

FILE

**FirstEnergy**

76 South Main St.  
Akron, Ohio 44308

1-800-633-4766

06-1336-EL-ATA

November 6, 2006

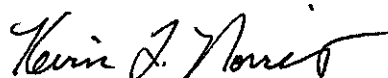
Docketing Division  
Public Utilities Commission of Ohio  
180 E. Broad St.  
Columbus, OH 43215

Re: Municipal Distribution Tax Rider

Enclosed is an original and ten (10) copies of an application that we would appreciate your filing on our behalf and assigning a case number.

Please stamp two (2) copies and return them in the envelope provided.

Sincerely,



Kevin L. Norris  
Manager, Rates & Reg. Affairs

btr  
enclosures

PUCO

2006 NOV - 8 PM 4:40

RECEIVED-DOCKETING DIV

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Technician J Date Processed 11-8-06

**BEFORE**  
**THE PUBLIC UTILITIES COMMISSION OF OHIO**

**Application for (-----),**  
**pursuant to Section 4909.18 Revised Code**

In the Matter of the Application	)	Case No. 06- <u>336</u> -EL-ATA
of Ohio Edison Company, The	)	
Cleveland Electric Illuminating	)	
Company, and The Toledo Edison	)	
Company for Approval of Adjustment	)	
to Municipal Distribution Tax Rider Level	)	

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1. APPLICANT RESPECTFULLY PROPOSES: (Check applicable proposals)

<input type="checkbox"/> New Service	<input type="checkbox"/> Change in Rule or Regulation
<input type="checkbox"/> New Classification	<input type="checkbox"/> Reduction Rates
<input type="checkbox"/> Change in Classification	<input type="checkbox"/> Correction of Error
<input checked="" type="checkbox"/> Other, not involving increase in rates	
<input type="checkbox"/> Various related and unrelated textual revision, without change in intent	

2. DESCRIPTION OF PROPOSAL: This application is made pursuant to Section 4909.18, Ohio Revised Code, seeking approval of the Companies' revised Municipal Distribution Tax Rider.

3. TARIFFS AFFECTED: (If more than 2, use additional sheets)

Tariff Sheet No. 92, P.U.C.O. No. 11 (Ohio Edison Company)  
Tariff Sheet No. 92, P.U.C.O. No. 13 (The Cleveland Electric Illuminating Company)  
Tariff Sheet No. 92, P.U.C.O. No. 8 (The Toledo Edison Company)

4. Attached hereto and made a part hereof are: (Check applicable Exhibits)

  X   Exhibit A - existing schedule sheets (to be superseded) if applicable

  X   Exhibit B - proposed schedule sheets

       Exhibit C-1

a) if new service is proposed, describe;  
Description included on attached Exhibit C-1.

b) if new equipment is involved, describe (preferably with a picture, brochure, etc.) and where appropriate, a statement distinguishing proposed service from existing services;

c) if proposed service results from customer requests, so state, giving if available, the number and type of customers requesting proposed service.

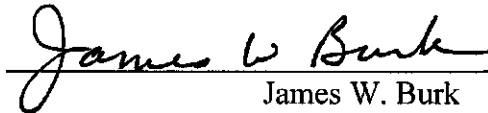
       Exhibit C-2 - if a change of classification, rule or regulation is proposed, a statement explaining reason for change.

  X   Exhibit C-3 - statement explaining reason for any proposal not covered in Exhibits C-1 or C-2.

5. This application will not result in an increase in any rate, joint rate, toll, classification, charge or rental.

This application does result in an increase to the municipal tax component of the State and Local Tax Rider for the applicable rate schedules for The Toledo Edison Company due to the calculations and reconciliation mechanism previously approved by the Commission.

Applicant respectfully requests the Commission to approve the requested changes.

