset Management Audit as of October 8, 2019

   Recommendations:

   Define and formalize policies and procedures to ensure IT assets are properly inventoried, maintained, and controlled throughout their lifecycle, and fit with the organization's operating needs. This includes a centralized oversight function with roles and responsibilities, and a maintenance process for the records.

   Perform a periodic review of the IT asset inventory for completeness and accuracy. Performance should be considered at least two times per year, with an annual review of unscanned items, allowing for half to be reviewed each session. Management may consider increased frequency to reduce the number of assets looked at in a review session.

   Pre-Implementation Audit of Operational Technology Configuration Management (OTCM) Phase II Releases as of August 30, 2019:

   Recommendations: None

   CREWS Modernization Pre-Implementation Review – In Progress

   A summary of findings and recommendations will be provided when the information becomes available.

   Blue Ridge Comments: Blue Ridge is satisfied with the results of the first two audits and continues to recommend that the results of the third audit be reviewed by the DCR auditors when it becomes available.

6. Recommendation 6, DCR Report, p. 53, *Economic Development Rider (Rider EDR(g))*: An EDR(g) recovered work order was not appropriately identified and excluded from the DCR during the consolidated unitization process. Blue Ridge recommends that the Companies include a reconciliation in the Rider DCR revenue requirement in a subsequent filing that incorporates the effect on the Rider DCR revenue requirement had the activity of EDR(g) work order 15204942 (cost $16,621) been appropriately excluded. (2018 DCR Report, p. 53)

   FirstEnergy Response: The Companies' July 1, 2019 Rider DCR filing included an adjustment to incorporate the effect. See BRC Set 2-INT-005 Attachment 1—Confidential for support.

Blue Ridge Comments: Blue Ridge is satisfied with the adjustment made. No additional work is necessary.

7. Recommendation 7, DCR Report, pp. 55–56, *Advanced Metering Infrastructure Rider (Rider AMI)*: Due to the fact that the Summary of Exclusions within the DCR filings does not identify all the Rider AMI recovered plant that is excluded, in order to ensure transparency in the exclusion of AMI from the DCR, Blue Ridge recommends that the Companies modify the reported Summary of Exclusions to reflect the total amount of AMI plant that is actually excluded.

   FirstEnergy Response: The Companies have modified the Summary of Exclusions to reflect the total amount of AMI plant associated with the CEI Smart Grid Pilot that is excluded from Rider DCR. See BRC Set 1-INT-001 Attachment 1 – FE DCR Compliance Filing 1.2.2020 – Confidential.

   Blue Ridge Comments: Blue Ridge is satisfied with the actions taken. No additional work is necessary.

8. Recommendation 8, 2018 DCR Report, pp. 56–57, *Advanced Metering Infrastructure Rider (Rider AMI)*: Because of the Companies' use of multiple sources supporting the AMI exclusions, Blue Ridge recommends that the Companies review the charges reflected in the consolidated unitization to ensure that all plant recovered through the AMI Rider, including those work orders identified in the 2013 audit (separately identified) are properly identified and excluded from the DCR.

   FirstEnergy Response: The Companies have reviewed the work orders associated with the consolidated unitization and did not identify any related to Rider AMI. See BRC Set 2-INT-005 Attachment 2 Confidential for a full list of work orders included in the consolidated unitization, which demonstrates that no Rider AMI work orders were included.

   Blue Ridge Comments: Blue Ridge is satisfied with the actions taken. No additional work is necessary.

9. Recommendation 9, 2018 DCR Report, p. 58, *Experimental Company-Owned LED Light Program*: Several Experimental Company-Owned LED Light Program work orders were not identified as such and thus excluded from the DCR during the consolidated unitization process. Blue Ridge recommends that the Companies include a reconciliation in the Rider DCR revenue requirement in a subsequent filing that incorporates the effect on the Rider DCR revenue requirement had the activity been appropriately excluded.

   FirstEnergy Response: The Companies' July 1, 2019, Rider DCR filing included an adjustment to incorporate the effect on revenue of the exclusion of the identified LED work orders. See BRC Set 2-INT-005 Attachment 1 – Confidential for support.

   Blue Ridge Comments: Blue Ridge is satisfied with the actions taken. No additional work is necessary.

10. Recommendation 10, 2018 DCR Report, pp. 58–59, 61, and 86, *Experimental Company-Owned LED Light Program*: Because the Experimental Company-Owned LED Light Program includes FERC accounts that may be considered mass property and thus part of the consolidated unitization process, Blue Ridge was unable to confirm whether any additional LED costs

(beyond those in regard to Recommendation #10 above) were included in the consolidated unitization work orders charged to the DCR. Blue Ridge recommends that the Companies review the charges reflected in the consolidated unitization to ensure that all plant recovered through Experimental Company-Owned LED lighting Program (and any other associated plant recovered through other riders) is properly identified and excluded from the DCR.

FirstEnergy Response: The Companies have reviewed the work orders associated with the consolidated unitization and did not identify any related to LED program. See BRC Set 2-INT-005 Attachment 2 Confidential for a full list of work orders included in the consolidated unitization, which demonstrates that no LED work orders were included.

Blue Ridge Comments: Blue Ridge is satisfied with the actions taken. No additional work is necessary.

11. Recommendation 11, 2018 DCR Report, pp. 73–74, *Projects over Budget Greater Than 15%*: While a large percentage of projects over budget raises a question about the Companies' planning process, the recommendations regarding such previous concerns were not fully implemented until midway through 2018. Therefore, Blue Ridge recommends that this issue be revisited in the next DCR audit to determine whether those 2018-implemented recommendations were successful in reducing the percentage of projects coming in over budget.

    FirstEnergy Response: The Companies have incorporated all recommendations and will provide responses to any additional requests.

    Blue Ridge Comments: Blue Ridge found that 19 projects, or 35% of the total projects, included in the current audit's work order sample, were over budget by greater than 15%. The explanations included mandated relocations by the DOT, projects that spanned multiple years or phases, emergent work, and technological advances. Blue Ridge found the Companies' explanation not unreasonable. While we did not find anything that we believe required an adjustment, we do recommend that the Companies further enhance and refine their project estimating process.

12. Recommendation 12, 2018 DCR Report, p. 74, *In-service Dates Entered Incorrectly*: Two work orders had AFUDC that represented 35% of the total charges. Further investigation found that the in-service dates were entered incorrectly in PowerPlant and that AFUDC was over accrued. Blue Ridge recommends that the Companies include a reconciliation in the Rider DCR revenue requirement in a subsequent filing that incorporates the effect on the Rider DCR revenue requirement had the in-service dates for the work orders been entered correctly and AFUDC and not been over accrued.

    FirstEnergy Response: The Companies' July 1, 2019, Rider DCR filing included an adjustment to incorporate the effect on revenue of the exclusion of the identified LED work orders. See BRC Set 2-INT-005 Attachment 1 – Confidential for support.

    Blue Ridge Comments: Blue Ridge is satisfied with the actions taken. No additional work is necessary.

13. Recommendation 13, 2018 DCR Report, p. 76, *Cost of Removal but No Retirements Charged*: Certain work orders had been completed but are still awaiting manual unitization at which

time retirement will be charged (CECO WOs 14857540, CE-001312-DO-MSTM and OECO WOs 14370674, IF-OE-000127-1). Blue Ridge recommends that once the retirement is recorded, the Companies calculate the impact on depreciation and on the DCR.

FirstEnergy Response: The Companies have unitized these work orders and calculated the impact on depreciation expense. See BRC Set 2-INT-005 Attachment 3—Confidential. The impact on depreciation totals approximately $1,400.

Blue Ridge Comments: Blue Ridge is satisfied with the actions taken. No additional work is necessary.

14. Recommendation 14, 2018 DCR Report, pp. 76–77, *Cost of Removal but No Retirements Charged*: For two OECO work orders (14777263 and OE-002814), the Companies explained the retirements occurred when the work orders were manually unitized, which was after November 30, 2018, and therefore not included in the DCR. Blue Ridge recommends that the Companies include a reconciliation in the Rider DCR revenue requirement in a subsequent filing that incorporates the effect on the Rider DCR revenue requirement had the retirements been recorded at the appropriate time.

    FirstEnergy Response: The Companies' July 1, 2019, Rider DCR filing included an adjustment to incorporate the effect on revenue had the retirements been recorded at the appropriate time. See BRC Set 2-INT-005 Attachment 1—Confidential for support.

    Blue Ridge Comments: Blue Ridge is satisfied with the actions taken. No additional work is necessary.

15. Recommendation 15, 2018 DCR Report, pp. 79–80, *Actual In-Service Date Delayed from Estimate*: Two work orders (OECO IF-OE-000126 and IF-OE-000127) had delays of in-service dates resulting in over accrued AFUDC and overstatement of depreciation expense. Blue Ridge recommends that adjustments be made to change the in-service dates and to include reconciliations in the Rider DCR revenue requirement in a subsequent filing. (2018 DCR Report, pp. 79–80)

    FirstEnergy Response: The Companies' July 1, 2019, Rider DCR filing included an adjustment to incorporate the effect on due to the delay in closing and AFUDC overstatement. See BRC Set 2-INT-005 Attachment 1—Confidential for support.

    Blue Ridge Comments: Blue Ridge is satisfied with the actions taken. No additional work is necessary.

16. Recommendation 16, 2018 DCR Report, pp. 86 and 91–92, *Consolidated Unitizations*: Regarding the consolidated unitizations, any over or under accrual of depreciation would be addressed in regular depreciation studies. Since the last depreciation study for the Companies was performed using December 31, 2013, balances, Blue Ridge recommends that a depreciation study be performed. (As part of the Stipulation in Case No. 16-481-EL-UNC, et al., p. 19 [filed 11/9/18], FirstEnergy has agreed to perform a Depreciation Study by June 30, 2023, with a date certain of December 31, 2022. This study would satisfy Blue Ridge's recommendation. However, the Stipulation still awaits Commission approval.)

    FirstEnergy Response: The Stipulation has been approved and the Companies will conduct a depreciation study by June 30, 2023 with a date certain of December 31, 2022.

Blue Ridge Comments: The Companies' scheduled depreciation study will satisfy Blue Ridge's concern.

17. Recommendation 17, 2018 DCR Report, p. 99, *Tax Cuts and Jobs Act Effect—EDIT Balances*: Based on the Stipulation and Recommendation filed in Case No. 18-1604-EL-UNC, treatment of property EDIT balances resulting from the TCJA, normalized and non-normalized, will be accounted for between the Rider DCR and credit mechanisms. Until the adjustment is made, the DCR rate base is overstated. Therefore, Blue Ridge recommends that the EDIT balances be reflected within the DCR and the overcollection due to the delay in recording the EDIT in the DCR be adjusted within the next DCR filing.

    FirstEnergy Response: Effective with the Companies' October 1, 2019, Rider DCR filing, all impacts of the PUCO Order approving the stipulation in Case 17-2436-EL-UNC et al. back to January 1, 2018, have been incorporated into Rider DCR. There was no overcollection due to the delay in recording the EDIT in the DCR, so no additional reconciliation was needed.

    Blue Ridge Comments: Blue Ridge is satisfied with the actions taken. No additional work is necessary.

Findings and Recommendations

Determine if the Companies implemented their Commission-approved DCR Rider and if the Companies are in compliance with the Combined Stipulation agreement set forth in the Opinion and Order issued in Case No. 10-388-EL-SSO and as extended with modifications in Case Nos. 12-1230-EL-SSO and 14-1297-EL-SSO

The purpose of the audit is to determine whether the Companies implemented their Commission-approved Rider DCR and whether the Companies are in compliance with the Combined Stipulation agreement set forth in the Opinion and Order issued in Case No. 10-388-EL-SSO and as extended with modifications in Case Nos. 12-1230-EL-SSO and 14-1297-EL-SSO. This section begins with an overview of the process and control policies and procedures that affect the plant balances and expense categories that feed into the Rider DCR calculations. The section also includes various variance analyses review any significant changes in net plant by individual FERC account.

Each component of Rider DCR is investigated separately. The specific exclusions are addressed in Riders LEX, EDR, AMI, and General Exclusions and are followed by our analysis of gross plant in service; accumulated reserve for depreciation; accumulated deferred income taxes; depreciation expense; property tax expense; allocated Service Company; Commercial Activity Tax (CAT) and income taxes; The Tax Cuts and Jobs Act effect, and the return component. The report concludes with a review of the calculation of revenue requirements, followed by a review of the projections for the first quarter 2020.

Authority to Recover Components of Rider DCR

Blue Ridge reviewed the Commission Opinion and Order in Case No. 10-388-EL-SSO, dated August 25, 2010, the Combined Stipulation, and the Rider DCR relevant testimony and hearing transcripts. The Opinion and Order and Combined Stipulation from Case No. 10-388-EL-SSO (as modified and reaffirmed in Case Nos. 12-1230-EL-SSO and 14-1297-EL-SSO[5]) provide the authority for what should be included within Rider DCR. Section B.2 of the Combined Stipulation specifically states the following items are to be included:

> Effective January 1, 2012, a new rider, hereinafter referred to as Rider DCR ("Delivery Capital Recovery"), will be established to provide the Companies with the opportunity to recover property taxes, Commercial Activity Tax and associated income taxes and earn a return on and of plant in service associated with distribution, subtransmission, and general and intangible plant including allocated general plant from FirstEnergy Service Company that supports the Companies, which was not included in the rate base determined in the Opinion and Order of January 21, 2009 in Case No. 07-551-EL-AIR et al. ("last distribution rate case").[6]
>
> The net capital additions included for recognition under Rider DCR will reflect gross plant in service not approved in the Companies' last distribution rate case less growth in accumulated depreciation reserve and accumulated deferred income taxes associated with plant in service since the Companies' last distribution rate case.[7]
>
> The filing shall show the Plant in Service account balances and accumulated depreciation reserve balances compared to that approved in the last distribution rate case. The expenditures reflected in the filing shall be broken down by the Plant in Service Account Numbers associated with Account Titles for subtransmission, distribution, general and intangible plant, including allocated general plant from FirstEnergy Service Company that supports the Companies based on allocations used in the Companies' last distribution rate case. Net capital additions for Plant in Service for General Plant shall be included in the DCR so long as there are no net job losses at the Companies as a result of involuntary attrition as a result of the merger between FirstEnergy Corp. and Allegheny Energy, Inc. For each account title the Companies shall provide the plant in service and accumulated depreciation reserve for the period prior to the adjustment period as well as during the adjustment period. The filing shall also include a detailed calculation of the depreciation expense and accumulated depreciation impact as a result of the capital additions. The Companies will provide the information on an individual Company basis.[8]

[5] Case No. 12-1230-EL-SSO Commission Opinion and Order, July 18, 2012, pages 10–11, and Case No. 14-1297-SSO Commission Opinion and Order, March 31, 2016.
[6] Case No. 10-0388-EL-SSO Stipulation and Recommendation, March 23, 2010, page 13.
[7] Case No. 10-0388-EL-SSO Stipulation and Recommendation, March 23, 2010, page 14.
[8] Case No. 10-0388-EL-SSO Stipulation and Recommendation, March 23, 2010, page 15.

PROCESSES AND CONTROLS

A. Review and update the processes and controls identified during the last audit that affect the costs in Rider DCR to validate that FirstEnergy exhibits reasonable management practices associated with the investment funded by Rider DCR
B. Determine if the Companies' cost controls related to the items under review are adequate and reasonable.
C. Review the Companies' policies related to capital spares and their recovery through Rider DCR.
D. Review the Companies' adherence to their Accounting for the Clearing of Transmission and Distribution Corridors Policy, including an assessment of the verification processes and documentation relied upon by the Companies to ensure compliance with all aspects of the Accounting for the Clearing of Transmission and Distribution Corridors Policy as it relates to clearing of the distribution corridors.
E. Review the Companies' 2018 internal audits concerning controls which would affect Rider DCR

Blue Ridge did not perform a management audit but did review FirstEnergy's processes and controls to ensure that they were sufficient so as not to adversely affect the costs in Rider DCR. Beginning from a basis of last year's review of the 2018 FirstEnergy Rider DCR processes and controls, Blue Ridge reviewed documents relied upon for that audit, supplemented with changes to those processes and controls that the Companies have made since that audit. Based on the documents reviewed, Blue Ridge was able to update its understanding of the Companies' processes and controls that affect each of the plant balances and expense categories within Rider DCR. Blue Ridge concluded that FirstEnergy exhibits reasonable management practices associated with the investment funded by Rider DCR. Our only concern relates to vegetation management, discussed later in this section. Furthermore, by reviewing internal audit reports conducted on various areas of the Companies' operations, Blue Ridge found that the Companies have processes in place to evaluate whether cost controls were adequate and that no significant internal control deficiencies were noted in the internal audits.

The following is a summary of the areas Blue Ridge reviewed.

Policies and Procedures

Blue Ridge reacquainted itself with the policies, procedures, and process flow diagrams associated with the various processes that affect the categories that feed into the Rider DCR calculations. Furthermore, we requested post-2018 modifications to those policies, procedures, and/or process flow diagrams to determine whether any concerns were raised in connection to the impact of those changes on the Rider DCR calculations. The Companies stated that no significant changes to procedures or policies were incorporated in 2019.[9]

The policies, procedures, and process flow diagrams reviewed related to the following areas:

1. Plant Account
    a. Capitalization

[9] FirstEnergy's response to Data Request BRC Set 2-INT-007.

   b. Preparation and approval of work orders
   c. Recording of CWIP including the systems that feed the CWIP trial balance
   d. Application of AFUDC
   e. Recording and closing of additions, retirements, cost of removal, and salvage in plant
   f. Unitization process based on the retirement unit catalog
   g. Application of depreciation
   h. Contributions in Aid of Construction (CIAC)
2. Purchasing/Procurement
3. Accounts Payable/Disbursements
4. Accounting/Journal Entries
5. Payroll (direct charged and allocated to plant)
6. Taxes (Accumulated Deferred Income Tax, Income Tax, and Commercial Activity Tax)
7. Insurance Recovery
8. Property Taxes
9. Service Company Allocations
10. Budgeting/Projections
11. IT Projects

As a result of our review, Blue Ridge notes the following regarding processes that affect the Rider DCR.

Capitalization (1.a above); Plant Assets, including CWIP, Unitization, and Depreciation (1.c, 1.e, 1.f, 1.g); Accounting Entries, including Accounts Payable and Payroll (3, 4, 5)[10]

The Companies regard Capitalization as the procedure by which the total value of a capital asset of specified qualifications is assigned to its Balance Sheet classification of "Property, Plant and Equipment." This value is expensed to the Income Statement over its expected life by means of depreciation expense. Specifically, the Capitalization policy states, "Costs which result in additions or improvements of a permanent character which add value to the property shall be capitalized if a) the useful life is greater than one year and b) costs are greater than $1,000 (excluding computer software). Computer software shall be capitalized for costs greater than $5,000. . . . All other costs shall be expensed."[11]

The Capitalization Policy also holds the relevant policies for plant additions, retirements, removal cost, and salvage applicable to Rider DCR. The policy provides the qualifications for capital additions, which include extensions, enlargements, expansions, or replacements made to an existing asset. Once an asset is capitalized, the Companies track it using the Continuing Property Records (CPR). This CPR is a PowerPlant[12] ledger that contains a full audit trail for all plant transactions (additions, retirements, adjustments, inter and intra company transfers, etc.). Retirements (classified

[10] WP FE response to 2011 audit Data Request BRC Set 1-INT-003, a, Attachment 1, Capitalization Policy—Confidential.
[11] WP FE response to 2011 audit Data Request BRC Set 1-INT-003, a, Attachment 1, Capitalization Policy—Confidential.
[12] "PowerPlant" is a commercially available computer software application used in plant accounting.

as such according to specific criteria) are accounted for by crediting their original cost to its plant account. The Retirement Unit Catalog is a listing within PowerPlant of all retirement units. Based on a specific set of criteria, these units are identified as retirement units to differentiate between replacements or additions chargeable to plant accounts (capital) and those chargeable to maintenance accounts (expense).

Construction work in process (CWIP) is the account to which capitalized costs are charged during the construction phase. Following construction, when the asset is ready to be placed into service, the cost is transferred to the completed construction not classified account (CCNC). Finally, after unitization, the asset is transferred to electric plant in service (EPIS).

FirstEnergy had no significant procedural or policy changes in regard to the capitalization policy in 2019.[13]

Preparation and Approval of Work Orders[14]

Blue Ridge had reviewed both the Work Management Process flow diagram as well as the CREWS (Customer Request Work Scheduling System) Work Request Type Narratives. Elements such as project size and contractor involvement affect the process for managing the work. According to the CR (Customer Request) in the CREWS name, the system would seemingly include only work specifically initiated by request of customers. However, the system does include routine preventive and corrective maintenance as well.

The CREWS Work Request Type Narratives categorize work based on area (e.g., Distribution, Forestry, Meter, Substation) and then by more specific activity within those categories.

Contributions in Aid of Construction (CIAC)[15]

Regarding Contributions in Aid of Construction, Blue Ridge had examined the Companies' Invoicing Process Flow Chart that follows work initiation, authorization, scheduling, and completion in accordance with funding—invoicing, payment, and recording.

Application of AFUDC[16]

FirstEnergy has a policy in place to account for capitalized financing costs during construction. Three conditions must be met: (1) expenditures for the asset must have been made; (2) activities necessary to prepare the asset for its intended use must be in progress; and (3) interest cost must be incurring. Interest capitalization ceases when any of these conditions ceases or, of course, when construction is complete.

[13] FirstEnergy's response to Data Request BRC Set 2-INT-007 and 008.
[14] WP FE response to 2011 audit Data Request BRC Set 1-INT-003, b, Attachment 1, Work Management Process—Confidential and WP FE response to 2011 audit Data Request BRC Set 1-INT-003, b, Attachment 2, CREWS Work Request Narratives—Confidential.
[15] WP FE response to 2011 audit Data Request BRC Set 1-INT-003, e, Attachment 1, Invoicing Process Flow Chart—Confidential.
[16] WP FE response to 2011 audit Data Request BRC Set 1-INT-003, d, Attachment 1, Accounting For Capitalized Financing Costs During Construction—Confidential.

Purchasing/Procurement[17]

Blue Ridge had reviewed FirstEnergy's procedure by which the Companies' Supply Chain prepares, reviews, approves, and processes procurement documents for all materials, equipment, and services. The procedure applies to all business units and operating companies within FirstEnergy. The procedure identifies minimum requirements, exceptions, responsibilities, and actual process steps. Process steps include justifications, requisitions, approvals, buyer activity, sourcing strategy, bidding process, award, execution, and order maintenance.

Taxes (Accumulated Deferred Income Tax, Income Tax, and Commercial Activity Tax)[18]

In its Accounting for Income Taxes procedure, the Companies stated that tax reporting and disclosing of both current and future income taxes in their financial statements is in accordance with generally accepted accounting principles.

Insurance Recovery[19]

According to the Companies, Insurance Risk Management (IRM) coordinates all large property and non-subrogation insurance recoveries. IRM oversees the process from notification to them by field personnel when an event occurs, through evaluation, claim, gathering of costs and expenses, and settlement, and finally culminating in ensuring proper accounting of recoveries.

Property Taxes[20]

Blue Ridge examined the FirstEnergy desktop procedure for Ohio Property Tax returns. The procedure addresses steps taken in producing property tax schedules.

Service Company Allocations[21]

According to the Stipulation in Case 10-388-EL-SSO and continued in Case No. 12-1230-EL-SSO and Case No. 14-1297-EL-SSO, expenditures reflected in the quarterly filing will be "broken down by the Plant in Service Accounts Numbers associated with Account Titles for subtransmission, distribution, general and intangible plant, including allocated general plant from FirstEnergy Service Company that supports the Companies based on allocations used in the Companies' last distribution rate case."[22] The most recent base distribution rate case is Case No. 07-0551-EL-AIR.

[17] WP FE response to 2016 audit Data Request BRC Set 1-INT-013, b, including Attachment 3, Procedure for Enterprise Sourcing of Materials and Services—Confidential.
[18] WP FE response to 2011 audit Data Request BRC Set 1-INT-003, m, Attachment 1, Income Tax Policy and Procedure—Confidential.
[19] WP FE response to 2011 audit Data Request BRC Set 1-INT-003, a—Confidential.
[20] WP FE response to 2011 audit Data Request BRC Set 1-INT-003, n, Attachment 1, Ohio Property Tax Returns—Confidential.
[21] FirstEnergy's response to Data Request BRC Set 1-INT-012—Confidential.
[22] Case No. 10-0388-EL-SSO Stipulation and Recommendation, March 23, 2010, page 15.

Budgeting/Projections[23]

The Rider DCR Compliance Filings include three months of projected data through the end of February 2020. The estimate is based on the most recent (December 2019) forecast from PowerPlant adjusted to reflect current assumptions, to incorporate recommendations from prior audits, and to remove the cumulative pre-2007 impact of a change in pension accounting.[24] Blue Ridge had reviewed the Companies' capital budget process to understand whether that process was sound and results in reasonable projections of expected capital expenditures that would be included in the Rider DCR. Blue Ridge had sought to understand the Companies' processes and practices for justifying and approving the capital funds that would be expended on FirstEnergy's transmission, distribution, general, and intangible gross plant. The policies, procedures, and process flow diagrams showing key controls related to, among other things, capital budgeting and projections had been reviewed. Blue Ridge also had reviewed whether the cost controls were adequate and reasonable.

The budgeting activity of the Companies, with regard to its impact on Rider DCR, rests within a well-documented process flow. Capital Portfolio development and capital management highlight the process steps from business unit initiation, through decision points, and to the final consolidation and approvals necessary to complete the process. The Capital Planning cycle is aligned with the Integrated Business Planning calendar. The Capital Management Group guides the process, including entering the business units' settled capital target into the capital planning database, allowing the business units to structure their portfolios accordingly.

FirstEnergy's capital budgeting is known internally as "Multi-Year Enterprise Capital Portfolio."[25] Individual business unit programs drive the approval of the capital budgets at the business unit level.[26] In addition, the procedure for creating and acquiring approval for the capital portfolio states, "Business Units will utilize internal review and approval processes to analyze and create a prioritized Capital Portfolio."[27]

Information Technology

FirstEnergy manages Information Technology (IT) projects through a formalized process. The process includes standardized templates to describe and manage the three basic management categories for IT projects: charter (establishment), scorecard (status, health, issues, and risks), and changes (through change requests). IT's Project Management Office meets biweekly to review IT

[23] WP FE response to 2011 audit Data Request BRC Set 1-INT-003, c, Attachment 1, Creating Multi-Year Enterprise Capital Portfolio—Confidential; WP FE response to 2011 audit Data Request BRC Set 1-INT-003, c, Attachment 2, FE Capital Portfolio Development and Capital Management Procedure—Confidential; and WP FE response to 2011 audit Data Request BRC Set 1-INT-003, c, Attachment 3, Energy Delivery Capital Allocation Process—Confidential.
[24] DCR Filings: CE 12-30-16 DCR Filing.pdf, OE 12-30-16 DCR Filing.pdf, and TE 12-30-16 DCR Filing.pdf.
[25] WP FE response to 2011 audit Data Request BRC Set 1-INT-003, c, Attachment 1, Creating Multi-Year Enterprise Capital Portfolio—Confidential.
[26] WP FE response to 2011 audit Data Request BRC Set 1-INT-003, c, Attachment 2, FE Capital Portfolio Development and Capital Management Procedure—Confidential.
[27] WP FE response to 2011 audit Data Request BRC Set 1-INT-003, c, Attachment 1, Creating Multi-Year Enterprise Capital Portfolio – Section C.2—Confidential.

projects. During these biweekly reviews, the scorecard is used to help track the actual spend on the projects relative to the original budget.

IT project cost definition begins with project estimates for labor and other-than-labor costs. These estimates become the initial budget for the project. The project manager controls the project's refinement as the project scope is finalized. The project manager manages this refinement through a change control process in which justification for changes (resource hours, cost, and schedule) must be provided and approvals for the changes must be received from senior IT management. While a requested change may be for a specific project, the review and approval process also takes into consideration any impacts on the overall portfolio for IT projects. If changes to an individual project are approved, FirstEnergy manages the project according to the new forecast (both cost and schedule).[28]

<u>Development of Rider DCR Compliance Filings</u>

The Rider DCR schedules are compiled and calculated using Microsoft Excel® spreadsheets by a Rates Analyst within the FirstEnergy Service Company's Rates and Regulatory Affairs Department. The Analyst coordinates the gathering of the data and performs the calculations and relies on the provider of the information for accuracy. The Rider DCR Compliance filings are comprised of a number of schedules. The schedules and information sources are summarized as follows:[29]

- Revenue Requirements Summary – calculated by the Rates Department
- DCR Revenue Requirement Calculation – gross plant, reserve, ADIT, depreciation, and property tax expense roll up from detailed schedules; commercial activity tax (CAT) and income tax rates are provided by the Tax Department; and revenue requirements are calculated by the Rates Department
- Plant in Service – Plant Accounting
- Reserve for Depreciation – Plant Accounting
- Accumulated Deferred Income Taxes (ADIT) Balances – Tax Department
- Depreciation Accrual Rates – Plant Accounting provides the gross plant balances; accrual rates are based upon the rates established in Case No. 07-551-EL-AIR, et al.
- Property Tax Calculations – Tax Department
- Summary of Exclusions – primarily from Plant Accounting

---

[28] WP FE response to 2013 audit Data Request BRC Set 1-INT-032—Confidential.
[29] Summary of the process repeats process as recorded in previous Rider DCR Compliance Audit Reports. See Compliance Audit of the 2011, 2012, 2013, 2014, 2015, 2016, 2017, and 2018 Delivery Capital Recovery (DCR) Riders of Ohio Edison Company, The Cleveland Electric Illuminating Company, and The Toledo Edison Company.

- Service Company Allocation Summary – gross plant, reserve, ADIT, depreciation and property tax expense roll up from detailed schedules; allocations are based upon last distribution rate case, Case No. 07-551-EL-AIR, et al.
- Service Company Depreciation Accrual Rates – rates are based upon the weighted average of the approved depreciation rates for the three Ohio Operating Companies
- Service Company Property Tax Rate – rates are based upon the weighted average of the property tax rates for the three Ohio Operating Companies; True Value Percentages & Capitalized Interest Workpaper – Tax Department
- Intangible Depreciation Expense – intangible plant balances provided by Plant Accounting; accrual rates are based on the last distribution rate case, Case No. 07-551-EL-AIR, et al.
- Rider DCR/Rate Design – the Case No. 10-388-EL-SSO Combined Stipulation provides the rate design for Rider DCR
- Billing Units – Forecasting group in the Rates Department (The most recent forecast was used)
- Typical Bill Comparisons – prepared by the Rates Department to reflect the updated rates for Rider DCR
- Rider DCR Tariff – prepared by the Rates Department to reflect the updated rates for Rider DCR

After the Analyst prepares the Rider DCR schedules, they undergo a two-tiered review process. A peer Analyst completes the initial review. The Director of OH Rates and Regulatory Affairs (who is also trained to prepare the Rider DCR filings) completes the second review prior to submission to the Commission. The Vice President of Rates and Regulatory Affairs reviews the filing as needed.

Only two changes have been made to this development process in 2019: (1) to incorporate the impact on the Rider DCR revenue requirements of specific recommendations that came out of the audit of the 2018 Rider DCR in Case No. 18-1542-EL-RDR (see section Prior Compliance Audit Recommendations Status above) and (2) to implement the approved stipulation in Case No. 16-0841-EL-UNC et al., in regard to the Tax Cut and Jobs Act and Grid Mod I.[30]

Capital Spares

Blue Ridge reviewed the Companies' capital spares policy and found that it was comprehensive and complete and that it contains all the essential requirements and approval processes we expected to see.[31] The population of 2019 work orders contained five regarding capital spares that totaled $987,962 and, by the description, were related to transformers and substations. The use of spares mitigates disruption. Blue Ridge found the Companies' capital spare transfer activity for 2019 shows that the Companies move spare transformers between FirstEnergy entities to and from Ohio when

[30] FirstEnergy's response to Data Request BRC Set 2-INT-6.
[31] FirstEnergy's response to Data Request BRC Set 2-INT-10.

the need arises and the spare transformers are compatible.[32] Blue Ridge found the Companies' policy and practices not unreasonable.

Tree Trimming and Clearing and Grading of Land

Policies regarding vegetation management (tree trimming and clearing and grading of land) are of importance in the DCR discussion because of the capital and expense accounting determination. The state of Ohio has adopted FERC accounting for regulatory purposes. Therefore, the determination of capital and expense should be in conformance with the Code of Federal Regulations (18CFR).

FERC Requirements

Regarding vegetation management (VM), the FERC Code of Federal Regulations (18 CFR), parts 101 to 142 define capital and expense in part as follows:

> **Capital:** FERC 365 (Overhead conductor and devices, part 9) The account shall include the cost of tree trimming initial cost, including the cost of permits.[33]
>
> **Maintenance:** FERC 593 (maintenance of overhead lines which deals with assets in FERC 365. Part k) This account shall include the cost of labor, materials used and expenses incurred in the maintenance of overhead distribution line facilities, the book cost of which is includible in account 364, Poles, Towers and Fixtures, account 365, Overhead Conductors and Devices, and account 369, Services: trimming trees and clearing brush. (References operating expense instruction 2: Maintenance, part C, item 3: Work performed specifically for the purpose of preventing failure, restoring service ability, or maintaining life of plant.[34]

FirstEnergy Policy

The Companies stated that FirstEnergy management, in conjunction with their external auditors, developed and approved the policy Accounting for the Clearing of Transmission and Distribution Corridors ("VM Accounting Policy"). This policy establishes the means by which the Companies differentiate between capital and O&M activity:

1. CAPITALIZATION
   - 1.1. All expenditures associated with the initial clearing of transmission and distribution corridors shall be capitalized.
   - 1.2. Expenditures, such as removals, pruning, brush clearings, etc., associated with the initial widening of an existing corridor clearing zone shall be capitalized. Examples include:
     - 1.2.1. increasing initial distribution corridor clearing zones from 10 to 15 feet; and

[32] FirstEnergy's response to Data Request BRC Set 15-INT-4, -5, -6, -7.
[33] FERC Code of Federal Regulations (18 CFR), parts 101 to 142.
[34] FERC Code of Federal Regulations (18 CFR), parts 101 to 142.

1.2.2. expanding the initial transmission clearing zone corridor.

1.3. Expenditures associated with the subsequent removal of priority trees or other large tree limbs outside the corridor (where no future tree maintenance is required) shall be capitalized. The removal of tree limbs that overhang at a height 15 feet or more above conductors with voltages below 115 kv and which emanate from trees growing within the corridor shall be capitalized. If in the process of directionally pruning the overhang fifteen feet or higher, it becomes necessary to remove the entire tree, the tree removal cost shall be capitalized.

1.4. Allowance for Funds Used During Construction shall not be applied to the subsequent removal of priority trees or large tree limbs.

2. EXPENSE

2.1. Expenditures associated with the clearing or reclamation of an existing corridor clearing zone that are not capitalized in accordance with this policy shall be expensed. Such charges include:

2.1.1. routine circuit maintenance,

2.1.2. customer ticket work,

2.1.3. clearing overgrown vegetation and overhang within the initial corridor clearing zone that are not capitalized under 1.2 above; and

2.1.4. herbicide programs.[35]

Previous Analysis—Compliance Audits of the 2017 and 2018 DCR Rider

In its compliance audits of the 2017 DCR Rider, Blue Ridge found the VM Accounting Policy to be in conflict with FERC regulation. Specifically, Blue Ridge noted the broad leeway under the Companies' policy section 1.3 to remove any tree or limb outside a corridor for any reason and assign it as capital cost. Blue Ridge recommended that the statement be better defined since the activity described was not done in conjunction with the initial or expansion work for a corridor, and therefore, appeared to be (according to FERC regulation) maintenance expense.

Furthermore, for trees within the corridor, the policy's section 1.3 directs the charge for limb and tree removal of trees overhanging 15 feet or more above distribution and sub-transmission conductors to capital even though it is not an activity of initial or expanded corridor clearing. Blue Ridge recommended the Companies revise their VM Accounting Policy to remove the conflict with FERC regulations.

[35] WP FE response to 2017 audit Data Request BRC Set 9-INT-004 Confidential (FirstEnergy waived disclosure for purposes of this report).

Companies' Response to Previous Analysis

In response to Blue Ridge's 2017 recommendations regarding the VM Accounting Policy, the Companies noted that the policy has been in effect since April 2008, and they believe their policy appropriate. They provide four factors that have shaped their VM Accounting Policy[36]:

1. *Generally Accepted Accounting Principles (GAAP)*—The Companies referred to the GAAP, Handbook of Policies and Procedures, which states in part, "Expenditures incurred that increase the capacity, life or operating efficiency of a fixed asset are capitalized." The Companies state that the work identified in the VM Accounting Policy as capital is consistent with the GAAP's definition. Furthermore, FirstEnergy's financial statements filed with the SEC, which include the impacts of the VM Accounting Policy, are audited by PwC on an annual and quarterly basis. PwC has consistently concluded that the reported results are in conformity with accounting principles generally accepted in the US.
2. *Management Experience*
3. *Insight from Advisors and Benchmarking Industry Peers*: The Companies state they have had several discussions with regional peer utilities' accounting staffs and audit teams regarding the policy. As part of their normal course of business, the Companies have also had similar discussions with EPRI. The Companies report that none of these peer utilities or EPRI expressed any disagreement with the Companies' policy. The Companies conclude that all these discussions and reviews support the appropriateness of the Companies' policy.
4. *FERC Uniform System of Accounts and review of other germane rules and regulations*

In response to Blue Ridge's 2018 similar recommendation regarding the VM Accounting Policy, the Companies state that they have continued to review the treatment of these costs and believe their inclusion is appropriate.

Current Analysis—Compliance Audit of the 2019 DCR Rider

While FERC does not have jurisdiction over the distribution vegetation management *activity* of the Companies, PUCO does have jurisdiction regarding the Companies' ability to recover capital investments through the DCR and rate base. The state of Ohio has adopted FERC accounting for regulatory purposes. With the Companies stating that policies have not changed, Blue Ridge repeats its recommendation that the Companies should conform their accounting regarding capitalization to FERC accounting requirements for regulatory purposes. Adherence to GAAP standards has no bearing on the discussion of whether the VM Accounting Policy is in conflict with FERC regulation.

The Companies have informed us that the vegetation throughout Ohio is similar in terms of geography and types of vegetation. Therefore, to standardize treatment of vegetation management issues, Blue Ridge continues to recommend that the Commission address and define vegetation management capital and expense activity on a global basis for all electric utilities in Ohio to eliminate

[36] First Energy's responses to Data Requests BRC Set 1-INT-10, Rec-10, and Set 4-INT-001 Confidential.

any bias on how VM costs should be recorded (capital versus expense) that may be created based on how those costs are recovered.

However, absent a Commission policy on the determination of capital and expense vegetation management activity and considering section 1.3 of the Companies' VM Accounting Policy directs the capitalizing of FERC-defined maintenance work, Blue Ridge continues to recommend that the Companies revise their VM Accounting Policy to be consistent with the FERC Uniform System of Accounts.

Blue Ridge expanded the review of VM to include detail that supports selected contractor charges to determine whether the Companies have sufficient documentation to support the inclusion of those charges as capital in the DCR. The review was also intended to check whether the Companies is following its stated policies for time sheet field activity verification and if those policies are adequate to support the inclusion of VM charges to capital. To that end, Blue Ridge requested time sheets, vendor invoices, schematics, and drawings or pictures that would support the activity performed by the contractors identified by the capital activity codes.

The Companies were able to supply samples (because of volume) of time sheets and vendor invoices in support of the VM charges. Neither the vendor invoices nor time sheets were signed off by Company representatives.

