

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the 2019 Review of the	:	
Delivery Capital Recovery Rider	:	
Contained in the Tariffs of Ohio Edison	:	Case No. 19-1887-EL-RDR
Company, the Cleveland Electric	:	
Illuminating Company, and the Toledo	:	
Edison Company.	:	

**COMMENTS
SUBMITTED ON BEHALF OF THE STAFF OF
THE PUBLIC UTILITIES COMMISSION OF OHIO**

On June 26, 2020, the attorney examiner issued an Entry in this case establishing July 27 , 2020 as the due date for comments in this proceeding regarding the 2019 Annual DCR Compliance Audit (Audit) of Ohio Edison Company, The Cleveland Electric Illuminating Company, and The Toledo Edison Company (the Companies).

As an initial matter, Staff supports the findings and adjustments recommended by Blue Ridge Consulting Services, Inc. (Blue Ridge or Auditor), in its Report filed on June 12, 2020.¹

Blue Ridge recommends that, "...the Companies make a concerted effort to reduce the volume of backlog work orders both in quantity and dollar value."² Given that this is a concern that has been raised before in previous audits, and one which the Companies had addressed previously and then has had their unitization backlog regress to previous levels, Staff believes a concrete goal again needs to be established by the Commission in

¹ Blue Ridge Report at 9 (June 12, 2020).

² *Id.* at page 17.

order that the Companies reduce the current backlog levels and maintain the reduction in the future. Specifically, Staff recommends that the Companies be directed to reduce the current backlog of work orders over 15 months old by 50% from the 12/31/2019 balances within 12 months of the date of the Commission's order in this case. In addition, to address the growing dollar amount of the backlogs the oldest and largest work order dollars backlogged should be addressed first. The Companies should be further directed to file a plan within 12 months of the Commission's order in this case that will result in maintaining a backlog wherein no backlogged work order is older than 15 months, and will reduce the backlog for work orders under 15 months.

Blue Ridge makes the recommendation that, "...the Companies further enhance and refine their project estimating process."³ Due to the high volume of variances from budget (37% of projects are over their budgets by more than 15%, and 9% are below their budgets by 15%), Staff recommends that the Companies provide, within 12 months of the date of the Commission's order in this case, a process improvement plan that would reduce the high volume of budget variances.

Staff has compared the results of the compliance reviews conducted by Blue Ridge in the previous two audits, Case Nos. 17-2009-EL-RDR and 18-1542-EL-RDR, with the recommendations made in this audit and has confirmed that all the adjustments made by the Auditor in the previous two audits have been implemented except for the following

³ *Id.* at page 17.

two areas: TCJA-related recommendations and the accounting treatment of expenditures related to vegetation management.

With respect to the TCJA and associated EDIT findings and adjustment contained within the Audit, Staff recommends the Commission adopt Blue Ridge's recommendations.⁴

Regarding Blue Ridge's finding and adjustments with respect to vegetation management,⁵ Staff concurs with Blue Ridge's recommendation that the activity reflected in Section 1.3 of FirstEnergy's Accounting for the Clearing of Transmission and Distribution Corridors (VM Accounting Policy) is more properly accounted for as O&M. Staff also concurs with Blue Ridge's recommendation that, should the Commission allow the Companies to continue to capitalize this activity, more documentation is required to confirm that the vegetation removal conducted by the Companies that it wishes to capitalize is in compliance with the Companies' VM Accounting Policy. However, Staff has one refinement to Blue Ridge's documentation recommendation that drawings, schematics or photos be used as the documentation to ensure the Companies' compliance with their stated capitalization criteria should the capitalization of the vegetation activity continue.⁶ Staff recommends that the Commission require that the Companies document this activity with photographs, not schematics or drawings, that clearly demonstrate the eligibility for the vegetation removal activity to be capitalized, according to the VM Accounting Policy. Drawings and schematics lend themselves to human error and, as the

⁴ See *Id.* at pages 9 and 14.

⁵ *Id.* at pages 9, 16-17, 36-37.

⁶ *Id.* at 17.

vegetation will no longer be in existence once removed, the highest documentation standard should be required. Lastly, Staff recommends that any changes to the Companies' vegetation capitalization policy be included in a DCR filing prior to its adoption by the Companies and only permitted to take effect after Commission approval. A narrative of the capitalization policy change and its estimated financial impact on the DCR should also be required in the filing.

In conclusion, Staff asks that the Commission adopt Blue Ridge's recommendations, as furthered by Staff herein, to Rider DCR.

Respectfully submitted,

/s/ Jodi Bair

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CERTIFICATE OF SERVICE

I hereby certify that a true and accurate copy of the foregoing was delivered via U.S. mail (postage prepaid), personal, or electronic mail delivery on this the 27th day of July 2020, to the following:

/s/ Jodi Bair

Jodi Bair

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Summary: Comments Submitted On Behalf Of The Staff Of The Public Utilities Commission
Of Ohio
electronically filed by Mrs. Kimberly M Naeder on behalf of PUCO