  
James W. Burk  
Senior Attorney  
NAME AND TITLE

76 South Main Street  
Akron, Ohio 44308  
ADDRESS

(330) 384-5861  
TELEPHONE NUMBER

## VERIFICATION

State of Ohio, Summit County, ss:

HARVEY L. WAGNER,  
Name of Officer

Harvey L. Wagner, (and)  
~~(President)~~ (Vice President)

JACQUELINE S. COOPER,  
Name of Officer

Jacqueline S. Cooper of  
ASST. (Secretary) ~~(Treasurer)~~

Ohio Edison Company, The Cleveland Electric Illuminating Company, The Toledo Edison Company, being first duly sworn hereby verify this application.

Sworn and subscribed before me this 7<sup>TH</sup> day of NOVEMBER, 2006

Stephen N. Hadick

Notary Public

**STEPHEN N. HADICK, Attorney at Law**  
Notary Public - State of Ohio  
My Commission Has No Expiration Date Sec. 147.03 R.C.



**Exhibit A**

**STATE AND LOCAL TAX RIDER**

**State kWh Tax**

**Applicability:**

For bills rendered reflecting metered usage occurring on and after January 1, 2003, in addition to the charges provided in each of the Company tariffs, an excise tax will be imposed at the rates identified below to each end user of electricity in the State of Ohio pursuant to Sec. 5727.81 of the Revised Code.

Beginning with bills rendered with metered usage occurring on and after January 1, 2003, a Commercial or Industrial Customer of the Company that receives electricity through a meter as an end user and consumes over the course of the previous calendar year more than 120,000,000 kWhs of electricity may elect to self-assess the tax at a rate of \$.00075 per kWh plus four percent (4%) of the total price of electricity delivered through a meter as an end user. Payment of the tax will be made directly to the Treasurer of the State of Ohio in accordance with Divisions (A)(3) and (4) of Sec. 5727.82 of the Revised Code.

**Rate:**

For all end users of electricity under Company's tariffs that are not self-assessing the State kWh Tax, the tax imposed below shall apply for all bills rendered with metered usage on and after January 1, 2003.

First 2,000 kWhs	\$0.00465 per kWh
Next 13,000 kWhs	\$0.00419 per kWh
All Excess Over 15,000 kWhs	\$0.00363 per kWh

In the event that the customer's meter is not actually read for the billing period, the estimated kWhs used to collect the Company charges may be used to collect the State kWh Tax.

**Municipal Distribution Tax**

**Applicability:**

The Municipal Distribution Tax applies to all customers within the service territory in accordance with Sec. 718.01(f) of the Revised Code. Beginning with bills rendered with usage occurring only on or after January 1, 2003, in addition to charges provided for in the Company tariffs, a Municipal Distribution Tax will be included in the customer bill based on the Municipal Distribution Tax Rate applied to the Distribution revenue that is to be collected.

**Changes:**

Beginning in January 2003, the Company will annually submit a revised Municipal Distribution Tax Rate based on estimated tax liability and estimated Distribution revenues. In addition, beginning in January 2005, the Company will include a reconciliation that addresses the variances between actual municipal tax obligations and actual recovery.

**Municipal Distribution Tax Rate:**

1.775%

**Exhibit A**

**RIDER 16 - STATE AND LOCAL TAX RIDER**

**State kWh Tax**

**Applicability:**

For bills rendered reflecting metered usage occurring on and after January 1, 2003, in addition to the charges provided in each of the Company tariffs, an excise tax will be imposed at the rates identified below to each end user of electricity in the State of Ohio pursuant to Sec. 5727.81 of the Revised Code.

Beginning with bills rendered with metered usage occurring on and after January 1, 2003: a Commercial or Industrial Customer of the Company that receives electricity through a meter as an end user and consumes over the course of the previous calendar year more than 120,000,000 kWhs of electricity may elect to self-assess the tax at a rate of \$.00075 per kWh plus four percent (4%) of the total price of electricity delivered through a meter as an end user. Payment of the tax will be made directly to the Treasurer of the State of Ohio in accordance with Divisions (A)(3) and (4) of Sec. 5727.82 of the Revised Code.