The Companies also provided additional detailed information regarding how both contractor supervision and the Companies review and approve time sheets. Multiple levels of approval are performed to ensure that the time sheets are accurate and complete. Field work is directed by Contractor Supervision with periodic random checks by Vegetation Management specialist. The Companies explained how time sheets are submitted, how they are reviewed, and how they are approved. Forestry management reviews and approves invoices. The Companies believe the current timesheet review process aligns the industry best management practices.

However, the Companies stated that they do not take pictures or have any other supporting data other than the time sheets. In Blue Ridge's opinion, despite the rigor of the time sheet process, the Companies did not provide sufficient detailed documentation to support the inclusion of capital charges in the DCR or to support verification of work according to current VM policies. Review of the VM issue in prior DCR audits and the current one focused on specific task codes designated for capital work that we believe do not conform to FERC accounting. Therefore, our additional recommendations will apply to the scope of those capital task codes under review.

- We recommend that, since the Companies could not provide adequate support for selected vendor charges, particularly for the capital work task codes Blue Ridge believes do not conform to FERC accounting for capital activities, the DCR be reduced by the $16,711,998 charged to task codes 05, 14, 30, and 36 during the scope period. (The recommended adjustment is also discussed in the section of work order testing criterion T1, summarized in the section labeled Project Testing.)
- We recommend that the Companies supplement their VM policies and procedures to provide more detail in support of the time sheets task codes used by contractors. The form of that support can be schematics, drawings, or pictures. A simple method would be to take a before and after picture in support of work performed and charged to the above-mentioned task codes.

Internal Audit and SOX Compliance

Blue Ridge reviewed the list of 30 internal audits completed or in progress in 2019 regarding controls that would affect Rider DCR.[37] In particular, we examined and were satisfied with the findings and recommendations associated with the following 24 audits.[38] Blue Ridge found the conclusions and the Companies' responses not unreasonable.

- Sarbanes Oxley
    1. Regulated Accounting – CS
    2. Regulated PP&E – CS
    3. Accounts Payable – CS
    4. Financial Reporting and Disclosures
    5. Tax – CS
    6. Corporate PP&E – CS
    7. General Accounting – CS[39]
- Other Internal Audits.
    1. Sarbanes-Oxley 404 Assessment of Internal Controls Over Financial Reporting as of December 31, 2018
    2. . Audit of Accounts Payable for the Year Ended December 31, 2018
    3. Audit of Financial Statement Lease Disclosure for the Year Ended December 31, 2018
    4. Lease Accounting Pre-Implementation Review
    5. Audit of Lease Accounting Standard Adoption
    6. Q1 2019 Sarbanes-Oxley Assessment of Internal Controls Over Financial Reporting
    7. Q2 2019 Sarbanes-Oxley Assessment of Internal Controls Over Financial Reporting
    8. 2019 Sarbanes-Oxley Progress Report
    9. Pre-Implementation Audit of Operational Technology Configuration Management (OTCM) Phase II Releases
    10. Pre-Implementation Audit of Operational Technology Configuration Management (OTCM) Phase III (Interim Report)
    11. Cost Allocation Methodology & FirstEnergy Solutions Transition
    12. Information Technology Asset Management Audit
    13. Q3 2019 Sarbanes-Oxley Assessment of Internal Controls Over Financial Reporting
    14. Revenew Vendor Invoicing Audits (Interim Report)
    15. Balance Sheet Reconciliation Review
    16. Revenew's 2018 Payment Recovery Audit for Accounts Payable
    17. Pre-Implementation Review Operational Technology Configuration Management (OTCM) - Phase III[40]

---

[37] FirstEnergy's response to Data Request BRC Set 1-INT-014, Attachment 1—Confidential.
[38] FirstEnergy's response to Data Request BRC Set 4-INT-007, Attachment 1—Confidential.
[39] FirstEnergy's response to Data Request BRC Set 4-INT-002, Attachment 1—Confidential.

[40] FirstEnergy's response to Data Request BRC Set 4-INT-001, Attachment 1—Confidential

Blue Ridge asked for additional information regarding the Information Technology Asset Management Audit (number 12 above). We found the response to be not unreasonable.[41] Blue Ridge is satisfied that for those audits in which findings or recommendations were suggested, the Companies have taken appropriate action.

<u>Conclusion—Processes and Controls</u>

Blue Ridge was able to obtain an understanding of the Companies' processes and controls that affect each of the categories within Rider DCR. Furthermore, except for the VM issue, we were satisfied with actions taken with regard to internal audits and the process and control of the prior Rider DCR recommendations.

Blue Ridge continues to believe that the Companies' vegetation management policies and processes are in conflict with FERC Uniform System of Accounts. Blue Ridge recommends that the Commission address and define vegetation management capital and expense activity on a global basis for all electric utilities in Ohio to eliminate any bias on how VM costs should be recorded (capital versus expense) that is created based on how those costs are recovered. However, absent a Commission policy on the determination of capital and expense vegetation management activity, Blue Ridge recommends that the Companies revise their VM Accounting Policy to be consistent with the FERC Uniform System of Accounts.

Based on information reviewed and except for the recommendations regarding vegetation management, Blue Ridge concludes that the Companies' controls were adequate and not unreasonable.

VARIANCE ANALYSIS

F. Perform a variance analysis to determine the reasonableness of any changes in plant in service balances including additions, retirements, transfers, and adjustments

Examining the differences of account balances associated with Rider DCR calculations supports the determination of the trustworthiness of the DCR development.

In the current audit of the DCR year 2019, Blue Ridge evaluated several changes and variances in account balances:

- 2019 Plant Additions, Retirements, Transfers, and Adjustments
- Year-to-Year DCR Filing Plant-In-Service Balances
- Year-to-Year DCR Filing Reserve Balances
- Year-to-Year DCR Filing Service Company Balances
- End-of-year 2018 DCR Filing to 2018 FERC Form 1 Plant-in-Service Balances
- End-of-year 2019 DCR Filing to 2019 FERC Form 1 Plant-in-Service Balances
- 2019 Work Order Population totals to 2019 DCR Filing Year-to-Year Plant-In-Service Activity

[41] FirstEnergy's response to Data Request BRC Set 5-INT-036-Confidential

2019 Plant Additions, Retirements, Transfers, and Adjustments

Blue Ridge began its account variance analyses by examining the plant additions, retirements, transfers, and adjustments in order to understand changes to the unadjusted plant balances. In its investigation, Blue Ridge asked a multi-part data request regarding certain account changes of concern.

FirstEnergy responded with the requested account detail.[42] Our review of the detail, including understanding accounting entries and activity purposes, resulted in satisfaction regarding most of our concerns. Follow-up questions were asked for further clarification. FirstEnergy's responses[43] assured us that the additions, retirements, transfers, and adjustments were not unreasonable.

Year-to-Year DCR Filing Plant-In-Service Balances

To support identifying, quantifying, and explaining any significant net plant increases within individual accounts, Blue Ridge compared Plant-in-Service account balances (FERC 300-series accounts) from DCR year-end November 30, 2018, with the year-end November 30, 2019, filing.

The following table is a summary schedule of the net plant changes by classification of plant (i.e., Transmission, Distribution, General, and Intangible Plant). As this table shows, FirstEnergy's operating companies increased gross plant (including allocation of Service Company Plant) by $104.6 million, $146.5 million, and $42.9 million for CE, OE, and TE, respectively. These increases represent a year-over-year percentage increase of 3.3%, 4.1%, and 3.5% for CE, OE, and TE, respectively.

[42] FirstEnergy's response to Data Request BRC Set 12-INT-001 Attachments 1 through 4—Confidential.
[43] FirstEnergy's responses to Data Requests BRC Set 15-INT-004 through 007.

Table 11: Adjusted Plant Change from 11/30/2018 to 11/30/2019[44]

	(a)	(b)	(c)	(d)	(e)
		Adjusted	Adjusted		
Line	Account Title	Balance	Balance	Difference	%
No.		11/30/18	11/30/19	(c)-(b)	(d)/(b)
1	**The Cleveland Electric Illuminating Company**				
2	Transmission	$ 441,091,992	$ 447,668,592	$ 6,576,600	1.5%
3	Distribution	2,396,764,101	2,484,683,535	87,919,434	3.7%
4	General	166,712,292	164,095,030	(2,617,262)	-1.6%
5	Other	67,738,056	72,106,860	4,368,804	6.4%
6	Service Company Allocated	105,485,068	113,835,242	8,350,174	7.9%
7	**Total Cleveland Electric Illuminating Company**	**$ 3,177,791,510**	**$ 3,282,389,259**	**$ 104,597,749**	**3.3%**
8	**Ohio Edison Company**				
9	Transmission	$ 215,061,249	$ 212,460,022	$ (2,601,227)	-1.2%
10	Distribution	2,947,795,088	3,074,882,308	127,087,220	4.3%
11	General	194,594,576	199,737,081	5,142,505	2.6%
12	Other	96,387,122	103,157,756	6,770,634	7.0%
13	Service Company Allocated	127,829,195	137,948,125	10,118,930	7.9%
14	**Total Ohio Edison Company**	**$ 3,581,667,230**	**$ 3,728,185,292**	**$ 146,518,062**	**4.1%**
15	**The Toledo Edison Company**				
16	Transmission	$ 23,644,382	$ 24,723,636	$ 1,079,254	4.6%
17	Distribution	1,032,554,701	1,067,008,518	34,453,817	3.3%
18	General	75,936,254	76,778,776	842,522	1.1%
19	Other	31,029,618	33,061,024	2,031,406	6.5%
20	Service Company Allocated	56,268,600	60,722,810	4,454,210	7.9%
21	**Total Toledo Edison Company**	**$ 1,219,433,555**	**$ 1,262,294,764**	**$ 42,861,209**	**3.5%**
22	**FirstEnergy Ohio Operating Companies**	**$ 7,978,892,295**	**$ 8,272,869,315**	**$ 293,977,020**	**3.7%**

Year-to-Year DCR Filing Reserve Balances

In our analysis of specific reserve account variances from November 30, 2018, through November 30, 2019, Blue Ridge found only one account increasing greater than expected—Account 392 for OE. This account came under scrutiny and was resolved in the Plant additions, retirements, transfers, and adjustments analysis.

Year-to-Year DCR Filing Service Company Balances

Blue Ridge evaluated the change in Service Company balances through the evaluation of additions, retirements, transfers, and adjustments and through our work-order-testing activity discussed in the associated chapter of this report.

[44] WP BRCS FE DCR CF Variance 2019—Confidential.xlsx, tab—PIS Summary.

End-of-year 2018 DCR Filing to 2018 FERC Form 1 Plant-in-Service Balances

Blue Ridge received from FirstEnergy, during the Year 2018 DCR audit, a reconciliation between the 2018 plant-in-service account balances in the Companies' DCR Compliance Filings and their 2018 FERC Forms 1. Blue Ridge requested this reconciliation to ensure the DCR balances, with the appropriate adjustments, correctly correlated to what was reported on the FERC Forms 1. FirstEnergy provided a table comparing the balances and offering the explanations for the differences. After examination, Blue Ridge found the explanations not unreasonable and, with those explanations, found that the balances from the 2018 end-of-year DCR filings matched the balances of the 2018 FERC Forms 1, giving additional confidence that the beginning year DCR balances could be relied upon.[45]

End-of-year 2019 DCR Filing to 2019 FERC Form 1 Plant-in-Service Balances

Blue Ridge requested and received from FirstEnergy a reconciliation between the 2019 plant-in-service account balances in the Companies' DCR Compliance Filings and their 2019 FERC Forms 1. Blue Ridge requested this reconciliation to ensure the DCR balances, with the appropriate adjustments, correctly correlated to what was reported on the FERC Forms 1. FirstEnergy provided a table comparing the balances and offering the explanations for the differences. After examination, Blue Ridge found the explanations not unreasonable and, with those explanations, found that the balances from the 2019 end-of-year DCR filings matched the balances of the 2019 FERC Forms 1, giving additional confidence that the end year DCR balances could be relied upon.[46]

Work Order totals to DCR Filing Year-to-Year Plant-In-Service Activity

Blue Ridge requested a reconciliation comparing the population of work orders in the scope period with the DCR balances. The reconciliations were provided for all three operating companies and the service company.[47]

Conclusion—Variance Analysis

FirstEnergy's responses regarding the variances in plant account balances were largely as a result of normal work order activity and are not uncommon among utilities. The change in total plant balances for each of the Companies was not unreasonable.

[45] WP FE response to 2018 audit Data Request BRC Set 1-INT-007, Attachment 1—Confidential.
[46] FirstEnergy's response to Data Request BRC Set 2-INT-002, Attachment 1—Confidential.
[47] FirstEnergy's response to Data Request BRC Set 2-INT-001, Attachment 1—Confidential..

RIDER LEX, EDR, AMI, AND GENERAL EXCLUSIONS

G. Determine if capital additions recovered through Riders LEX, EDR, and AMI have been identified and excluded from Rider DCR. Determine whether capital additions recovered through any other subsequent rider authorized by the Commission to recover delivery-related capital additions have been identified and excluded from Rider DCR

The Combined Stipulation (reaffirmed in Case Nos. 12-1230-EL-SSO[48] and 14-1297-EL-SSO[49]) requires that capital additions recovered through Commission-approved Riders LEX, EDR, and AMI, or any other subsequent rider authorized by the Commission to recover delivery-related capital additions, will be identified and excluded from Rider DCR and the annual cap allowance.[50]

The Schedule within the Rider DCR Compliance Filings labeled "Summary of Exclusions per Case No. 14-1297-EL-SSO" identifies the capital additions recovered through Riders LEX, EDR, and AMI, and other general adjustments that have been excluded from Rider DCR. The other general adjustments include exclusions for net plant related to land leased to ATSI, FirstEnergy's transmission subsidiary.

Line Extension Recovery Rider (Rider LEX)

Rider LEX includes deferred line extension costs during the period January 1, 2009, through December 31, 2011, including post-in-service carrying charges.[51]

The Companies' Rider DCR Compliance Filings state, "As implemented by the Companies, Rider LEX will recover deferred expenses associated with the lost up-front line extension payments from 2009–2011. These deferred expenses are recorded as a regulatory asset, not as plant in service on the Companies' books. Therefore, there is no adjustment to plant in service associated with Rider LEX."[52]

The work order sample testing included specific criteria to review project descriptions to ensure that the work orders did not include line extension work that should have been included in the Rider LEX. Blue Ridge found that the sample did not include any LEX work orders.[53]

Economic Development Rider (Rider EDR(g))

Rider EDR(g) includes the cost of the electric utility plant, facilities, and equipment installed to reliably support the Cleveland Clinic Foundation's major expansion plans at its Main Campus located at 9500 Euclid Avenue in Cleveland, Ohio. Also included within the rider are the depreciation and taxes over a five-year period on a service-rendered basis, starting June 1, 2011.[54] FirstEnergy further

[48] Case No. 12-1230-EL-SSO Commission Opinion and Order, July 18, 2012, pages 10–11.
[49] Case No. 14-1297-EL-SSO Commission Opinion and Order, March 31, 2016, page 119.
[50] Case No. 10-0388-EL-SSO Stipulation and Recommendation, March 23, 2010, page 14.
[51] Case No. 08-0935-EL-SSO Stipulation and Recommendation, Section B.3, page 16.
[52] CEI, OE, and TE Rider DCR Compliance Filings dated 1/2/20, page 19 and 44.
[53] Additional Validation Testing from Sampled Work Orders, Testing Criteria T1b.
[54] Case No. 10-0388-EL-SSO Stipulation and Recommendation, Section F.2, pages 27-28.

stated that the capital additions associated with the Cleveland Clinic project recovered through Rider EDR(g) are excluded from Rider DCR pursuant to the ESP 2 Order in Case No. 10-388-SSO and continued in Case Nos. 12-1230-EL-SSO and 14-1297-EL-SSO.

The Companies' Rider DCR Compliance Filings stated that the exclusions related to Rider EDR(g) are determined by the WBS CE-000303.[55] The Rider EDR(g) gross plant and reserve balances are shown separately in the Companies' workpapers to demonstrate that they are appropriately excluded from the balances that are recovered under Rider DCR. The incremental change from 2018 to 2019 in the amount of Rider EDR(g) excluded from Rider DCR is shown in the following table.[56]

Table 12: : Incremental Change in Rider EDR(g) Exclusions from 2018 to 2019

Company	Actual 11/30/2018		Actual 11/30/2019		Change	
	Gross	Reserve	Gross	Reserve	Gross	Reserve
CEI	$ 167,355	$ 6,005	$ 201,259	$ 9,630	$ 33,905	$ 3,625

The Companies explained that the $33,905 increase from November 30, 2018, to November 20, 2019, was primarily driven by activity from December 2018 through November 2019 with an offset related to an adjustment from last year's audit[57] (Adjustment #1 from the 2018 Audit).The Companies' explanation is not unreasonable.

The Companies are projecting an increase in the forecasted period ending February 28, 2020, as shown in the following table.[58]

Table 13: Incremental Change in Rider EDR(g) Exclusions from 11/30/2019 to 2/29/2020

Company	11/30/2019		2/28/2020		Change	
	Gross Plant	Reserve	Gross Plant	Reserve	Gross Plant	Reserve
CEI	$ 201,259	$ 9,630	$ 223,689	$ 10,497	$ 22,429	$ 868

The Companies explained that the forecasted increase is for incidentals and make-right work associated with plant the Cleveland Clinic project. The Companies explained that if the estimated increases do not materialize, forecasted plant in service will be trued up in the subsequent Rider DCR filing, consistent with all Rider DCR filings.[59]

The work order sample testing included specific criteria to review project descriptions to ensure that the work orders did not include work for the Cleveland Clinic Foundation. No work for the Cleveland Clinic Foundation was identified within the sample.[60] However, we did find Cleveland Clinic work orders in the work order population totaling $16,271. The Companies stated (and Blue

[55] CEI, OE, and TE Rider DCR Compliance Filings dated 1/2/2020, pages 19 and 44.
[56] WP V&V FE DCR Compliance Filing 1.2.2020—Confidential.
[57] FirstEnergy's response to 2019 Data Request BRC Set 8-INT-003.
[58] CEI, OE, and TE Rider DCR Compliance Filings dated 1/2/2020, pages 19 and 44.
[59] FirstEnergy's response to 2019 Data Request BRC Set 8-INT-004.
[60] Additional Validation Testing from Sampled Work Orders, Testing Criteria T1c.

Ridge confirmed) that these work orders are reflected in the November 30, 2019, plant balances but are identified as an exclusion and removed as the adjustments.[61]

Advanced Metering Infrastructure Rider (Rider AMI)

Rider AMI includes FirstEnergy's Smart Grid Modernization Initiative. With the approval of the stipulation in Case Nos. 16-481-EL-UNC et al., Rider AMI now includes recovery of investments associated with both the CEI Smart Grid Pilot and Grid Mod 1.

CEI Smart Grid Pilot

The Companies' Rider DCR Compliance Filings state that only CEI has an AMI project, so this exclusion does not affect OE or TE. Specific depreciation groups in PowerPlant and WBS CE-004000 determine exclusions related to Rider AMI.[62] The Rider AMI gross plant and reserve balances are shown separately in the Companies' workpapers to demonstrate that they are appropriately excluded from the balances that are recovered under Rider DCR.

The Summary of Exclusions in the Compliance filings lists the following amounts associated with Rider AMI that were excluded from Rider DCR.

Table 14: Rider AMI Gross Plant and Reserve Reported as Excluded from Rider DCR as of 11/30/2019

FERC Account	CEI	
	Gross	Reserve
303-SGMI	$ (1,271,700)	$ (420,541)
362-SGMI	5,399,629	2,796,013
364-SGMI	163,082	82,507
365-SGMI	1,802,243	1,332,945
367-SGMI	11,080	5,471
368-SGMI	185,568	136,842
370-SGMI	16,999,405	10,311,107
397-SGMI	4,716,991	2,435,700
Grand Total	**$ 28,006,299**	**$ 16,680,043**

The table above identifies a portion of the AMI that is excluded from the DCR.[63] There are additional excluded amounts found within the documentation that support the DCR gross plant and reserve balances and reflect charges to various AMI work orders that were identified during the 2013 Rider DCR Audit. Costs have continued to be recorded to these work orders since 2013. As part of the 2018 Audit, Blue Ridge recommended that the Companies modify the Summary of Exclusions to reflect the total amount of AMI plant that is actually excluded. The Companies added another table to include the AMI work orders identified in the 2013 DCR Audit. These additional amounts presented

[61] WP BRC Set 1-INT-002 Attachment 1 - Confidential - Exclusions against population.
[62] CEI Rider DCR Compliance Filing dated 1/2/2020, pages 19 and 44.
[63] CEI Rider DCR Compliance Filing dated 1/2/2020, pages 19 and 44.

in the table below reflect balances that are included in WBS CE-00400 and Non-SGMI depreciation groups.[64]

Table 15: Rider AMI Work Orders Identified in 2013 DCR Audit Excluded from the DCR as of 11/30/2019

FERC Account	CEI	
	Gross	Reserve
303	$ 576,440	$ 615,593
352	105,588	14,188
353	-	-
355	(814)	(91)
356	(447)	(55)
358	-	-
361	478,108	69,917
362	(735,798)	(47,412)
364	21,501	34,373
365	470,928	166,301
367	3,701	154
368	(448,787)	(100,838)
369	734	42
370	(171,961)	(83,253)
373	13,036	3,417
391	4,805,824	2,344,855
397	2,019,467	838,586
Grand Total	**$ 7,137,521**	**$ 3,855,779**

<u>Grid Mod 1</u>

The Companies filed a Distribution Platform Modernization (DPM) Plan in Case No. 17-2436-EL-UNC on December 4, 2017. On July 17, 2019, the Commission approved a Stipulation and Recommendation authorizing recovery of the costs associated with the DPM. The Companies' first phase of a grid modernization plan ("Grid Mod I") includes attributes from both the grid modernization business plan and the DPM Plan. The Stipulation states that recovery of capital costs of the Grid Mod I assets will be through the Rider AMI.[65]

The Companies have incurred costs for Grid Mod 1 with charges recorded to FERC accounts 364, 365, 367, 368, 369, 370, 371, 373, and 391.2. Costs associated with these FERC accounts are also recoverable through the DCR. In last year's audit, the Companies explained the control/process mechanism that would be used to identify Grid Mod I capital projects versus those recovered through the DCR.

> Similar to the current process for exclusions related to Riders AMI and EDR(g), Grid Mod I will have its own funding project and work orders that will be tracked separately from the work in Rider DCR and clearly identifiable to be excluded from the Rider DCR calculations.

[64] CEI Rider DCR Compliance Filing dated 1/2/2020, pages 19 and 44.
[65] Case No. 16-481-EL-UNC et. al., Stipulation dated November 9, 2018, pages 10–11.

> Prior to each Rider DCR filing, the Companies review actual and forecasted work order detail and will be able to locate and exclude activity related to Grid Mod I, based on the funding project and work orders assigned.[66]

The Companies have excluded the following charges related to Grid Mod 1 from the starting balances used in Rider DCR.

Table 16: Grid Mod 1 Excluded from Rider DCR[67]

	11/30/19		2/29/20	
Company	**Gross**	**Reserve**	**Gross**	**Reserve**
CEI	$ 374,004	$ 6,699	$ 5,376,333	$ 51,930
OC	1,445,313	70,048	12,854,373	220,719
TE	414,807	7,876	1,868,728	29,992
Total	$ 2,234,124	$ 84,623	$ 20,099,433	$ 302,640

Blue Ridge asked the Companies to reconcile the amounts recovered through the Rider AMI and the amounts excluded in the DCR. The Companies provided the following analysis:[68]

Table 17: Reconciliation of Amounts Recovered through Rider AMI and Amounts Excluded in DCR

Reconciliaton of Rider AMI Costs Exclusion

		Plant In-Service	Accumulated Depreciation	Source
(1)	**AMI Accumulated Spend Through 11/30/2019**	$ 34,436,051	$ 23,188,515	2019 AMI Spend - Exhibit A in Case No. 18-1647-EL-RDR
(2)	**Excluded From Rider DCR as of 11/30/2019**	$ (28,006,299)	$ (16,680,043)	Page 19 of the Companies January 2, 2020 Rider DCR Filing in Case No. 19-1759-EL-RDR
(3)	**AMI in DCR Depreciation Groups Excluded from DCR as of 11/30/2019**	$ (6,630,159)	$ (3,808,735)	BRC Set 5 - INT-003 Attachment 1 Confidential in Case No. 19-1887-EL-RDR
(4)	**DCR in SGMI Depreciation Groups**	$ (507,363)	$ (47,044)	BRC Set 5 - INT-003 Attachment 1 Confidential in Case No. 19-1887-EL-RDR
(5)	**Other**	$ 707,769	$ (2,652,692)	See note below
(6)	**Sum (Lines 1-5)**	$ -	$ -	

Notes:

(1) Costs included in Rider AMI are based on spend and not plant in-service and are recovered over a ten year period as approved in Case No. 09-1821-EL-GRD.

(2) SGMI Depreciation Group balances as of 11/30/2019 excluded from Rider DCR.

(3) AMI work orders that reside in Rider DCR depreciation groups, which are not included in (2). This information is contained in BRC Set 5 - INT-003 Attachment 1 Confidential in Case No. 19-1887-EL-RDR.

(4) DCR work orders that reside in AMI depreciation groups, which are not included in (2). This information is contained in BRC Set 5 - INT-003 Attachment 1 Confidential in Case No. 19-1887-EL-RDR.

(5) Other Plant In-Service:
Includes Rider AMI spend that is removed from Rider AMI due to audit recommendations. For example $347,700, is excluded from Rider AMI Spend as required in Case No. 12-406-EL-RDR

Other Accumulated Depreciation:
Driven by timing differences between how AMI related costs are put into plant in-service versus how depreciation in Rider AMI is calculated based on spend

Blue Ridge confirmed the AMI Accumulated Spend amount as of November 30, 2019, to the amounts reflected in Case No. 18-1647-EL-RDR Report in Support of Staff's 2019 Annual Review of AMI. We also tied out the reconciling items in lines 2 through 4 and found the Companies'

[66] FirstEnergy's response to 2018 Data Request BRC Set 2-INT-003, d.
[67] WP BRC Set 2-INT-23 Attachment 2-Confidential DM Grid Mod 1.
[68] FirstEnergy's response to 2019 Data Request BRC Set 8-INT-001, Attachment 1 Confidential.

reconciliation of the amounts recovered through Rider AMI and the amounts excluded in the DCR to be not unreasonable.

As part of Blue Ridge's work order sample testing, project descriptions were reviewed to ensure that the work orders included in the DCR did not include AMI-related work. Blue Ridge found that the sample did not include any AMI-related work orders.[69]

Other Riders

In addition to Riders LEX, EDR, and AMI, the Combined Stipulation (reaffirmed in Case Nos. 12-1230-EL-SSO[70] and 14-1297-EL-SSO[71]) requires that capital additions recovered through any other subsequent rider authorized by the Commission to recover delivery-related capital additions be identified and excluded from Rider DCR and the annual cap allowance.[72] In addition to the Riders DCR, LEX, EDR, and AMI, the Companies' tariffs include the following riders:

1. Residential Distribution Credit
2. Transmission and Ancillary Service Rider
3. Alternative Energy Resource
4. School Distribution Credit
5. Business Distribution Credit
6. Hospital Net Energy Metering
7. Peak Time Rebate Program – CE
8. Universal Service
9. State kWh Tax
10. Net Energy Metering
11. Grandfathered Contract – CE
12. Delta Revenue Recovery
13. Demand Side Management
14. Reasonable Arrangement
15. Distribution Uncollectible
16. Economic Load Response Program
17. Generation Cost Reconciliation
18. Fuel
19. Delivery Service Improvement
20. PIPP Uncollectible
21. Non-Distribution Uncollectible
22. Experimental Real Time Pricing
23. Experimental Critical Peak Pricing
24. CEI Delta Revenue Recovery – CE
25. Experimental Company Owned LED Lighting Program
26. Generation Service
27. Demand Side Management and Energy Efficiency
28. Deferred Generation Cost Recovery
29. Deferred Fuel Cost Recovery
30. Non-Market-Based Services
31. Residential Deferred Distribution Cost Recovery
32. Non-Residential Deferred Distribution Cost Recovery
33. Residential Electric Heating Recovery
34. Residential Generation Credit
35. Phase-In Recovery
36. Distribution Modernization
37. Government Directives Recovery Rider
38. Ohio Renewable Resources Rider
39. Commercial High Load Factor Experimental Time-of Use Rider
40. Residential Critical Peak Pricing Rider
41. Tax Savings Adjustment Rider **(New Rider)**
42. Legacy Generation Resource Rider **(New Rider)**
43. Conservation Support Rider **(New Rider)**

The Companies received Commission approval and implemented the following new riders: Tax Savings Adjustment Rider (Rider TSA), Legacy Generation Resource Rider (Rider LGR), and

[69] Additional Validation Testing from Sampled Work Orders, Testing Criteria T1c.
[70] Case No. 12-1230-EL-SSO Commission Opinion and Order, July 18, 2012, pages 10-11.
[71] Case No. 12-1230-EL-SSO Commission Opinion and Order, July 18, 2012, pages 10-11, and Case No. 14-1297-SSO Commission Opinion and Order, March 31, 2016.
[72] Case No. 10-0388-EL-SSO Stipulation and Recommendation, March 23, 2010, page 14.

Conservation Support Rider (CSR).[73] Blue Ridge reviewed the new riders and found that the new riders do not recover delivery-related capital additions.[74]

Blue Ridge's review of all the tariffs found two other riders (not previously discussed) that have the potential to include costs that could also be recovered through the Rider DCR: Experimental Company Owned LED Light Program and the Government Directive Recovery Rider (Rider GDR).

Experimental Company-Owned LED Light Program

The Experimental Company-Owned LED Lighting Program costs are recovered through the Tariff program, originally approved in Case No. 14-1027-EL-ATA on November 20, 2014, and continued by Commission Order in Case 16-470-EL-ATA on October 12, 2016.[75] The Companies provided a list of the work order numbers and the FERC accounts that are used to record Experimental Company Owned LED Lights. The list included 168 work orders with charges recorded to FERC accounts 364, 365, 367, 368, 369, 371, 373.1, 373.2, and 373.3.[76] The Companies have excluded these costs from Rider DCR as shown in the following table.[77]

Table 18: Exclusions Related to the Experimental Company-Owned LED Program as of 11/30/2019

FERC Account	CEI		OE		TE	
	Gross	Reserve	Gross	Reserve	Gross	Reserve
364	$ 1,394	$ 15	$ -	$ -	$ 3,317	$ 117
365	963	23	-	-	1,382	60
367	3,785	27	-	-	10,547	317
368	-	-	-	-	4,811	125
369	-	-	-	-	377	10
373	35,507	662	32,751	881	72,866	3,618
373.3 LED	276,483	16,701	89,354	6,343	333,869	8,845
Grand Total	**$ 318,132**	**$ 17,429**	**$ 122,105**	**$ 7,224**	**$ 427,168**	**$ 13,092**

Costs associated with these FERC accounts are also recoverable through the DCR. Blue Ridge identified the Experimental Company-Owned LED Light Program work orders in the population of work orders included in the DCR. The Companies excluded more through the DCR than was included in the 12/1/2018 through 11/30/2019 work order population as summarized in the following table.[78]

[73] FirstEnergy's response to 2019 Data Request BRC Set 2-INT-025.
[74] WP – Review of New Riders.
[75] FirstEnergy's response to 2017 Data Request BRC Set 11-INT-004.
[76] FirstEnergy's response to 2019 Data Request BRC Set 2-INT-26 Attachment 9-Confidential.
[77] CEI, OE, and TE Rider DCR Compliance Filings dated 1/2/20, page 19 and 44.
[78] WP LED Exclusion Confidential.

Table 19: Comparison of Incremental Excluded Amount vs WO Population— Experimental Company-Owned LED Program

FERC Account	TE			OE			CEI		
	11/30/18	11/30/19	Change	11/30/18	11/30/19	Change	11/30/18	11/30/19	Change
364 - Poles, towers and fixtures	-	3,316.94	3,316.94	-	-	-	-	1,393.95	1,393.95
365 - Overhead conductors, devices	-	1,381.66	1,381.66	-	-	-	-	963.27	963.27
367 - Undergrnd conductors, devices	8,061.93	10,546.69	2,484.76	-	-	-	-	3,784.56	3,784.56
368 - Line transformers	1,032.98	4,811.36	3,778.38	-	-	-	-	-	-
369 - Services	-	377.14	377.14	-	-	-	-	-	-
373 - Street lighting,signal system	53,547.31	72,865.78	19,318.47	(200.00)	32,751.19	32,951.19	(833.00)	35,507.26	36,340.26
373.3 LED	90,754.40	333,868.83	243,114.43	45,526.87	89,353.78	43,826.91	151,357.04	276,483.37	125,126.33
Total Excluded per LED Support	153,396.62	427,168.40	273,771.78	45,326.87	122,104.97	76,778.10	150,524.04	318,132.41	167,608.37
Gross Plant Excluded in DCR		427,168.00			122,105.00			318,132.00	
Change from 12/31/18–11/30/19			$ 273,771.78			$ 76,778.10			$ 167,608.37
LED WO in Population			(143,697.67)			15,806.37			22,619.85
Difference between Excluded Amount vs. WO Population			$ 417,469.45			$ 60,971.73			$ 144,988.52

While Blue Ridge identified amounts that should have been excluded in last year's audit and recommended an adjustment, this year is the first that the Companies have excluded Experimental Company-Owned LED Light Program in its DCR. We are not recommending an adjustment as we believe the Companies have reflected activity from prior years that would not have been in the current audit's work order population. We would expect future audits will not have this significant of a difference.

Government Directive Recovery Rider (Rider GDR)

Government Directive Recovery Rider (Rider GDR) has the potential to impact the Rider DCR in the future. Rider GDR recovers costs associated with federal or state government mandates enacted after August 4, 2014. No activity has occurred on Rider GDR to date.[79] The Companies stated that to the extent the Rider GDR is populated in the future any costs included for recovery would exclude capital additions or other components that are currently being recovered through Rider DCR.[80] The GDR projects would have their own funding projects and work orders.[81]

Conclusion—Other Riders

The work order sample testing included specific criteria to review project descriptions to ensure that the work orders did not include projects related to Experimental Company Owned LED Light Program and Government Directive Recovery Rider (Rider GDR). Blue Ridge found no project costs related to LED or GDR in the work order sample.

General Exclusions

Consistent with Case No. 07-551-EL-AIR, the Companies removed land leased to ATSI, FirstEnergy's transmission subsidiary, from Rider DCR. The amounts are not jurisdictional to distribution-related plant in service and were excluded accordingly from each operating company.

[79] FirstEnergy's response to 2019 Data Request BRC Set 2-INT-027.
[80] WP FE response to 2016 audit Data Request BRC Set 10-INT-001 - Confidential.
[81] FirstEnergy's response to 2018 Data Request BRC Set 2-005.

Table 20: ATSI Land Lease (FERC Account 350) Excluded from Rider DCR[82]

Company	Actual 11/30/19		Estimated 2/29/20	
	Gross	Reserve	Gross	Reserve
CEI	$ 56,393,747	$ -	$ 56,393,747	$ -
OE	86,993,675	-	86,993,675	-
TE	15,628,438	-	15,628,438	-
Total	**$ 159,015,859**	**$ -**	**$ 159,015,859**	**$ -**

The ATSI Land Lease exclusion changed by the incremental activity (i.e., additions, retirements, transfers, and adjustments) recorded in FERC Account 350. Blue Ridge reconciled the change from the prior year's balance to the recorded activity within $400 as shown in the table below.[83]

Table 21: ATSI Land Lease Incremental Change 11/30/2018–11/30/2019

Description	CEI	OE	TE	Total
11/30/2018 Rider DCR Amounts	$ 56,400,739	$ 86,977,415	$ 15,628,438	$ 159,006,592
11/30/2019 Rider DCR Amounts	56,393,747	86,993,675	15,628,438	159,015,859
Change from 2018 to 2019	**$ (6,993)**	**$ 16,260**	**$ -**	**$ 9,267**
Additions	$ -	$ 23,324	$ -	$ 23,324
Retirements	(6,993)	(6,665)	-	(13,657)
Incremental Activity	**$ (6,993)**	**$ 16,660**	**$ -**	**$ 9,667**
Difference	-	*(400)*	-	*(400)*

- The work order sample testing included specific criteria to review project descriptions to ensure that the work orders did not include ATSI Land Lease amounts. One work order related to ATSI Land Lease was identified within the sample.[84] The Companies explained that the ATSI Exclusions included in the Rider DCR compliance filing are associated with land leased to ATSI and contained in FERC account 350. The activity contained in work order L1094 in the population is associated with asset transfers to OE in the amount of $79,927 and from OE in the amount $(55,476) within FERC account 365. as described below:[85]
- WO# L1094–$79,927 Transfer (To) Breaker was removed and installed at ATSI's Roberts substation
- WO# L1094–$(55,476) Transfer (From) Transfer equipment to ATSI, moved to East Springerfield per the Warehouse

[82] CEI, OE, and TE Rider DCR Compliance Filings dated 1.2.2020, page 19 and page 44.
[83] CEI, OE, and TE Rider DCR Compliance Filings dated 1.2.2020, page 19 and page 44; FirstEnergy's response to 2019 Data Request BRC Set 2-INT-022.
[84] Additional Validation Testing from Sampled Work Orders, Testing Criteria T1c.
[85] FirstEnergy's response to Data Request BRC Set 15-INT-001.

Blue Ridge found that the transfers were related to equipment charged to account 365 (overhead conductors and devices) and not the land and land rights charged to account 350 that is leased and has been excluded from Rider DCR.

Generation

The work order sample testing included specific criteria to review project descriptions to ensure that the work orders did not include generation amounts. Blue Ridge found no generation amounts included within the sample work orders that should have been removed.

Conclusion—Rider LEX, EDR, AMI, and General Exclusions

The Companies' exclusion of capital additions recovered through other Commission-approved Riders is not unreasonable.

GROSS PLANT IN SERVICE

H. Determine if the Companies' recovery of the incremental change in Gross Plant are not unreasonable based upon the facts and circumstances known to the Companies at the time such expenditures were committed

The Rider DCR Compliance Filings include the following gross plant-in-service incremental change for each company from the time of the prior audit.

Table 22: Incremental Change in Gross Plant from 11/30/18 to 11/30/19[86]

Company	11/30/2018	11/30/2019	Incremental
The Cleveland Electric Illuminating Company	$ 3,177,791,509	$ 3,282,389,260	$ 104,597,751
Ohio Edison Company	3,581,667,230	3,728,185,289	146,518,058
The Toledo Edison Company	1,219,433,557	1,262,294,764	42,861,207
Total	**$ 7,978,892,296**	**$ 8,272,869,313**	**$ 293,977,016**

Actual and Estimated Schedules B-2.1 support the incremental change in gross plant in service for transmission, distribution, and general plant. Other plant includes intangibles that are supported on separate schedules within the filings. The plant balances developed on these schedules are used throughout the Rider DCR revenue requirement calculations.

The Companies did not have any large construction and/or replacement programs in 2019. Each company had normal, recurring replacement programs, including Pole Replacements, Underground Cable Replacement, Feeder Repair/Replacement, Worst Performing Circuit/CEMI Program, and Downtown Network Upgrades. The Companies stated that pursuant to the PUCO Order in Case No. 16-461-EL-UNC et al., the Companies did begin construction on their Grid Mod 1 program in 2019.[87]

[86] WP V&V FE DCR Compliance Filing 1.2.2020—Confidential.
[87] FirstEnergy's response to 2019 Data Request BRC Set 2-INT-016.

