

**BEFORE  
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the 2021 Review of the     )  
Delivery Capital Recovery Rider of Ohio     )     Case No. 21-1038-EL-RDR  
Edison Company, the Cleveland Electric     )  
Illuminating Company, and the Toledo     )  
Edison Company.     )

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**CONSUMER PROTECTION COMMENTS  
BY  
OFFICE OF THE OHIO CONSUMERS' COUNSEL**

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**I. INTRODUCTION**

This case involves the audit of the FirstEnergy Utilities<sup>1</sup> 2021 spending under its so-called Delivery Capital Recover Rider (“DCR Charge”).<sup>2</sup> Under the DCR Charge, the FirstEnergy Utilities charge consumers hundreds of millions of dollars every year, including a return on and of their distribution-related capital investments. OCC has long opposed such single-issue ratemaking, which allows utilities to charge their captive consumers hundreds of millions of dollars without the consumer protections embedded in a rate case proceeding. As such, this annual audit of the 2021 DCR Charge to FirstEnergy consumers is important to protect consumers by making sure that they are not paying too much for their electric service.

OCC files these consumer protection comments on behalf of the FirstEnergy Utilities’ approximately 1.9 million residential utility consumers.

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<sup>1</sup> The Ohio Edison Company, the Cleveland Electric Illuminating Company, and the Toledo Edison Company, collectively, “Utilities” or “FirstEnergy Utilities.”

<sup>2</sup> Specifically, this audit reviews all additions, retirements, transfers, and adjustments to the current date value of plant-in-service that have occurred for the actual year ended November 30, 2021. *See* Entry on November 3, 2021, Request for Proposal.

## **II. SUMMARY OF THE ANNUAL DCR AUDIT FINDINGS AND OCC CONSUMER PROTECTION RECOMMENDATIONS REGARDING THE DCR AUDIT**

Blue Ridge Consulting Services, Inc. (“Auditor”), an outside contractor selected by the PUCO, submitted the Compliance Audit of the 2021 Distribution Capital Recovery charge (DCR) Rider (“Audit Report”) on May 18, 2022. The objective of the DCR Audit was to determine if the FirstEnergy Utilities implemented the approved DCR charge and is in compliance with the PUCO’s DCR charge enabling order.<sup>3</sup>

In the DCR Audit, the Auditor found that the FirstEnergy Utilities overstated their 2021 DCR charge revenue requirement by nearly \$3.1 million, thus overcharging FirstEnergy Utility consumers.<sup>4</sup> Adopting the DCR Audit’s recommendations and adjustments will protect consumers from being charged too much under the DCR. It will also, on a going-forward basis, help ensure that the correct amount of rate base (distribution related capital investments), excess deferred income tax (“EDIT”) balances, and other ratemaking items are being recorded and used in setting rates.

OCC supports the findings and recommendations included in the DCR Audit Report. For consumer protection, OCC recommends that the PUCO adopt all of the Auditor’s recommendations and adjustments. Specifically, the DCR Audit proposed thirty-two adjustments that reduce the 2021 DCR charge revenue requirement.<sup>5</sup> They include adjusting (reducing) the revenue requirement by nearly \$900,000 for correcting

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<sup>3</sup> DCR Audit at 8.

<sup>4</sup> *Id.* at 9.

<sup>5</sup> *Id.*

the normalized EDIT balances and reducing by \$2 million the non-normalized EDIT balances.<sup>6</sup> A summary of these proposed adjustments is included in the DCR Audit.<sup>7</sup>

In addition to these adjustments to the DCR Charge and the related adjustments to rate base items, the Auditor also made twelve recommendations.<sup>8</sup> These recommendations included “that IT projects be better monitored by the Companies, particularly when involving outside contractors[,]”<sup>9</sup> “the Company review their planning processes and procedures to minimize budget overruns in the future[,]”<sup>10</sup> and “that the Companies continue to make a concerted effort to reduce the volume of backlog work orders, both in quantity and dollar value, to return to the 2018 level.”<sup>11</sup>

For consumer protection, OCC recommends that the PUCO adopt all of the Auditor’s recommendations and adjustments in the DCR Audit.

### **III. CONCLUSION**

The PUCO should adopt OCC’s consumer protection recommendations that support the PUCO-appointed Auditor’s findings.

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<sup>6</sup> *Id.* at 19, Table 10.

<sup>7</sup> *See id.*

<sup>8</sup> *Id.* at 21-22.

<sup>9</sup> Recommendation No. 3.

<sup>10</sup> Recommendation No. 4.

<sup>11</sup> Recommendation No. 11.

Respectfully submitted,

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## **CERTIFICATE OF SERVICE**

I hereby certify that a copy of these Consumer Protection Comments was served on the persons stated below via electronic transmission this 1<sup>st</sup> day of June 2023.

/s/ William J. Michael

William J. Michael

Assistant Consumers' Counsel

The PUCO's e-filing system will electronically serve notice of the filing of this document on the following parties:

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Summary: Comments Consumer Protection Comments by Office of the Ohio  
Consumers' Counsel electronically filed by Ms. Alana M. Noward on behalf of  
Michael, William J..