**Rate:**

For all end users of electricity under Company's tariffs that are not self-assessing State kWh Tax, the tax imposed below shall apply for all bills rendered with metered usage on and after January 1, 2003:

First 2,000 kWhs	\$0.00465 per kWh
Next 13,000 kWhs	\$0.00419 per kWh
All Excess Over 15,000 kWhs	\$0.00363 per kWh

In the event that the customer's meter is not actually read for the billing period, the estimated kWhs to collect Company charges may be used to collect the State kWh Tax.

**Municipal Distribution Tax**

**Applicability:**

The Municipal Distribution Tax applies to all customers within the service territory in accordance with Sec. 718.01(f) of the Revised Code. Beginning with bills rendered with usage occurring only on or after January 1, 2003, in addition to charges provided for in the Company tariffs, a Municipal Distribution Tax will be included in the customer bill based on the Municipal Distribution Tax Rate applied to the Distribution revenue that is to be collected.

**Changes:**

Beginning in January 2003, the Company will annually submit a revised Municipal Distribution Tax Rate based on estimated tax liability and estimated Distribution revenues. In addition, beginning in January 2005, the Company will include a reconciliation that addresses the variances between actual municipal tax obligations and actual recovery.

**Municipal Distribution Tax Rate:**

1.358%

**Exhibit A**

**RIDER 13 - STATE AND LOCAL TAX RIDER**

**State kWh Tax**

**Applicability:**

For bills rendered reflecting metered usage occurring on and after January 1, 2003, in addition to the charges provided in each of the Company tariffs, an excise tax will be imposed at the rates identified below to each end user of electricity in the State of Ohio pursuant to Sec. 5727.81 of the Revised Code.

Beginning with bills rendered with metered usage occurring on and after January 1, 2003, a Commercial or Industrial Customer of the Company that receives electricity through a meter as an end user and consumes over the course of the previous calendar year more than 120,000,000 kWhs of electricity may elect to self-assess the tax at a rate of \$.00075 per kWh plus four percent (4%) of the total price of electricity delivered through a meter as an end user. Payment of the tax will be made directly to the Treasurer of the State of Ohio in accordance with Divisions (A)(3) and (4) of Sec. 5727.82 of the Revised Code.

**Rate:**

For all end users of electricity under Company's tariffs that are not self-assessing State kWh Tax, the tax imposed below shall apply for all bills rendered with metered usage on and after January 1, 2003.

First 2,000 kWhs	\$0.00465 per kWh
Next 13,000 kWhs	\$0.00419 per kWh
All Excess Over 15,000 kWhs	\$0.00363 per kWh

In the event that the customer's meter is not actually read for the billing period, the estimated kWhs to collect the Company charges may be used to collect the State kWh Tax.

**Municipal Distribution Tax**

**Applicability:**

The Municipal Distribution Tax applies to all customers within the service territory in accordance with Sec. 718.01(f) of the Revised Code. Beginning with bills rendered with usage occurring only on or after January 1, 2003, in addition to charges provided for in the Company tariffs, a Municipal Distribution Tax will be included in the customer bill based on the Municipal Distribution Tax Rate applied to the Distribution revenue that is to be collected.

**Changes:**

Beginning in January 2003, the Company will annually submit a revised Municipal Distribution Tax Rate based on estimated tax liability and estimated Distribution revenues. In addition, beginning in January 2005, the Company will include a reconciliation that addresses the variances between actual municipal tax obligations and actual recovery.

**Municipal Distribution Tax Rate:**

1.885%

**STATE AND LOCAL TAX RIDER**

**Exhibit B**

**State kWh Tax**

**Applicability:**

For bills rendered reflecting metered usage occurring on and after January 1, 2003, in addition to the charges provided in each of the Company tariffs, an excise tax will be imposed at the rates identified below to each end user of electricity in the State of Ohio pursuant to Sec. 5727.81 of the Revised Code.