Mathematical Verification

Blue Ridge performed mathematical checks on the calculations included in the actual and estimated schedules that support gross plant and also verified that gross plant balances rolled forward to the revenue requirement calculation correctly. We did not identify anything in the mathematical computations as unreasonable.[88]

Source Data Validation

Blue Ridge traced the values used for actual November 30, 2019, and estimated February 29, 2020, gross plant-in-service balances to source documentation. The actual and estimated balances reconciled to the supporting documents. The supporting workpapers for the February 28, 2019, estimate recognize a true-up of forecast to actual November 30, 2018, balances and adjustments from prior audits.[89]

Change in Pension Accounting

Schedule B-2.1 includes a note that plant in service is adjusted to remove the cumulative pre-2007 impact of a change in pension accounting. In the prior audit, FirstEnergy explained the adjustment as follows:

> Effective in the fourth quarter of 2011, FirstEnergy Corp. (FE) elected to change its method of recognizing actuarial gains and losses for its defined benefit pension plans and other postretirement plans (OPEB). Previously, FE recognized actuarial gains and losses as a component of Accumulated Other Comprehensive Income (AOCI) within the Consolidated Balance Sheets on an annual basis. Actuarial gains and losses that were outside a specific corridor were subsequently amortized from AOCI into earnings over the remaining service life of affected employees within the related plans. Under the new methodology, which is preferable under GAAP, FE has elected to immediately recognize net actuarial gains and losses in earnings, subject to capital labor rates, in the fourth quarter of each reporting year as gains and losses occur and whenever a plan is determined to qualify for a re-measurement during a reporting year. The cumulative impact of this change in accounting methodology was reflected in FE's 2011 year-end financial results. Net plant in service was impacted by the appropriate capitalized portion of actuarial gains and losses recognized as a result of this accounting methodology change.[90]

Blue Ridge found FirstEnergy's explanation to be not unreasonable. In addition, Blue Ridge compared the Change in Pension Accounting amounts from year to year and found that the amounts were the same.[91]

---

[88] WP V&V FE DCR Compliance Filing 01.2.2020—Confidential.
[89] FirstEnergy's response to 2019 Data Request BRC Set 1-INT-001, Attachments 4, 5, 6, 7, 8 and 9—Confidential.
[90] WP FE response to 2011 Audit Data Request BRC Set 14-INT-001.
[91] WP FEOH 2019 Pre-Date Certain Pension Impact Analysis 2012-2019 - CONFIDENTIAL.

Additional Validation Testing from Sampled Work Orders

The Companies provided a list of work orders that support gross plant in service for December 2018 through November 2019.[92] Blue Ridge validated that the work order amounts reconciled to the Companies' DCR filing gross plant balances.[93] Blue Ridge sorted the work order population by work order number and reviewed the population for work order numbers that represent plant that is specifically excluded from Rider DCR. Blue Ridge's findings are discussed in the Rider LEX, EDR, AMI, and General Exclusions section. In addition, the population was scanned for unusual transactions and included them as judgment samples if not selected in the statistical sample.

In addition to global evaluations of the population, Blue Ridge selected work orders for additional detail testing. Using probability-proportional-to-size (PPS) sampling techniques[94] and professional judgment, Blue Ridge selected 54 work orders representing 176 FERC cost line items for detailed transactional testing. The following table provides the number of work orders and FERC cost line items in the population and the number in Blue Ridge's sample.

Table 23: Work Orders and FERC Cost Line Items in Population and Sample by Company[95]

	Population			Sample			
	Work Orders	**FERC Cost Line Items**	**Work Order Amounts**	**Work Orders**	**FERC Cost Line Items**	**Work Order Amounts**	**% Sample of Population**
Cleveland Electric	21,676	47,174	$96,454,168	11	55	$20,406,742	21%
Ohio Edison	59,533	66,310	$136,448,147	17	63	$38,672,803	28%
Toledo Edison	10,635	21,494	$38,500,297	15	44	$11,317,886	29%
Service Company	168	181	$58,762,660	11	14	$18,684,560	31%
Total	**92,012**	**135,159**	**$330,165,272**	**54**	**176**	$89,081,990	26%

The testing of work orders included review of project justifications, project actual versus budgeted cost, variance explanations, reasonableness of the in-service dates in comparison to the estimated in-service dates, proper charge of the actual detailed cost to the proper FERC account, AFUDC charge on the work order (and if so, that it was appropriate), timeliness of recording of asset retirements for replacement work orders, and appropriate charge of cost of removal. The results of the detailed transaction testing performed on the work order sample are included in the workpapers.[96] Specific observations and findings about the testing are listed below.

Description of Projects

The Companies provided descriptions of the projects included in the work order sample. In general, the projects may be categorized according to the following types of additions and replacements.

[92] FirstEnergy's response to Data Request BRC Set 1-INT-002, Attachment 1—Confidential.
[93] WP Comparison of BRC Set 1-INT-002 Attachment 1 to BRC Set 2-INT-1—CONFIDENTIAL
[94] WP FEOH 2019 Sample Size Calculation Work Orders through 11-30-19 - CONFIDENTIAL
[95] FirstEnergy's response to Data Request BRC Set 1-INT-002 and WP FEOH 2019 Sample Size Calculation Work Orders through 11-30-19 - CONFIDENTIAL.xlsx.
[96] WP FEOH 2019 Sample Work Order Testing Matrix-Confidential.

1. Installation of underground and overhead conduit, conductors, and devices, including installation on customer premises
2. Meters
3. Station equipment
4. Street lighting
5. Structures and improvements
6. Office furniture and equipment
7. Line transformers
8. Poles, towers, and fixtures
9. Services
10. Miscellaneous intangible plant (software)
11. Communication equipment

Project Testing

To satisfy the review of these areas of focus, Blue Ridge formulated the objective criteria into the following transactional testing steps, labeled T1 through T9. Blue Ridge's observations and findings against the criteria follow.

T1: Project Type (The work is appropriately includable in Rider DCR)

T1A: Is the work related to FE, CE, OH, or TE?
T1B: Does the work order / project include plant in service associated with distribution, subtransmission, general, or intangible plant (including general plant from First Energy Service Company that supports the Companies)?
T1C: Is the work order / project DCR and of the following?
AMI—Advanced Metering Infrastructure Rider
LEX—Line Extension Cost Recovery Rider
EDR(g)—Economic Development Rider
LED—Experimental Company Owned LED program
GDR—Government Directive Recovery Rider
TSA—Tax Savings Adjustment Rider
LGR—Legacy Generation Resource Rider
CSR—Conservation Support Rider
GEN—Generation
T1D: Is the work order / project specific, blanket, or other (provide description)?
T1E: Is the work order / project an addition replacement, non-project allocation, or other (provide description)?

T2: Capital Scope

T2A: Is the scope of work properly classified as capital and charged to the proper FERC 300 account(s) as dictated by the FERC code of accounts (CFR 18)?

T3: Justification

T3A: For specific or multi-year work orders / projects (i.e., not blankets), does the project have detailed justification that supports that it was necessary and not unreasonable?

T4: Approval/ Budget

T4A: Did the work order / project have proper level of approval?
T4B: Does the work order / project have an approved budget?
T4C: Are the work order / project costs +/- 15% of the approved budget?
T4D: Are explanations and approvals provided for cost overruns 15% and greater over the approved budget?

T5: In-Service Dates

T5A: Is the actual in-service date in line (at or before) with the estimated in-service date?
T5B: Was the work order / project in service and closed to UPIS within a reasonable time period from project completion, and if not, was AFUDC stopped?

T6: Continuing Property Records

T6A: Do the Continuing Property Records support the asset completely and accurately?

T7: Cost Categories

T7A: For work orders / projects, are the cost categories (Payroll, M&S, etc.) not unreasonable and support the work order total?
T7B: For "other" (referring to T1d above), are the description and costs not unreasonable?

T8: Replacement projects

T8A: Were assets retired?
T8B: Was the date of retirement in line with the asset replacement date?
T8C: Is the amount of the retired asset not unreasonable?
T8D: Was salvage recorded?
T8E: Was cost of removal charged? Is the amount not unreasonable?

T9: Field Verification

T9A: Is the project a candidate for field verification?

The results of the detailed transactional testing performed on the work-order sample are included in the workpapers. Specific observations and findings about the testing are listed below.

T1: Project Type (The work is appropriately includable in Rider DCR)

T1A: Is the work related to FE, CE, OH, or TE?

Blue Ridge tested 54 work orders / projects. Based on single-line-item description of the scope provided for blanket projects and the detailed scope provided for specific work order / projects, the sample contains the following work order totals:

Table 24 Work Orders Sampled by Company

Company	Work Orders	Work Order Amounts
Cleveland Electric	11	$20,406,742
Ohio Edison	17	$38,672,803
Toledo Edison	15	$11,317,886
Service Company	11	$18,6845,60
Total	**54**	**$89,081,990**

T1B: Does the work order / project include plant in service associated with distribution, subtransmission, general, or intangible plant (including general plant from First Energy Service Company that supports the Companies)?

Blue Ridge found that with the exception of vegetation management discussed below, plant in service was associated with distribution, subtransmission, and general and intangible plant.

Tree Trimming and Clearing and Grading of Land

Blue Ridge's sample included five work orders related to vegetation management (Tree Trimming):

1. CE-900186-VMPL-DIST
    a. Activity Cost: $8,046,841
    b. Project Description: For 2021, this program covers a total of 2,346 circuit miles of vegetation management and will encompass the planned removal of overhanging branches and off corridor trees to extend the lives of the underlying assets. Includes all contractor dollars.
2. CE-900190-VMUPL-SUBT
    a. Activity Cost: $229,510
    b. Project Description: Costs Reimbursements associated with unplanned vegetation
3. OE-900186-VMPL-DIST
    a. Activity Cost: $8,350,836
    b. Project Description: 2021 5101 miles planned OE-D-VEG Mgmt Program 2018 - 4986 Miles Planned OE-D-VEG Mgmt Program 2017 - 5143 Miles Planned OE-D-VEG Mgmt Program 2016 - 3953 Miles Planned OE-D-VEG Mgmt Program 2015 - 4568 Miles Planned to extend the lives of the underlying assets
4. OE-900187-VMPL-SUBT
    a. Activity Cost: $69,332
    b. Project Description: 2021 5101 miles planned OE-D-VEG Mgmt Program 2018 - 4986 Miles Planned OE-D-VEG Mgmt Program 2017 - 5143 Miles Planned OE-D-VEG Mgmt Program 2016 - 3953 Miles Planned OE-D-VEG Mgmt Program 2015 - 4568 Miles Planned to extend the lives of the underlying assets
5. TW-900186-VMPL-DIST
    a. Activity Cost: $2,545,408
    b. Project Description: Routine Vegetation Management along overhead distribution conductors to extend the lives of the underlying assets. [97]

Blue Ridge requested time sheets, vendor invoices, schematics, and drawings or pictures that would support the activity performed by the contractors identified by the capital activity codes. The Companies were able to supply samples (rather than full detail because of volume) of time sheets and vendor invoices in support of the VM charges. Neither the vendor invoices nor time sheets were signed off by Company representatives. The Companies stated that they do not take pictures or have any other supporting data other than the time sheets. In Blue Ridge's opinion, the

[97] FirstEnergy's response to Data Request BRC Set 3-INT-001.

Companies did not provide sufficient detailed documentation to support the inclusion of capital charges in the DCR or to support verification of work according to current VM policies.

Because of our concerns regarding the proper coding of vegetation management costs and whether these costs should be recovered through the DCR as capital, Blue Ridge identified all the vegetation management work orders in the population.

Table 25: Vegetation Management Work Orders[98]

Company	Work Order	FERC Plant Account	Not included in Sample	Sample	Grand Total
CECO	CE-900186-VMPL-DIST	36510 - Clearing, Grading of Land		$8,046,841	$8,046,841
	CE-900187-VMPL-SUBT	35620 - Clearing, Grading of Land	$108,950		$108,950
		36510 - Clearing, Grading of Land	$194,606		$194,606
	CE-900189-VMUPL-DIST	36510 - Clearing, Grading of Land	$92,905		$92,905
	CE-900190-VMUPL-SUBT	36510 - Clearing, Grading of Land		$229,510	$229,510
		CECO Total	$396,461	$8,276,352	$8,672,813
OECO	OC-900186-VMPL-DIST	36510 - Clearing, Grading of Land	$6,557		$6,557
	OC-900188-VMPL-TRAN	35620 - Clearing, Grading of Land	$705		$705
	OE-900186-VMPL-DIST	36510 - Clearing, Grading of Land		$8,350,836	$8,350,836
	OE-900187-VMPL-SUBT	35620 - Clearing, Grading of Land		$69,332	$69,332
	OE-900188-VMPL-TRAN	35620 - Clearing, Grading of Land	$989		$989
	OE-900189-VMUPL-DIST	36510 - Clearing, Grading of Land	$48,061		$48,061
		OECO Total	$56,312	$8,420,168	$8,476,479
TECO	TW-900186-VMPL-DIST	36510 - Clearing, Grading of Land		$2,545,408	$2,545,408
	TW-900189-VMUPL-DIST	36510 - Clearing, Grading of Land	$18,862		$18,862
		TECO Total	$18,862	$2,545,408	$2,564,270
		Grand Total	**$471,635**	**$19,241,927**	**$19,713,562**

As discussed in the Processes and Controls section of this report, Blue Ridge found that the Companies' policy Accounting for the Clearing of Transmission and Distribution Corridors at odds with the FERC Uniform System of Accounts. The Companies use task category codes to determine whether work should be charged to expenses or capital. Review of the VM issue in prior DCR audits and the current one focused on specific task codes designated for capital work that we believe do not conform to FERC accounting. We identified several codes used that we believe are inappropriate to be charged to capital:

- Cost Category 05—Off Corridor or removal of on corridor tree with overhang
- Cost Category 36—Cut Tree in the Clear Off Corridor No Future Maintenance Required.
- Cost Category 14—Overhead Limb Removal
- Cost Category 30—Property Owner Notification Capital

[98] FirstEnergy's response to Data Request BRC Set 15-INT-003 and WP BRC Set 15-INT-003 Attachment 1 Confidential.

We obtained the vegetation management charges for each cost code and compared the 2019 balances to the 2018 balances. As shown in the following table, the total amount charged to these cost codes increases by 7 percent.

Table 26: Vegetation Management Work Orders Charged to Cost Codes, 05, 14, 30, and 36[99]

Company	Cost Category	Sum of Sum of 2018 Costs	Sum of Sum of 2019 Costs	% Decrease
CECO	5	$344,191	$68,764	80%
CECO	14	$7,994,679	$6,583,812	18%
CECO	30	$301,176	$179,820	40%
CECO	36	$245,751	$218,070	11%
OECO	5	$373,704	$157,686	58%
OECO	14	$5,643,274	$6,010,477	-7%
OECO	30	$569,619	$555,933	2%
OECO	36	$651,051	$486,610	25%
TECO	5	$47,426	$35,817	24%
TECO	14	$1,648,963	$2,185,779	-33%
TECO	30	$175,977	$162,379	8%
TECO	36	$67,415	$70,198	-4%
Less TECO workorder not provided in Population, but provided in 15-INT-003			-$3,347	
Grand Total		**$18,063,226**	**$16,711,998**	**7%**
Total of VM in Population by Year		**$18,617,389**	**$19,713,562**	**-6%**

Blue Ridge recommends that $16,711,998 of capital costs associated with the above task codes be disallowed because they do not conform to FERC accounting and that the Companies did not provide adequate support for the vendor time sheets that charged the cost codes. Blue Ridge has estimated the impact to the current DCR revenue requirements:

ADJUSTMENT #10: CE $(1,399,214)

ADJUSTMENT #11: OE $(1,122,072)

ADJUSTMENT #12: OE $(8,504)

ADJUSTMENT #13: TE $(461,638)

In addition, Blue Ridge recommends the Companies enhance the VM procedures to include more support for the time sheet task codes charged. This issue is discussed further in the summary of VM in this report.

T1C: Is the work order / project DCR, AMI (including Grid Mod 1), LEX, EDR, GDR, TSA, LGR or GEN?

DCR—Distribution Capital Rider

Blue Ridge reviewed the sample to ensure that each of the 54 work orders / project tested should be included within the DCR. Blue Ridge found one TECO (PA168805630) work order associated with a damage claim. The Companies explained that the work order was for damage

[99] FirstEnergy's response to Data Request BRC Set 15-INT-003 and WP BRC Set 15-INT-003 Attachment 1 Confidential and FirstEnergy's response to 2018 Data Request BRC Set 16-INT-001.

found on a sub-transmission pole of unknown origin, so there could be no billing and the work required contained capital components.[100] Blue ridge found that the Companies' response is not unreasonable and the remainder of the sample were properly identified as DCR.

AMI—Advanced Metering Infrastructure Rider and Grid Mod 1

Blue Ridge reviewed the project descriptions for each work order that had FERC account 360 within the sample to ensure that those descriptions excluded AMI or SmartGrid[101] projects. Blue Ridge confirmed that AMI work orders were properly excluded from Rider DCR and that the sample did not include any AMI work orders. Blue Ridge also determined that the projects did not include work from Grid Mod 1.[102]

LEX—Line Extension Cost Recovery Rider

Blue Ridge reviewed the project scope for each work order that had FERC account 360 – Distribution Plant—Land and Land Rights to ensure that they do not include line extension work charged. Blue Ridge confirmed that LEX work orders were properly excluded from Rider DCR. Blue Ridge found that the sample did not include any LEX work orders.[103]

EDR(g)—Economic Development Rider

Blue Ridge did not find any work order descriptions in the sample that indicated the work was done in connection with the Cleveland Clinic Foundation and EDR(g).[104]

LED—Experimental Company Owned LED program

Blue Ridge reviewed project descriptions and FERC accounts to determine that the sample did not include any LED program work.[105]

GDR—Government Directive Recovery Rider

Blue Ridge reviewed project descriptions and determined that the sample did not include any Rider GDR work.[106]

TSA—Tax Savings Adjustment Rider

Blue Ridge found that TSA does not contain any plant in-service and do not have any work orders.[107]

---

[100] FirstEnergy's response to Data Request BRC Set 5-INT-034.
[101] FirstEnergy's response to Data Request BRC Set 2-INT-026, part b - Confidential.
[102] FirstEnergy's response to Data Request BRC Set 2-INT-026, part j - Confidential.
[103] FirstEnergy's response to Data Request BRC Set 2-INT-026, part d - Confidential.
[104] FirstEnergy's response to Data Request BRC Set 2-INT-026, part c - Confidential.
[105] FirstEnergy's response to Data Request BRC Set 2-INT-026, part k - Confidential.
[106] FirstEnergy's response to Data Request BRC Set 2-INT-026, part l - Confidential.
[107] FirstEnergy's response to Data Request BRC Set 2-INT-025, part a – Confidential and FirstEnergy's response to Data Request BRC Set 19-INT-001.

LGR—Legacy Generation Resource Rider

Blue Ridge found that LGR does not contain any plant in service and does not have any work orders[108]

CSR—Conservation Support Rider

Blue Ridge found that CSR does not contain any plant in service and does not have any work orders[109]

GEN—Generation Work

Blue Ridge found no work orders / projects in the sample related to generation.[110]

T1D: Is the work order / project specific, blanket, multi-year, or other (provide description)?

Blue Ridge identified the following breakdown:

Table 27 Specific, Blanket, Program etc. as a % of Sample[111]

	Work orders	% of Sample	Activity Cost
Specific	34	63%	$38,536,985
Blanket	9	19%	$10,893,778
Programs	6	11%	$19,650,140
Capital	5	7%	$20,001,088
Grand Total	**54**	**100%**	**$89,081,990**

T1E: Is the work order / project an addition, replacement, non-project allocation, or other (provide description)?

Blue Ridge identified the following breakdown:

Table 28 Additions, Replacements, etc. as a % of Sample[112]

	Work Orders	% of Sample	Activity Cost
Additions	30	56%	$50,270,701
Additions / Replacement	10	19%	$6,433,697
Additions / Relocation	4	7%	$3,672,993
Fire Damage/Emergent	2	4%	$176,314
Storm	3	6%	$8,527,197

108 FirstEnergy's response to Data Request BRC Set 2-INT-025, part a - Confidential and FirstEnergy's response to Data Request BRC Set 19-INT-001.
109 FirstEnergy's response to Data Request BRC Set 2-INT-025, part a - Confidential and FirstEnergy's response to Data Request BRC Set 19-INT-001.
110 FirstEnergy's response to Data Request BRC Set 2-INT-026, part a - Confidential.
111 FirstEnergy's response to Data Request BRC Set 3-INT-001, Attachment 3 – Cost Detail.
112 FirstEnergy's response to Data Request BRC Set 3-INT-001, Attachment 3 – Cost Detail.

	Work Orders	% of Sample	Activity Cost
Capital/ Transfers & Adjustments Accounting	5	9%	$20,001,088
Grand Total	**54**	**100%**	**$89,081,990**

T2: Capital Scope

T2A: Is the scope of work properly classified as capital and charged to the proper FERC 300 account(s) as dictated by the FERC code of accounts (CFR 18)?

The Companies provided descriptions of the type of work included in specific work orders / projects in the sample. Blue Ridge evaluated the information to determine whether the work orders / projects in the sample were appropriately classified as capital and charged to the proper Intangible, Distribution, and General Equipment FERC 300 accounts. Blue Ridge found four items that warranted further review. Blue Ridge asked the Companies how they determined which FERC account to charge, and Blue Ridge found that, based on the description of the work performed and the Companies' explanations, all work orders in the sample were closed to the proper FERC accounts except for the VM work orders charged to task codes 05, 14, 30, and 36 discussed in other sections of this report.

T3: Justification

T3A: For specific or multi-year work orders / projects (i.e., not blankets), does the project have detailed justification that supports that it was necessary and not unreasonable?

Blue Ridge reviewed the justification for all work orders in the sample, exclusive of blanket, multi-year projects, transfers, and adjustments, and found all project work orders included justifications that were not unreasonable. In addition, the explanations for transfers and adjustments was not unreasonable. The nature of the blanket projects is what would typically be expected for core work of an Electric utility.

T4: Approval/Budget

T4A: Did the work order / project have proper level of approval?

FirstEnergy's capital portfolio approval process does not require approvals at the individual project or work order level. The budget approvals are at the functional level, e.g., Distribution spending, and then further defined by major budget category, such as reliability, etc. Each project contains a budget. Those budgets can be specific to an activity, a blanket annual budget, or multi-year projects with annual budgets. The annual capital portfolio budgets for Ohio Edison, The Cleveland Electric Illuminating Company, and Toledo Edison are approved by the appropriate senior management members of FirstEnergy's leadership team, including the SVP & President of FE Utilities, the CFO, and the CEO. After the appropriate internal approvals are obtained, the final capital portfolios are submitted to the Board of Directors for final approval.[113]

[113] FirstEnergy's 2017 response to Data Request BRC Set 9-INT-001, FirstEnergy's 2018 response to Data Request BRC Set 1-INT-012, part a ii, and FirstEnergy's response to Data Request BRC Set 2-INT-007, part a ii.

T4B: Does the work order / project have an approved budget?

For more information, see Testing Step T4A above.

T4C: Are the work order / project costs +/- 15% of the approved budget?

In summary, Blue Ridge found the following calculated results:

- 37%—19 projects over budget by greater than 15%
- 35%—19 projects were over/under budget by less than 15%
- 9%—6 projects were underbudget by greater than -15%
- 19%—10 projects did not have budgets (emergent work, accounting work orders, or storm work)

T4D: Are explanations and approvals provided for cost overruns 15% and greater over the approved budget?

The Companies provided explanations for the 19 work orders that were over budget by more than 15%. The explanations included mandated relocations by the DOT, projects that spanned multiple years or phases, emergent work, and technological advances.[114] Blue Ridge found the Companies' explanation not unreasonable,

While we did not find anything that we believe required an adjustment, we do recommend that the Companies further enhance and refine their project estimating process.

1. Work Order: 14568108 Retrofit the spare 14MVA, 36-13kv transformer
    a. Project Description: Retrofit the spare 14MVA, 36-13kv transformer
    b. Actual: $98,534.62
    c. Budget: $646.74
    d. Amount Over Budget: $97,887.88
    e. % Over Budget: 15136%
    f. Explanation for >15% Variance: Project was presented as an RPA for budget consideration but did not make the cut for initial budget in 2015. Budgeted amount of $636 represents indirect AFUDC overheads that are system driven and not manually input by the project manager. Work was not done until December 2015 when need was more urgent, and funds became available due to favorability elsewhere in the portfolio. The Companies went further to say, the project was completed in 2016. When the order was unitized and property records were updated in 2019, the as-built was adjusted for cost of removal to represent the necessary removal of parts to retrofit the transformer to fit the specifications of the CEI system. During unitization, it was discovered that the transfer had not been booked, thus the transfer occurred at the time of unitization in October 2019.[115]

[114] Further detail can be found in Blue Ridge's Detailed Transactional Workpapers.
[115] FirstEnergy's response to Data Request BRC Set 16-INT-001.

Blue Ridge found the Companies' response was not unreasonable. The Company controls associated with unitization of work orders did catch the mistake. Had the Companies unitized the work order on a timelier basis, the mistake would have been discovered and corrected in the same period the work was performed. This points out the importance of reducing the backlog of manually unitized work orders so unitization takes place on a timelier basis.

2. Work Order: XIT-000062-1- Data Center Equipment Blanket
    a. Project Description: Purchase general equipment to support continued data center growth. Items include cabinets, cabinet level PDUs, cabinet level KVM/TFT equipment, copper and fiber jumpers, power cords and environmental monitoring.
    b. Actual: $8,386,184.26
    c. Budget: $100,000.00
    d. Amount Over Budget: $8,286,184.26
    e. % Over Budget: 8286%
    f. Explanation for >15% Variance: Prior to unitization of this blanket work order in October 2019, charges were incorrectly being recorded to Account 121 Non-Utility plant. This was corrected during the unitization process which moved all historical amounts from account 121 Non-Utility plant to the correct account of 101 and appears as an addition to the work order. Current period capital spend was in line with budgeted amount.[116]
    g. Blue Ridge found that the Companies made an initial accounting error and corrected it in the same scope period. The Companies' explanation is not unreasonable.
3. Work Order: 15604349- Repl #1 69-34kV Xfmr
    a. Project Description: Replace the No. 1 autotfmr
    b. Actual: $2,041,342.21
    c. Budget: $0.00
    d. Amount Over Budget: $2,041,342.21
    e. Explanation for >15% Variance: This Transformer project was linked to a larger Transmission project at the substation. Project Management group took over the forecasting and management of the project in 2017 and the $ were budgeted through their program rather than at the distribution company. There was an overrun in professional contractor $ due to the need from more extensive below grade work than originally anticipated.[117] The Companies went further to explain that #1 69-34kV transformer replacement was originally estimated at $1,199,100 by the Project Management group.[118]

    Blue Ridge found the Companies' response not unreasonable.
4. Work Order: 15832685- Residential Development

[116] FirstEnergy's response to Data Request BRC Set 3-INT-001.
[117] FirstEnergy's response to Data Request BRC Set 3-INT-001.
[118] FirstEnergy's response to Data Request BRC Set 16-INT-002.

a. Project Description: TE-Blanket-New Business Residential Underground
b. Actual: $2,348,266.71
c. Budget: $4,405.11
d. Amount Over Budget: $2,343,861.60
e. % Over Budget: 53208%
f. Explanation for >15% Variance: This project was budgeted under blanket TW-900625: B-New Business- Residential Underground which had funding of $2.4M for the budget in 2019. The Companies went further to say the screenshot below shows the 2019 Budget for TW-900625: B-New Business- Residential Underground Blanket which are within budget. New Business is budgeted under the "blanket," however the actual project spend is recorded under the specific project.[119]

Table 29: 2019 Budget for TW-900625: B-New Business-Residential Underground Blanket[120]

Subtotal	Project Definition With Text	Cost Element Level 4 Text	Investment Reason Text	2019
	TW-900625: B-New Business- Residential Underground	AFUDC	NEW-NB Residential	$16,338.03
	TW-900625: B-New Business- Residential Underground	O&M - Labor	NEW-NB Residential	$839,848.84
	TW-900625: B-New Business- Residential Underground	O&M - OTL	NEW-NB Residential	$1,402,313.65
	TW-900625: B-New Business- Residential Underground	Pension and OPEB Service Cost	NEW-NB Residential	$124,549.60
Total				**$2,383,050.12**

Blue Ridge found the Companies' response not unreasonable.

5. Work Order: 15957370- PHASE 4 DORR ST. & I-475- ODOT #2
   a. Project Description: Relocate TE facilities due to an ODOT project involving a new interchange at Dorr St. and I-475 and a new roundabout at McCord Rd. and Dorr St.
   b. Actual: $3,481,381.25
   c. Budget: $291.27
   d. Amount Over Budget: $3,481,089.98
   e. % Over Budget: 1195142%
   f. Explanation for >15% Variance: Project was presented as an RPA for budget consideration but did not make the cut for initial budget in 2015. Budgeted amount of $636 represents indirect AFUDC overheads that are system driven and not manually input by the project manager. Work was not done until December 2015 when need was more urgent, and funds became available due to favorability elsewhere in the portfolio.[121]

   Blue Ridge found that this project is part of a multi-phase relocation effort. The Companies' response is not unreasonable.

6. Work Order 14777263: Sub I/R Breakers
   a. Actual: $607,989

[119] FirstEnergy's response to Data Request BRC Set 3-INT-001.
[120] FirstEnergy's response to Data Request BRC Set 16-INT-003.
[121] FirstEnergy's response to Data Request BRC Set 3-INT-001.

b. Budget: $174,137
c. Variance: $433,804
d. % Variance: 249.12%
e. Companies Explanation: This was a multi-year project that experienced scope increases due to technological advances in the equipment being installed causing higher material costs than originally assumed. Due to the scope increase, overall costs of this project exceeded the initial budget for this work.[122]

Blue Ridge found the Company's explanation not unreasonable.

7. Work Order 13287571: Boardman-2012 SCADA Installations on Dx
    a. Actual: $9,039,293
    b. Budget: $4,493,027
    c. Variance: ($4,546,266)
    d. % Variance: 101.2%
    e. Companies Explanation: This was a multi-year project that experienced scope increases due to technological advances in the equipment being installed, causing higher material costs than originally assumed. Due to the scope increase, overall costs of this project exceeded the initial budget for this work.[123] The Company went further to explain that this order was created to support Boardman SCADA Installations; however, the Distribution portion of this Capital project was canceled, and in 2019, the order was placed in service when it should have been canceled. The costs incurred for work order 13287571 will be removed from Rider DCR rate base going forward. The costs incurred for work order 13287571 that were inadvertently placed in service ($835,497) will be removed from Rider DCR rate base going forward. The Companies will make an adjustment to the Rider DCR revenue requirement in a future filing.[124]

    Blue Ridge found that plant in service is overstated by $835,497. Blue Ridge has estimated the impact to the current OE DCR revenue requirement to be $(129,153). **[ADJUSTMENT #1]**

8. Work Order 14370958: SUB SCADA AND TELEMETERING
    a. Actual: $990,542
    b. Budget: $255,217
    c. Variance: ($735,325)
    d. % Variance: 288.1%
    e. Companies Explanation: This was a multi-year project that experienced scope increases due to technological advances in the equipment being installed causing higher material costs than originally assumed. Due to the scope increase, overall costs

[122] FirstEnergy's response to Data Request BRC Set 3-INT-001.
[123] FirstEnergy's response to Data Request BRC Set 3-INT-001.
[124] FirstEnergy's response to Data Request BRC Set 5-INT-035.

of this project exceeded the initial budget for this work.[125] The Companies went further to explain that this job was delayed due to the development of new Remote Terminal Unit fiber technology changing from analog to digital technology. A decision was made to wait and install the digital technology when it was developed.[126]

Blue Ridge does not take issue with the Companies' explanation covering the actual-to-budget variance. However, if the project was delayed pending new technology, it is our opinion that the scope should have been rewritten with a new budget.

9. Work Order 14650547: HWY AKRON ODOT MAIN BROADWAY UNDG
    a. Actual: $5,123,324
    b. Budget: $1,282,680
    c. Variance: ($3,840,644)
    d. % Variance: 299.4%
    e. Companies Explanation: This was a multi-year project that experienced scope increases due to technological advances in the equipment being installed, causing higher material costs than originally assumed. Due to the scope increase, overall costs of this project exceeded the initial budget for this work.[127] The Companies went further to explain that the construction sequence of this project created delays. The Companies worked alongside the General Contractor and the City to have resources available based on a changing timeline. A few items could not be completed until construction was complete on sewer lines, highway ramps, and bridges. As the timeline continued to extend out, the cost of materials continued to increase as well.[128] The Companies went further to say that the delay for order 14650547 was caused by the City of Akron's project management team as well as the general contractor. The Companies is not aware of the reason for the City of Akron's and the city's general contractor's delay. The Companies' portion of the job(s) were dependent on the progress of the general contractor. The Companies could not move forward with its portion of the job until the city's general contractor was complete with their work, which caused delays.[129]

    Blue Ridge found the Companies' explanation not unreasonable.

10. Work Order 15637755: Equip Investigate / Repair - Recloser V
    a. Actual: $1,349,655
    b. Budget: $1,097,614
    c. Variance: ($252,040)
    d. % Variance: 23%
    e. Companies Explanation: This project experienced scope increases due to technological advances in the equipment being installed causing higher material costs

[125] FirstEnergy's response to Data Request BRC Set 3-INT-001.
[126] FirstEnergy's response to Data Request BRC Set 5-INT-035.
[127] FirstEnergy's response to Data Request BRC Set 3-INT-001.
[128] FirstEnergy's response to Data Request BRC Set 5-INT-035.
[129] FirstEnergy's response to Data Request BRC Set 9-INT-003.

than originally assumed. Due to the scope increase, overall costs of this project exceeded the initial budget for this work.[130] The Companies went further to explain that this work order is part of the larger Failed Breaker Program. This work order was delayed due to a delay in connecting and testing all of the SCADA requirements.[131] The Companies went further to explain the delay for work order 15637755 was for the change-out of a recloser that is tied to SCADA. Initially, the Companies attempted to repair the unit internally. When all attempts to repair the unit failed, the Companies attempted to find an available spare unit that was compatible but was unable to do so and instead had to order a new unit. The typical lead time on a recloser is 4-5 months once ordered. After the recloser was delivered, the Companies installed it, and a communication technician verified that all connections were working so that it could be properly controlled by SCADA.[132]

Blue Ridge found the Companies' explanation not unreasonable.

T5: In-Service Dates

T5A: Is the actual in-service date in line (at or before) with the estimated in-service date?

Blue Ridge found that 20 work orders / projects in our sample were blankets or other types of work orders, such as emergent projects, storms, and adjustments, that would not typically have estimated in-service dates.

Of the 34 work orders / projects with estimated in-service dates, six, or approximately 18%, had in-service dates that were over 90 days delayed from the estimates and accrued AFUDC. The following two work orders had excessive AFUDC along with delays and Blue Ridge found that adjustment should to be made to the DCR. Further detail on the remaining four work orders with delays can be found in Blue Ridge's Detailed Transactional Workpapers.

1. OECO Work Order 13287571 - Boardman-2012 SCADA Installations on Dx
    a. Project Description: Install SCADA Control and telemetering of watts, vars, amps, and volts on (6) distribution exit breakers and (2) transfer breakers. Install transformer telemetering where not already available. The scope also extends to include adaptive relaying where applicable. Now scheduled 1st quarter 2017.
    b. Reason for delay over 90 days: Project was deferred due to reallocation of labor resources.
    c. Need Date: August 1, 2018
    d. In-Service Date: March 15, 2019
    e. Days delayed: 226
    f. Total Activity Costs: $835,497
    g. AFUDC Accrued: $736,677.85

[130] FirstEnergy's response to Data Request BRC Set 3-INT-001.
[131] FirstEnergy's response to Data Request BRC Set 5-INT-035.
[132] FirstEnergy's response to Data Request BRC Set 9-INT-003.

a. Companies' explanation of the excessive AFUDC: After further investigation, it was determined that this project was never completed and should have been cancelled. The AFUDC was not cancelled when work stopped, then incorrectly in-serviced in 2019. The adjustments to record the project dollars as expense instead of capital will be made in March 2020. The Companies will make an adjustment to the Rider DCR revenue requirement in a future filing.[133]

This adjustment was previously discussed in testing step T4D.

2. OECO Work Order 14370958 - SUB SCADA AND TELEMETERING
   a. Project Description: Install SCADA Control and telemetering of watts, vars, amps, and volts on the distribution exit breakers including transfer breakers. Install transformer telemetering where not already available. Install transformer temperature monitoring to EMS via SCADA for the distribution transformers. Retrofit existing analog temperature gauges as needed. Per records, sub currently has adaptive relaying. The scope also extends to include adaptive relaying where applicable. Install Adaptive Relaying on distribution feeders if not available per field check. Utilize adaptive relaying cabinets in inventory.
   b. Reason for delay over 90 days: Project was deferred due to reallocation of labor resources. Not allowed to contract the work.
   c. Need Date: October 30, 2018
   d. In-Service Date: February 4, 2019
   e. Days delayed: 97
   f. Total Activity Costs: $857,109
   g. AFUDC Accrued: $227,285.69
   h. Companies' explanation of the excessive AFUDC: The in-service date in PowerPlant was entered incorrectly as 2/4/19 when it should have been 8/31/2016. AFUDC continued to accrue on the project between September 2016 and the in-service date of 2/4/2019 in the amount of $172,999.70. The date will be corrected in the system and an adjustment to AFUDC will be recorded in March 2020. The Companies will make an adjustment to the Rider DCR revenue requirement in a future filing.[134]

As a result of the over accrual of AFUDC due to an incorrect in-service date, plant in-service is overstated $172,999.70. Blue Ridge has estimated the impact to OE DCR revenue requirement to be $(25,605). **[ADJUSTMENT #2].**

T5B: Was the work order / project in service and closed to UPIS within a reasonable time period from project completion, and if not, was AFUDC stopped?

Blue Ridge found four work orders / projects that were not closed timely after the work was complete and recommended adjustments.

[133] FirstEnergy's response to Data Request BRC Set 5-INT-014.
[134] FirstEnergy's response to Data Request BRC Set 5-INT-015.

1. CECO Work Order 15504511 - Residential Development
   a. Days delayed: 272
   b. Total Activity Costs: $149,940
   c. AFUDC Accrued: $2,125.83
   d. The Companies' explanation of AFUDC accrual: this work order was for work being done on the construction of a housing development. The completion date of the project was delayed per the request of the home builder as they were not on target for the original project completion date. There was no over-accrual of AFUDC. Even though the construction schedule was delayed, materials were still being purchased and activities were still in process in preparation for the revised start date. This was activity during the capitalization period, so no adjustment to AFUDC would be required.[135]

   The Companies' explanation is not unreasonable.

2. OECO Work Order 13287571 - Boardman-2012 SCADA Installations on Dx
   a. Days delayed: 226
   b. Total Activity Costs: $835,497
   c. AFUDC Accrued: $376,677.85
   d. Companies' explanation of the excessive AFUDC: After further investigation, it was determined that this project was never completed and should have been cancelled. The AFUDC was not cancelled when work stopped, then incorrectly in-serviced in 2019. The adjustments to record the project dollars as expense instead of capital will be made in March 2020. The Companies will make an adjustment to the Rider DCR revenue requirement in a future filing.[136]

   This adjustment was previously discussed in testing step T4D.

3. OECO Work Order 14234110 - OE 2014 - Sub - Adaptive Relaying - Project Manager
   a. Days delayed: 443
   b. Total Activity Costs: $653,813
   c. AFUDC Accrued: $41,545.63
   d. Companies' explanations:
   e. Costs on this order began in 2015, however it was not in-serviced until early 2017. AFUDC continued to accumulate on the order until it was in-serviced. The extension of and increase in scope of the project was due to resource availability and the anticipation of SCADA communication technology switching from analog to digital.[137] The Companies went further to explain that even though the construction schedule was delayed, materials were still being purchased and activities were still being performed to bring the asset to its intended use. This

[135] FirstEnergy's response to Data Request BRC Set 9-INT-004.
[136] FirstEnergy's response to Data Request BRC Set 5-INT-014.
[137] FirstEnergy's response to Data Request BRC Set 7-INT-002.

was activity during the capitalization period, so no adjustment to AFUDC would be required.[138]

Blue Ridge found the Companies' response not unreasonable.

4. OECO Work Order 14370958 - SUB SCADA AND TELEMETERING
    a. Days delayed: 97
    b. Total Activity Costs: $857,109
    c. AFUDC Accrued: $227,285.69
    d. Companies' explanation of the excessive AFUDC: The in-service date in PowerPlant was entered incorrectly as 2/4/19 when it should have been 8/31/2016. AFUDC continued to accrue on the project between September 2016 and the in-service date of 2/4/2019 in the amount of $172,999.70. The date will be corrected in the system and an adjustment to AFUDC will be recorded in March 2020. The Companies will make an adjustment to the Rider DCR revenue requirement in a future filing.[139]

This adjustment was previously discussed in testing step T5A.

T6: Continuing Property Records

T6A: Do the Continuing Property Records support the asset completely and accurately?

The support for the continuing property records encompasses the scope and justification for each project, the detail that supports the cost, the retirement, and cost of removal detail, if appropriate, and the application of the proper FERC accounts. Blue Ridge found that, while we are recommending several adjustments to plant-in-service balances, in general, the Companies' continuing property records supported the assets.

T7: Cost Categories

T7A: For work orders / projects, are the cost categories (Payroll, M&S, etc.) not unreasonable and support the work order total?

Blue Ridge requested additional cost information for 19 work orders. Blue Ridge had specific recommendations or adjustments on the following 14 work orders / projects regarding cost categories. The remaining detail can be found in Blue Ridge's workpapers.

1. OECO Work Order 14650547: HWY AKRON ODOT MAIN BROADWAY UNDG
    a. Blue Ridge's initial concern:
        i. AFUDC charges are 23% of the total work order cost
        ii. Other Company Overheads are 30% of the total work order cost
    b. Companies' response:
        i. The in-service date in PowerPlant was entered incorrectly as 11/25/19, but should have been 12/31/18 and AFUDC continued to accrue in 2019. The

[138] FirstEnergy's response to Data Request BRC Set 9-INT-005.
[139] FirstEnergy's response to Data Request BRC Set 5-INT-015.

date will be corrected in the system and an adjustment to AFUDC of $270,619.88 will be recorded in March 2020. The Companies will make an adjustment to the Rider DCR revenue requirement in a future filing. There is no adjustment needed for the remaining AFUDC. The project began in July 2015 and incurred approximately 65% of its total $2.8M of costs by June 2016, which led to accumulation of significant AFUDC over the project's construction period.

ii. Allocations for this work order total $1,109,740 and consist of Capitalized A&G ($373,598), Engineering ($113,465), Supervision ($576,093) and Employee Benefits ($46,584).[140]

As a result, AFUDC over accrual of $270,619, utility plant in service overstated. Blue Ridge has estimated the impact to the OE DCR revenue requirement to be $(39,185**). [ADJUSTMENT #3].**

2. OECO Work Order OE-900477-CCOH-ADJ: Total Non-Billable Distribution Project
    a. Blue Ridge's initial concern:
        i. *Adjustment of $15,244,611*
        ii. *How was the cost category determined?*
    b. Companies' response:
        i. The $15,244,611 adjustment amount represents charges to this work order that can be broken into the following three items:
            1. No charges to this order were placed in service from August 2014 to November 2018. The CWIP total accumulated during this period was $8.2M, which was moved to account 101 when the work order type was changed to blanket. Charges after December 2018 were placed in service monthly.[141] The $8.2M was charged to work order OE-900477-CCOH-ADJ. These charges accumulated in 107 CWIP until the work order's closing option was changed to blanket in 2018. No AFUDC was charged to this work order. No charges for this work order were placed in service from August 2014 through November 2018 because the closing option in the system was "Annual Close", and as a result, all dollars remained in 107 CWIP. The closing option was changed to "Manual Blanket" in 2018 and now amounts are placed in service monthly.[142]
            2. From 2011 to 2018, the work order had posted several account 107 charges per SAP to a 184 account, Clearing Account, in Powerplant. To resolve the variance with SAP, all powerplant amounts were reclassed to CWIP resulting in an additional $6.6M of charges to 101 in

[140] FirstEnergy's response to Data Request BRC Set 5-INT-016.
[141] FirstEnergy's response to Data Request BRC Set 5-INT-022.
[142] FirstEnergy's response to Data Request BRC Set 9-INT-001.

Powerplant.[143] The $6.6M was charged to Work Order OE-900477-CCOH-ADJ. The charges had posted to account 107 in SAP but were recorded in account 184 in Powerplant. These charges accumulated in SAP 107 until a (Powerplant only) reclass was posted to move the charges from account 184 to 107 where they could then be placed in service. $385,486 of the $6.6M posted May 2011 to September 2011. The charges posted without error to 107 in SAP. The error was only in Powerplant. A Powerplant only journal is now posted monthly to move amounts from account 184 to account 107. The charges did not post to FERC 184. They posted to FERC 107. The error occurred in Powerplant only. There are no impacts to Rider DCR associated with this reclass in Powerplant.[144]

3. New charges to the work order for December 2018 to November 2019 were $380,000.

ii. The cost category is determined by the cost element charged in SAP.[145]

The Companies' explanation was not unreasonable.

3. TECO Work Order TW-000947-S-5: Davis-Besse. This project will affect full Distribution SCADA functionality at approximately 26 stations in outlying counties in the Toledo area. This is the first year of a multiyear project.
   a. Blue Ridge's initial concern: *AFUDC charges are 25% of the total work order cost*
   b. Companies' response: This project began in 2011 and the materials were purchased at the beginning of the project, but the completion was delayed several times until its final completion in 2018.[146] There was only one AFUDC suspension recorded on this project in the Companies' plant accounting system, from 12/3/15-5/9/17. During that time, no AFUDC was accrued. The Companies reviewed this project and found two other periods where the project was inactive and where AFUDC should have been suspended but was not. These periods are May 2015-December 2015 and May 2017-August 2018. An adjustment to correct this AFUDC was recorded in March 2020. The Companies will include an adjustment to the Rider DCR revenue requirement in a future Rider DCR filing. some materials were purchased prior to October 2011, totaling $30,587.68.[147] The Companies went further to say that an AFUDC adjustment was recorded in March 2020 in the amount of $60,013.17. The Companies agree that as of December 31, 2019, the DCR was overstated by $60,013.17 as a result of the over-accrual of AFUDC.[148]

[143] FirstEnergy's response to Data Request BRC Set 5-INT-022.
[144] FirstEnergy's response to Data Request BRC Set 9-INT-001.
[145] FirstEnergy's response to Data Request BRC Set 5-INT-022.
[146] FirstEnergy's response to Data Request BRC Set 5-INT-024.
[147] FirstEnergy's response to Data Request BRC Set 9-INT-006.
[148] FirstEnergy's response to Data Request BRC Set 14-INT-001.

As a result the AFUDC over accrual of $60,013.17, plant in service is overstated. Blue Ridge has estimated the impact to the TE DCR revenue requirement to be $(10,265) **[ADJUSTMENT #4]**

4. TECO Work Order TW-900477-CCOH-ADJ: Total Non-Billable Distribution Project
    a. Blue Ridge's initial cost concern:
        i. *Adjustment of $2,401,501*
        ii. *How was cost category determined?*
    b. Companies' response:
        i. The $2,401,501 amount represents charges to this work order that are attributable to the following two items:
            1. From 2011 to 2018, the work order had posted several account 107 charges per SAP to a 184 account, Clearing Account, in powerplant. To resolve the variance with SAP, all powerplant amounts were reclassed to CWIP resulting in an additional $2.07M of charges to 101 in Powerplant
            2. New charges to the work order for December 2018 to November 2019 were $337,000
        ii. The cost category is determined by the cost element charged in SAP.[149]

    The Companies' explanation is not unreasonable.

5. OECO Work Order 13287571: Boardman-2012 SCADA Installations on Dx
    a. Blue Ridge's initial concern: AFUDC charges are 45% of the total work order cost
    b. Companies' response: After further investigation, it was determined that this project was never completed and should have been cancelled. The AFUDC was not cancelled when work stopped, then incorrectly in-serviced in 2019. The adjustments to record the project dollars as expense instead of capital will be made in March 2020. The Companies will make an adjustment to the Rider DCR revenue requirement in a future filing.[150]

    This adjustment was previously discussed at testing step T4D.

6. OECO Work Order 14370958: SUB SCADA AND TELEMETERING
    a. Blue Ridge's initial concern: AFUDC charges are 27% of the total work order cost
    b. Companies' response: The in-service date in PowerPlant was entered incorrectly as 2/4/19 when it should have been 8/31/2016. AFUDC continued to accrue on the project between September 2016 and the in-service date of 2/4/2019 in the amount of $172,999.70. The date will be corrected in the system and an adjustment to AFUDC will be recorded in March 2020. The Companies will make an adjustment to the Rider DCR revenue requirement in a future filing.[151]

[149] FirstEnergy's response to Data Request BRC Set 5-INT-026.
[150] FirstEnergy's response to Data Request BRC Set 5-INT-014.
[151] FirstEnergy's response to Data Request BRC Set 5-INT-015.

This adjustment was previously discussed at testing step 5A.

7. CECO Work Order CE-900186-VMPL-DIST—Clearing and Grading of Land
    a. Blue Ridge's initial cost concern: *Contactor Charges of $7,326,020 by physical location.*
    b. Companies'sresponse: The Companies do not track location of service in SAP - this information would have to be pulled manually and interpreted from each individual invoice.[152] Blue Ridge sub sampled the project costs and asked for specific detailed information such as invoices, pictures, time sheets, schematics or other drawings that that support the cost codes charged by contractors that result in capital charges. The Companies provided invoices in support of the charges. In addition, the Companies provided sample time sheets. The Companies noted that time sheet information was to voluminous to provide all the time sheets. The timesheet sample contains work information based on a fixed price contract. The work completed out of scope (circuit Jill L-1-JL-L) is documented and paid on an hourly basis. The work completed within the scope of work is not paid hourly, rather, these hours are paid based on the percentage of the mileage completed.[153]

    Blue Ridge found the detail provided by the Companies failed to show Companies' approval of time sheets or invoices. In addition, the Companies did not have detailed drawings, schematics or pictures to support the cost codes charged on the time sheets. Please see separate discussion, and recommendations concerning Vegetation Management included in this document at testing step T1B and a summary discussion about VM.

8. CECO Work Order CE-900190-VMUPL-SUBT – Clearing and Grading of land
    a. Blue Ridge's initial cost concern: Contactor Charges of $186,333
    b. Companies' response: The Companies do not track location of service in SAP - this information would have to be pulled manually and interpreted from each individual invoice.[154] The Companies provided the following detail in regard 149453473 This transaction is an accrual from the month of June 2019 to July 2019 for ongoing work on the sub-transmission corridors of Cleveland Electric Illuminating Company. See BRC Set 9-INT-008 Attachment 1 Confidential for support for the accrual.[155]

    Blue Ridge found that because the work order was an accrual and not an actual invoice no further testing was performed. Please see separate discussion, and recommendations concerning Vegetation Management included in this document.

9. OECO Work Order OE-900186-VMPL-DIST – Clearing and Grading of Land

[152] FirstEnergy's response to Data Request BRC Set 5-INT-011.
[153] FirstEnergy's response to Data Request BRC Set 9-INT-008e.
[154] FirstEnergy's response to Data Request BRC Set 5-INT-012.
[155] FirstEnergy's response to Data Request BRC Set 9-INT-008a.

   a. Blue Ridge's initial cost concern: Contactor Charges of $7,841,408
   b. Companies' response: The Companies do not track location of service in SAP - this information would have to be pulled manually and interpreted from each individual invoice.[156] Blue Ridge sub sampled the project costs and asked for specific detailed information such as invoices, pictures, time sheets, schematics or other drawings that support the cost codes charged by contractors that result in capital charges. The Companies provided invoice in support of the charges. In addition, the Companies provided sample time sheets. The time sheet information was to voluminous to provide all the time sheets.[157]

   Blue Ridge found that the detail provided by the Companies failed to show Companies' approval of time sheets or invoices. In addition, the Companies did not have detailed drawings, schematics or pictures to support the cost codes charged on the time sheets. Please see separate discussion, and recommendations concerning Vegetation Management included in this document at T1B and a summary discussion of VM.

10. OECO Work Order OE-900187-VMPL-SUBT – Clearing and Grading of Land
   a. Blue Ridge's initial cost concern: Contactor Charges of $69,017
   b. Companies' response: The Companies do not track location of service in SAP - this information would have to be pulled manually and interpreted from each individual invoice.[158] Blue Ridge sub sampled the project costs and asked for specific detailed information such as invoices, pictures, time sheets, schematics or other drawings that support the cost codes charged by contractors that result in capital charges. The Companies provided invoice in support of the charges. In addition, the Companies provided sample time sheets. The time sheet information was to voluminous to provide all the time sheets.[159]

   Blue Ridge found that the detail provided by the Companies failed to show Companies' approval of time sheets or invoices. In addition, the Companies did not have detailed drawings, schematics or pictures to support the cost codes charged on the time sheets. Please see separate discussion, and recommendations concerning Vegetation Management included in this document at T1B and a summary discussion of VM.

11. TECO Work Order TW-900186-VMPL-DIST – Clearing and Grading of Land
   a. Blue Ridge's initial cost concern: Contactor Charges of $2,395,915
   b. Companies' response: The Companies do not track location of service in SAP - this information would have to be pulled manually and interpreted from each

[156] FirstEnergy's response to Data Request BRC Set 5-INT-011 and 5-INT-020.
[157] FirstEnergy's response to Data Request BRC Set 9-INT-008b.
[158] FirstEnergy's response to Data Request BRC Set 5-INT-021.
[159] FirstEnergy's response to Data Request BRC Set 9-INT-008b.

individual invoice.[160] The Companies went further to provide invoice information:

See BRC Set 9-INT-008 Attachment 8 Confidential for the invoice associated with this request and BRC Set 9-INT-008 Attachment 9 Confidential for timesheet 1835440 referenced in the invoice. This timesheet reflects work completed on Document number – 500523966.

See BRC Set 9-INT-0010 Attachment 10 Confidential for the invoice associated with this request and BRC Set 9-INT-008 Attachment 11 Confidential for timesheet 1832930 referenced in the invoice. This timesheet reflects work completed on Document number – 500948821.[161]

Blue Ridge found that the Companies failed to provide sufficient detailed information in support of the cost codes used by contractors. That results in capital charges in the DCR. A further discussion is included in testing step T1B and an additional summary discussion is also included in this report.

12. TECO Work Order 15957370: PHASE 4 DORR ST. & I-475- ODOT #2
    a. Blue Ridge's initial concern: *Other Company Overheads are 67% of the total work order cost*
    b. Companies' response: A&G was underapplied by $6M in May 2019 for TE in total. This amount was then allocated the following month through the respread process. This process will allocate a total dollar amount to eligible work orders based on each order's prior month charges as a percent of total prior month charges (to eligible cost elements). As a result, $704,334 was applied to work order 15957370.[162] In May 2019, a Powerplant Adjustment was posted to five Work Orders to reverse overhead charges. The adjustment reversed $6.4M from accounts 107 and 108 to the A&G cost center. As a result, A&G was under-applied for the month of May. The reallocation was applied to all work orders in CWIP with May 2019 charges.[163]
    c. Blue Ridge then followed up with the Companies to see if the reversal was caused by human or system error.
    d. Companies' response: The Companies responded neither were the culprit. The reversal was not an error but rather part of the PowerPlan re-spread process that allocates over- or under-applied overheads to eligible capital projects. Although uncommon, when the standard re-spread process for overheads yields results that are inconsistent compared to the actual project charges, which was the case with these five projects, the allocated amount for the project is reversed

[160] FirstEnergy's response to Data Request BRC Set 5-INT-025.
[161] FirstEnergy's response to Data Request BRC Set 9-INT-008d.
[162] FirstEnergy's response to Data Request BRC Set 5-INT-023.
[163] FirstEnergy's response to Data Request BRC Set 9-INT-002.

and moved back to the original overhead cost center for reallocation using the standard re-spread process in the following month. These overhead dollars remain in FERC accounts 107 and 108 and are just spread among a different population of projects.[164]

Blue Ridge found the PowerPlan adjustment to be a process that allocates over- or under-applied overheads across eligible capital projects. Overall, the DCR is not impacted based on how the Companies' re-spreads the overheads. The Companies' response is not unreasonable.

13. FECO Work Orders - ITF-SC-000045-SW18-1 and ITF-SC-000072-SW19-1. SAP SW UPGRADE 2018 and Power Center Support 2019.
    a. Blue Ridge's initial cost concern:
        i. *Other Direct Cost charges of $4,428,295 and $742,084 respectively for 2018 and 2019*
        ii. *Allocated costs*
    b. Companies' response: The Companies provided detail for the Other Direct Cost charges and the allocation of the total contract amounts to capital.[165] Per the Companies' software capitalization policy, the Companies capitalize a portion of annual maintenance contracts based on the percentage of the fee that is for new product development and existing product enhancements. For the Informatica 2020–2021 maintenance fee, it was determined based on a survey sent to the supplier that 85% of the fee was for new product development/existing product enhancements (capital) and 15% was for product fixes and technical support services (O&M).[166]

    Blue Ridge found that the method used by the Companies to determine the split of fees between capital and maintenance to be not unreasonable when compared to the Companies attempting to do the same analysis internally. However, since Informatica is the company supplying the services (and it is not an independent source of information), Blue Ridge recommends that this process be reviewed by Internal Audit to determine that the split of charges between capital and expense is not unreasonable.

14. FECO XIT-000062-1—Data Center Equipment Blanket
    a. Blue Ridge's initial cost concern: *Cost Detail does not align with Population Activity Costs*
    b. Companies' response: The amount included in BRC Set 3-INT-001 Attachment 2 did not accurately reflect all of the costs on the work order. See 3-INT-001 Attachment 3 -Cost Detail amount for the correct total cost for this project.[167]

---

[164] FirstEnergy's response to Data Request BRC Set 18-INT-001.
[165] FirstEnergy's response to Data Request BRC Set 5-INT-028.
[166] FirstEnergy's response to Data Request BRC Set 9-INT-009.
[167] FirstEnergy's response to Data Request BRC Set 17-INT-010.

Blue Ridge found the Companies' explanation not unreasonable and will reflect the Cost Detail amount within Blue Ridge's work order testing detail.

T7B: For "other" (referring to T1E above), are the description and costs not unreasonable?

As discussed and identified in T7A, Blue Ridge found 19 work orders / projects that were not closed timely after the work was complete. Blue Ridge does not recommend any adjustments for this section.

T8: Replacement projects

T8A: Were assets retired?

Blue Ridge identified 4 replacement work orders / projects that had no retirement nor cost of removal charges. Blue Ridge requested additional information and found that the Companies' explanations not unreasonable. Further detail can be found in Blue Ridge's workpapers.

T8B: Was the date of retirement in line with the asset replacement date?

Blue Ridge reviewed the retirement and cost of removal dates against the in-service dates and found that the dates fell within the scope period of November 30, 2018 to December 31, 2019 and therefore are not unreasonable.

T8C: Is the amount of the retired asset not unreasonable?

Retired assets are based on the original cost of the asset retired. We found nine work orders in which retirements had not been recorded. The following four work orders were in service but not unitized in December 2019 and January 2020. The work order had cost of removal but no associated retirement. The Companies agree that the Utility Plant in Service as of November 30, 2019, is overstated by $48,894.37 and will be adjusted to the Rider DCR revenue requirement in a future Rider DCR filing.[168]

1. Work Order 15521094: Order new network transformers
    a. Retirement: $0
    b. Retirements to be recorded: $12.987.16
    c. Cost of Removal: ($75,712)
    d. Plant in service is overstated by $12,987. Blue Ridge has estimated the impact to the OE DCR revenue requirement to be $(2,028). **[ADJUSTMENT #5]**
2. Work Order 15667460: LUC-475-7.53 PID 99737 - Dorr Street Int
    a. Retirement: $0
    b. Retirements to be recorded: $21,419.15
    c. Cost of Removal: $95,761
    d. Plant in service is overstated by $21,419. Blue Ridge has estimated the impact to the TE DCR revenue requirement to be $(3,822). **[ADJUSTMENT #6]**
3. Work Order 15957370: PHASE 4 DORR ST. & I-475- ODOT #2
    a. Retirement: $0

[168] FirstEnergy's response to Data Request BRC Set 9-INT-007.

   b. Retirements to be recorded: $13,083.85
   c. Cost of Removal: $178,789
   d. Plant in service is overstated by $13,084. Blue Ridge has estimated the impact to the TE DCR revenue requirement calculations to be $(2,448). **[ADJUSTMENT #7]**
4. Work Order 15993546: Monroe St Pole Relocations - URD RELO
   a. Retirement: $0
   b. Retirements to be recorded: $1,404.21
   c. Cost of Removal: $11,099
   d. Plant in service is overstated by $1,404. Blue Ridge has estimated the impact to the TE DCR revenue requirement calculations to be $(256). **[ADJUSTMENT #8]**

Blue Ridge found an additional five work orders that, as of November 30, 2019, were in service, but not unitized. The Companies stated that they will be manually unitized and the retirement will be recorded at the time of unitization.[169] At that time, retirements estimates are reviewed, assets are identified, and the appropriate retirements are booked. While Utility Plant in Service was overstated as of November 30, 2019, by the retirement amounts not recorded, the Companies were unable to provide a retirement estimate prior to unitization. The Companies stated, and Blue Ridge recommends, that an adjustment be made to the Rider DCR revenue requirement in a future Rider DCR filing to reflect the retirements when the actual amount is known.[170]

1. Work Order CE-001377-DO-MSTM: Total Distribution Line
   a. Retirement: $0
   b. Cost of Removal: $690,699
   c. Retirements: Unknown
2. Work Order CE-001524-DO-MSTM: Total Distribution Line
   a. Retirement: $0
   b. Cost of Removal: $1,230,514
   c. Retirements: Unknown
3. Work Order 15989044: MEDINA - HARMONY REGULATOR UPGRADE to 43
   a. Retirement: $0
   b. Cost of Removal: $3,499
   c. Retirements: Unknown
4. Work Order OE-003049-DO-MSTM: OE MSTM 6 2/23/19 WIND EVENT
   a. Retirement: $0
   b. Cost of Removal: $1,336,598
   c. Retirements: Unknown
5. Work Order 15604349: Repl #1 69-34kV Xfmr
   a. Retirement: $0
   b. Cost of Removal: $34,194

[169] FirstEnergy's response to Data Request BRC Set-5-INT-033.
[170] FirstEnergy's response to Data Request BRC Set 9-INT-007.

c. Retirements: Unknown

As discussed in the section Work Order Backlog, the Companies have experienced a significant increase in the unitization backlog from the prior 2018 audit. This increase has likely contributed to the retirements not being recorded timely, causing plant in service to be overstated. Blue Ridge's recommendation is discussed in the Work Order Backlog section.

T8D: Was salvage recorded?

Salvage is captured in most instances on an aggregate basis. Scrap is sold from a separate work order to avoid individual scrap transactions and additional paperwork. This procedure is normal for utilities. Salvage is applied to the work order, using cost element 650974 – Sale of Property-Proceeds, and amounts in this cost element settle 100% to GL108 for both blanket and specific work order projects.[171]

T8E: Was cost of removal charged? Is the amount not unreasonable?

For specific work orders, all costs charged to the work order are derived from CWIP/RWIP/Expense based on the current work order estimate in PowerPlan. Charges to the work orders are grouped by charge type (Material, Labor, Equipment, Contractor, and CIAC) and settled to construction work and process, cost of removal, or expense based on the work order estimate. These estimates are either sent by a work management system like CREWS or are manually entered by the work order creator. At completion of the work, an as-built is entered to reflect how the work was completed in the field. Blanket work orders have a settlement rule that does not change and is set based on the type of work.[172]

Blue Ridge found two work orders with negative cost of removal.

1. Work Order 16236067: Ball Park Relo of xfmr & service
   a. Retirement: $0
   b. Cost of Removal: ($11)
2. Work Order 15957365 - PHASE 2 DORR ST. & I-475- ODOT #2
   a. Retirement: $0
   b. Cost of Removal: ($1,186)

The Companies explained that the two work orders listed above were unitized in November 2019 (16236067) and February 2020 (15957365). There were no retirements nor cost of removal included in the work order estimate, and these credit balances will be corrected.[173] The amounts are immaterial to Rider DCR.

T9: Field Verification

T9A: Is the project a candidate for field verification?

[171] FirstEnergy's response to Data Request BRC Set-6-INT-001.
[172] FirstEnergy's response to Data Request BRC Set-6-INT-001.
[173] FirstEnergy's response to Data Request BRC Set-5-INT-033 and BRC Set 9-INT-007.

Field Inspections

Blue Ridge selected nine projects for field verification from the work order sample. The purpose of the field verification was to determine whether the assets have been installed per the work order scope and description and whether they are used and useful in rendering service to the customer. The work order/project selection criteria were assets that can be physically seen and were installed within the scope period of this review. Due to the physical restrictions related to the COVID-19 pandemic, physical inspections were performed virtually. Experienced staff from the Public Utilities Commission of Ohio, with assistance from FirstEnergy representatives, conducted virtual field verifications in April/May. Staff was provided with information for each work order / project and completed a standard questionnaire developed by Blue Ridge for each location. Where possible, the Companies provided photographs of the installed assets. The completed questionnaires and pictures are included as workpapers with this report.

The following projects were field inspected:

1. OECO 15298831 – Akron Main Street Rehabilitation
    a. Project Description: Rebuild multiple manhole and vault tops due to new streetscape in downtown Akron. The project scope is to rebuild S Main St from Cedar (south of ballpark) to north of Mill St from face of building to face of building. Included in the Citys project scope is the construction of a roundabout at the intersection of S Main St & Mill St which is at the corner of the FirstEnergy General Office. Rebuild any crushed or vull duct bank and improve network facilities while the roadway is disturbed and under construction. This project potentially affects 31 manholes and 14 vaults. The City of Akron is executing this project utilizing Design Build which means no detailed design plans for the road sidewalk work exist until after the project is awarded. Specifications and conceptual plans are submitted by OE prior to project award. Construction plans are developed just prior to construction. All estimates are conceptual initially due to Design Build construction technique.
    b. In-Service Date: May 7, 2019[174] (Actual In-Service Date: TBD)[175]
    c. Final Project Costs: $5,571,040
    d. Companies' Comments: Upon further investigation, the Companies determined that this work order had been incorrectly in-serviced on 5/27/2019, as the work Akron Main Street Rehabilitation is still in progress. An adjustment has been made to remove this work order from plant in-service. See BRC Set 13-INT-001 Attachment 1 Confidential for a screenshot from PowerPlan showing that $0 is currently in-service for this work order. The Companies will make an adjustment to the Rider DCR revenue requirement to reflect this adjustment in a subsequent Rider DCR compliance filing.[176]

[174] FirstEnergy's response to Data Request BRC Set 3-INT-001.
[175] FirstEnergy's response to Data Request BRC Set 13-INT-001.
[176] FirstEnergy's response to Data Request BRC Set 13-INT-001.

Comments: Blue Ridge found that the above referenced work order is still in progress and therefore not in-service. The plant is overstated by $5,571,040. Blue Ridge has estimated the impact to the OE DCR revenue requirement calculations to be $(839,247) **[ADJUSTMENT #9]**

2. CECO Work Order 1468108 – Retrofit the spare 14MVA, 36-13kV transformer
    a. Project Description: Retrofit the spare 14MVA, 36-13kv transformer
        1. Remove side mounted bushings and place in spare plant
        2. Install new top mounted bushings, once installed, the transformer
    b. In-Service Date: January 28, 2019
    c. Final Project Costs: $648,342
        i. Additions: -$426
        ii. Replacement: $648,768

    Comments: Staff discussed the project and appears to be as reported. There are before and after pictures of the transformer with the serial number plates. This was a retrofit of a transformer that was transferred to CEI from FE sister company in NJ. The transformer is currently not on line due to it being a spare. The transformer is currently located in the Miles service center yard in Cleveland, Ohio.

3. OECO 13287571 – Boardman-2012 SCADA Installation on Dx
    a. Project Description: Install SCADA Control and telemetering of watts, vars, amps, and volts on (6) distribution exit breakers and (2) transfer breakers. Install transformer telemetering where not already available. The scope also extends to include adaptive relaying where applicable. Now scheduled 1st quarter 2017
    b. In-Service Date: March 15, 2019[177] (Actual In-Service Date: CANCELLED)
    c. Activity Costs: $835,497
    d. Companies' Comment: After further investigation, it was determined that this project was never completed and should have been cancelled. The adjustments to record the project dollars as expense instead of capital will be made in March 2020. The Companies will make an adjustment to the Rider DCR revenue requirement in a future filing.[178]

    Comment: This adjustment was previously discussed in testing step T4D.

4. TECO 15604349 –Repl #1 69-34kV Xfmr
    a. Project Description: Replace the No. 1 autotfmr
    b. In-Service Date: October 31, 2019
    c. Final Project Costs: $1,960,446

    Comments: Cost overruns were mostly associated with additional costs with the below grade portion of the project. The below grade portion incurred additional costs due to

[177] FirstEnergy's response to Data Request BRC Set 3-INT-001.
[178] FirstEnergy's response to Data Request BRC Set 5-INT-014.

unforeseen issues that occurred, which in turn extended the project timeline and additional equipment needed to finish. I.e. Hydrovac, Hydro blade, etc.

5. TECO 15667460 – LUC-475-7.53 PID 99737 – Dorr Street Int
    a. Project Description: Relocate TE facilities due to an ODOT project involving a new interchange at Dorr St. and I-475 and a new roundabout at McCord Rd. and Dorr St.
    b. In-Service Date: October 8, 2019
    c. Final Project Costs: $994,514
6. TECO 15957365 – PHASE 2 DORR St. & I-475-ODOT #2
    a. Project Description: Relocate TE facilities due to an ODOT project involving a new interchange at Dorr St. and I-475 and a new roundabout at McCord Rd. and Dorr St.
    b. In-Service Date: August 22, 2019
    c. Final Project Costs: $861,754
7. TECO 15957370 – PHASE 4 DORR ST. & I-475-ODOT #2
    a. Project Description: Project Description: Relocate TE facilities due to an ODOT project involving a new interchange at Dorr St. and I-475 and a new roundabout at McCord Rd. and Dorr St.
    b. In-Service Date: August 23, 2019
    c. Final Project Costs: $364,760

Comments for 5–7: This large project was divided into four phases, starting at Holland-Sylvania Rd. (east of I-475) and proceeding west along Dorr St. (both sides). Phase 4 (actually the first phase of construction) mainly consisted of overhead construction but did include directional boring at various locations to serve customers on the north side of Dorr St. due to span lengths that exceeded limited tension guidelines and lack of space for proper guying. TE's design was to remove and install new poles (offset) due to the future widening of Dorr St. The distribution design followed main stem feeder tie standards (600A.) and practices which included 336MCM AA 15KV conductor, taller poles, GOABS's (Ganged Operated Air Break Switches) and associated hardware.

Continuing to the west along Dorr St., more poles were removed and new poles installed due to the widening and proposed on and off ramps. A TE easement was needed from a customer along a side lot line west of Joyce Lane to maintain single phase service to customers along the western rear lot line of Joyce Lane. Two concrete manholes were installed on each side of Dorr St. and I-475 to extend the main stem feeder under I-475 which involved a revised facility plan from ODOT's design consultant after TE's distribution layout was approved. 8" dir. bores were installed by TE's contractor to accommodate the large 1000 MCM AA 15KV feeder tie cables. The manhole locations were re-designed by TE engineering due to the changes. The two manholes were installed by TE's contractor and all cable pulling, splices and terminations were performed by TE crews.

Continuing to head west, TE's design included both overhead and underground main stem feeder tie construction and equipment placed to accommodate the future plans for a new roundabout just west of I-475 and proposed adjacent developments on both the north and south sides of Dorr St.

The western portion of this relocation project included both overhead (336MCM) and underground (1000MCM) main stem feeder tie standards (600A.) and 200A. Design standards utilizing both #2 and 3/0 Al. 15KV primary cables (single and three phase). The western phase also included removal and installation of TE facilities to accommodate another roundabout at the intersection of Dorr & McCord Rd. Two-Four position 600A/200A. Sectionalizing switches were installed at the SW quadrant of Dorr & McCord for routing of the main stem 1000 MCM conductors including the routing of 200A. Cables to maintain service to the adjacent customers and transition 600A. Cables to the existing overhead distribution. Multiple 600A. GOABS's were also installed at the riser poles.

As stated during the walk down today, multiple cablevision, fiber, gas, water, sanitary/storm facilities existed within the scope of this project including their proposed new installations.

8. OECO 15521094 – Order new network transformers
   a. Project Description: Rebuild multiple manhole and vault tops due to new streetscape in downtown Akron. The project scope is to rebuild S Main St from Cedar (south of ballpark) to north of Mill St from face of building to face of building. Included in the Citys project scope is the construction of a roundabout at the intersection of S Main St & Mill St which is at the corner of the FirstEnergy General Office. Rebuild any crushed or vull duct bank and improve network facilities while the roadway is disturbed and under construction. This project potentially affects 31 manholes and 14 vaults. The City of Akron is executing this project utilizing Design Build which means no detailed design plans for the road sidewalk work exist until after the project is awarded. Specifications and conceptual plans are submitted by OE prior to project award. Construction plans are developed just prior to construction. All estimates are conceptual initially due to Design Build construction technique.
   b. In-Service date: November 21, 2019
   c. Final Project Costs: $887,836

   Comments: There were some cost savings due to the City of Akron performing concrete work downtown. FE was able to use the City's contractor, Kenmore Construction, for the concrete work on the vaults and able to share and reduce costs. FE did incur some additional costs during the construction due to the scope of the design. The design was done on the fly and there was no way of estimating what the totality of the construction costs, and any nuance that arose during the construction.

9. OECO 16236067—Ball Park Relo of xfmr & service
   a. Project Description: Rebuild multiple manhole and vault tops due to new streetscape in downtown Akron. The project scope is to rebuild S Main St from Cedar (south of ballpark) to north of Mill St from face of building to face of building. Included in the Citys project scope is the construction of a roundabout at the intersection of S Main St & Mill St which is at the corner of the FirstEnergy General Office. Rebuild any crushed or vull duct bank and improve network facilities while the roadway is disturbed and under construction. This project potentially affects 31 manholes and 14 vaults. The City of Akron is executing this project utilizing Design Build which means no detailed design plans for the road sidewalk work exist until after the project is awarded. Specifications and conceptual plans are submitted by OE prior to project

award. Construction plans are developed just prior to construction. All estimates are conceptual initially due to Design Build construction technique.

b. In-Service date: October 15, 2019
c. Final Project Costs: $92,255

Comments: There were some cost savings due to the City of Akron performing concrete work downtown. FE was able to use the City's contractor, Kenmore Construction, for the concrete work on the vaults and able to share and reduce costs. FE did incur some additional costs during the construction due to the scope of the design. The design was done on the fly and there was no way of estimating what the totality of the construction costs, and any nuance that arose during the construction.

Of the nine projects selected for field verification, seven were confirmed that the assets were installed and used and useful. The remaining two work orders should not have been included in the DCR and adjustments have been recommended within this section and Detailed Transactional Testing T5A.

Work Order Backlog

Blue Ridge found that the Companies have experienced a significant increase in the unitization backlog from the prior 2018 audit. First Energy explained that the primary reason for the increase in the unitization backlog is internal resources being committed to other regulatory projects during 2019. The Companies continue to focus on ensuring the accuracy of the work orders included in Rider DCR and do not expect the current backlog to have a material impact on the accumulated reserve for depreciation.[179] While most of the work orders are Distribution (76%) and individually would not be material to the accumulated reserve for deprecation, on an aggregate basis, the work orders in the backlog total over $32 million, which is significant. Blue Ridge was unable to quantify the potential impact on the accumulated reserve for depreciation.

Table 30: Backlog over 15 Months of Work Order Unitization[180]

Description	Unitization Backlog	Unitization Backlog $
as of 12/31/13	1,346	
as of 11/30/14	4,156	
as of 11/30/15	983	$3,959,518
as of 12/31/16	4,032	$62,191,009
as of 12/31/17	3,039	$39,928,597
as of 12/31/18	1,403	$14,122,115
as of 12/31/19	3,308	$42,355,007

In addition, the increased backlog could create problems with recording the replacement of assets that are still in the backlog and have not been unitized. Retirements and Cost of Removal are not recorded for manually unitized work orders until the work order is unitized. Therefore, the

[179] FirstEnergy's response to Data Request BRC Set-4-INT-003.
[180] FirstEnergy's response to Data Request BRC Set-1-INT-029 and 030 - Confidential.

longer the backlog, the more the delay. Blue Ridge found that the delayed unitization resulted in retirements not being appropriately reflected in the Rider DCR.

Blue Ridge recommends that the Companies make a concerted effort to reduce the volume of backlog work orders both in quantity and dollar value.

Insurance Recoveries

Insurance recoveries can reduce gross plant and should be taken into consideration in the calculation of the DCR. FirstEnergy stated that there were no insurance recoveries charged to capital for the Companies from December 1, 2018, through November 30, 2019.[181] There are also no insurance recoveries pending for the Companies.[182]

Conclusion—Gross Plant in Service

Blue Ridge's review of gross plant through transactional testing and field inspection of the work order sample had several findings that impact the gross plant included in the Rider DCR. The impacts of these findings are discussed in the Overall Impact of Findings on Rider DCR Revenue Requirements subsection of this report.

ACCUMULATED RESERVE FOR DEPRECIATION

I. Determine if the Companies' recovery of the incremental change in Accumulated Reserve for Depreciation are not unreasonable based upon the facts and circumstances known to the Companies at the time such expenditures were committed

The Rider DCR Compliance Filings include the following accumulated reserve for depreciation ("reserve") incremental change from the prior audit for each company.

Table 31: Incremental Change in Reserve for Depreciation from 11/30/18 to 11/30/19[183]

Company	11/30/2018	11/30/2019	Incremental
The Cleveland Electric Illuminating Company	$ (1,392,028,303)	$ (1,459,339,899)	$ (67,311,596)
Ohio Edison Company	(1,450,186,133)	(1,522,980,899)	(72,794,766)
The Toledo Edison Company	(633,339,860)	(664,513,182)	(31,173,322)
Total	**$ (3,475,554,296)**	**$ (3,646,833,980)**	**$ (171,279,684)**

The Actual and Estimated Schedules B-3 support the incremental change to the reserve, which provide the reserve for accumulated depreciation balances by FERC account for distribution, subtransmission, general, and intangible plant and for allocated Service Company general and intangible plant. A separate schedule supports the intangible gross plant balances.

[181] FirstEnergy's response to Data Request BRC Set 2-INT-017.
[182] FirstEnergy's response to Data Request BRC Set 2-INT-018.
[183] WP V&V FE DCR Compliance Filing 1.2.2020—Confidential.

Mathematical Verification

Blue Ridge performed mathematical checks on calculations included in the actual and estimated schedules that supported the reserve and checked whether the reserve rolled forward to the revenue requirement calculation correctly. No exceptions were noted.[184]

Source Data Validation

Blue Ridge traced the values used for the actual November 30, 2019, and estimated February 29, 2020, reserve balances to the source documentation. The actual and estimated balances reconciled to the supporting documents.