Beginning with bills rendered with metered usage occurring on and after January 1, 2003, a Commercial or Industrial Customer of the Company that receives electricity through a meter as an end user and consumes over the course of the previous calendar year more than 120,000,000 kWhs of electricity may elect to self-assess the tax at a rate of \$.00075 per kWh plus four percent (4%) of the total price of electricity delivered through a meter as an end user. Payment of the tax will be made directly to the Treasurer of the State of Ohio in accordance with Divisions (A)(3) and (4) of Sec. 5727.82 of the Revised Code.

**Rate:**

For all end users of electricity under Company's tariffs that are not self-assessing the State kWh Tax, the tax imposed below shall apply for all bills rendered with metered usage on and after January 1, 2003.

First 2,000 kWhs	\$0.00465 per kWh
Next 13,000 kWhs	\$0.00419 per kWh
All Excess Over 15,000 kWhs	\$0.00363 per kWh

In the event that the customer's meter is not actually read for the billing period, the estimated kWhs used to collect the Company charges may be used to collect the State kWh Tax.

**Municipal Distribution Tax**

**Applicability:**

The Municipal Distribution Tax applies to all customers within the service territory in accordance with Sec. 718.01(f) of the Revised Code. Beginning with bills rendered with usage occurring only on or after January 1, 2003, in addition to charges provided for in the Company tariffs, a Municipal Distribution Tax will be included in the customer bill based on the Municipal Distribution Tax Rate applied to the Distribution revenue that is to be collected.

**Changes:**

Beginning in January 2003, the Company will annually submit a revised Municipal Distribution Tax Rate based on estimated tax liability and estimated Distribution revenues. In addition, beginning in January 2004, the Company will include a reconciliation that addresses the variances between actual municipal tax obligations and actual recovery.

**Municipal Distribution Tax Rate:**

1.165%

Filed pursuant to Order dated \_\_\_\_\_, in Case No. \_\_\_\_\_ before  
The Public Utilities Commission of Ohio

Issued by Anthony J. Alexander, President

Effective: \_\_\_\_\_



**Exhibit B**

**RIDER 16 - STATE AND LOCAL TAX RIDER**

**State kWh Tax**

**Applicability:**

For bills rendered reflecting metered usage occurring on and after January 1, 2003, in addition to the charges provided in each of the Company tariffs, an excise tax will be imposed at the rates identified below to each end user of electricity in the State of Ohio pursuant to Sec. 5727.81 of the Revised Code.

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**Rate:**

For all end users of electricity under Company's tariffs that are not self-assessing State kWh Tax, the tax imposed below shall apply for all bills rendered with metered usage on and after January 1, 2003:

First 2,000 kWhs	\$0.00465 per kWh
Next 13,000 kWhs	\$0.00419 per kWh
All Excess Over 15,000 kWhs	\$0.00363 per kWh

In the event that the customer's meter is not actually read for the billing period, the estimated kWhs to collect Company charges may be used to collect the State kWh Tax.

**Municipal Distribution Tax**

**Applicability:**

The Municipal Distribution Tax applies to all customers within the service territory in accordance with Sec. 718.01(f) of the Revised Code. Beginning with bills rendered with usage occurring only on or after January 1, 2003, in addition to charges provided for in the Company tariffs, a Municipal Distribution Tax will be included in the customer bill based on the Municipal Distribution Tax Rate applied to the Distribution revenue that is to be collected.

**Changes:**

Beginning in January 2003, the Company will annually submit a revised Municipal Distribution Tax Rate based on estimated tax liability and estimated Distribution revenues. In addition, beginning in January 2004, the Company will include a reconciliation that addresses the variances between actual municipal tax obligations and actual recovery.