Impact of Change in Pension Accounting

Similar to the Gross Plant schedules, the reserve balances were adjusted to remove the cumulative pre-2007 impact of a change in pension accounting.

Additional Validation Testing

In addition to reconciling the reserve to supporting documentation, Blue Ridge performed additional analysis to validate the reserve balances. Assets are placed in service primarily as (1) an addition of new assets (for example, a new residential sub-division) or (2) a replacement of existing assets. When assets are replaced, the existing assets are retired. Gross plant in service and the depreciation reserve is reduced to reflect that the assets are no longer in service on the books of the Companies. When assets are replaced, the Companies incur cost of removal and, in some cases, receive salvage for the old assets. Thus, the reserve has three components: (1) accumulated depreciation, (2) cost of removal, and (3) salvage. Cost of removal represents the cost of dismantling, demolishing, tearing down, or otherwise removing retired utility plant. Salvage represents the amount received for property retired.

The retirement of assets does not affect net plant in service since the original cost retired reduces gross plant in service and also reduces the reserve. However, the recording of cost of removal decreases the reserve and, therefore, increases net plant in service. Salvage increases the reserve and, therefore, decreases net plant in service.

Of the 54 sampled work orders Blue Ridge obtained as part of the validation testing, 11 work orders were for replacement work, including blanket and project work orders. The Companies provided the cost of the new assets, retirement data, cost of removal, and, if appropriate, salvage for each work order from the PowerPlan Asset Accounting system. Salvage is captured in most instances on an aggregate basis. Scrap is sold from a separate work order to avoid individual scrap transactions and additional paperwork. This procedure is normal for utilities.

Conclusion—Accumulated Reserve for Depreciation

As discussed in testing steps T1 through T9 above, Blue Ridge found adjustments that should be made to the reserve balances to ensure that net plant is appropriately reflected in the DCR. The specific adjustments are also discussed, as necessary, in the Exclusions and Gross Plant in Service

[184] WP V&V FE DCR Compliance Filing 1.2.2020—Confidential.

subsections. The impacts of these findings are discussed in the Overall Impact of Findings on Rider DCR Revenue Requirements subsection of this report.

ACCUMULATED DEFERRED INCOME TAXES

J. Determine if the Companies' recovery of the incremental accumulated deferred income taxes (ADIT) are not unreasonable based upon the facts and circumstances known to the Companies at the time such expenditures were committed

The Rider DCR Compliance Filings include the following accumulated deferred income taxes (ADIT) incremental change from the prior audits for each company.

Table 32: Incremental Change in ADIT from 11/30/18 to 11/30/19[185]

Company	11/30/2018	11/30/2019	Incremental
The Cleveland Electric Illuminating Company	$ (246,517,542)	$ (443,087,058)	$ (196,569,516)
Ohio Edison Company	(307,470,479)	(524,038,117)	(216,567,638)
The Toledo Edison Company	(77,183,499)	(137,423,190)	(60,239,691)
Total	**$ (631,171,519)**	**$ (1,104,548,365)**	**$ (473,376,845)**

The significant change from the prior year is supported by traditional ADIT activity as well as the inclusion of normalized and non-normalized property excess deferred income tax (EDIT) balances beginning with the Companies' October 1, 2019, Rider DCR Compliance Filing. Pursuant to the July 17, 2019, Opinion and Order in Case No. 18-1604-EL-UNC, the Companies reflected the (1) normalized property EDIT balance as December 31, 2017, and (2) unamortized non-normalized property EDIT balance as of November 31, 2019, in the instant filing. The EDIT balances combined total $463,711,196.

The standard ADIT schedules include the FERC 281 and 282 Property Accounts. The Companies' ADIT includes the allocation portion of the ADIT attributed to the Service Company.

Requirement to Reflect ADIT in Rider DCR

The Opinion and Order and Combined Stipulation from Case No. 10-388-EL-SSO provide the requirement to reflect the inclusion of Accumulated Deferred Income Taxes (ADIT) within Rider DCR. Section B.2 of the Combined Stipulation specifically states the following:

> The net capital additions included for recognition under Rider DCR will reflect gross plant in service not approved in the Companies' last distribution rate case less growth in accumulated depreciation reserve and accumulated deferred income taxes associated with plant in service since the Companies' last distribution rate case.[186] [Emphasis added]

[185] WP V&V FE DCR Compliance Filing 1.2.2020—Confidential.
[186] Case No. 10-0388-EL-SSO Stipulation and Recommendation, March 23, 2010, page 14.

During the 2011 audit, Staff further clarified that the treatment of ADIT in the Rider DCR was intended to be the same methodology approved in the last distribution rate case.[187]

Mathematical Verification

Blue Ridge performed mathematical checks on the calculations included on the actual and estimated Companies' and Service Company's ADIT Schedules and verified that ADIT rolled forward to the revenue requirement calculation correctly. No exceptions were noted.[188]

Source Data Validation

The book-tax differences supporting the Companies' and Service Company's ADIT balances (not including EDIT) reconciled to the values reflected in the revenue requirement calculation.

The Companies provided a list of the items included in ADIT for each distribution company and the Service Company.[189] Blue Ridge found the majority of dollars included in ADIT are temporary differences associated with (1) the differences between book and tax depreciation, (2) Section 263A overheads and indirect costs that are required to be expensed for book purposes but capitalized for tax purposes, and (3) repairs that, for book purposes, are capitalized and depreciated over the life of the asset and, for tax purposes, are allowed to be deducted as repairs. The Companies excluded deferred taxes in CWIP, ADIT associated with future use and non-utility property, ATSI land leases, capital lease vehicles, and Smart Meters/Grid/Software. The Companies also exclude the ADIT associated with Pension Restatement (cumulative 2006). In prior audits, the Companies provided explanations for the items that were not clearly identified as being related to plant in service or were not readily apparent that they should be included in the DCR.[190] Similar items were included in this year's filings. Blue Ridge found that the Companies' explanations regarding how each of the items was related to plant in service or should otherwise be included in the DCR to be not unreasonable.

With respect to the normalized and non-normalized property related EDIT balances included in total ADIT, the reflected values did not tie as expected to the approved Stipulation in Case No. 18-1604-EL-UNC. To reconcile to the total property related EDIT balances agreed to in the Stipulation, Blue Ridge recommends the following adjustments which increase the ADIT offset in rate base by $25,445,915 as of November 30, 2019, and $24,933,880 as of February 29, 2020. See the Tax Cuts and Jobs Act Effects subsection for a detailed discussion [**ADJUSTMENT #14**].

---

[187] Blue Ridge's Compliance Audit of the 2011 Delivery Capital Recovery (DCR) Rider, submitted April 12, 2012, page 52.
[188] WP V&V FE DCR Compliance Filing 1.2.2020—Confidential.
[189] FirstEnergy's response to Data Request BRC Set-1-INT-001, Attachment 010—Confidential.
[190] FirstEnergy's response to 2018 Data Requests BRC Set-8-INT-002, BRC Set 13-INT-005—Confidential, BRC Set-8-INT-003—Confidential, BRC Set-13-INT-006—Confidential, and BRC Set-8-INT-004—Confidential.

Table 33: Recommended Adjustments to Total ADIT in Rider DCR

Description	CEI	OE	TE	Total
Normalized Property EDIT - Actual and Estimated	$ 138,603,679	$ 148,975,974	$ 42,541,350	$ 330,121,003
Normalized Property EDIT - BRC-Rcmd.	$ 143,769,758	$ 152,187,557	$ 42,970,005	$ 338,927,321
Difference	$ 5,166,079	$ 3,211,583	$ 428,656	$ 8,806,318
Non-Normalized Property EDIT - Actual	$ 52,628,630	$ 64,337,395	$ 16,624,169	$ 133,590,194
Normalized Property EDIT - BRC-Rcmd.	$ 55,930,340	$ 76,291,767	$ 18,007,683	$ 150,229,790
Difference	$ 3,301,710	$ 11,954,373	$ 1,383,514	$ 16,639,597
Non-Normalized Property EDIT - Estimated	$ 51,001,356	$ 62,344,605	$ 16,109,986	$ 129,455,946
Normalized Property EDIT - BRC-Rcmd.	$ 54,200,536	$ 73,932,228	$ 17,450,745	$ 145,583,508
Difference	$ 3,199,180	$ 11,587,623	$ 1,340,759	$ 16,127,562
Adjustment to Total ADIT - Actual 11/30/19	$ 8,467,789	$ 15,165,956	$ 1,812,170	$ 25,445,915
Adjustment to Total ADIT - Estimated 02/29/20	$ 8,365,259	$ 14,799,206	$ 1,769,415	$ 24,933,880

Conclusion—Accumulated Deferred Income Taxes

Blue Ridge found that the ADIT balances did not appropriately reflect the EDIT balances resulting from the Tax Cuts and Jobs Act of 2017, as ordered in Case No. 18-1604-EL-UNC. The standard ADIT items resulting from typical book tax differences were consistent with prior filings, were related to plant in service, and are not unreasonable. The Tax Cuts and Jobs Act Effects subsection of this report discusses the Companies' treatment of excess accumulated deferred income taxes (EDIT) arising from the Tax Cuts and Jobs Acts (TCJA) in further detail.

Depreciation Expense

K. Determine if the Companies' recovery of the incremental depreciation expense are not unreasonable based upon the facts and circumstances known to the Companies at the time such expenditures were committed

The Rider DCR Compliance Filings include incremental depreciation expense for each company from the prior audit as shown in the following table.

Table 34: Incremental Change in Depreciation Expense from 11/30/18 to 11/30/19[191]

Company	11/30/2018	11/30/2019	Incremental
The Cleveland Electric Illuminating Company	$ 102,103,616	$ 105,851,498	$ 3,747,881
Ohio Edison Company	106,951,437	111,354,161	4,402,723
The Toledo Edison Company	39,729,937	41,096,571	1,366,635
Total	**$ 248,784,991**	**$ 258,302,230**	**$ 9,517,239**

Schedule B-3.2 for each operating company provides the calculated depreciation expense based on the plant investment. The depreciation (usually referred to as amortization) calculations

[191] WP V&V FE DCR Compliance Filing 1.2.2020—Confidential.

associated with Other Plant FERC 303 accounts were performed on Schedule Intangible Depreciation Expense Calculation.

Mathematical Verification

The Companies stated the methodology to calculate depreciation expense for OE, CEI, and TE was approved in Case No. 07-551-EL-AIR and must continue to be used in Rider DCR in order to properly calculate incremental depreciation expense. For the Service Company, the Companies did not have an approved methodology for calculating depreciation expense. The Companies created the Service Company depreciation expense schedules for Rider [DCR] based on net plant in service, which has consistently been used in all Rider DCR filings since inception.[192]

Blue Ridge verified the mathematical accuracy of the depreciation expense calculations and found them to be consistent, with the exception of FERC account 390.3–Leasehold Improvements. CEI and OE stopped depreciating account 390.3 on an actual basis in recognition that the leasehold improvements had been fully amortized. However, the Companies continued to accrue depreciation in account 390.3 on an estimated basis. The Companies explained the depreciation expense calculation for the estimated 390.3 account was incorrect. However, no adjustment is necessary since the estimated expense was corrected through the normal reconciliation process in the Companies' April 2, 2020, Rider DCR Compliance Filing.[193] Blue Ridge recommends that the Companies rectify the inconsistent formula between actual and estimated calculation by the next filing date.

The Rider DCR uses gross plant-in-service balances consistent with the last distribution rate case to develop the depreciation expense component of the revenue requirements. Any revisions to gross plant should be flowed through the Rider DCR model to ensure that the appropriate amount of depreciation expense is included within the DCR.

The plant balances used to calculate the depreciation were linked to the plant schedules and no exceptions were noted. The calculated depreciation expense on Schedule B-3.2 and the Intangible Depreciation Schedule rolled forward to the revenue calculation correctly.[194]

Source Data Validation

The depreciation accrual rates used were from the approved depreciation study as part of Case No. 07-551-EL-AIR. The PUCO Staff presented the results of its study in its Staff Report issued on December 4, 2007. The PUCO Order in Case No. 07-551-EL-AIR was issued on January 21, 2009, and directed the Companies to use the accrual rates proposed by the Staff.[195]

Blue Ridge compared the depreciation accrual rates used in the Rider DCR sub-transmission, distribution, and general plant depreciation calculations to the rates within Staff's Reports.[196] The accrual rates used by CE were not unreasonable.

---

[192] FirstEnergy's response to 2017 Data Request BRC Set 11-INT-012.
[193] FirstEnergy's response to Data Request BRC Set 10-INT-001.
[194] WP V&V FE DCR Compliance Filing 1.2.2020—Confidential.
[195] FirstEnergy's response to 2018 Data Request BRC Set 1-INT-022.
[196] WP V&V FE DCR Compliance Filing 1.2.2020—Confidential.

Conclusion—Depreciation Expense

Blue Ridge found that the calculation of depreciation expense was consistent with the methodology used in the last distribution rate case and that stopping depreciation of FERC account 390.3 CEI and OE Actual is appropriate. The Rider DCR uses gross plant-in-service balances consistent with the last distribution rate case to develop the depreciation expense component of the revenue requirements. Any revisions to gross plant should be flowed through the Rider DCR model to ensure that the appropriate amount of depreciation expense is included within the DCR.

The depreciation accrual rates used in the Rider DCR are based upon balances as of May 31, 2007. The Companies updated the depreciation study using plant as of December 31, 2013, and provided the updated study to the Commission Staff on June 1, 2015.[197] Since the last depreciation study was based on balances from seven years ago, Blue Ridge had recommended in the Year 2018 DCR audit that the Companies perform a deprecation study. In stipulated in Case No. 16-381-EL-UNC, FirstEnergy has agreed to perform a Depreciation Study by June 30, 2023. The Commission has approved the Stipulation in that case.

PROPERTY TAX EXPENSE

L.	Determine if the Companies' recovery of incremental property taxes are not unreasonable based upon the facts and circumstances known to the Companies at the time such expenditures were committed

The Rider DCR Compliance Filings include the following incremental property tax expense for each company from the prior audit.

Table 35: Incremental Change in Property Tax Expense from 11/30/18 to 11/30/19[198]

Company	11/30/2018	11/30/2019	Incremental
The Cleveland Electric Illuminating Company	$ 112,908,431	$ 113,625,090	$ 716,659
Ohio Edison Company	94,527,764	95,504,386	976,621
The Toledo Edison Company	31,477,071	33,797,539	2,320,468
Total	**$ 238,913,267**	**$ 242,927,015**	**$ 4,013,748**

The Actual and Estimated Schedules C-3.10 support the incremental calculation of personal and real property taxes based upon the gross plant for the three operating companies. A separate schedule supports the property tax associated with the Service Company plant in service.

Mathematical Verification

Blue Ridge performed mathematical checks on the calculations and validated that the calculated property taxes rolled forward to the revenue requirement calculation performed correctly. No exceptions were noted.[199]

---

[197] FirstEnergy's response to 2015 Data Request BRC Set 1-INT-012—Confidential.
[198] WP V&V FE DCR Compliance Filing 1.2.2020—Confidential.
[199] WP V&V FE DCR Compliance Filing 1.2.2020—Confidential.

Source Data Validation

Blue Ridge found the workpapers were well organized and fully sourced. Property tax rates were calculated using the most recent (2019) Ohio Annual Property Tax Return filings and the State of Ohio Assessment. 2019 property tax records.[200] The actual property tax rates were applied to the estimated plant balances to determine the estimated property taxes. The change in property tax rates from 2018 to 2019 were not unreasonable as shown in the following table.

Table 36: Property Tax Rates 2018 and 2019

Description	CE	OE	TE
2018 Property Tax Rates	1.76%	0.93%	1.27%
2019 Property Tax Rates	1.78%	0.93%	1.16%
Difference 2019-2018	0.02%	0.00%	-0.11%
% change	1.14%	0.11%	-8.67%

Conclusion—Property Tax Expense

Blue Ridge found that the calculation of property tax is not unreasonable. As the Rider DCR uses plant-in-service balances to develop the property tax component of the revenue requirements, any revisions to gross plant should be flowed through the Rider DCR model to ensure the appropriate amount of property tax is included within the DCR.

Service Company

M. Determine if the Companies' recovery of allocated Service Company plant in service, accumulated reserve, ADIT, depreciation expense, and property tax expense are not unreasonable based upon the facts and circumstances known to the Companies at the time such expenditures were committed

The Rider DCR Compliance Filings include the following Service Company incremental plant in service, accumulated reserve, ADIT, depreciation expense, and property tax expense for each company.

[200] FirstEnergy's response to Data Request BRC Set 1-INT-1, Attachment 12-Confidential.

Table 37: Change in Service Company Rate Base and Expense from 11/30/18 to 11/30/19[201]

Description	CEI	OE	TE	Total
Actual 11/30/19				
Gross Plant	113,835,242	137,948,125	60,722,810	312,506,177
Reserve	65,969,842	79,943,749	35,190,106	181,103,697
ADIT	(5,157,535)	(6,250,017)	(2,751,169)	(14,158,721)
Rate Base	**53,022,934**	**64,254,393**	**28,283,873**	**145,561,200**
Depreciation Expense	4,338,374	5,257,340	2,314,207	11,909,921
Property Tax Expense	60,587	73,420	32,319	166,326
Total Expenses	**4,398,961**	**5,330,760**	**2,346,525**	**12,076,246**
Actual 11/30/18				
Gross Plant	105,485,068	127,829,195	56,268,600	289,582,863
Reserve	59,438,781	72,029,262	31,706,260	163,174,303
ADIT	(286,552)	(347,251)	(152,855)	(786,658)
Rate Base	**46,332,839**	**56,147,184**	**24,715,195**	**127,195,218**
Depreciation Expense	4,224,088	5,118,845	2,253,243	11,596,177
Property Tax Expense	59,056	71,566	31,502	162,125
Total Expenses	**4,283,144**	**5,190,411**	**2,284,746**	**11,758,301**
Incremental				
Gross Plant	8,350,174	10,118,930	4,454,210	22,923,314
Reserve	6,531,061	7,914,488	3,483,845	17,929,394
ADIT	(4,870,982)	(5,902,766)	(2,598,314)	(13,372,063)
Rate Base	**6,690,095**	**8,107,209**	**3,568,678**	**18,365,982**
Depreciation Expense	114,286	138,495	60,963	313,744
Property Tax Expense	1,530	1,854	816	4,201
Total Expenses	**115,816**	**140,349**	**61,780**	**317,945**

The Compliance Filings include actual November 30, 2019, and estimated February 29, 2020, schedules that present Service Company general and intangible gross plant, reserve, ADIT, and incremental depreciation and property tax expense that are then allocated to the Companies based upon the allocation factors agreed to within the Combined Stipulation.

Authority to Include Service Company Costs and Support for Allocation Factors

The Opinion and Order and Combined Stipulation from Case No. 10-388-EL-SSO (reaffirmed in Case Nos. 12-1230-EL-SSO[202] and 14-1297-EL-SSO[203]) provide the authority for the Service Company

[201] WP V&V FE DCR Compliance Filing 1.2.2020—Confidential.
[202] Case No. 12-1230-EL-SSO Commission Opinion and Order, July 18, 2012, pages 10-11.
[203] Case No. 14-1297-EL-SSO Commission Opinion and Order, March 31, 2016, page 119.

allocation factors used within Rider DCR. Section B.2 of the Combined Stipulation specifically states the following:

> The expenditures reflected in the filing shall be broken down by the Plant in Service Account Numbers associated with Account Titles for subtransmission, distribution, general and intangible plant, including allocated general plant from FirstEnergy Service Company that supports the Companies based on allocations used in the Companies' last distribution rate case.[204] (Emphasis added.)

The following allocation factors were used in Case No. 07-551-EL-AIR[205] and were appropriately used in accordance with the Combined Stipulation to allocate Service Company costs in Rider DCR:

Table 38: Service Company Allocation Factors

	CEI	OE	TE	Total
Allocation Factors	14.21%	17.22%	7.58%	39.01%

Mathematical Verification

Blue Ridge performed mathematical checks on the calculations included within the Service Company schedules and verified that allocated items rolled forward to the operating companies' schedules correctly as incremental changes from the values used in the last distribution rate case.[206]

Source Data Validation

The Actual November 30, 2019, and Estimated February 29, 2020, general and intangible gross plant balances, reserve, and ADIT were reconciled to their source documentation.[207]

The Service Company depreciation accrual rates and the property tax rates are based upon the weighted average of the Companies' rates using the authorized allocation factors. The approach is not unreasonable.

Additional Validation Testing

As discussed in the Gross Plant subsection of this report, Blue Ridge performed additional validation testing using selected sample work orders. Service Company work orders were included within the performed testing.

Conclusion—Service Company

Blue Ridge found nothing that would indicate that Service Company costs included within Rider DCR are unreasonable.

---

[204] Case No. 10-0388-EL-SSO Stipulation and Recommendation, March 23, 2010, page 13.
[205] WP FE response to 2011 Audit Data Request BRC-10-10 and 10-11.
[206] WP V&V FE DCR Compliance Filing 01.2.2020—Confidential.
[207] WP V&V FE DCR Compliance Filing 01.2.2020—Confidential.

Commercial Activity Tax and Income Taxes

N. Determine if the Companies' recovery of Commercial Activity Tax (CAT) associated with the revenue requirement are not unreasonable based upon the facts and circumstances known to the Companies at the time such expenditures were committed
O. Determine if the Companies' recovery of associated income taxes associated with the revenue requirement are not unreasonable based upon the facts and circumstances known to the Companies at the time such expenditures were committed
P. Determine if the Companies' implementation of the Tax Cuts and Jobs Act of 2017, is consistent with what was approved by the Commission on July 17, 2019, in Case No. 18-1656-EL-ATA

The Rider DCR Compliance Filings include the following incremental commercial activity tax (CAT) for each company. The CAT is calculated based on the statutory 0.26 percent.

Table 39: Incremental Change in CAT from 11/30/18 to 11/30/19[208]

Company	11/30/2018	11/30/2019	Incremental
The Cleveland Electric Illuminating Company	$ 399,040	$ 369,231	$ (29,809)
Ohio Edison Company	408,510	385,594	(22,917)
The Toledo Edison Company	101,638	98,642	(2,996)
Total	**$ 909,189**	**$ 853,467**	**$ (55,722)**

The Rider DCR Compliance Filings include the following incremental income tax expense for each company.

Table 40: Incremental Change in Income Tax from 11/30/18 to 11/30/19[209]

Company	11/30/2018	11/30/2019	Incremental
The Cleveland Electric Illuminating Company	$ 9,470,320	$ 7,078,426	$ (2,391,894)
Ohio Edison Company	10,990,575	8,933,745	(2,056,830)
The Toledo Edison Company	1,844,768	1,125,713	(719,054)
Total	**$ 22,305,663**	**$ 17,137,884**	**$ (5,167,779)**

Rider DCR Actual and Estimated Summary Schedules include the calculation for the commercial activity tax and income taxes.

Authority to Include Commercial Activity Tax and Income Tax in Rider DCR

The Opinion and Order and Combined Stipulation from Case No. 10-388-EL-SSO (reaffirmed in Case Nos. 12-1230-EL-SSO[210] and 14-1297-EL-SSO[211]) provide the authority for the recovery of income taxes and commercial activity tax within Rider DCR. Section B.2 of the Combined Stipulation specifically states the following:

[208] WP V&V FE DCR Compliance Filing 1.2.2020—Confidential.
[209] WP V&V FE DCR Compliance Filing 1.2.2020—Confidential.
[210] Case No. 12-1230-EL-SSO Commission Opinion and Order, July 18, 2012, pages 10-11.
[211] Case No. 12-1230-EL-SSO Commission Opinion and Order, July 18, 2012, pages 10-11, and Case No. 14-1297-SSO Commission Opinion and Order, March 31, 2016.

> Effective January 1, 2012, a new rider, hereinafter referred to as Rider DCR ("Delivery Capital Recovery"), will be established to provide the Companies with the opportunity to recover property taxes, Commercial Activity Tax and associated income taxes[212] (emphasis added).

Mathematical Verification

Blue Ridge performed mathematical checks on the calculation of the commercial activity tax and income tax expense included in the Summary Schedules of the Compliance Filings.[213] No exceptions were noted.

Source Data Validation

FirstEnergy appropriately applied the Commercial Activity Tax (CAT) rate of 0.26% to gross receipts calculated within the Compliance Filings.

The following table shows the composite income tax rates used in the Companies' filings. The composite tax rates should reflect the effective tax rate for federal income tax and the Ohio and municipalities' tax rates as of December 31, 2019. Blue Ridge validated that the 2019 rates reflected in the revenue requirement matched the rates in the Companies' tax provision system.[214] While the 2019 rates were accurately applied to the actual November 30, 2019, period, there were discrepancies related to the estimated February 29, 2020, period. The Companies explained that while the tax rates should be applied consistently throughout, no adjustment is necessary because the estimated results were corrected through the normal reconciliation process in the Companies' April 2, 2020, Rider DCR compliance filing. The data input error had no impact on the ADIT.[215] The 2019 composite income tax rates are not unreasonable. The rates were applied to equity return component of the DCR revenue requirement for the actual measurement period.

Table 41: Effective Income Tax Rates Reflected in Companies' Filings for 2019 and 2020[216]

Description	CEI	OE	TE
2019 Effective Income Tax Rates			
Local Effective Tax Rate	1.97%	1.56%	1.72%
Federal Income Tax Rate	21%	21%	21%
2019 Effective Income Tax Rate	22.56%	22.24%	22.36%
2020 Effective Income Tax Rates			
Local Effective Tax Rate	1.98%	1.48%	1.72%
Federal Income Tax Rate	21%	21%	21%
2020 Effective Income Tax Rate	22.57%	22.17%	22.36%
Difference	*-0.01%*	*0.07%*	*0.00%*

212 Case No. 10-0388-EL-SSO Stipulation and Recommendation, March 23, 2010, page 13.
213 WP V&V FE DCR Compliance Filing 1.2.2019—Confidential.
214 FirstEnergy's response to Data Request BRC Set 5-INT-001—Confidential.
215 FirstEnergy's response to Data Request BRC Set 10-INT-002—Confidential.
216 FirstEnergy's response to 2018 Data Request BRC Set 1-INT-031, Attachment 1-Confidential.

Conclusion—Commercial Activity Tax and Income Taxes

Blue Ridge found that the commercial activity tax and income tax expense were calculated consistently with prior filings and are not unreasonable. Any adjustments discussed in other subsections of this report will impact the final commercial activity tax and income tax included within the Rider DCR.

TAX CUTS AND JOBS ACT EFFECT

In the 2017 DCR Report, Blue Ridge expressed concerns regarding the Companies' treatment of excess accumulated deferred income taxes (EDIT) arising from the Tax Cuts and Jobs Acts (TCJA). Blue Ridge recommended (1) that the amount by which the ADIT balance is revalued is also the amount by which the Companies' must set up a regulatory liability to refund the excess deferred taxes to ratepayers because the tax future obligation to the federal government decreased by 40% and (2) that the Companies apply the average rate assumption method (ARAM) consistent with normalization requirements to update the regulatory liability to address the timing differences for the property reversal.

On November 9, 2018, the Companies filed a Stipulation and Recommendation in Case No. 18-1604-EL-UNC ("Stipulation") which resolved the question about the treatment of the excess deferred income tax balances resulting from the TCJA that was raised by Blue Ridge in the above recommendation. The Companies implemented the Stipulation beginning with the October 1, 2019, Rider DCR Compliance Filing pursuant to an Opinion and Order dated July 17, 2019.[217]

Under the Stipulation, Rider DCR rate base will reflect the gross *normalized* property EDIT balance as of December 31, 2017, and the net *non-normalized* property EDIT balance as of the measurement period.

1) Normalized Property: Amortization of the normalized property EDIT balance in accordance with ARAM and the related cumulative reserve will be accounted for in a new credit mechanism. The cumulative reserve in the credit mechanism will accrue a return in the same manner as Rider DCR to make the Companies whole for the gross normalized property EDIT in Rider DCR rate base.[218]

2) Non-Normalized Property: Amortization of the non-normalized property EDIT balance over 10 years will flow back to customers via the new credit mechanism, while both the gross balance and cumulative reserve will be accounted for in Rider DCR.[219]

The actual amount of the EDIT flowing back to customers will reflect the "final, audited balances" as of December 31, 2017.[220] The treatment of the EDIT balances will commence effective January 1, 2018, and will continue until the balances have been fully amortized.[221]

[217] FirstEnergy's response to Data Request BRC Set 5-INT-005—Confidential.
[218] Case No. 18-1604-EL-UNC Stipulation and Recommendation, November 9, 2018, TCJA Resolution(a).
[219] Case No. 18-1604-EL-UNC Stipulation and Recommendation, November 9, 2018, TCJA Resolution (b).
[220] Case No. 18-1604-EL-UNC Stipulation and Recommendation, November 9, 2018, TCJA Resolution (c).
[221] Case No. 18-1604-EL-UNC Stipulation and Recommendation, November 9, 2018, TCJA Resolution (d).

Source Data Validation

During the prior year investigation of the 2018 DCR Compliance Filing, Blue Ridge issued data requests to ascertain the value of EDIT liability owed to customers. The language was very specific in identifying the "final, audited balances" as quoted below.[222]

> Data Request:
>
> Reference the Stipulation and Recommendation filed on November 9, 2018, in Case No. 18-1604-EL-UNC at page 9. a.
>
> EDIT Amount. The actual amount of EDIT flowing back to customers will reflect the final, audited balances, including a federal and state tax gross up, as of December 31, 2017.
>
> 1. Please provide "the final, audited balances" owed to customers, before and after federal and state tax gross up, as of December 31, 2017.
>
> …
>
> Response:
>
> 1. See BRC Set 6-INT-002 Attachment 1 Confidential
>
> …

The following table summarizes the information provided in the Companies' response to 2018 BRC Set 6-INT-002 Attachment 1.

[222] FirstEnergy's response to 2018 Data Request BRC Set 6-INT-003.

Table 42: Final, Audited EDIT Balances as of December 31, 2017–CONFIDENTIAL[223]

Description	CEI	OE	TE	Total
After-Tax				
Normalized Property	$ (173,640,455)	$ (157,240,782)	$ (42,962,870)	$ (373,844,107)
Non-Normalized Property	(39,321,477)	(89,328,343)	(22,284,682)	(150,934,501)
Non-Property	13,955,944	48,702,820	10,195,533	72,854,297
Total	$ (199,005,987)	$ (197,866,305)	$ (55,052,019)	$ (451,924,311)
Avg. Tax Rate				
Normalized Property	22.9%	22.5%	21.6%	
Non-Normalized Property	19.8%	23.1%	23.5%	
Non-Property	22.4%	22.1%	21.9%	
Pre-Tax				
Normalized Property	$ (225,096,763)	$ (202,870,343)	$ (54,795,596)	$ (482,762,701)
Non-Normalized Property	(49,050,345)	(116,207,017)	(29,136,313)	(194,393,675)
Non-Property	17,987,082	62,482,883	13,046,373	93,516,338
Total	$ (256,160,025)	$ (256,594,476)	$ (70,885,536)	$ (583,640,038)

The "final, audited balances" provided in the response matched those presented in Appendix A of the Stipulation filed on November 9, 2018, as well as the Supplemental Stipulation filed on January 25, 2019.

As part of the current year investigation of the 2019 DCR Compliance Filing, Blue Ridge compared the property-related EDIT values to the balances in the Stipulation agreed to by the Parties and approved by the Commission. They did not tie out as expected. In response to data requests, the Companies presented various adjustments, some of which on net reduce the total liability owed to customers. The Companies' revisions also reflected reclasses between EDIT categories that should have a net-zero impact on the total liability subject to refund, albeit they do impact the period over which the amortizing credits flow back to customers through the new credit mechanism.

The table below presents the Companies' adjustments, which include true-ups to the actual 2017 federal and state tax returns, exclusion of AFUDC equity, which the Companies represented has no associated EDIT, and reconciling differences between the tax provision calculation and PowerTax, a module within the Companies' plant accounting system.

[223] FirstEnergy's response to 2018 Data Request BRC Set 6-INT-002, Attachment 1-Confidential.

Table 43: Companies' Adjustments to Property EDIT Balances as of December 31, 2017[224]

Description	CEI	OE	TE	Total
Normalized Property EDIT - 12/31/17 Stipulated	**$173,640,455**	**$157,240,782**	**$ 42,962,870**	**$373,844,107**
Prior Rate Change Differences	(4,578,827)	(3,319,535)	773,840	(7,124,522)
Return to Accural Adjustment - Federal	1,504,585	1,642,652	377,663	3,524,901
Return to Accrual Adjustment - State	(1,922,384)	(1,235,812)	(1,551,330)	(4,709,526)
Reclass Nuclear Item to Non-Normalized Property EDIT	(27,347,558)	-	-	(27,347,558)
Reclass Legacy Items to Non-Normalized Property EDIT	(2,523,139)	(5,053,225)	7,136	(7,569,228)
Other	(169,454)	(298,888)	(28,829)	(497,171)
Normalized Property EDIT - 12/31/17 FE Adjusted	**$138,603,679**	**$148,975,974**	**$ 42,541,350**	**$330,121,003**
Non-Normalized Property EDIT - 12/31/17 Stipulated	**$ 39,321,477**	**$ 89,328,343**	**$ 22,284,682**	**$150,934,501**
Prior Rate Change Differences	651,080	(1,281,139)	163,117	(466,942)
Return to Accural Adjustment - Federal	(3,797,495)	(5,393,127)	(659,021)	(9,849,643)
Return to Accrual Adjustment - State	(479,881)	(682,920)	(784,683)	(1,947,484)
Reclass Nuclear Item to Non-Normalized Property EDIT	27,347,558	-	-	27,347,558
Reclass Legacy Items to Non-Normalized Property EDIT	2,523,139	5,053,225	(7,136)	7,569,228
Reclass to Non-Property EDIT	(264,377)	(691,405)	(3,819)	(959,601)
Exclude AFUDC Equity (No Associated EDIT)	(404,924)	(6,570,080)	(419,798)	(7,394,802)
Transferring Items from Tax Provision into PowerTax	174,876	440,089	(391,741)	223,224
Other	(13,646)	(394,033)	316,546	(91,133)
Non-Normalized Property EDIT - 12/31/17 FE Adjusted	**$ 65,057,807**	**$ 79,808,952**	**$ 20,498,148**	**$165,364,907**
Total Property Related EDIT - 12/31/17 Stipulated	**$212,961,931**	**$246,569,125**	**$ 65,247,552**	**$524,778,608**
Total Property Related EDIT - 12/31/17 FE Adjusted	**$203,661,486**	**$228,784,927**	**$ 63,039,497**	**$495,485,910**

As summarized in the table below, the Companies' property related EDIT adjustments reduce the total liability owed to customers as of December 31, 2017, by $28,333,097. There is also a reclass adjustment from non-normalized property to non-property which reduces the total property related EDIT balance as of December 31, 2017, in Rider DCR by $959,601. Subject to check, the reclass to non-property should have a net zero impact on the total liability owed to customers.

Table 44: Companies' Adjusted Property EDIT Balance in Rider DCR as of December 31, 2017

Description	CEI	OE	TE	Total
Normalized Property EDIT	$ 173,640,455	$ 157,240,782	$ 42,962,870	$ 373,844,107
Non-Normalized Property EDIT	39,321,477	89,328,343	22,284,682	150,934,501
Total Property EDIT - 12/31/17 Stipulated	**$212,961,931**	**$246,569,125**	**$ 65,247,552**	**$524,778,608**
Adjustments to Liability Owed to Customers	(9,036,069)	(17,092,793)	(2,204,235)	(28,333,097)
Reclasses to Non-Property Category	(264,377)	(691,405)	(3,819)	(959,601)
Reclasses within Property Category	-	-	-	-
Total Property EDIT - 12/31/17 FE Adjusted	**$203,661,486**	**$228,784,927**	**$ 63,039,497**	**$495,485,910**

When asked if the revised balances were reflected in the TCJA case record, and if not, how the Companies obtained authorization to update the balances, the Companies replied:

> The Stipulation and Recommendation filed in Case No. 18-1656-EL-ATA et al. states that the actual amount of EDIT flowing back to customers will reflect the final, audited balances, including a federal and state tax gross up, as of December 31, 2017. The

[224] FirstEnergy's responses to Data Request BRC Set 5-INT-010, Attachment 1-Confidential and BRC Set 16-INT-005, Attachment 1-Confidential.

Companies filed compliance tariffs on July 26, 2019 in Case No. 18-1656-EL-ATA reflecting updated balances.[225]

Blue Ridge found the Companies' response weak and the inferred meaning of "final, audited balances . . . as of December 31, 2017" therein arguable. The external audit of the December 31, 2017 financial statements was performed by PricewaterhouseCoopers and an unqualified opinion was issued on February 20, 2018—months prior to the Stipulation filed on November 9, 2018, as well as the Supplemental Stipulation filed on January 25, 2019. Since there are no specific true-up provisions in the Stipulation to adjust to the 2017 filed tax returns and other later known variables, Blue Ridge recommends restoring the EDIT balances to reflect those agreed to within the settlement and allowing parties to consider the Company's changes, such as the assertion that there is no EDIT associated with AFUDC equity, within the next Rider TSA annual filing. With respect to the reclass adjustments, Blue Ridge is neutral on their adoption since they have no impact on the total agreed upon liability to be refunded to customers. The EDIT categories with varying amortization periods are judgmental to some extent and an audit opinion would not render such definitional determinations official or correct.

Blue Ridge recommends reversing all EDIT adjustments, except for reclasses between normalized and non-normalized property, so that the Total Property EDIT reflected in Rider DCR matches the Total Property EDIT as of December 31, 2017, in the Stipulation. The scope of Blue Ridge's current investigation is limited to the property related EDIT balances in Rider DCR. Blue Ridge therefore has not and cannot validate the reclass from property to non-property was appropriately reflected in the new credit mechanism. The following table presents the result of Blue Ridge's recommendation.

Table 45: Blue Ridge Recommended Property-Related EDIT Balances as of December 31, 2017

Description	CEI	OE	TE	Total
Normalized Property EDIT - 12/31/17 Stipulated	$ 173,640,455	$ 157,240,782	$ 42,962,870	$ 373,844,107
Adjustments to Liability Owed to Customers	(5,166,079)	(3,211,583)	(428,656)	(8,806,318)
Reclasses to Non-Normalized Property Category	(29,870,697)	(5,053,225)	7,136	(34,916,786)
Normalized Property EDIT - 12/31/17 FE Adjusted	$ 138,603,679	$ 148,975,974	$ 42,541,350	$ 330,121,003
Reverse: Adjustments to Liability Owed to Customers	5,166,079	3,211,583	428,656	8,806,318
Normalized Property EDIT - 12/31/17 BRC-Rcmd.	**$143,769,758**	**$152,187,557**	**$ 42,970,005**	**$338,927,321**
Non-Normalized Property EDIT - 12/31/17 Stipulated	**$ 39,321,477**	**$ 89,328,343**	**$ 22,284,682**	**$150,934,501**
Adjustments to Liability Owed to Customers	(3,869,990)	(13,881,210)	(1,775,579)	(19,526,779)
Reclass to Non-Property Category	(264,377)	(691,405)	(3,819)	(959,601)
Reclasses from Normalized Property Category	29,870,697	5,053,225	(7,136)	34,916,786
Non-Normalized Property EDIT - 12/31/17 FE Adjusted	**$ 65,057,807**	**$ 79,808,952**	**$ 20,498,148**	**$165,364,907**
Reverse: Adjustments to Liability Owed to Customers	3,869,990	13,881,210	1,775,579	19,526,779
Reverse: Reclass to Non-Property Category	264,377	691,405	3,819	959,601
Non-Normalized Property EDIT - 12/31/17 BRC-Rcmd.	**$ 69,192,173**	**$ 94,381,568**	**$ 22,277,546**	**$185,851,287**
Total Property EDIT - 12/31/17 Stipulated	**$212,961,931**	**$246,569,125**	**$ 65,247,552**	**$524,778,608**
Total Property EDIT - 12/31/17 BRC-Rcmd.	**$212,961,931**	**$246,569,125**	**$ 65,247,552**	**$524,778,608**

[225] FirstEnergy's responses to Data Request BRC Set 16-INT-007(a).

Conclusion—Tax Cuts and Jobs Act Effect

The treatment of EDIT in Rider DCR from the prior investigations has been resolved per the Stipulation agreed to by the Parties and approved by the Commission in Case No. 18-1604-EL-UNC. The property related EDIT balances, normalized and non-normalized, are accounted for between the Rider DCR and new credit mechanism. Blue Ridge recommends the normalized and non-normalized property EDIT balances under total ADIT be restated as shown in the table below.

Table 46: Blue Ridge Recommended Property-Related EDIT Balances in Rider DCR Compliance Filing

Description	CEI	OE	TE	Total
Normalized Property EDIT - 12/31/17 BRC-Rcmd.	**$143,769,758**	**$152,187,557**	**$ 42,970,005**	**$338,927,321**
Non-Normalized Property EDIT - 12/31/17 BRC-Rcmd.	**$ 69,192,173**	**$ 94,381,568**	**$ 22,277,546**	**$185,851,287**
Revised Amortization - 01/01/2018 thru 11/30/19	(13,261,833)	(18,089,800)	(4,269,863)	(35,621,497)
Non-Normalized Property EDIT - 11/30/19 BRC-Rcmd.	**$ 55,930,340**	**$ 76,291,767**	**$ 18,007,683**	**$150,229,790**
Revised Amortization - 12/01/2019 thru 02/29/20	(1,729,804)	(2,359,539)	(556,939)	(4,646,282)
Non-Normalized Property EDIT - 02/29/20 BRC-Rcmd.	**$ 54,200,536**	**$ 73,932,228**	**$ 17,450,745**	**$145,583,508**

The reconciliation of the total property related EDIT balances to the amounts agreed to in the Stipulation would increase ADIT by $25,445,915 as of November 30, 2019, and $24,933,880 as of February 29, 2020, as shown in the following tables. The adjustments reduce Rider DCR revenue requirements for CE by $(837,018), for OE by $(1,475,707) and for TE by $(176,726). [**ADJUSTMENT #14**]

Table 47: Recommended Adjustment to ADIT in Rider DCR Actual 11/30/19

Description	CEI	OE	TE	Total
Normalized Property EDIT - Actual and Estimated	$ 138,603,679	$ 148,975,974	$ 42,541,350	$ 330,121,003
Normalized Property EDIT - BRC-Rcmd.	$ 143,769,758	$ 152,187,557	$ 42,970,005	$ 338,927,321
Difference	$ 5,166,079	$ 3,211,583	$ 428,656	$ 8,806,318
Non-Normalized Property EDIT - Actual	$ 52,628,630	$ 64,337,395	$ 16,624,169	$ 133,590,194
Normalized Property EDIT - BRC-Rcmd.	$ 55,930,340	$ 76,291,767	$ 18,007,683	$ 150,229,790
Difference	$ 3,301,710	$ 11,954,373	$ 1,383,514	$ 16,639,597
Adjustment to Total ADIT - Actual 11/30/19	$ 8,467,789	$ 15,165,956	$ 1,812,170	$ 25,445,915

Table 48: Recommended Adjustment to ADIT in Rider DCR Estimated 2/29/20

Description	CEI	OE	TE	Total
Normalized Property EDIT - Actual and Estimated	$ 138,603,679	$ 148,975,974	$ 42,541,350	$ 330,121,003
Normalized Property EDIT - BRC-Rcmd.	$ 143,769,758	$ 152,187,557	$ 42,970,005	$ 338,927,321
Difference	$ 5,166,079	$ 3,211,583	$ 428,656	$ 8,806,318
Non-Normalized Property EDIT - Estimated	$ 51,001,356	$ 62,344,605	$ 16,109,986	$ 129,455,946
Normalized Property EDIT - BRC-Rcmd.	$ 54,200,536	$ 73,932,228	$ 17,450,745	$ 145,583,508
Difference	$ 3,199,180	$ 11,587,623	$ 1,340,759	$ 16,127,562
Adjustment to Total ADIT - Estimated 02/29/20	$ 8,365,259	$ 14,799,206	$ 1,769,415	$ 24,933,880

RETURN

Q. Determine if the Companies return on and of plant-in-service associated with distribution, subtransmission, and general and intangible plant, including allocated general plant from FirstEnergy Service Company are not unreasonable based upon the facts and circumstances known to the Companies at the time such expenditures were committed

The Rider DCR Compliance Filings include the following calculated return on rate base at 8.48% for each company.

Table 49: Incremental Change in Return on Rate Base from 11/30/18 to 11/30/19[226]

Company	11/30/2018	11/30/2019	Incremental
The Cleveland Electric Illuminating Company	$ 53,560,482	$ 40,052,616	$ (13,507,866)
Ohio Edison Company	63,612,126	51,498,355	(12,113,772)
The Toledo Edison Company	10,560,235	6,442,848	(4,117,387)
Total	**$ 127,732,843**	**$ 97,993,818**	**$ (29,739,025)**

The Rider DCR Summary Schedule includes the calculation for the rate of return and the return on plant using the calculated rate base.

Authority to Collect a Return on Plant-in-Service in Rider DCR

The Combined Stipulation and Order in Case No. 10-0388-EL-SSO (and reaffirmed in Case Nos. 12-1230-EL-SSO and 14-1297-EL-SSO[227]) provides the capital structure, cost of debt, and return on equity that is allowed in Rider DCR Revenue Requirements. Section B.2 states the following:

> The return earned on such plant will be based on the cost of debt of 6.54% and a return on equity of 10.5% determined in the last distribution rate case utilizing a 51% debt and 49% equity capital structure. [228]

Mathematical Verification

The rate of return and the return on plant is calculated correctly in accordance with the Combined Stipulation.[229]

Source Data Validation

The capital structure and rates used within Rider DCR agree with the stipulated amounts.

[226] WP V&V FE DCR Compliance Filing 1.2.2020—Confidential.
[227] Case No. 12-1230-EL-SSO Commission Opinion and Order, July 18, 2012, pages 10-11, and Case No. 14-1297-SSO Commission Opinion and Order, March 31, 2016.
[228] Case No. 10-0388-EL-SSO Stipulation and Recommendation, March 23, 2010, page 14.
[229] WP V&V FE DCR Compliance Filing 1.2.2020-Confidential.

Conclusion—Return

Although the adjustments discussed in other subsections of this report will affect the final return included within the DCR, Blue Ridge found that the calculation of the return component of the DCR is not unreasonable.

RIDER DCR CALCULATION

R.	Determine if the Companies' revenue requirement calculation for Rider DCR are not unreasonable based upon the facts and circumstances known to the Companies at the time such expenditures were committed

The Compliance Filing Summary Schedules pull together the various components allowed within Rider DCR and calculate the revenue requirements based upon the actual November 30, 2019, and estimated February 29, 2020, balances. The Annual Rider DCR Revenue is compared against the Commission-approved Revenue Cap in the Companies' filings.[230]

Mathematical Verification

The various actual November 30, 2019, and estimated February 29, 2020, components, including gross plant, reserve, ADIT, depreciation, and property tax expense, were discussed in other subsections of this report and roll forward into the revenue requirements. The calculations are correct.

Annual Cap

Recovery through the DCR is subject to annual caps. The annual cap has been modified several times since the inception of the Rider DCR. The cap for the filing under review is a composite from two stipulations approved by the Commission.

The Stipulation in Case No. 12-1230-EL-SSO modified the annual cap of the Rider DCR Revenue collected effective June 1, 2014, as follows:

> For the twelve-month period from June 1, 2014, through May 31, 2015, that Rider DCR is in effect, the revenue collected by the Companies shall be capped at $195 million, for the following twelve-month period, the revenue collected under Rider DCR shall be capped at $210 million [emphasis added].[231]

The Stipulation in Case No. 14-1297-EL-SSO modified the annual cap of the Rider DCR Revenue collected as follows:

> The revenue caps for the Delivery Capital Recovery Rider (Rider DCR) will increase annually to $30 million for the period of June 1, 2016, through May 31, 2019; $20

[230] CEI, OE, and TE Rider DCR Replacement Compliance Filings dated 1/2/20, page 57.
[231] Case No. 12-12-1230-EL-SSO Opinion and Order, July 18, 2012, page 10.

> million for the period of June 1, 2019, through May 31, 2020; and $15 million for the period of June 1, 2022, through May 31, 2024.[232]

The Companies appropriately applied the annual caps in the stipulations in Case Nos. 12-1230-EL-SSO and 14-1297-EL-SSO that resulted in an annual cap for the 2019 DCR as follows:

Table 50: Companies' Calculation of Annual Cap Prior to Under (Over) Recovery Adjustment[233]

12 months 6/1/15 - 5/31/16		$ 210,000,000
12 months 6/1/16 - 5/31/17		30,000,000
12 months 6/1/17 - 5/31/18		30,000,000
12 months 6/1/18 - 5/31/19		30,000,000
13 months 6/1/19 - 5/31/20	$ 20,000,000	
Prorated for seven months		11,666,667
		$ 311,666,667

Over/Under Recovery

The Stipulations in Case Nos. 10-388-EL-SSO and 12-1230-EL-SSO contain similar language addressing over or under recoveries against the annual caps as follows:

> For any year that the Companies' spending would produce revenue in excess of that period's cap, the overage shall be recovered in the following cap period subject to such period's cap. For any year the revenue collected under the Companies' Rider DCR is less than the annual cap allowance, the difference between the revenue collected and the cap shall be applied to increase the level of the subsequent period's cap.[234]

The January 2, 2020, Rider DCR Replacement Compliance Filing cover letters state, "The attached schedules demonstrate that the year-to-date revenue is below the permitted cap for 2020." Blue Ridge confirmed that the Companies have not exceeded the Commission-approved DCR Revenue Cap.

The annual cap analysis included in the January 2, 2020, filing included revenues through November 30, 2019. Using the actual annual revenue through December 31 for years 2017 and 2018, the Companies have a cumulative under recovery of $24,672,810 as shown in the following table.[235]

---

[232] Case No. 14-1297-EL-SSO Opinion and Order, March 31, 2016, page 25.
[233] WP V&V FE DCR Compliance Filing 1.2.2020—Confidential.
[234] Case No. 10-0388-EL-SSO Opinion and Order, August 25, 2010, page 12 and Case No. 12-12-1230-EL-SSO Opinion and Order, July 18, 2012, page 10.
[235] WP V&V FE DCR Compliance Filing 1.2.2020—Confidential.

Table 51: Annual DCR Revenues Vs. Annual Cap through November 30, 2019

Period	Annual Cap	Annual Revenue	Under (Over)	Cum Under (Over)
2012	$ 150,000,000	$ 128,616,253	$ 21,383,747	$ 21,383,747
2013	$ 165,000,000	$ 185,631,927	$ (20,631,927)	$ 751,820
2014	$ 188,750,000	$ 191,709,557	$ (2,959,557)	$ (2,207,737)
2015	$ 203,750,000	$ 207,078,057	$ (3,328,057)	$ (5,535,794)
2016	$ 227,500,000	$ 216,681,105	$ 10,818,895	$ 5,283,100
2017	$ 257,500,000	$ 262,678,121	$ (5,178,121)	$ 104,979
2018	$ 287,500,000	$ 291,199,888	$ (3,699,888)	$ (3,594,909)
YTD 11/30/2019	$ 311,666,667	$ 283,398,947	$ 28,267,720	$ 24,672,810

In addition to the total cap, the Companies have individual annual caps that limit recovery through the Rider DCR. The following table shows the Companies' revenue to the aggregate annual cap (adjusted for the cumulative under [over] recovery) and the allocated Companies' caps. Blue Ridge confirmed the Actual Revenue through November 30, 2019, included in the Companies' filing.[236] Each of the operating companies' DCR revenues through November 30, 2019, are below the annual cap.

Table 52: 2019 Annual DCR Revenue to Aggregate and Allocated Caps through November 30, 2019[237]

Period	Aggregate Annual Cap	CEI	OE	TE
% of Aggregate Annual Cap		70%	50%	30%
2019 Annual Cap	$ 311,666,667			
2018 Cumulative Under (Over)	$ (3,594,909)			
Adjusted 2019 Annual Cap	$ 308,071,757	$ 215,650,230	$ 154,035,879	$ 92,421,527
Annual Revenue Through 11/30/2019	$ 283,398,947	$ 129,486,123	$ 120,755,522	$ 33,157,302
Under (Over) 2019 Revenue Cap	$ 24,672,810	$ 86,164,106	$ 33,280,355	$ 59,264,225

Conclusion—Rider DCR Calculation

Although Blue Ridge found that the balances used in the Rider DCR calculations should be adjusted, Blue Ridge found that the Rider DCR revenue requirements calculation is not unreasonable.

The Annual Rider DCR Revenue through November 30, 2019, is under both the aggregate annual cap and the allocated annual cap by company.

[236] FirstEnergy's response to Data Request BRC Set 5-INT-002 - Confidential.
[237] WP V&V FE DCR Compliance Filing 01.12.2020—Confidential.

PROJECTIONS

S. Develop an understanding of the projection methodology used by the Companies for plant-in-service, property taxes, Commercial Activity Tax, and Income Tax

The Compliance Filings include projections for the first two months in 2020. To develop the first quarter 2020 estimates, the Companies used estimated plant-in-service and reserve balances as of February 28, 2020, the most recent (December 2019) forecast from PowerPlan. The estimated February 28, 2020, plant and reserve balances were then adjusted to reflect current assumptions (including project additions and delays), to incorporate recommendations from prior Rider DCR Audit Reports, and to remove the pre-2007 impact of a change in pension accounting.[238]

Authority to use Projected Data

The Opinion and Order and Combined Stipulation from Case No. 10-388-EL-SSO and continued in Case Nos. 12-12-1230-EL-SSO and 14-1297-EL-SSO provide the authority to include estimated balances in Rider DCR. Section B.2 of the Combined Stipulation specifically states the following:

> The quarterly filings will be based on estimated balances as of August 31, November 30, February 28, and May 31, respectively, with any reconciliation between actual and forecasted information being recognized in the following quarter.[239]

Mathematical Verification and Source Validation

The actual and estimated schedules in the Compliance Filings used the same format and calculations for each of the components and the revenue requirements calculations. Blue Ridge reviewed the estimated February 28, 2020, schedules while performing specific tasks in each of the previous subsections. Specific observations and findings are discussed in the appropriate subsections.

Conclusion—Projections

Blue Ridge found that the projected amounts included through February 2020 are not unreasonable. In addition, the projected amounts will be reconciled to the actual amounts, and the Rider DCR revenue requirement will be adjusted to actual in the next quarter's Rider DCR Compliance Filings.

OVERALL IMPACT OF FINDINGS ON RIDER DCR REVENUE REQUIREMENTS

T. Determine the impact of all findings to Rider DCR revenue requirements.

Blue Ridge's impact of our recommendations is summarized in the following table.

[238] FirstEnergy's response to Data Request BRC Set 1-INT-001, Attachment 3 - Confidential.
[239] Case No. 12-1230-EL-SSO Stipulation and Recommendation April 13, 2012, page 22.

Table 53: Impact of Blue Ridge's Findings on Rider DCR Revenue Requirement[240]

Adj #	Description	CEI	OE	TE	Total
	As Filed	**$ 145,965,683**	**$ 152,331,663**	**$ 39,129,604**	**$ 337,426,950**
1	Project Cancelled (13287571)	-	(129,153)	-	(129,153)
2	AFUDC Over Accrued (14370958)	-	(25,605)	-	(25,605)
3	AFUDC Over Accrued (14650547)	-	(39,185)	-	(39,185)
4	AFUDC Over Accrued (TW-000947-S-5)	-	-	(10,265)	(10,265)
5	Retirements Not Recorded (15521094)	-	(2,028)	-	(2,028)
6	Retirements Not Recorded (15667460)	-	-	(3,822)	(3,822)
7	Retirements Not Recorded (15957370)	-	-	(2,448)	(2,448)
8	Retirements Not Recorded (15993546)	-	-	(256)	(256)
9	Not in service (15298831)	-	(839,247)	-	(839,247)
10	VM-Exp, Codes 05, 36, 14, and 30	(1,399,214)	-	-	(1,399,214)
11	VM-Exp, Codes 05, 36, 14, and 30	-	(1,122,072)	-	(1,122,072)
12	VM-Exp, Codes 05, 36, 14, and 30	-	(8,504)	-	(8,504)
13	VM-Exp, Codes 05, 36, 14, and 30	-	-	(461,638)	(461,638)
14	Regulatory Liability TCJA	(837,018)	(1,475,707)	(176,726)	(2,489,450)
	Impact of All Adjustments	**(2,236,232)**	**(3,641,500)**	**(655,155)**	**(6,532,887)**
	Recommended Rider DCR Revenue Requirements	**$ 143,729,451**	**$ 148,690,163**	**$ 38,474,449**	**$ 330,894,063**

240 WP Impact of Adjustments BRC Set 1-INT-001 Attachment 1-FE DCR Compliance Filing 1.2.2020.

APPENDICES

Appendix A: Rider DCR Excerpts within Stipulations and Order

Appendix B: Abbreviations and Acronyms

Appendix C: Data Requests and Information Provided

Appendix D: Workpapers

APPENDIX A: RIDER DCR EXCERPTS WITHIN ORDER AND COMBINED STIPULATION

Excerpts from Commission Opinions and Orders and Stipulations specifically related to Rider DCR are provided below.

Case No. 10-388-EL-SSO

Combined Stipulation

The Combined Stipulation are comprised of the following documents:

- Original Stipulation Agreement included with the Companies' Application dated March 23, 2010
- First Supplemental Stipulation Agreement dated May 13, 2010 which modified the terms of the original stipulation
- Second Supplemental Stipulation dated July 19, 2010

The key sections related to the scope of this audit from the Combined Stipulation follow:

B. Distribution

Section 2 Effective January 1, 2012, a new rider, hereinafter referred to as Rider DCR ("Delivery Capital Recovery"), will be established to provide the Companies with the opportunity to recover property taxes, Commercial Activity Tax and associated income taxes and earn a return on and of plant in service associated with distribution, subtransmission, and general and intangible plants including allocated general plant from FirstEnergy Service Company that supports the Companies, which was not included in the rate base determined in the Opinion and Order of January 21, 2009 in Case No. 07-551-EL-AIR et al. ("last distribution rate case"). The return earned on such plant will be based on the cost of debt of 6.54% and a return on equity of 10.5% determined in the last distribution rate case utilizing a 51% debt and 49% equity capital structure. The net capital additions included for recognition under Rider DCR will reflect gross plant in service not approved in the Companies' last distribution rate case less growth in accumulated depreciation reserve and accumulated deferred income taxes associated with plant in service since the Companies' last distribution rate case. Rider DCR shall be adjusted quarterly to reflect in-service net capital additions and encourage investment in the delivery system. For the first 12 months Rider DCR is in effect, the revenue collected by the Companies under Rider DCR shall be capped at $150 million; for the following 12 months the revenue collected by the Companies under Rider DCR shall be capped at $165 million, and for the following five months the revenue collected by the Companies under Rider DCR shall be capped at $75 million. Consistent with the time periods for the revenue caps established above, each individual Company will have a cap of 50%, 70% and 30% for Ohio Edison, CEI and Toledo Edison, respectively, of the total aggregate caps as established above. Capital additions recovered through Riders LEX, EDR, and AMI, or any other subsequent rider authorized by the Commission to recover delivery-related capital additions, will be identified and excluded from Rider DCR and the annual cap allowance. Revenue requirements will be derived for each company separately, and on that basis the recovery of the revenue among the classes of each Company will be calculated using the same methodology as the existing DSI Rider. To effect the quarterly adjustments, the Companies will submit a filing that contains the adjustment requested, the resulting rate for each customer class and the bill impact on customers. The filing shall show the Plant in Service account balances and accumulated depreciation reserve balances compared to that approved in the last distribution rate case. The expenditures reflected in the filing shall be broken down by the Plant in Service Account Numbers associated with Account Titles for subtransmission, distribution, general and intangible plant, including allocated general plant from FirstEnergy Service Company that supports the Companies based on allocations used in the Companies' last distribution rate case. Net capital additions for plant in Service for General Plant shall be included in the DCR so long as there are no net job losses at the Companies as a result of involuntary attrition as a result of the merger between FirstEnergy Corp. and Allegheny Energy, Inc. For each account title the Companies shall provide the plant in service and accumulated depreciation reserve for the period prior to the adjustment period as well as during the adjustment period. The filing shall also include a detailed calculation of the depreciation expense and accumulated depreciation impact as a result of the capital additions. The Companies will provide the information on an individual Company basis.

(Section 2 Second paragraph of original text replaced by Second Supplemental Stipulation) The Signatory Parties agree that the quarterly Rider DCR update filing will not be an application to increase rates within the meaning of R.C. § 4909.18 and each Signatory Party further agrees it will not advocate a position to the contrary in any future proceeding. The first quarterly filing will be made on or about October 31, 2011, based on an estimated balance as of December 31, 2011 with rates effective on January 1, 2012 on a bills rendered basis. Thereafter, quarterly filings will be made on or about January 31, April 30, July 30, and October 31 with rates effective on a bills rendered basis effective April 1, July 1, October 1, and January 1, respectively. The quarterly filings will be based on estimated balances as of March 31, June 30 September 30, and December 31, respectively, with any reconciliations between actual and forecasted information being recognized in the following quarter. The Companies will bear the burden to demonstrate the accuracy of the quarterly filings. Upon the Companies meeting such burden, any party may challenge such expenditures with evidence. Upon a party presenting evidence that an expenditure is unreasonable, it shall be the obligation of the Companies to demonstrate that the expenditure was reasonable by a preponderance of the evidence. An annual audit shall be conducted by an independent auditor. The independent auditor shall be selected by Staff with the consent of the Companies, with such consent not being unreasonably withheld. The expense for the audit shall be paid by the Companies and be fully recoverable through Rider DCR. The audit shall include a review to confirm that the amounts for which recovery is sought are not unreasonable and will be conducted following the Companies' January 31,2012, January 31,2013 and January 31, 2014 filings, and one final audit following the Companies' July 30, 2014 final reconciliation filing. For purposes of such audits and any subsequent proceedings referred to in this paragraph, the determination of whether the amounts for which recovery is sought are not unreasonable shall be determined in light of the facts and circumstances known to the Companies at the time such expenditures were committed. Staff and Signatory Parties shall file their recommendations and/or objections within 120 days after the filing of the application. If no objections are filed within 120 days after the filing of the application, the proposed DCR rate will remain in effect without adjustment, except through the normal quarterly update process or as may be ordered by the Commission as a result of objections filed in a subsequent audit process. If the Companies are unable to resolve any objections within 150 days of the filing of the application, an expedited hearing process will be established in order to allow the parties to present evidence to the Commission regarding the conformance of the application with this Stipulation, and whether the amounts for which recovery is sought are not unreasonable.

For any year that the Companies' spending would produce revenue in excess of that period's cap, the overage shall be recovered in the following cap period subject to such period's cap. For any year the revenue collected under the Companies' Rider DCR is less than the annual cap allowance, as established above, then the difference between the revenue collected and the cap shall be applied to increase the level of the subsequent period's cap. In no event will authorization exist to recover in the DCR any expenditures associated with net plant in service additions made after May 31, 2014.

Section 3: Any charges billed through Rider DSI prior to January 1, 2012 shall not be included as revenue in the return on equity calculation for the Companies for purposes of applying the Significantly Excessive Earnings Test ("SEET"), nor considered as an adjustment eligible for refund. Any charges billed through Rider DCR after January I, 2012 will be included as revenue in the return on equity calculation for purposes of SEET and will be considered an adjustment eligible for refund. For each year during the period of this ESP, adjustments will be made to exclude the impact: (i) of a reduction in equity resulting from any write-off of goodwill, (ii) of deferred carrying charges, and (iii) associated with any additional liability or write-off of regulatory assets due to implementing this ESP. The significantly excessive earnings test applicable to plans greater than three years and set forth in R.C. § 4928.143(E) is not applicable to this three-year ESP.

D. Continuance of Existing Tariff Riders and Deferrals, Section 3

The following new tariff riders are attached as part of Attachment B, with such new tariffs approved as part of this ESP:

Rider DCR Delivery Capital Recovery (Discussed in Section B.2 above)

H. Other Issues

Section 1: The Companies' corporate separation plan in Case No. 09-462-EL-UNC shall be approved as filed. However, within six months after the completion of the merger between FirstEnergy Corp. and Allegheny Energy, Inc. or within 18 months after this Stipulation is approved, whichever comes first, if the Companies' corporate or operational structure has changed, then the Companies shall file an updated corporate separation plan. In either case whether an updated corporate separation plan is filed or not, this plan may be audited by an independent auditor. The Commission shall select and solely direct the work of the auditor. The Companies shall directly contract for and bear the cost of the services of the auditor chosen by the Commission. Staff will review and approve payment invoices submitted by the consultant.

Section 5: With respect to the recent announcement of the combination of FirstEnergy Corp. and Allegheny Energy, Inc., the Signatory Parties agree that the Commission should not assert jurisdiction and review the merger, and further agree and recommend that the Commission should not in this instance initiate its own review of the merger in light of the facts that the merger is the result of an all stock transaction and there is no change in control of the Companies. Approval of the Stipulation by the Commission indicates acceptance of the Signatory Parties' recommendation.

Commission Opinion and Order dated August 25, 2010

On August 25, 2010, the Commission issued its Opinion and Order regarding Case No. 10-388-EL-SSO. The Order approved the following Stipulation Agreements with modifications:

- Original Stipulation Agreement included with the Companies' Application dated March 23, 2010
- First Supplemental Stipulation Agreement dated May 13, 2010 which modified the terms of the original stipulation
- Second Supplemental Stipulation dated July 19, 2010

The original stipulation and two supplemental stipulations are collectively referred to as the Combined Stipulation, which addressed all the issues within the case. The Commission's Order included several references to the Deliver Capital Recover Rider (DCR), which is the subject of this report. Those excerpts are provided as follows:

Pages 11-12 B. Summary of the Combined Stipulation:

(13) Effective January 1, 2012, the Delivery Capital Recovery Rider (Rider DCR) will be established to provide the Companies with the opportunity to recovery property taxes, commercial activity tax and associated income taxes and earn a return on and of plant in service associated with distribution, subtransmission, and general and intangible plant, including general plant from FirstEnergy Service Company that supports the Companies and was not included in the rate base determined in *In re FirstEnergy*, Case No. 07-551-EL-AIR, et al, Opinion and Order (January 21, 2009). The return earned on such plant will be based on the cost of debt of 6.54 percent and a return on equity of 10.5 percent determined in that proceeding utilizing a 51 percent debt and 49 percent equity capital structure (*id*. at 13-14).

For the first twelve months Rider DCR is in effect, the revenue collected by the Companies shall be capped at $150 million; for the following 12 months, the revenue collected under Rider DCR shall be capped at $165 million; and for the following five months, the revenues collected under Rider DCR shall be capped at $75 million. Capital additions recovered through Riders LEX, EDR, and AMI, or any other

> subsequent rider authorized by the Commission to recover delivery-related capital additions, will be excluded from Rider DCR and the annual cap allowance. Net capital additions for plant in service for general plant shall be included in Rider DCR provided that there are no net job losses at the Companies as a result of involuntary attrition due to the merger between FirstEnergy Corp. and Allegheny Energy, Inc. (*id*. at 14-15).
>
> Rider DCR will be adjusted quarterly, and the quarterly Rider DCR update filing will not be an application to increase rates within the meaning of Section 4909.18, Revised Code. The first quarterly filing will be made on or about October 31, 2011, based upon an estimated balance as of December 31, 2011, with rates effective for bills rendered as of January 1, 2012. For any year that the Companies' spending would produce revenue in excess of that period's cap, the overage shall be recovered in the following cap period subject to such period's cap. For any year the revenue collected under the Companies' Rider DCR is less than the annual cap allowance, the difference between the revenue collected and the cap shall be applied to increase the level of the subsequent period's cap (*id*. at 15-17).
>
> Order, page 35, "Does the settlement, as a package, benefit ratepayers and the public interest?"
>
> b. Commission Decision
>
> The Commission also believes that the Combined Stipulation should be modified with respect to the provision that net capital additions for plant in service for general plant shall be included in Rider DCR so long as there are no net job losses at "the Companies" as a result of involuntary attrition as a result of the merger between FirstEnergy Corp. and Allegheny Energy, Inc. Joint Ex. 1 at 15). According to testimony at the hearing, this provision does not cover employees of FirstEnergy Service Company (Tr. I at 85-86). However, many functions for the Companies are performed by employees of the FirstEnergy Service Company (Co. MRO Ex. 6 at 4-5). Therefore, the Commission will modify the Combined Stipulation to include employees of FirstEnergy Service Company who provide support for distribution services provided by OE, CEI, and TE and are located in Ohio within the meaning of "no net job losses" in the Combined Stipulation.
>
> Further, the Commission will clarify that the second paragraph on page 15 of the original stipulation will be replaced by the new language contained in the second supplemental stipulation joint Ex. 1 at 15; Joint Ex. 3 at 4).

Page 47 stated, it is, therefore, ordered that the Combined Stipulation, as modified by the Commission, be adopted and approved.

Case No. 11-5482-EL-RDR (2011 Audit)

On February 2, 2012, FirstEnergy filed its Rider DCR application. On April 13, 2012, Blue Ridge filed a report on its audit review of Rider DCR. On August 22, 2012, the Commission approved the following recommendation agreed to by Staff and FirstEnergy.

Page 7–9 Finding (22)

(a) Blue Ridge's recommendation for an adjustment to Rider DCR regarding the Companies' property tax expense. FirstEnergy and Staff state that the Companies implemented this recommendation in their third-quarter DCR filing.

(b) Blue Ridge's recommendation that the Companies review and address items that have no direct impact to Rider DCR, but are included in Appendix D to the audit report.

(c) Blue Ridge's recommendation that the Commission consider a review of the Companies' IT project planning and implementation.

(d) Blue Ridge's recommendation that, for future audits, the Companies evaluate the lessons learned from the conduct of this audit and develop information processes that will facilitate the determination that projects in Rider DCR are properly justified, approved, and managed.

(e) Blue Ridge's recommendation that the Companies reduce the utilization backlog before the next audit to reduce the potential for over- or under-accrual of depreciation.

(f) Blue Ridge's recommendation that, as part of the next audit, the Companies provide justification and support for the level of overheads that are added to project and work order costs and provide proper justification and back-up documentation to show overheads are appropriate.

(g) Blue Ridge's recommendation that workpapers supporting Rider DCR's property tax be cleaned up and fully referenced in order to minimize the opportunity for error.

(h) Blue Ridge's recommendation that the actual amount collected under Rider DCR be included as part of the quarterly compliance filing in order to ensure that the $150 million annual cap of collected revenue is not exceeded in 2012. FirstEnergy and Staff note that the Companies implemented this recommendation in their third quarter DCR filing and will maintain the recommendation to ensure the cap is not exceeded in future years.

Case No. 12-1230-EL-SSO

Commission Opinion and Order dated July 18, 2012

On April 13, 2012, FirstEnergy filed an application to provide for a standard service offer (SSO) for an electric security plan (ESP). The parties agreed to a Stipulation (ESP 3) that extended the Combined Stipulation for an additional two years. The Commission approved the Stipulation, with modifications, on July 18, 2012. In regards to the Delivery Capital Recovery Rider (Rider DCR), the Order stated.

Order, page 10-11, B. Summary of the Stipulation:

(13) The Delivery Capital Recovery Rider (Rider DCR) will continue to be in effect to provide the Companies with the opportunity to recover property taxes, commercial

activity tax, and associated income taxes, and earn a return on and of plant-in-service associated with distribution, subtransmission, and general and intangible plant, including general plant from FirstEnergy Service Company that supports the Companies and was not included in the rate base determined in *In re FirstEnergy*, Case No. 07-551-EL-AIR, et al., Opinion and Order (January 21, 2009). The return earned on such plant will be based on the cost of debt of 6.54 percent and a return on equity of 10.5 percent determined in that proceeding utilizing a 51 percent debt and 49 percent equity capital structure. (*Id* at 19.)

For the twelve-month period from June 1, 2014, through May 31, 2015, that Rider DCR is in effect, the revenue collected by the Companies shall be capped at $195 million, for the following twelve-month period, the revenue collected under Rider DCR shall be capped at $210 million. Capital additions recovered through Riders LEX, EDR, and AMI, or any other subsequent rider authorized by the Commission to recover delivery-related capital additions, will be excluded from Rider DCR and the annual cap allowance. Net capital additions for plant-in-service for general plant shall be included in Rider DCR provided that there are no net job losses at the Companies as a result of involuntary attribution due to the merger between FirstEnergy Corp. and Allegheny Energy, Inc. (*Id*. At 20-21.)

Rider DCR will be updated quarterly, and the quarterly Rider DCR update filing will not be an application to increase rates within the meaning of Section 4909.18, Revised Code. The first quarterly filing will be made on or about April 20, 2014, based upon the actual plant-in-service balance as of May 31, 2014, with rates effective for bills rendered as of June 1, 2014. For any year that the Companies' spending would produce revenues in excess of that period's cap, the overage shall be recovered in the following cap period subject to such period's cap. For any year the revenues collected under the Companies' Rider DCR is less than the annual cap allowance, the difference between the revenue collected and the cap shall be applied to increase the level of the subsequent period's cap. (*Id*. At 23).

(14) Any charges billed through Rider DCR will be included as revenue in the return on equity calculation for purposes of the SEET test and will be considered an adjustment eligible for refund (*Id* at 23).

Case No. 12-2855-EL-RDR (2012 Audit)

On November 1, 2012, FirstEnergy filed its Rider DCR application. On March 22, 2012, Blue Ridge filed a report on its audit review of Rider DCR. On May 22, 2013, Staff and FirstEnergy filed Joint Comments agreeing that the Commission should adopt the following recommendations. The Commission did not issue an order.

- On Page 14 of the Report, Blue Ridge recommended that the Companies include quantification of any increase in efficiency and savings within its (IT) project justifications.
- On Page 14 of the Report, Blue Ridge found that of the 90 work orders tested, 12 had errors. On Page 15 of the Report, Blue Ridge found that Ohio Edison and Toledo

Edison's Rider DCR inappropriately includes two Pennsylvania related items in accumulated deferred income taxes (ADIT). The total estimated impact to the Rider DCR of Blue Ridge's findings associated with the work order transactional testing and ADIT is a reduction of approximately $470,614 in the DCR annual revenue requirement. Blue Ridge recommended that the Companies correct the errors identified by Blue Ridge and adjust Rider DCR accordingly. Rider DCR effective July 1, 2013 incorporates these adjustments.

- On Page 16, Blue Ridge recommended that the Commission consider an updated depreciation study be conducted as the last approved study was based on balances as of May 31, 2007. Staff recommends the Commission direct the Companies to submit this study to Staff no later than June 1, 2015.
- On Page 25, Blue Ridge recommended that the Companies continue to closely monitor IT project planning and implementation.
- On Page 26, Blue Ridge recommended that the Companies continue their efforts to reduce the unitization backlog before the next audit to reduce the potential for over or under accrual of depreciation.
- On Page 46, Blue Ridge recommended that the sample of December 2012 work orders be included in the test sample for the 2013 compliance audit.

Case No. 13-2100-EL-RDR (2013 Audit)

On November 1, 2013, FirstEnergy filed its Rider DCR application. On April 9, 2014, Blue Ridge filed a report on its audit review of Rider DCR. On May 28, 2014, Staff and FirstEnergy filed a stipulation and recommendation that the Commission adopted on July 13, 2016.

Commission Opinion and Order dated July 13, 2016

The list of recommendations approved by the Commission are listed below:

(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).

Case No. 14-1297-EL-SSO

On August 4, 2014, FirstEnergy filed an application pursuant to provide for a standard service offer (SSO) to establish generation pricing for the period of June 1, 2016, through May 31, 2019. The application is for an electric security plan (ESP), and the application includes four stipulations and recommendations agreed to by various parties regarding the terms of the proposed ESP (ESP IV). The parties agreed through stipulation to extend Rider DCR. The following items within the Order are relevant to Rider DCR.

Commission Opinion and Order dated March 31, 2016

Order, page 25, (11) Third Supplemental of the Stipulation:

> The revenue caps for the Delivery Capital Recovery Rider (Rider DCR)[241] will increase annually to $30 million for the period of June 1, 2016, through May 31, 2019; $20 million for the period of June 1, 2019, through May 31, 2022; and $15 million for the period of June 1, 2022, through May 31, 2024. Further, the audit schedule set forth in the Application shall be amended to provide audits for the entire term of the Stipulated ESP IV, and the amended language shall read: "The independent auditor shall be selected by Staff. The audit shall include a review to confirm that the amounts for which recovery is sought are not unreasonable and will be conducted following the Companies' December 31 filing during the term of the Companies' ESP IV, and one final audit following the Companies' final June 30 reconciliation filing." (Co. Ex. 154 at 13.)

Order, page 111, Commission Decision

> With respect to Rider DCR, the Commission is not persuaded by claims by OCC/NOAC and others that costs under Rider DCR fail to receive proper scrutiny. As we have stated previously, Rider DCR is subjected to annual audits which require the Companies to demonstrate what they spent and why the recovery sought is unreasonable. ESP III Case, Opinion and Order at 34. The Commission has been conducting such audits annually since the inception of Rider DCR. Thus, OCC/NOAC and any other party have had, and will continue to have, a full and fair opportunity to raise any issues regarding distribution investments to be recovered under Rider DCR during the audit process.

Case No. 14-1929-EL-RDR (2014 Audit)

On December 31, 2014, FirstEnergy filed its Rider DCR application. On April 22, 2015, Blue Ridge filed a report on its audit review of Rider DCR. On May 18, 2015, Staff and FirstEnergy filed a stipulation and recommendation that the Commission adopted on April 10, 2019. The list of recommendations approved by the Commission are listed below:

> (a) Blue Ridge's recommendation that the American Transmission Systems, Inc. (ATSI) Work Order HE123 reversal transferred from CEI back to ATSI in January 2015 be removed from the Rider DCR calculation for 2014 and the effect of that carried forward into 2015 (Audit Report at 13).
>
> (b) Blue Ridge's recommendation that the Companies review their information technology (IT) project planning to ensure that the methodology allows for projects to be fully scoped prior to execution. Further, Blue Ridge's recommendation that the Companies continue documenting any increase in efficiency and savings within its IT

[241] Rider DCR allows the Companies to earn a return of and on plant-in-service associated with distribution, transmission, general, and intangible plant, which was not included in the rate base from the Companies' last distribution rate case.

project justifications that are justified on that basis. The Companies and Staff agree that the Companies will conduct an internal audit of their IT project planning and implementation. The Companies shall coordinate with Staff to determine the scope of the internal audit, and the results shall be reviewed in the next Rider DCR compliance audit. FirstEnergy was required to complete this audit by December 31,2015. (Audit Report at 15.)

(c) Blue Ridge's recommendation that the Companies correct certain errors identified as part of its work order transactional testing and review of the Rider DCR filings and adjust Rider DCR accordingly. The Companies agree to reflect the adjustments in the Rider DCR filing expected to be filed on or about June 15,2015.

(d) Blue Ridge's recommendation that the Companies continue to work toward a reduction in the utilization backlog of work orders. The Companies were ordered to commit to decreasing the utilization backlog in 2015 with a goal of returning to 2013 levels. (Audit Report at 22.)