**Municipal Distribution Tax Rate:**

0.624%

**RIDER 13 - STATE AND LOCAL TAX RIDER**

**Exhibit B**

**State kWh Tax**

**Applicability:**

For bills rendered reflecting metered usage occurring on and after January 1, 2003, in addition to the charges provided in each of the Company tariffs, an excise tax will be imposed at the rates identified below to each end user of electricity in the State of Ohio pursuant to Sec. 5727.81 of the Revised Code.

Beginning with bills rendered with metered usage occurring on and after January 1, 2003, a Commercial or Industrial Customer of the Company that receives electricity through a meter as an end user and consumes over the course of the previous calendar year more than 120,000,000 kWhs of electricity may elect to self-assess the tax at a rate of \$.00075 per kWh plus four percent (4%) of the total price of electricity delivered through a meter as an end user. Payment of the tax will be made directly to the Treasurer of the State of Ohio in accordance with Divisions (A)(3) and (4) of Sec. 5727.82 of the Revised Code.

**Rate:**

For all end users of electricity under Company's tariffs that are not self-assessing State kWh Tax, the tax imposed below shall apply for all bills rendered with metered usage on and after January 1, 2003.

First 2,000 kWhs	\$0.00465 per kWh
Next 13,000 kWhs	\$0.00419 per kWh
All Excess Over 15,000 kWhs	\$0.00363 per kWh

In the event that the customer's meter is not actually read for the billing period, the estimated kWhs to collect the Company charges may be used to collect the State kWh Tax.

**Municipal Distribution Tax**

**Applicability:**

The Municipal Distribution Tax applies to all customers within the service territory in accordance with Sec. 718.01(f) of the Revised Code. Beginning with bills rendered with usage occurring only on or after January 1, 2003, in addition to charges provided for in the Company tariffs, a Municipal Distribution Tax will be included in the customer bill based on the Municipal Distribution Tax Rate applied to the Distribution revenue that is to be collected.

**Changes:**

Beginning in January 2003, the Company will annually submit a revised Municipal Distribution Tax Rate based on estimated tax liability and estimated Distribution revenues. In addition, beginning in January 2004, the Company will include a reconciliation that addresses the variances between actual municipal tax obligations and actual recovery.

**Municipal Distribution Tax Rate:**

1.974%

Filed pursuant to Order dated \_\_\_\_\_ in Case No. \_\_\_\_\_ before

The Public Utilities Commission of Ohio

Issued by Anthony J. Alexander, President

Effective: \_\_\_\_\_

Reason for Proposal

## (Municipal Distribution Tax Rate Revision)

Per the provisions of the Municipal Distribution Tax Section of the State and Local Tax Rider ("Rider"), each Company must annually submit a revised Municipal Distribution Tax Rate ("Rate") based on estimated tax liability and estimated Distribution revenues. The annual submission is to include a component to recover the estimated tax liability for the year of application. This application also includes a reconciliation component that addresses the variance between actual municipal tax obligation and actual recovery for 2005. This proposal recommends the values for the revised Rates for 2007.

Calculation of Rate Amounts

The component to recover the estimated Ohio Edison Company, The Cleveland Electric Illuminating Company, and The Toledo Edison Company tax liability for 2007 is based on the most recently filed municipal tax returns (Ohio Edison filed on October 12, 2006; CEI and Toledo Edison Filed on October 10, 2006). This return covers calendar year 2005. To the extent collections related to the recovery of the municipal income tax obligations did not match the actual municipal tax obligations for calendar year 2005, the difference over this period is included as a reconciliation component. Further, since this 2005 overall reconciliation includes the impact of a reconciliation from a prior period, the prior period's reconciliation must be adjusted out.

The recommended revised rates for 2007 would change the current Rate percentages, which apply only to Distribution revenues, for each Company as shown below:

	<u>Current Rider</u>	<u>Proposed 2007 Rider</u>
OE	1.775%	1.165%
CEI	1.358%	0.624%
TE	1.885%	1.974%