(e) Blue Ridge's recommendation that future audits shall include testing steps to confirm that allowance for funds used during construction (AFUDC) is correctly applied (Audit Report at 27).

(f) Blue Ridge's recommendation that the Rider DCR preparation process shall continue using the established methodology to recognize the impact of both past and future adjustments on Rider DCR (Audit Report at 27).

(g) Blue Ridge's reiterated recommendation from its 2013 review of Rider DCR that the Commission order an updated depreciation study be conducted, as the last approved study was based on balances as of May 31,2007. In re Ohio Edison Co., The Cleveland Elec. Ilium. Co., and The Toledo Edison Co., Case No. 13-2100-EL-RDR, Finding and Order (July 13, 2016) at 4-5. The Companies were required to submit this study to Staff no later than June 1,2015. (Audit Report at 29.)

(h) Blue Ridge's recommendation that the 2015 aggregate annual cap be decreased by an amount equal to $2,207,737. Rider DCR effective June 1, 2015, incorporates this recommendation. (Audit Report at 83-87.)

<u>Case No. 15-1739-EL-RDR (2015 Audit)</u>

On December 31, 2015, FirstEnergy filed its Rider DCR application. On April 22, 2016, Blue Ridge filed a report on its audit review of Rider DCR. On July 17, 2019, the Commission adopted Blue Ridge and supplemental recommendation by Staff. The list of recommendations approved by the Commission are listed below:

(a) Blue Ridge recommends that the overstatements regarding the Toledo Edison Company account be corrected in future Rider DCR filings (Audit Report at 21, 43-45).

(b) Blue Ridge recommends that a reconciliation of the Rider DCR revenue requirement be included in the next filing that incorporates the cumulative effect of the corrections needed to be made to the EDR(g) exclusions (Audit Report at 21, 51).

(c) Blue Ridge recommends that a reconciliation of the Rider DCR revenue requirement be included in the next filing that incorporates the effect on revenues had the additional AMI-related charge been appropriately excluded (Audit Report at 21, 52).

(d) Blue Ridge recommends that a reconciliation of the Rider DCR requirements be included in the next filing that incorporates the effect on revenues had the December 2014 through February 2015 ATSI Land Lease exclusion value activity been incorporated beginning with the actual plant balances (Audit Report at 21, 54).

(e) Blue Ridge recommends that a reconciliation calculation be included in the next Rider DCR filing to reflect the cumulative revenue requirement impact regarding the non-jurisdictional work that should have been excluded from Rider DCR (Audit Report at 21, 58).

(f) Blue Ridge recommends that a reconciliation calculation be included in the next Rider DCR filing to reflect the cumulative revenue requirement impact that results from the inclusion of the pension adjustments that did not have retirements recorded (Audit Report at 21, 59-60).

(g) Blue Ridge recommends that FirstEnergy move the residual pension asset balances associated with the Federal Energy Regulatory Commission that were residing in unspecified locations as of September 2015 to specified locations (Audit Report at 21, 60).

(h) Blue Ridge recommends that the Companies review their project planning process on non-IT-related projects to ensure that the methodology allows for projects to be fully scoped prior to execution (Audit Report at 21, 65).

(i) Blue Ridge recommends that the Companies evaluate the process used to record retirements so that the recording of retirements takes place at or before the plant additions are recorded to plant-in-service to ensure that both the replacement asset and the retired asset are not recording depreciation as the same time (Audit report at 21, 67).

(j) Blue Ridge recommends that the formulas in the estimated first quarter intangible depreciation expense net calculation be adjusted to ensure that depreciation expense is calculated or not calculated depending on whether the assets are fully amortized (Audit Report at 21, 74).

[¶ 27] Staff filed initial comments on June 23, 2017. In addition to agreeing with recommendations put forth by Blue Ridge in the Audit Report, Staff recommends that Blue Ridge assess the sufficiency of changes made to FirstEnergy's planning process regarding non-IT-related projects in the Companies' 2017 annual compliance audit for Rider DCR. Staff further recommends that the Commission direct the Companies to take steps to ensure that the recording of retirements takes place at or before plant additions are recorded to plant-in-service.

Case No. 16-2041-EL-RDR (2016 Audit)

On December 31, 2016, FirstEnergy filed its Rider DCR application. On May 1, 2017, Blue Ridge filed a report on its audit review of Rider DCR. As of the date of this report, the Commission has not ruled on the findings and recommendations in the report.

Case No. 17-2009-EL-RDR (2017 Audit)

On January 1, 2018, and replaced on December 12, 2018, FirstEnergy filed its Rider DCR application. On May 11, 2018, Blue Ridge filed a report on its audit review of Rider DCR. As of the date of this report, the Commission has not ruled on the findings and recommendations in the report.

Case No. 18-1542-EL-RDR (2018 Audit)

On January 2, 2019, FirstEnergy filed its Rider DCR application. On April 30, 2019, Blue Ridge filed a report on its audit review of Rider DCR. As of the date of this report, the Commission has not ruled on the findings and recommendations in the report.

Case No. 18-1604-EL-UNC

Commission Opinion and Order dated July 17, 2019

Pages 3–4, III Background

[¶ 8] On January 10, 2018, the Commission opened an investigation into the financial impacts of TCJA on regulated utilities in this state. See *In re the Commission's Investigation of the Financial Impact of the TCJA on Regulated Ohio Utility Companies, Case No. 18-47-AU-COI (TCJA Investigation)*, Entry (Jan. 10, 2018). On October 24, 2018, following an extensive comment period and hearing, the Commission directed public utilities to file applications not for an increase in rates, pursuant to R.C. 4909.18, by January 1, 2019, in order to return to consumers the tax impacts resulting from the TCJA. On October 30, 2018, the Companies filed an application to establish a process to resolve TCJA-related issues in Case No. 18-1604-EL-UNC (TCJA Impacts Case).

[¶ 9] On November 9, 2018, a stipulation and recommendation was filed, recommending a resolution for the above-captioned cases, by the following parties: the Companies; Staff; Direct Energy Services, LLC and Direct Energy Business, LLC (collectively, Direct Energy); Environmental Defense Fund (EDF); Ohio Energy Group (OEG); Industrial Energy Users – Ohio (IEU); Ohio Cable Telecommunications Association (OCTA); Ohio Hospital Association (OHA); and Interstate Gas Supply, Inc. (IGS). On January 25, 2019, a supplemental stipulation and recommendation was filed, which modified the original stipulation and included all of the original signatory parties as well as the Office of the Ohio Consumers' Counsel (OCC), The Northeast Ohio Public Energy Council (NOPEC), and Ohio Partners for Affordable Energy (OPAE). For purposes of this Opinion and Order, both stipulations will collectively be referred to as the Stipulation, and all parties that have signed either the original or supplemental stipulation will collectively be referred to as the Signatory Parties.

Page 13 Summary of Stipulation, TCJA Resolution

1. TCJA RESOLUTION

[¶ 25] The Companies agree to refund all tax savings associated with the TCJA including riders, tax savings not reflected in riders, and the return over time of all of the normalized and non-normalized excess accumulated deferred income tax (ADIT) from January 1, 2018. The Companies will credit tax savings through a new credit mechanism established for each company, which will be reconciled on an annual basis. (Co. Ex. 1 at 7-8.)

[¶ 26] The rate allocation for the new credit mechanism for current tax savings not reflected in riders and the excess ADIT amortizations will be allocated to residential and non-residential rate schedules based on the agreed-upon allocation factors (Co. Ex. 3 at 2, Attach. E).

[¶ 27] Annual amortization of excess ADIT related to the TCJA flowing through the pole attachment tariff will be removed from the amounts included in the TCJA savings credit mechanism (Co. Ex. 1 at 10).

Page 72, V. Order

[¶ 136] ORDERED, That the Stipulation be approved as modified in this Opinion and Order.

Case No. 19-1887-EL-RDR (2019 Audit)

On January 2, 2020, FirstEnergy filed its Rider DCR application. This filing is under review.

Appendix B: Abbreviations and Acronyms

The following abbreviations and acronyms are used in this report.

ADIT	Accumulated Deferred Income Taxes
AFUDC	Allowance for Funds Used during Construction
AMI Rider	Advanced Metering Infrastructure (Smart Grid) Rider
ARO	Asset Retirement Obligation
ATSI	American Transmission Systems, Inc.
CAT	Commercial Activity Tax
CE, CEI, or CECO	Cleveland Electric Illuminating Company, The
CIAC	Contributions in Aid of Construction
CPR	Continuing Property Records
CREWS	Customer Request Work Scheduling System
CWIP	Construction Work in Progress
DCR	Delivery Capital Recovery Rider
DSI Rider	Delivery Service Improvement Rider
DTL	Deferred Tax Liability
EDIT	Excess Deferred Income Tax
EDR Rider	Economic Development Rider
ESP	Electric Security Plan
FE or FECO	FirstEnergy Service Company
FERC	Federal Energy Regulatory Commission
GAAP	Generally Accepted Accounting Principles
IT	Information Technology
LEX Rider	Line Extension Recovery
LOSA	Level of Signature Authority
MRO	Market Rate Offer
OE or OECO	Ohio Edison Company
PUCO	Public Utilities Commission of Ohio
RFP	Request for Proposal
RWIP	Retirement Work in Progress
TE or TECO	Toledo Edison Company, The
TCJA	Tax Cuts and Jobs Act
SEET	Significantly Excessive Earnings Test
SSO	Standard Service Offer
WBS	Work Breakdown Structure

APPENDIX C: DATA REQUESTS AND INFORMATION PROVIDED

The following is a list of the data requests submitted by Blue Ridge to FirstEnergy. Responses were provided electronically and are available on a confidential USB drive.

Data Requests Set 1

1.1. **Priority Data Request—DCR Filings**: For each company, please provide the workpapers and documents that support the information included within the January 2, 2020, Rider DCR Compliance Filing. Please provide the source data in its original electronic format.

1.2. **Priority Data Request—Work Orders**: For each company and the Service Company, please provide in a Microsoft Excel spreadsheet a list of work orders by FERC account for 12/1/18 through 11/30/19. Include the description, dollar amount, completion date, and whether the work was an addition or replacement.

1.3. **Priority Data Request—Organization Charts**: For each company and the Service Company, please provide a current organizational chart.

1.4. **Priority Data Request—Organization Chart**: Please confirm that the following individuals were in the same positions for 2019. Please identify any changes.

#	Name	Title
1	Douglas Burnell	Director, Business Services
2	Amy Patterson	Manager, Property Accounting
3	Randal Coleman	Manager, Distribution Standards
4	Joanne Savage	Manager, OH Revenue Requirements
5	Teresa Hogan	Director, Corporate Sourcing
6	Peter Nadel	Manager, Insurance and Operational Risk Management
7	Santino Fanelli	Director Rates & Regulatory Affairs
8	Brandon McMillen	OH State Regulatory Analyst III
9	Joseph Laboda	Director, Utilities Sourcing
10	James Radeff	FEU Business Services Policy and Control Lead
11	Nicholas Fernandez	Executive Director, Strategy and LT Planning
12	Mark Golden	Manager, General Accounting

Data Request Set 2

2.1. **Workorder**: Please provide a reconciliation of the list of workorders provided in Data Request 1.2 to the amounts included in the January 2, 2020, DCR filings.

2.2. **FERC Form 1 Reconciliations**: Please provide a reconciliation of the Rider DCR balances to the balances in the 2019 FERC Form 1.

2.3. **Budget**: Please provide the 2019 budget supporting the 2019 Compliance Filings. Also, please include the assumptions supporting the budget/projected data.

2.4. **Budget**: Please provide the total actual capital dollars spent and the approved budget by operating company and by functional area (i.e., Transmission, Distribution, General, and Other Plant) for 2019.

2.5. **Status of 2018 Recommendations**: Please provide a narrative on how the companies have addressed the recommendations listed on pages 18–20 in Blue Ridge's Compliance Audit of the 2018 DCR Riders, dated April 30, 2019.

2.6. **DCR Filings**: Please provide a narrative of any changes made to the development process of the 2019 Rider DCR Compliance Filings and schedules from the development process of the 2018 DCR Compliance Filing and schedules.

2.7. **Policies and Procedures**: For each company and the Service Company, please provide any changes for 2019 to the policies and procedures for the following activities.
   a. Plant Accounting
      i. Capitalization, including additions to retirement units of property.
      ii. Preparation and approval of work orders
      iii. Recording of CWIP including the systems that feed the CWIP trial balance
      iv. Application of AFUDC
      v. Recording and Closing of additions, retirements, cost of removal, and salvage in plant
      vi. Unitization process based on the retirements unit catalog
      vii. Application of depreciation
      viii. Contributions in Aid of Construction (CIAC)
   b. Purchasing/Procurement
   c. Accounts Payable/Disbursements
   d. Accounting/Journal Entries
   e. Payroll (direct charged and allocated to plant)
   f. Taxes (Accumulated Deferred Income Tax, Income Tax, and Commercial Activity Tax)
   g. Insurance Recovery
   h. Property Taxes
   i. Service Company Allocations
   j. Budgeting/Projections
   k. IT projects

2.8. **Policies and Procedures**: Please specifically explain any changes that have been made in capitalization polices that would transfer costs from operating expenses to capital.

2.9. **Policies and Procedures**: Please explain the Companies' cost containment strategies and practices in relation to use of outside and inside contractors.

2.10. **Policies and Procedures**: Please explain the Companies' policies related to purchasing and accounting for capital spares and their recovery.

2.11. **Internal Audits**: For each company and the Service Company, please provide a list of Internal Audits completed or in-progress for 2019. List the name of the audit, scope, objective, and when the work was performed.

2.12. **SOX Compliance Audits**: For each company and the Service Company, please provide a list of SOX compliance work completed or in-progress during 2019. List the name of the audit, scope, objective, and when the work was performed.

2.13. **Variance Analysis**: For each company, please provide in a Microsoft Excel spreadsheet in FERC Form 1 format the beginning and ending period balance by primary plant (300 account and sub account) for additions, retirements, transfers, and adjustments for 12/1/18 through 11/30/19.

2.14. **Variance Analysis**: For each company, please provide in a Microsoft Excel spreadsheet the beginning and ending period balance for jurisdictional accumulated reserve for depreciation balances by FERC 300 account for 12/1/18 through 11/30/19.

2.15. **Variance Analysis**: For each company and the Service Company, please provide in a Microsoft Excel spreadsheet the beginning and ending period balance of Construction Work in Progress (CWIP) for 12/1/18 through 11/30/19. If the CWIP balances for any of the companies or the Service Company have increased from 12/1/18 to 11/30/19, please provide a narrative and any support documentation explaining the increase.

2.16. **Replacement Programs**: Did the companies have any large construction and/or replacement programs in 2019, such as pole replacement, meters, underground line, etc.? If so, please identify the program, company, and work orders associated with the program.

2.17. **Insurance Recoveries**: For each company and the Service Company, please provide a list of any insurance recoveries charged to capital from 12/1/18 through 11/30/19.

2.18. **Insurance Recoveries**: For each company and the Service Company, please provide a list and explanation of any 2019 pending insurance recoveries not recorded or accrued that would be charged to capital. Indicate the type of recovery, estimated amount, and when receipt is expected.

2.19. **Depreciation**: For each company and the Service Company, please provide the approved depreciation accrual rates by FERC 300 account from 12/1/18 through 11/30/19. Note any changes in rates during the year. Please provide the Commission order that approved the rates for each company and the Service Company.

2.20. **Depreciation**: Does any company use a depreciation rate for any 300 sub-account that has not been approved by the Commission? If so, please provide the following for any changes made in 2019:

a. FERC 300 account, sub account and company
b. Depreciation accrual rate used
c. Analysis supporting the use of the accrual rate
d. Effective date of the rate
e. Any filings with the commission for approval

2.21. **Approval Signatures**: Please provide the level of signature authority (LOSA) document that supports the approval of capital projects put in service from 12/1/18 through 11/30/19.

2.22. **Exclusions**: Please provide the supporting documentation for the amounts associated with the ATSI Land Lease for actual 11/30/19 and estimated 2/28/20.

2.23. **Excluded Riders**: Please provide the supporting documentation for the amounts excluded from CEI for Rider AMI for actual 11/30/19 and estimated 2/28/20.

2.24. **Excluded Riders**: Please provide the supporting documentation for the amounts excluded for EDR(g).

2.25. **Other Riders**:

a. Has the Company requested and received Commission approval for any riders other than those in the following list?

b. Please confirm that no cost recovered through the following riders has capital additions included within the Rider DCR.

1	Residential Distribution Credit	21	Non-Distribution Uncollectible
2	Transmission and Ancillary Service Rider	22	Experimental Real Time Pricing
3	Alternative Energy Resource	23	Experimental Critical Peak Pricing
4	School Distribution Credit	24	CEI Delta Revenue Recovery – CE
5	Business Distribution Credit	25	Experimental Critical Peak Pricing
6	Hospital Net Energy Metering	26	Generation Service
7	Peak Time Rebate Program – CE	27	Demand Side Management and Energy Efficiency
8	Universal Service	28	Deferred Generation Cost Recovery
9	State kWh Tax	29	Deferred Fuel Cost Recovery
10	Net Energy Metering	30	Non-Market-Based Services
11	Grandfathered Contract – CE	31	Residential Deferred Distribution Cost Recovery
12	Delta Revenue Recovery	32	Non-Residential Deferred Distribution Cost Recovery
13	Demand Side Management	33	Residential Electric Heating Recovery
14	Reasonable Arrangement	34	Residential Generation Credit
15	Distribution Uncollectible	35	Phase-In Recovery
16	Economic Load Response Program	36	Distribution Modernization
17	Generation Cost Reconciliation	37	Government Directives Recovery Rider
18	Fuel	38	Ohio Renewable Resources Rider
19	Delivery Service Improvement	39	Commercial High Load Factor Experimental Time-of Use Rider
20	PIPP Uncollectible	40	Residential Critical Peak Pricing Rider

2.26. **Workorders**: Please provide a list of work orders by FERC account used for the following types of work in December 2018 and January through November 2019:

a. Generation
b. AMI
c. EDR(g)
d. LEX
e. Annual blanket/program work orders (include any work that is a carryover from prior years)
f. IT
g. Storms
h. Joint-owned facilities
i. Vegetation Management
j. DMP
k. Experimental Company-Owned LED
l. GDR

2.27. **Rider GDR**: The Government Directive Recovery Rider has the potential to impact the Rider DCR.

a. Please provide a list of the costs by FERC account included in the Rider GDR.

b. For any costs charged to FERC accounts included in the Rider DCR, please explain how those costs have been excluded from recovery through the DCR.

2.28. **DMP:** The Distribution Modernization Platform has the potential to impact the Rider DCR.

a. Have the Companies incurred any costs associated with projects that could be recovered through the DMP? If so, please provide the FERC account, description, and amount, when the project began, and if in-service, the in-service date.

b. Please explain how the Companies intend to track projects associated with the DMP to ensure that they are not included within the DCR.

2.29. Vegetation Management: Please provide any changes to Vegetation Management practices that have occurred in 2019, including changes in the following areas:

a. Specific guidance and/or instructions, both financial and operational, provided to field personnel enabling them to determine what routine vegetation work is considered capital or expense

b. Trees or limbs outside the right of way that need to be removed while performing unrelated work

c. Accounting treatment (capital/expense) of trees or limbs outside the right of way that need to be removed

d. Distinguishing normal Vegetation Management from incremental Vegetation Management

e. Changes, if any, to management personnel of Vegetation Management

2.30. **Storm Costs:** Please provide changes implemented in 2019, if any, as to how storm costs are monitored to ensure that work is properly classified as capital or expense?

2.31. **Storm Costs:** Please provide changes implemented in 2019, if any, as to how and whether a post-storm review is performed on the detail of the project costs for proper accounting classification.

2.32. **Vegetation Management:** Please provide specific information, if any, accumulated since the Company's response to BRC Set 1–INT-39 (in Case No. 18-1542-EL-RDR) on how tree limb removal, outside the scope of normal tree trimming, has reduced storm outages in duration and cost.

2.33. **Vegetation Management**: Please provide the allocation of spend between the following item pairs:

a. Vegetation management charged to expense and charges capitalized

b. Vegetation management charged to expense by internal labor and outside contractors

c. Vegetation management capitalized by internal labor and outside contractors

2.34. **Vegetation Management:** Please provide a sample of the documentation that is provided by the field forces that documents whether an activity should be expensed or capitalized.

2.35. **Unitization Backlog**: Please provide, by company, information regarding the backlog in the unitization of workorders for 2019. Please provide the number of workorders and the length of time in months by functional area (i.e., Distribution, Transmission, General, and Other).

2.36. **Unitization Backlog**: Please provide the dollar value of the workorder backlog, by operating company and by workorder classification (Distribution, Transmission, General, and Other). For any individual specific work order/project over $250,000, and not a blanket or program, please provide the work order/project number and a short description of the project.

Data Requests Set 3

3-1. **Priority Data Request -** For the attached work order list (FirstEnergy 2019 DCR Audit Data Request Set 3 Sample Final), please provide the following information in Microsoft Excel spreadsheets.

a. Please provide the detail listed under item i below for each individual work order in the attached work order list. If the information cannot be provided by individual work order, please provide instead the information in item ii below.
   i. A work order sample summary
      (1) The individual work order or project approval, written project justification, including quantification of efficiency and cost savings, present value analysis, and/or internal rate of return calculations for projects other than annually budgeted work orders
      (2) The individual work order or project estimated and actual in-service dates with explanations for delays > 90 days
      (3) The individual work order or project, budget vs. actual costs, with explanations for cost variances +/- 15%
   ii. A report at a project level with a reference to the sample work order that includes the following information:
      (1) Approval
      (2) Project justification
      (3) Budget and actual costs with explanation for cost variances +/- 15%
      (4) Estimated and actual in-service dates with explanation for delays > 90 days

b. Estimates for cost of construction (material and labor), AFUDC, overheads, retirements, cost of removal, salvage, and CIACs

c. Supporting detail for assets (units and dollars by FERC account for all FERC accounts within the workorder) added to utility plant from the Power Plant system

d. Supporting detail for retirements, cost of removal and salvage, if applicable, charged or credited to plant (units and dollars) for replacement work orders from the Power Plant system

e. An updated list of cost elements

f. Cost element detail that shows the individual workorder, FERC account, and amount as selected in the sample (Considering that a work order may consist of more than one FERC account, the cost element detail can also include other WBS or Projects as long as the individual FERC account charge selected in the sample is visible.)

Data Requests Set 4

4.1. Follow-up to Data Request response BRC Set 2-INT-011, Attachment 1 (CONFIDENTIAL). For the following audits, please provide the executive summary of findings and recommendations. For projects that are in-progress, provide the same information when it becomes available. For number references purposes, the Company response to BRC Set 2-INT-011 Attachment 1 is included.

Audit Numbers 1, 2, 3, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, and 19

4.2. Follow-up to Data Request BRC Set 2-INT-012, Attachment 1 (CONFIDENTIAL). For the following SOX compliance audits, please provide a summary of any significant control deficiencies, along with how those deficiencies were corrected or mitigated:
   a. Regulated Accounting – CS
   b. Regulated PP&E – CS
   c. Accounts Payable – CS
   d. Financial Reporting and Disclosures
   e. Tax – CS
   f. Corporate PP&E – CS
   g. General Accounting – CS

4.3. Follow-up to Data Request BRC Set 2-INT--35 and BRC Set -INT-36.
   a. Please explain why the number of work orders over 15 months old, included in the unitization backlog, increased from 1,403 as of December 31, 2018, to 3,308 as of December 31, 2019.
   b. Please explain why the total value of the unitization backlog over 15 months old, increased from $14,122,115 as of December 31, 2018, to $44,436,007 as of December 31, 2019.

4.4. Follow up to Data Request Response BRC Set 2-INT-034, attachment 1 (CONFIDENTIAL)
   a. Is there any other documentation (pictures, detailed descriptions, onsite supervisor sign-off or anything else) that corroborates the time sheet activity code designation informing whether an activity is capital or expense?
   b. How does the contractor or employee performing the Tree Trimming know what activity code(s) to charge?

Data Requests Set 5

5-1. **Tax Rates:** Please provide the supporting documentation and calculations for the tax rate used for actual 11/30/19 and estimated 2/29/20.

5-2. **Annual DCR Revenue:** Reference DCR Compliance filings dated January 2, 2020, page 57. Please provide supporting documentation for the Annual Revenue through 11/30/2019 for each operating company.

5-3. **Rider AMI Exclusion for CEI:** Follow up to BRC Set 2-INT-023. Provide the supporting documentation for the “exclusions related to Rider AMI for work order activity associated with WBS CE-00400 that are included in Non-SGMI depreciation groups offset by DCR activity in SGMI depreciation groups,” for actual 11/30/19 and estimated 2/29/20.

5-4. **Exclusions:** Provide the supporting documentation for the amounts associated with the Experimental Company Owned LED Program for actual 11/30/19 and estimated 2/29/20.

5-5. **ADIT:** Case No. 18-1604-EL-UNC Opinion and Order dated July 17, 2019, stated the November 9, 2018, Stipulation and Recommendation was approved as modified. Please discuss how the Stipulation and its modification are reflected within the DCR. Also discuss all related developments and changes since the 2018 Rider DCR Audit.

5-6. **ADIT:** Discuss the reflection of the Normalized and Non-Normalized Property EDIT balances at Lines 3 and 4 on DCR Compliance Filing pages 11 and 36 of 71.

5-7. **ADIT:** Provide supporting documentation for the amounts associated with the Normalized and Non-Normalized Property EDIT balances for actual 11/30/19 and estimated 2/29/20.

5-8. **Work Order Testing**: Follow up to data request BRC Set 3 INT-3-001, attachment 3 (cost details) – **CONFIDENTIAL.** Work Order CECO 14568108 – Retrofit the spare 14MVA, 36-13KV Tranf – Please explain what the $103,941 of Other Owner Costs represents

5-9. **ADIT:** Follow up to BRC Set 1-INT-001 Attachment 10. Reconcile the Estimated 2/29/2020 SC ADIT balance provided in the supporting documentation with the balance reported on DCR Compliance Filing page 36 of 71.

	SC
FE DCR Compliance Filing 1.2.2020	$ (36,229,611)
BRC Set 1-INT-001 Attachment 10	$ (35,991,861)
Difference	$ (237,750)

5-10. **ADIT:** Explain the change in the gross Normalized Property EDIT balance as of 12/31/2017 per DCR Compliance Filing page 11 of 71 compared to the balance reported during the prior year audit.

	CEI	OE	TE	Total
Case No. 19-1542-EL-RDR FE DCR Compliance Filing 1.2.2020	$ 138,603,679	$ 148,975,974	$ 42,541,350	$ 330,121,003
Case No. 18-1542-EL-RDR BRC Set 6-INT-002 Attachment 1	$ 173,640,455	$ 157,240,782	$ 42,962,870	$ 373,844,107
Difference	$ (35,036,776)	$ (8,264,808)	$ (421,520)	$ (43,723,104)

5-11. Work Order Testing: Follow up to data request BRC Set 3 INT-3-001, attachment 3 (cost details) – **CONFIDENTIAL.** Work Order CECO, CE-900186-VMPL-DIST, Clearing and Grading of Land. Please provide the invoice detail that supports the Contractor Charges of $7,326,020. Include the Vendor name, date(s) of service, invoice amount(s), and location of service.

5-12. **Work Order Testing**: Follow up to data request BRC Set 3 INT-3-001, attachment 3 (cost details) – **CONFIDENTIAL.** Work Order CECO, CE-900190-VMUPL-SUBT – Clearing and Grading of land. Please provide the invoice detail that supports the Contractor Charges of $186,333. Include the Vendor name, date(s) of service, invoice amount(s) and location of service.

5-13. **Work Order Testing**: Follow up to data request BRC Set 3 INT-3-001, attachment 3 (cost details) – **CONFIDENTIAL.** Work Order CE-900477-CCOH-ADJ: Capital related Payroll overhead Adjustment.

a. What types of capitalized labor overheads are included in the adjustment?

   b. Why can't these overheads be applied through the normal allocation process?
   c. How are the overheads charged to the respective capital workorders to which they pertain?
   d. Are the overheads applied to work orders already closed and unitized? If so, how is that done?

5-14. **Work Order Testing**: Follow up to data request BRC Set 3 INT-3-001, attachment 3 (cost details) – **CONFIDENTIAL.** Work Order OECO 13287571 – Station Equipment – Boardman-2012 SCADA Installations on Dx. Activity Cost = $835,497, AFUDC = $376,678. The AFUDC charged appears to be excessive. Please explain why AFUDC was 45% of the total work order cost.

5-15. **Work Order Testing**: Follow up to data request BRC Set 3 INT-3-001, attachment 3 (cost details) – **CONFIDENTIAL.** Work Order OECO 14370958 – Station Equipment. SUB SCADA AND TELEMETERING. Activity Cost = $857,109, AFUDC = $227,286. AFUDC charged appears to be excessive. Please explain why AFUDC was 27% of the total work order cost.

5-16. **Work Order Testing**: Follow up to data request BRC Set 3 INT-3-001, attachment 3 (cost details) – **CONFIDENTIAL.** Work Order OECO 14650547- HWY AKRON ODOT MAIN BROADWAY UNDG. Activity Cost = $3,653,988, AFUDC = $841,064, Overheads $1,109,740.
   a. AFUDC charged appears to be excessive—Pleas explain why AFUDC was 23% of the total work order cost. Work order was $3,653,988, and AFUDC was $847,0563.
   b. Other Company Overheads was 30% of the total work order costs. Please explain what $1,067,491 of Other Company Overheads represents.

5-17. **Work Order Testing**: Follow up to data request BRC Set 3 INT-3-001, attachment 3 (cost details) – **CONFIDENTIAL.** Work Order L1094 – OECO PROP ASSETS-PWR PLT TRNSF & ADJ (Station Equipment). Please explain the reason(s) for the adjustment of ($2,065,322).

5-18. **Work Order Testing**: Follow up to data request BRC Set 3 INT-3-001, attachment 3 (cost details) – **CONFIDENTIAL.** Work Order FECO LA096 - FECO PROP ASSET-PWR PLT TRNSF & ADJ.
   a. Please explain what the $($2,254,420) adjustment represents.
   b. How is the determination made which cost category to charge?
   c. How is the determination made which FERC 300 account to charge?
   d. Please explain why no cost of removal was charged for the $736,347 retirement of the Fire Protection System Building.

5-19. **Work Order Testing**: Follow up to data request BRC Set 3 INT-3-001, attachment 3 (cost details) – **CONFIDENTIAL.** Work Order OECO OE-003049-DO-MSTM – Wind Event. Activity Cost = $3,607,525, Other Company Overheads = $1,026,324. Please explain why Other Company Overheads represent 28% of the total cost of the Wind Event.

5-20. **Work Order Testing**: Follow up to data request BRC Set 3 INT-3-001, attachment 3 (cost details) – **CONFIDENTIAL.** Work Order OE-900186-VMPL-DIST – Clearing and Grading of Land. Please provide the invoice detail that supports the Contractor Charges of $7,841,408. Include the vendor name, date(s) of service, invoice amount(s), and location of service.

5-21. **Work Order Testing**: Follow up to data request BRC Set 3 INT-3-001, attachment 3 (cost details) – **CONFIDENTIAL.** Work Order OE-900187-VMPL-SUBT – Clearing and Grading of Land. Please provide the invoice detail that supports the Contractor Charges of $69,017. Include the vendor name, date(s) of service, invoice amount(s), and location of service.

5-22. **Work Order Testing**: Follow up to data request BRC Set 3 INT-3-001, attachment 3 (cost details) – **CONFIDENTIAL.** Work Order OE-900477-CCOH-ADJ - Total Non-Billable Distribution Project.
   a. Please explain what the $15,244,611 adjustment represents.
   b. How is the determination made which cost category to charge?
   c. How is the determination made which FERC 300 account to charge?

5-23. **Work Order Testing**: Follow up to data request BRC Set 3 INT-3-001, attachment 3 (cost details) – **CONFIDENTIAL.** Work Order TECO 15957370 - PHASE 4 DORR ST. & I-475- ODOT #2. Activity Cost = $1,206,134, Other Company Overheads = $818,210. Please explain why Other Company Overheads was 67% of the total work order cost.

5-24. **Work Order Testing**: Follow up to data request BRC Set 3 INT-3-001, attachment 3 (cost details) – **CONFIDENTIAL.** Work Order TECO TW-000947-S-5 - Davis-Besse. Activity Cost = $379,557, AFUDC = $94,804. AFUDC charged appears to be excessive. Please explain why AFUDC was 25% of the total work order cost.

5-25. **Work Order Testing**: Follow up to data request BRC Set 3 INT-3-001, attachment 3 (cost details) – **CONFIDENTIAL.** Work Order TECO TW-900186-VMPL-DIST – Clearing and Grading of Land. Please provide the invoice detail that supports the Contractor Charges of $2,395,915. Include the vendor name, date(s) of service, invoice amount(s), and location of service.

5-26. **Work Order Testing**: Follow up to data request BRC Set 3 INT-3-001, attachment 3 (cost details) – **CONFIDENTIAL.** Work Order TECO TW-900477-CCOH-ADJ. Total Non-Billable Distribution Project
   a. Please explain what the $15,244,611 adjustment represents.
   b. How is the determination made which cost category to charge?
   c. How is the determination made which FERC 300 account to charge?

5-27. **Work Order Testing**: Follow up to data request BRC Set 3 INT-3-001, attachment 3 (cost details) – **CONFIDENTIAL.** Work Orders FECO ITF-SC-000036-SW18-1 and ITF-SC-000036-SW19-1 - Oracle SW Upgrade Fee 2018 and 2019.
   a. Please provide the detail for the Other Direct Cost charges of $1,907,843 and $1,988,983, respectively for 2018 and 2019.
   b. Why were the 2018 and 2019 SW upgrade fees both included in the DCR scope period of December 1, 2018, through November 30, 2019?
   c. If these projects represent allocated costs, please provide the detail that supports the allocation.

5-28. **Work Order Testing**: Follow up to data request BRC Set 3 INT-3-001, attachment 3 (cost details) – **CONFIDENTIAL.** Work Orders FECO - ITF-SC-000045-SW18-1 and ITF-SC-000072-SW19-1. SAP SW UPGRADE 2018 and Power Center Support 2019.
   a. Please provide the detail for the Other Direct Cost charges of $4,428,295 and $742,084, respectively for 2018 and 2019.
   b. If these projects represent allocated costs, please provide the detail that supports the allocation

5-29. **Work Order Testing**: Follow up to data request BRC Set 3 INT-3-001, attachment 3 (cost details) – **CONFIDENTIAL.** Work Order FECO ITS-SC-000537-2018R1-1 Network Security Upg & Mitg 2018R1 – CA
   a. Please explain why $334,920 of Data Processing Equipment was charged to Stock Materials.

b. Did the upgrade result in the retirement of any Data Processing Equipment? If so, please explain what was retired.

5-30. **Work Order Testing**: Follow up to data request BRC Set 3 INT-3-001, attachment 3 (cost details) – **CONFIDENTIAL.** Work order FECO XIT-000016-1 Non-SAP Unix Server Replacement. Did the Unix server replacement result in retirements of Data Processing equipment? If so, please provide the detail for the retirement and explain why the work order did not indicate a replacement or show any retirements or cost of removal

5-31. **Work Order Testing**: Follow up to data request BRC Set 3 INT-3-001, attachment 3 (cost details) – **CONFIDENTIAL.** Work Order FECO XIT-000023-1 - Total Capital

a. Please provide additional detail that supports the $1,498,484 of Other Direct Costs.
b. This work order appears to be a blanket for Data Processing Equipment. Was equipment replaced? If so, please provide the cost of removal and retirement information.

5-32. **Work Order Testing**: Follow up to data request BRC Set 3 INT-3-001, attachment 3 (cost details) – **CONFIDENTIAL.** Work Order FECO XIT-000062-1. Total Capital

a. Please provide additional supporting detail for the $8,089,745 of costs charged to Stock Materials.
b. This work order appears to be a blanket for Data Processing Equipment. Was equipment replaced? If so, please provide the cost of removal and retirement information.

5-33. **Work Order Testing**: Follow up to data Request BRC-SET 3 INT-3001, attachment 5- Cost of Removal and attachment 4 -Retirements. **-CONFIDENTIAL.** Please explain why the following Work Orders that were not designated as replacements had Cost of Removal charged and no associated retirements recorded.

Work Order	Work Order Description	Retirement	COR
a. CE-001377-DO-MSTM	Total Distribution Line	$0	$690,699
b. CE-001524-DO-MSTM	Total Distribution Line	$0	$1,230,514
c. 15521094	Order new network transformers	$0	($75,712)
d. 15989044	MEDINA - HARMONY REGULATOR UPGRADE to 43	$0	$3,499
e. 16236067	Ball Park Relo of xfmr & service	$0	($11)
f. OE-003049-DO-MSTM	OE MSTM 6 2/23/19 WIND EVENT	$0	$1,336,598
g. 15604349	Repl #1 69-34kV Xfmr	$0	$34,194
h. 15667460	LUC-475-7.53 PID 99737 - Dorr Street Int	$0	$95,761
i. 15957365	PHASE 2 DORR ST. & I-475- ODOT #2	$0	($1,186)
j. 15957370	PHASE 4 DORR ST. & I-475- ODOT #2	$0	$178,789
k. 15993546	Monroe St Pole Relocations - URD RELO	$0	$11,099

5-34. **Work Order Testing**: Follow up to data Request BRC-SET 3 INT-3001, attachment 1- Scope **CONFIDENTIAL**. Work Order TECO PA168805630 **-** PO FW: 175413D61639 Customer service put

a. This work order appears to be for costs associated with damage claims. Please explain why damage claims costs are accumulated in a capital work order and not in a billing job on the balance sheet.

b. If this is a billing capital work order, what is the amount uncollected as of December 31, 2019.
c. Are the uncollected amounts accrued in the capital work order as a receivable?

5-35. **Work Order Testing**: Follow up to data Request BRC-SET 3 INT-3001, attachment 1- Scope **CONFIDENTIAL**. The following work orders' actual costs exceeded the budget by 20% or more. The Company explained the scope increases related to technological advances because the project was multi-year which also increased material costs. The explanations did explain the variance, but the work order actual-to-budget variances were significant. Please explain what technological advances created the variances. In addition, please explain the impact on material cost related to the Company decision to defer certain projects due to reallocation of labor resources.

Work Order	Work Order Description	Actual	Budget	Variance	% Variance
a. 13287571	Boardman-2012 SCADA Installations on Dx	$9,039,292.76	$4,493,026.68	($4,546,266.08)	-101.2%
b. 14370958	SUB SCADA AND TELEMETERING	$990,541.82	$255,216.51	($735,325.31)	-288.1%
c. 14650547	HWY AKRON ODOT MAIN BROADWAY UNDG	$5,123,323.79	$1,282,679.90	($3,840,643.89)	-299.4%
d. 15637755	Equip Investigate / Repair - Recloser V	$1,349,654.71	$1,097,614.40	($252,040.31)	-23.0%

5-36. **Internal Audit**: Follow up to data Request response BRC Set 4 – INT 01 attachment 1 (**CONFIDENTIAL**) Audit No 13 -Information Technology Asset Management Audit. In the Executive summary Internal Audit noted the following:

"Internal Auditing noted no formal policies and procedures exist with respect to the asset lifecycle. Management instead utilizes a decentralized governance and oversight model, making each team responsible for the ongoing maintenance of an asset throughout its lifecycle. The decentralized nature of the Asset Management process led to IA identifying discrepancies in the documented completeness and accuracy of inventory items.

• Inaccurate location of assets in Service Manager and Asset Manager

• Discrepancy of asset location between Service Manager and Asset Manager

• Discrepancy of asset status (e.g., active, sold, disposed) between Service Manager and Asset Manager

• Active devices not listed in Service Manager or Asset Manager"

a. If a discrepancy of asset status was noted, did that result in IT assets that were no longer in service but remained on the Company records?
b. If the answer to a. above is yes, please quantify the original cost of the assets that remained on the books and indicate whether those assets were retired and when.
c. If the answer to a. above is no, please explain the significance of discrepancies of asset status between the Service Manager and Asset Manager.

5-37. **Vegetation Management**: Follow-up to BRC Set 4-INT-004. Please provide a detailed description and any sample documental support (e.g., photos, measurements, notes, schematics, etc.) regarding how the FE manager/supervisor verifies item #1 that reads "Proper Classification of Work Performed" found on the Timesheet Field Verification form (BRC Set 4-INT-004 Attachment 1 Confidential.pdf, page 3).

5-38. Follow up to Richard Collins Desk Interview Question # 6. What areas are you responsible for that would feed into the Rider DCR?

"Our support includes verifying that actual work order activity that goes into the Rider DCR plant in-service is appropriate, as well as reviewing and adjusting estimated plant in-service activity."

a. Please explain in greater detail the verification process steps for work order activity
b. Please explain in greater detail the review process for estimated plant in-service activity.
c. Were adjustments made to estimated plant in-service activity in 2019? If so, please explain what was adjusted and why.

Data Request Set 6

6.1. **Work Order processes** (if not provided elsewhere):

a. Please provide the specific process used to record salvage associated with blanket and specific work order replacement projects.
b. Please provide the specific process used to record Cost of Removal associated with blanket and specific work order replacement projects.

Data Request Set 7

7-1. Follow up to Data Request BRC Set 3-1, Att 3 (CONFIDENTIAL). OECO Work Order 13287571 – Boardman 2012 SCADA Installations on Dx - Please explain why AFUDC charged to the project was 45% of the total project cost. Project cost was $835,497 and the AFUDC charged was $376,678.

7-2. Follow up to Data Request BRC Set 3-1, Att 1 and Att 3 (CONFIDENTIAL) OECO Work Order 14234110 - OE 2014 - Sub - Adaptive Relaying - Please explain how the scope increases by the City of Akron contributed to the 1168.4% increase in project cost and the AFUDC of $41.646 charged to the project.

7-3. Follow up to Data Request BRC Set 3-1, Att 1 (CONFIDENTIAL). CECO Work Order 15504511 - Residential Development - Please explain how the statement "costs over budget in 2019 due to timing" contributed to the 1866.5% increase in project cost and AFUDC of $2,126 charged to the project.

Data Request Set 8

8-1. AMI: Please provide a reconciliation between the amounts recovered through the Rider AMI and the amounts excluded in the DCR as of 11/30/2019.

8-2. CEI-AMI Project:

a. Is the CEI-AMI Pilot Project an active project?
b. Please explain the change in activity from 11/30/2018 to 11/30/2019.

Actual 11/30/18		Actual 11/30/19		Change	
Gross	Reserve	Gross	Reserve	Gross	Reserve
$ 27,817,917	$ 14,070,645	$ 28,006,299	$ 16,680,043	$ 188,382	$ 2,609,398

8-3. Rider EDR(g):

a. Please explain the change in the following highlighted accounts from 11/30/2018 and 11/30/2019.

b. How did the Company reflect the finding in last year's report regarding work order 15204942, with $16,621 of activity that should have been excluded (2018 Data Request BRC Set 15-INT-001)?

FERC Account	Acutal as of 11/30/19		Actual as of 11/30/18		Difference	
	CEI		CEI		CEI	
	Gross	Reserve	Gross	Reserve		
353	$ 287	$ (703)	$ 287	$ (708)	$ -	$ 5
356	$ (1)	$ 19	$ (1)	$ 19	$ -	$ (0)
358	$ (32,555)	$ 4,379	$ 95,807	$ 4,709	$ (128,362)	$ (330)
360	$ (11)	$ -	$	$ -	$ (11)	$ -
362	$ 8,077	$ 1,029	$ (13,799)	$ 1,105	$ 21,875	$ (75)
364	$ (41,192)	$ (10,646)	$ (36,477)	$ (8,812)	$ (4,715)	$ (1,833)
365	$ (19,816)	$ (3,652)	$ (19,816)	$ (2,881)	$ -	$ (771)
366	$ -	$ 1,905	$ -	$ 1,905	$ -	$ (0)
367	$ 371,492	$ 24,021	$ 226,374	$ 14,841	$ 145,118	$ 9,179
368	$ (74,603)	$ (5,998)	$ (74,603)	$ (3,827)	$ -	$ (2,171)
369	$ (1,537)	$ (156)	$ (1,537)	$ (90)	$ -	$ (67)
370	$ (0)	$ 1,357	$ (0)	$ 1,357	$ -	$ (0)
371	$ (6,159)	$ (1,459)	$ (6,159)	$ (1,246)	$ -	$ (212)
373	$ (2,721)	$ (692)	$ (2,721)	$ (592)	$ -	$ (101)
390	$ (0)	$ 226	$ (0)	$ 226	$ -	$ (0)
Grand Total	$ 201,259	$ 9,630	$ 167,355	$ 6,005	$ 33,905	$ 3,625

8-4. Rider EDR(g): Please explain the reason for the change in balances recovered through Rider EDR(g) highlighted below.

FERC Account	Estimated as of 2/29/2020		Actual as of 11/30/19		Difference	
	CEI		CEI		CEI	
	Gross	Reserve	Gross	Reserve	Gross	Reserve
353	$ 1,454	$ (699)	$ 287	$ (703)	$ 1,167	$ 4
356	$ (1)	$ 19	$ (1)	$ 19	$ -	$ (0)
358	$ (30,086)	$ 4,222	$ (32,555)	$ 4,379	$ 2,469	$ (157)
360	$ 9,223	$ -	$ (11)	$ -	$ 9,234	$ -
362	$ 14,496	$ 1,080	$ 8,077	$ 1,029	$ 6,419	$ 51
364	$ (41,094)	$ (11,124)	$ (41,192)	$ (10,646)	$ 98	$ (478)
365	$ (18,591)	$ (3,839)	$ (19,816)	$ (3,652)	$ 1,225	$ (187)
366	$ -	$ 1,905	$ -	$ 1,905	$ -	$ -
367	$ 372,708	$ 26,291	$ 371,492	$ 24,021	$ 1,216	$ 2,270
368	$ (74,599)	$ (6,540)	$ (74,603)	$ (5,998)	$ 4	$ (543)
369	$ (1,537)	$ (173)	$ (1,537)	$ (156)	$ -	$ (17)
370	$ 583	$ 1,360	$ (0)	$ 1,357	$ 584	$ 2
371	$ (6,159)	$ (1,512)	$ (6,159)	$ (1,459)	$ -	$ (53)
373	$ (2,708)	$ (717)	$ (2,721)	$ (692)	$ 13	$ (25)
390	$ (0)	$ 226	$ (0)	$ 226	$ -	$ (0)
Grand Total	$ 223,689	$ 10,497	$ 201,259	$ 9,630	$ 22,429	$ 868

Data Request Set 9

9-1. Follow-up to Data Request response BRC Set 5-INT-22—Work Order OE-90477-CC0H-ADJ, item a (CONFIDENTIAL)

a. First Bullet:

1. Please indicate the blanket work order number(s) to which the $8.2 million was charged?
2. Was AFUDC charged to this work order? If so, please indicate the amount.
3. If AFUDC was charged to a blanket work order, will it be adjusted? If not, why not?
4. Please explain why no charges for work orders placed in service from August 2014 through November 2018.

b. Second Bullet:
1. Please indicate to what work orders the $6.6 million was charged.
2. Were any of the charges prior to October 2011? If so, please indicate the amount.
3. What in SAP created the error that caused charges that should have been posted to FERC 107 to instead be posted to FERC 184?
4. If this was a system problem, was it corrected? If so, how?
5. If the work order charges were posted to FERC 184 and cleared to utility plant in service, what did the Company do to ensure that all the charges that were reclassified to CWIP, and subsequently closed, were not duplicated in plant?
6. Were any of the FERC 184 charges that were closed to plant included in any Rider DCR filings from 2011 through 2018? If not, what steps did the Company take to ensure that all or part of the $6.6 million, closed to plant and included in the 2019 Rider DCR filing, was not duplicated in a prior year?

9-2. Follow-up to Data Request response BRC Set 5-INT-23—Work Order TECO 15957370 – PHASE 4 DORR ST & I-475 ODOT #2 (CONFIDENTIAL)
   a. What caused A&G to be under applied by $6 million in May 2019?
   b. Was the understatement for May 2019 for only one or more than one month? If for more than one month, please indicate the number of months.
   c. Was the reallocation for DCR work orders only or for all work orders in CWIP that had charges in May 2019?

9-3. Follow-up to Data Request response BRC Set 5-INT-35, parts c and d.
   a. Work Order 14650547—Highway Akron ODOT Mai Broadway UNDG. The Company explained that the variance of actual cost to budget was created by a changing timeline. Please explain what the changing timeline was for and who (or what) caused the timeline to change.
   b. Work Order 15637755—Equip Investigate/ Repair Recloser V. The Company explanation was that the project was delayed due to connecting and testing of all the SCADA requirements. Please explain what caused the delay in connecting and testing the SCADA equipment.

9-4. Follow-up to Data Request response BRC Set 3-INT-001—Work Order 15504511 – Residential Development. The work order closing was delayed 272 days. The work order accrued $2,125.83 of AFUDC.
   a. Please explain why the work order closing was delayed and also calculate any over accrual of AFUDC.

  b. If the Company determines that AFUDC was not over accrued for this project, please explain why.

9-5. Follow-up to Data Request response BRC Set 3-INT-001—Work Order 14234110 –Sub – Adaptive Relaying – Brian Reinhard Project Manager. The work order closing was delayed 443 days. The work order accrued $41,545.63 of AFUDC.
  a. Please explain why the work order closing was delayed and also calculate any over accrual of AFUDC.
  b. If the Company determines that AFUDC was not over accrual for this project, please explain why.

9-6. Follow-up to Data Request response BRC Set 5-INT-24—Work Order TECO TW-000947-S-5 – Davis Besse
  a. If materials were purchased in 2011, and the project was delayed several times before finally completing in 2018, was AFUDC suspended?
    1. If not, why not?
    2. If so, when was it suspended and when was it started again?
  b. Were the materials purchased prior to October 2011?

9-7. Follow-up to Data Request BRC Set 5-INT-33—Work orders with cost of removal and no associated retirements.
  a. Bullet 1:
    1. Please indicate the amount of retirements that will be recorded for each of the four yellow-highlighted work orders—items c, h, j, k.
    2. If the work orders were unitized in December 2019 and January 2020, would the Company agree that Utility Plant in Service was overstated by the amount of retirements not recorded as of November 30, 2019? If not, why not?
  b. Bullet 2:
    1. Please indicate the amount of retirements that will be recorded for each of the two green-highlighted work orders—items e and i.
    2. If the work orders were unitized in November 2019 and February 2020, would the Company agree that Utility Plant in Service was overstated by the amount of retirements not recorded for the work order unitized in February 2020? If not, why not?
  c. Bullet 3:
    1. Please indicate the amount of retirements that will be recorded for each of the five work orders not highlighted—items a, b, d, f, g.
    2. When does the Company plan to unitize the five work orders?
    3. Would the Company agree that Utility Plant in Service was overstated as of November 30, 2019, by the amount of retirements not recorded? If not, why not?

9-8. Vegetation Management: For the following selection of invoices, please provide the supporting detail for the contractor invoices used to determine that the charges are for capital work in accordance with Company policy and capital policy graphics.

The supporting detail should include, but not be limited to, the contractor invoice, including vendor name, time sheets, photos, measurements, notes, schematics and completed instruction forms in accordance with the First Energy Vegetation Management Specifications. If any or all of the information requested is not available, please explain why.

a. Follow-up to Data Request response BRC Set 5 INT-12, attachment 1 (Confidential)—Work Order CE -900190-VMULP-SUBT Clearing and Grading of Land. Please provide the detail requested above for line item 18, $146,890.77, 6/27/2019, reference number 149453473. Document number 108249498 JA (Forestry Accrual).
b. Follow-up to Data Request response BRC Set 5 INT-20, attachment 1 (confidential)—Work Order OE -900186-VMPL-DIST Clearing and Grading of Land Please provide the detail requested above for the following invoices:
    1. Penn Line DX Vegetation Management, 12/11/2018, $110,596, Document number - 147592154, Reference – 5001322207 WE
    2. Nelson Tree DX Vegetation Management, 6/20/2019, $128,754, Document number – 149392917, Reference number – 500671049 WE
c. Follow-up to Data Request response BRC Set 5 INT-21, attachment 1 (confidential)—Work Order OE -900187-VMPL-SUBT Clearing and Grading of Land Please provide the detail requested above for the following invoices.
    1. Asplundh DX Vegetation Management, 08/18/2019, $31,003, Document number 149882444, reference number 500889641 WE
d. Follow-up to Data Request response BRC Set 5 INT-25, attachment 1 (confidential)—Work Order TW -900186-VMPL-DIST Clearing and Grading of Land. Please provide the detail requested above for the following invoices.
    1. Arbormetrics Vegetation Management Services, $17,874.84, 05/13/2019, Document number -500523966, reference number 149048496.
    2. Penn Line DX Vegetation Management, $58,035.36, 09/05/2019, Document number – 500948821, reference number 150030420.
e. Follow-up to Data Request response BRC Set 5 INT-11, attachment 1 (confidential)—Work Order CE -900186-VMPL-DIST Clearing and Grading of Land. Please provide the detail requested above for the following invoices.
    1. Davey Tree DX Vegetation Management, 11/14/2019, $103,701.60, Document number – 050668421, reference number – 501231866. WE
    2. Townsend DX Vegetation Management: 08/22/2019, $373,641.82, Document number 149913667, reference number – 500903004

9-9. Follow-up to Data Request Response BRC-Set 5-INT-28, attachment 1—Work order ITF-SC-000072-SW19-1. $742,084. Please explain why $231,540 and $470,581 of the $742,084 paid to Informatics LLC for 2020–2021 Maintenance was charged to capital.

Data Request Set 10

10.1. Depreciation Expense. Explain why the DCR model applies inconsistent formulas to calculate depreciation expense between the actual and estimated periods for Account 390.3–Leasehold Improvements.

	Plant Investment	Reserve Balance	Current Accrual	Calculated Depr.
Act - CEI Sch B3.2	436,850	436,850	22.34%	-
Est - CEI Sch B3.2	436,850	436,850	22.34%	97,592
Act - OE Sch B3.2	108,959	108,959	20.78%	-
Est - OE Sch B3.2	108,959	108,959	20.78%	22,642

10.2. Tax Rates. The Company's response BRC Set 5-INT-001 states, "Please see BRC Set 1-INT-001 Attachment 1-Confidential, for screen shots from the Tax Provision System supporting the effective income tax rates used for Actual ADIT balances and income tax expense 11/30/19 and estimated ADIT balances and income tax expense at 2/29/20." The rates used for 11/30/19 reconcile to Attachment 1, however, the rates used for 2/29/20 do not. Please provide the correct support or confirm if the rates used for 2/29/20 are inaccurate.

10.3. Exclusions. The supporting documentation for the Experimental Company Owned LED Program provided in response to BRC Set 5-INT-004 does not reconcile to the total reported in the filing for the actual 11/30/19 and estimated 2/29/20 periods. Explain why Account 373.3 LED is missing from the support.

Data Request Set 11

11.1. **Rider DCR Revenue Cap.** Reference DCR Compliance filings dated January 2, 2020, page 57. Provide the supporting calculation for the reported **2018 Revenue vs. Revenue Cap** of $(3,594,909).

11.2. **Rider DCR Revenue Cap.** Reference DCR Compliance filings dated January 2, 2020, page 57. Explain why the reported **2018 Revenue vs. Revenue Cap** of $(3,594,909) does not match the amount calculated in the prior year filing.

Annual Rider DCR Revenue Through November 30, 2018

(A)	(B)	(C)	(D)	(E)	(F)
Company	Annual Revenue Thru 11/30/2018	2017 Revenue vs. Revenue Cap	2018 Revenue Cap	Actual 2018 Revenue Cap	Under (Over) 2018 Revenue Cap
CEI	$ 117,163,203			$ 201,323,485	$ 84,160,282
OE	$ 122,300,842			$ 143,802,489	$ 21,501,647
TE	$ 30,422,870			$ 86,281,494	$ 55,858,623
Total	$ 269,886,915	$ 104,978	$ 287,500,000	$ 287,604,978	$ 17,718,063

Annual Rider DCR Revenue Through November 30, 2019

(A)	(B)	(C)	(D)	(E)	(F)
Company	Annual Revenue Thru 11/30/2019	2018 Revenue vs. Revenue Cap	2019 Revenue Cap	Actual 2019 Revenue Cap	Under (Over) 2019 Revenue Cap
CEI	$ 129,486,123			$ 215,650,230	$ 86,164,107
OE	$ 120,755,522			$ 154,035,879	$ 33,280,356
TE	$ 33,157,302			$ 92,421,527	$ 59,264,225
Total	$ 283,398,947	$ (3,594,909)	$ 311,666,667	$ 308,071,757	$ 24,672,810

Data Request Set 12

12.1. **Variance Analysis:** Reference response to DR BRC Set 2-INT-013 Attachment 1 Please provide detailed explanations along with supporting documentation for the following items.

a. Tab OE
   i. Account 353 has retirements significantly greater than additions
   ii. Account 358 has additions significantly greater than retirements
   iii. Account 362 has additions significantly greater than retirements
   iv. Account 362 has a transfer/adjustment of $(1,447,250)
   v. Account 364 has additions significantly greater than retirements
   vi. Account 365 has additions significantly greater than retirements
   vii. Account 366 has additions significantly greater than retirements
   viii. Account 367 has additions significantly greater than retirements
   ix. Account 369 has additions significantly greater than retirements
   x. Account 392 has additions significantly greater than retirements and equal to about 2/3 of its beginning balance
   xi. Account 394 has additions significantly greater than retirements
   xii. Account 396 has negative additions
   xiii. Account 397 has additions significantly greater than retirements
   xiv. Account 303 has additions significantly greater than retirements

b. Tab TE
   i. Account 353 has additions significantly greater than retirements
   ii. Account 362 has additions significantly greater than retirements
   iii. Account 364 has additions significantly greater than retirements
   iv. Account 367 has additions significantly greater than retirements
   v. Account 370 has additions significantly greater than retirements
   vi. Account 392 has additions significantly greater than retirements
   vii. Account 397 has additions significantly greater than retirements
   viii. Account 303 has additions significantly greater than retirements

c. Tab CE
   i. Account 353 has additions significantly greater than retirements
   ii. Account 353 has a transfer/adjustment of $185,911
   iii. Account 356 has additions significantly greater than retirements
   iv. Account 358 has additions significantly greater than retirements
   v. Account 362 has a transfer/adjustment of $606,369
   vi. Account 364 has additions significantly greater than retirements
   vii. Account 365 has additions significantly greater than retirements
   viii. Account 367 has additions significantly greater than retirements
   ix. Account 369 has additions significantly greater than retirements
   x. Account 390 has a transfer/adjustment of $1,133,509
   xi. Account 392 has additions significantly greater than retirements
   xii. Account 303 has additions significantly greater than retirements

d. Tab FE
   i. Account 390 has additions significantly greater than retirements
   ii. Account 390 has a transfer/adjustment of $(2,508,447)

iii. Account 391 has a transfer/adjustment of $351,452
iv. Account 397 has additions significantly greater than retirements
v. Account 397 has a transfer/adjustment of $641,923
vi. Account 303 has additions significantly greater than retirements

Data Request Set 13

13-1. **FIELD VISITS**: As a continuation of the audit process, we have selected certain work orders/projects for field verification from the work order sample. The purpose of the field verification is to determine whether the assets have been installed per the work order scope and description. The work order/project selection criteria primarily identified assets that can be physically seen.

Experienced representatives from the Ohio PUC Staff will conduct the field verifications. To assist Staff in that endeavor, please provide, or have available, the following personnel and items:

a. An individual(s) who can coordinate all the field verification with Staff
b. Representatives from FE who can field assist Staff at each field location
c. The Project Manager or a person who was responsible for the work on each project, available to answer Staff's questions
d. Schematics, drawings, or any other visual diagrams that indicate what was built or installed
e. A list of material and/or equipment installed, along with any applicable serial numbers
f. Work order cost data for direct cost (i.e., labor, material, equipment)

The following list includes the selected work orders for the field visits:

Company	Work Order	Work Order Description	Date	Addition	Replacement	Grand Total
CECO	14568108	Retrofit the spare 14MVA, 36-13kV transf	1/28/16	-$426	$648,768	$648,342
OECO	13287571	Boardman-2012 SCADA Installations on Dx	3/15/19	$835,497		$835,497
OECO	15298831	Akron Main Street Rehabilitation	5/27/19	$5,571,040		$5,571,040
TECO	15604349	Repl #1 69-34kV Xfmr	10/13/19	$1,960,446		$1,960,446
TECO	15667460	LUC-475-7.53 PID 99737 - Dorr Street Int	10/8/19	$994,514		$994,514
TECO	15957365	PHASE 2 DORR ST. & I-475- ODOT #2	8/22/19	$861,754		$861,754
TECO	15957370	PHASE 4 DORR ST. & I-475- ODOT #2	8/23/19	$1,206,134		$1,206,134

Data Requests Set 14

14-1. Follow-up to Data Request response BRC Set 9-INT-6. a. The Company response indicated that AFUDC should have been suspended for the periods May 2015 through December 2015 and May 2017 through August 2018. The Company also said that the AFUDC adjustment was recorded in March 2020 and the Companies will include an adjustment to the DCR revenue requirement in a future Rider DCR filing.

   a. Please indicate the amount of the AFUDC adjustment recorded in March 2020.
   b. Does the Company agree that as of December 31, 2019, the DCR was overstated as a result of the over accrual of AFUDC? If not, why not?

Data Requests Set 15

15-1. ATSI Exclusions: Follow-up to Data Request responses BRC Set 2-INT-22 and BRC Set 5-INT-017 Attachment 1. BRC Set 2-INT-22 reports incremental ATSI Land Lease excluded activity for CEI $(6,993) and OE $(6,665) + $23,324. BRC Set 5-INT-017 Attachment 1 provides work order activity for WO L1094. On Lines 6 and 15 there are references to ATSI with amounts of $79,927 and $(55,476). Please explain how these amounts are reflected in the activity reported as excluded in BRC Set 2-INT-22. If these amounts have not been excluded, please explain why not?

15-2. Vegetation Management: Please confirm that the activity cost codes have not changed since the 2018 DCR Audit.

15-3. Vegetation Management: Please provide the total Vegetation Management dollars charged to the DCR, by work order number, for the period December 31, 2018 through November 30, 2019, for each of the following cost categories.

   a. Cost Category 05 – Off Corridor or removal of on corridor tree with overhang
   b. Cost Category 36 – Cut Tree in the Clear Off Corridor No Future Maintenance Required.
   c. Cost Category 14 – Overhand Limb Removal
   d. Cost Category 30 – Property Owner Notification Capital

15-4. Follow-up to Data Request response BRC-Set 12-INT-1 Variance Analysis: **Part c, Tab CE, item v, account 362—**The response indicated that intercompany transfers were made from JCLP to CEI totaling $711,264.

   a. Please explain the nature of the transfers.
   b. Please provide the accounting entries related to the transfers.
   c. Were the transfers at net book value? If not, how were the amounts of the transfers determined?

15-5. Follow-up to Data Request response BRC-Set 12-INT-1 Variance Analysis: **Part c, Tab CE, item x, account 390.** The response indicates that transfers totaling $1,133,501 represent the effect from intercompany transfers between FE and CEI for work order HC123.

   a. Please explain the nature of the transfers.
   b. Please provide the accounting entries related to the transfers.

c. Were the transfers at net book value? If not, how were the amounts of the transfers determined?

15-6. Follow-up to Data Request response BRC-Set 12-INT-1 Variance Analysis: **Part a, Tab OE, item iv, account 362.** The response indicates that a transformer was transferred from OE to a PA Distribution Company for $1,262,106 and that accounted for the majority of the variance.

a. Please explain the nature of the transfers.
b. Please provide the accounting entries related to the transfers.
c. Were the transfers at net book value? If not, how were the amounts of the transfers determined?

15-7. Follow-up to Data Request response BRC-Set 12-INT-1 Variance Analysis: **Part d, Tab FE, item ii, account 390**. Part of the response indicated that there was an intercompany transfer between FE and a PA distribution company of $(381,656).

a. Please explain the nature of the transfers.
b. What PA company was involved in the transfer?
c. Please provide the accounting entries related to the transfers.
d. Were the transfers at net book value? If not, how were the amounts of the transfers determined?

15-8. Follow-up to Data Request response BRC-Set 12-INT-1 Variance Analysis: **Part c, Tab CE, item v, account 362**. The response indicated that an intercompany transfer was made from JCLP to CEI totaling $711,263.

a. Please provide the accounting entries that support the transfer.
b. Was the transfer at net book value? If not, how was the amount of the transfers determined?
c. What was the reason for the transfer?

Data Request Set 16

16.1. **Work order Testing**: Work Order 14568108 Retrofit the spare 14MVA, 36-13kv transformer. The Company provided the following explanation for the >15% variance: "Project was presented as an RPA for budget consideration but did not make the cut for initial budget in 2015. Budgeted amount of $636 represents indirect AFUDC overheads that are system driven and not manually input by the project manager. Work was not done until December 2015 when need was more urgent, and funds became available due to favorability elsewhere in the portfolio." Please explain how the project is in the scope period when the project was done in December 2015 with an in-service date of 1/28/16.

16.2. **Work order testing**: Work Order 15604349 Repl #1 69-34kV Xfmr. The Company provided the following explanation for 15% variance "This Transformer project was linked to a larger Transmission project at the substation. **Project Management group took over the forecasting and management of the project in 2017 and the $ were budgeted through their program rather than at the distribution company**. There was an overrun in professional contractor $ due to the need from more extensive below grade work than originally anticipated." Please provide the above-mentioned budget by the Project Management group.

16.3. **Work Order Testing**: Work Order 15832685- Residential Development. The Company provided the following explanation for >15% variance "This project was budgeted under blanket TW-900625: B-New Business- Residential Underground which had funding of $2.4M for the budget in 2019." Please provide the original blanket still within budget after this project was added.

16.4. **Excess Deferred Income Taxes (EDIT):** Follow-up question to BRC Set 5-INT-005. Case No. 18-1604-EL-UNC Opinion and Order dated July 17, 2019, stated the November 9, 2018 Stipulation and Recommendation was approved as modified. Describe and cite the modifications to the November 9, 2018 Stipulation and Recommendation referenced in the Order.

16.5. **Non-Normalized EDIT:** Reference the Companies' response to BRC Set-5-INT-003. Provide a reconciliation from the Non-Normalized Property EDIT balances as of December 31, 2017 (After-Tax) to the Actual and Estimated 1/2/2020 Rider DCR Compliance Filing balances. As the beginning basis, use the December 31, 2017 balances consistent with the 1/25/2019 Filed Settlement in Case No. 18-064-EL-UNC below and show any reclasses between normalized and non-normalized EDIT categories.

	OE	CEI	TE	Total
Normalized Property EDIT	$ (157,240,782)	$ (173,640,455)	$ (42,962,870)	$ (373,844,107)
Non-Normalized Property EDIT	(89,328,343)	(39,321,477)	(22,284,682)	(150,934,501)
Non-Property EDIT	48,702,820	13,955,944	10,195,533	72,854,297
Balance as of December 31, 2017	$ (197,866,305)	$ (199,005,987)	$ (55,052,019)	$ (451,924,311)

16.6. **Non-Normalized EDIT:** Reference Attachment 1 in the Companies' response to BRC Set 5-INT-007. Provide an amortization schedule from inception to completion for the gross Non-Normalized Property EDIT balances (After-Tax) reflected in the 1/2/2020 Rider DCR Compliance Filing. The amortization schedule should indicate the month and year when the liability began flowing back to customers through the credit mechanism and the monthly amounts through the Actual and Estimated measurement periods.

16.7. **Normalized EDIT:** Reference the Companies' response to BRC Set-5-INT-010, wherein the Companies attached a reconciliation of the changes from the Normalized Property EDIT balances in the Stipulated Agreement (Supplemental Attachment A, p. 4 of 6) to the 1/2/2020 Rider DCR Compliance Filing.

a. Cite where the revised balances are reflected in the record for Case No. 18-064-EL-UNC. If the revised balances are not in the record, explain how and where the Companies obtained authorization to the update balances.
b. Provide a narrative explanation for each reconciling item presented in BRC Set 5-INT-010 Attachment 1 Confidential.

Data Request Set 17

17.1. **FIELD VISITS**: Follow-up to BRC Set 3-INT-001 Attachment 3 – Cost Detail – Confidential and BRC Set 13-INT-001. Project Work Order Number and Title – 14568108—Retrofit the spare 14MVA, 36-13kv transformer

	Per 3-INT-001	Per 13-INT-001	Difference
Net Amount	$648,342	$648,342	$0
FINAL Activity Cost	$710,838		
Company Labor	-$320	$3,520	($3,840)
Contract Costs	$0	$0	$0
Stock Materials	$560,223	$82,307	$477,916
Other Direct Costs	-$9	$104	($113)
TOTAL DIRECT COSTS (not including Overheads, AFUDC, etc.)	$559,894	$85,931	$473,963

Please explain the differences in what was provided in 3-INT-001 versus what was provided in 13-INT-001.

17.2. **FIELD VISITS**: Follow-up to BRC Set 3-INT-001 Attachment 3 – Cost Detail – Confidential and BRC Set 13-INT-001. Project Work Order Number and Title – 15604349—Repl #1 69-34kV Xfmr

	Per 3-INT-001	Per 13-INT-001	Difference
FINAL Activity Cost	$1,960,446	$1,960,446	$0
Company Labor	$363,009	$390,368	($27,359)
Contract Costs	$317,603	$343,041	($25,438)
Stock Materials	$685,192	$685,061	$131
Other Direct Costs	$64,587	$0	$64,587
TOTAL DIRECT COSTS (not including Overheads, AFUDC, etc.)	$1,430,391	$1,418,470	$11,921

Please explain the differences in what was provided in 3-INT-001 versus what was provided in 13-INT-001.

17.3. **FIELD VISITS**: Follow-up to BRC Set 3-INT-001 Attachment 3 – Cost Detail – Confidential and BRC Set 13-INT-001. Project Work Order Number and Title – 15667460—LUC-475-7.53 PID 99737 - Dorr Street Int

	Per 3-INT-001	Per 13-INT-001	Difference
FINAL Activity Cost	$994,514	$994,514	$0
Company Labor	$126,868	$142,893	($16,025)
Contract Costs	$545,071	$612,787	($67,716)
Stock Materials	$182,561	$156,776	$25,785
Other Direct Costs	$24,153	$0	$24,153
TOTAL DIRECT COSTS (not including Overheads, AFUDC, etc.)	$878,653	$912,456	($33,803)

Please explain the differences in what was provided in 3-INT-001 versus what was provided in 13-INT-001.

17.4. **FIELD VISITS**: Follow-up to BRC Set 3-INT-001 Attachment 3 – Cost Detail – Confidential and BRC Set 13-INT-001. Project Work Order Number and Title – 15957365—PHASE 2 DORR ST. & I-475- ODOT #2

	Per 3-INT-001	Per 13-INT-001	Difference
FINAL Activity Cost	$861,754	$861,754	$0
Company Labor	$29,417	$29,417	$0
Contract Costs	$357,800	$357,800	$0
Stock Materials	$66,405	$54,885	$11,520
Other Direct Costs	$3,155	$0	$3,155
TOTAL DIRECT COSTS (not including Overheads, AFUDC, etc.)	$456,777	$442,102	$14,675

Please explain the differences in what was provided in 3-INT-001 versus what was provided in 13-INT-001.

17.5. **FIELD VISITS**: Follow-up to BRC Set 3-INT-001 Attachment 3 – Cost Detail – Confidential and BRC Set 13-INT-001. Project Work Order Number and Title – 15957370—PHASE 4 DORR ST. & I-475- ODOT #2

	Per 3-INT-001	Per 13-INT-001	Difference
FINAL Activity Cost	$1,206,134	$1,206,134	$0
Company Labor	$125,024	$149,749	($24,725)
Contract Costs	$159,784	$191,323	($31,539)
Stock Materials	$63,867	$51,249	$12,618
Other Direct Costs	$16,085	$0	$16,085
TOTAL DIRECT COSTS (not including Overheads, AFUDC, etc.)	$364,760	$392,321	($27,561)

Please explain the differences in what was provided in 3-INT-001 versus what was provided in 13-INT-001.

17.6. **FIELD VISITS**: Follow-up to BRC Set 3-INT-001 Attachment 3 – Cost Detail – Confidential. Project Work Order Number and Title – 13287571—Boardman-2012 SCADA Installations on Dx. Please provide the work order cost data for direct costs (i.e. labor, material, equipment etc). If the cost data is different than BRC Set 3-INT-001 Attachment 3 – Cost Detail please explain the differences.

17.7. **FIELD VISITS**: Follow-up to BRC Set 3-INT-001 Attachment 3 – Cost Detail – Confidential. Project Work Order Number and Title – 15298831—Akron Main Street Rehabilitation. Please provide the work order cost data for direct costs (i.e. labor, material, equipment etc). If the cost data is different than BRC Set 3-INT-001 Attachment 3 – Cost Detail please explain the differences.

17.8. **FIELD VISITS**: As a continuation of the audit process, we have selected certain work orders/projects for field verification from the work order sample. The purpose of the field verification is to determine whether the assets have been installed per the work order scope and description. The work order/project selection criteria primarily identified assets that can be physically seen.

Experienced representatives from the Ohio PUC Staff will conduct the field verifications. To assist Staff in that endeavor, please provide, or have available, the following personnel and items:

a. An individual(s) who can coordinate all the field verification with Staff
b. Representatives from FE who can field assist Staff at each field location
c. The Project Manager or a person who was responsible for the work on each project, available to answer Staff's questions
d. Schematics, drawings, or any other visual diagrams that indicate what was built or installed
e. A list of material and/or equipment installed, along with any applicable serial numbers
f. Work order cost data for direct cost (i.e., labor, material, equipment)

The following list includes the selected work orders for the field visits:

Company	Work Order	Work Order Description	Date	Grand Total
CECO	15521094	Order new network transformers	11/21/19	$887,836
OECO	16236067	Ball Park Relo of xfmr & service	10/15/19	$92,255

17.9. **Work Order Testing**: Follow up to Data Request response BRC Set-5-INT-26 Work Order TECO TW-900477-CCOH-ADJ. The Company indicated that $2.07m was transferred from FERC 184 to FERC 107 to resolve a variance between SAP and the amounts in the Powerplant accounts. Were any of the $2.07m of charges originally incurred prior to October, 2011? If so, please indicate the amount of those charges.

17.10. **Work Order Testing**: Follow up to Data Request response BRC Set 3-INT-001 Attachment 2, Attachment 3, and Attachment 4. Work Order FECO XIT-000062-1 – Data Center Equipment Blanket. Please explain why the following items do not net to zero.

Actuals - Total *from 3-INT-001 Attachment 2 - Column Q* (**minus**)	$8,386,184
Activity Cost from *3-INT-001 Attachment 3* -Cost Detail	$8,381,536
Difference	($4,648)

17.11. **Work Order Testing**: Follow up to Data Request response BRC Set 3-INT-001 Attachment 1. Work order 15867427-Equip Investigate/Repair – Circuit Break. Please explain why the blanket project charges were moved to specific projects throughout the year.

Data Request Set 18

18.1. Follow-up to Data Request response BRC Set 9-INT-002 TECO Work Order 15957370 – PHASE 4 DORR ST. & 12-475 ODOT #2.

a. The Company response indicated that A&G was underapplied by $6m in May 2019. The explanation was that a PowerPlan adjustment was posted to five work orders to reverse overhead charges. That resulted in a $6.4m reversal from FERC 107 and FERC 108 to the A&G cost center.
b. Was the reversal caused by human error or system error?

c. If a system error what system failed and what was done to ensure that this type of entry would not happen again?
d. If a human error occurred, please explain what, if any, internal control failed and what was done to ensure this type of error would not happen again.

Data Request Set 19

19.1. **Workorders**: Please provide a list of work orders by FERC account used for the following types of work in December 2018 and January through November 2019:
   a. TSA (Tax Savings Adjustment Rider)
   b. LGR (Legacy Generation Rider)
   c. CSR (Conservation Support Rider)

APPENDIX D: WORK PAPERS

Blue Ridge's workpapers are available on a confidential CD. Blue Ridge's analysis included a detailed validation / verification of the Microsoft Excel® spreadsheets provided by FirstEnergy that support the Rider DCR Compliance Filing. The Filing included the following spreadsheets.

- Adjustments
  - Adj 1-BRC Set 5-INT-014.pdf
  - Adj 1-BRC Set 5-INT-035.pdf
  - Adj 1-BRC Set 7-INT-001.pdf
  - Adj 1-BRC Set 13-INT 001 Revised.pdf
  - Adj 2-BRC Set 5-INT-015.pdf
  - Adj 3-BRC Set 5-INT-016.pdf
  - Adj 3-BRC Set 9-INT-003.pdf
  - Adj 4-BRC Set 9-INT-006.pdf
  - Adj 4-BRC Set 14-INT 001.pdf
  - Adj 5 6 7 8-BRC Set 5-INT-033.pdf
  - Adj 5 6 7 8-BRC Set 9-INT-007 .pdf
  - Adj 9-BRC Set 13-INT 001 Revised.pdf
  - FE Adjustments 200519.xlsx
  - WP Impact of Adjustments BRC Set 1-INT-001 Attachment 1 – FE DCR Compliance Filing 1.2.2020 – Confidential.xlsx
  - WP V&V Blue Ridge Adjustments to EDIT - 2019 Audit.xlsx
- Detailed Transactional Testing Workpapers
  - FEOH 2019 Detailed Transactional Testing.docx
  - WP FEOH 2019 Workorder Testing Matrix FINAL.xlsx
- Field Observations
- Prior Year Audit Data Responses
- Pulling Sample
  - WP - BRC Set 1-INT-002 Attachment 1 - Confidential - List of Work orders and PPS Sample.xlsx
  - WP - BRC Set 1-INT-002 Attachment 1 - Confidential - List of Work orders.xlsx
  - WP FEOH 2019 PPS and Judgement Sample.xlsx
  - WP FEOH 2019 PPS Sample.xlsx
  - WP FEOH 2019 Sample Size Calculation Work Orders through 11-30-19 - CONFIDENTIAL .xlsx
- WP BRC Set 1-INT-002 Attachment 1 - Confidential - Exclusions against population R1.xlsx
- WP BRC Set 1-INT-002 Attachment 1 - Confidential (Spares).xlsx
- WP BRC Set 2-INT-023 Attachment 2 - Confidential Grid Mod 1.xlsx
- WP BRC Set 3-INT-001 Attachment 3 - Cost Details - Confidential.xlsx
- WP BRCS FE DCR CF Variance 2019—Confidential.xlsx
- WP Comparison of BRC Set 1-INT-002 to BRC Set 2-INT-001 Attachment 1 - Confidential
- WP FEOH 2019 Pre-Date Certain Pension Impact Analysis 2012-2019 - CONFIDENTIAL.xlsx
- WP LED Exclusions BRC Set 1-INT-002 Attachment 1 - Confidential - Exclusions against population R1.xlsx

- WP V&V FE DCR Compliance Filing 1.2.2020 – Confidential (051320).xlsx
- 18-1647-EL-RDR Report in Support of Staff's 2019 Annual Review of AMI.pdf

This report was formatted to print front and back.

Thus this page is intentionally left blank.