

BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of Ohio)
Edison Company for Approval of Line) Case No. 07-548-EL-ATA
Extension Tariff Modifications.)

In the Matter of the Application of The)
Cleveland Electric Illuminating Company) Case No. 07-549-EL-ATA
for Approval of Line Extension Tariff)
Modifications.)

In the Matter of the Application of The)
Toledo Edison Company for Approval of) Case No. 07-550-EL-ATA
Line Extension Tariff Modifications.)

FINDING AND ORDER

The Commission finds:

- (1) The Applicants, The Toledo Edison Company (TE), The Cleveland Electric Illuminating Company (CEI) and Ohio Edison Company (OE), (collectively FirstEnergy) are public utilities as defined in Section 4905.02, Revised Code, and, as such, are subject to the jurisdiction of this Commission.
- (2) By Opinion and Order issued on November 7, 2002, the Commission approved, with minor modifications, Stipulations entered into by FirstEnergy, Monongahela Power Company, Columbus Southern Power Company, and Ohio Power Company with various parties to Case No. 01-2708-EL-COI et al. (Line Extension case). The Stipulations established new charges for the installation of new line extensions by these utilities. As part of FirstEnergy's line extension tariffs, residential and general service customers served off of new line extensions were required to pay a monthly surcharge, through December 31, 2007, to cover part of the cost of the line extension. The standard residential line extension customer's monthly surcharge is eight dollars a month (more for non-standard installations), while a general service customer's monthly surcharge is 0.5 percent of that portion of the company's cost of the line extension that has been allocated to the customer.

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- (3) On May 7, 2007, OE, in Case No. 07-548-EL-ATA, CEI, in Case No. 07-549-EL-ATA, and TE, in Case No. 07-550-EL-ATA, proposed to extend by one year the date through which each may charge the monthly line extension surcharge to customers taking service at a premise that received a line extension subsequent to February 3, 2003. The date through which such monthly surcharges could be billed to customers would change from December 31, 2007 to December 31, 2008. This date more closely aligns with the end of each company's distribution rate freeze which was extended to December 31, 2008 for OE and TE, and April 30, 2009 for CEI pursuant to the Commission's January 4, 2006 Opinion and Order *In re FirstEnergy Rate Certainty Plan*, Case No. 05-1125-EL-ATA, et al. (RCP case). The RCP case involved modifications to FirstEnergy's Rate Stabilization Plan approved in Case No. 03-2144-EL-ATA on June 9, 2004.
- (4) The proposed tariff changes would apply to residential and general service customers. It would also apply to "existing" post-February 3, 2003 line extension customers as well as to "new" line extension customers. All other terms and conditions of the line extension tariffs approved by the Commission in the Line Extension case are still applicable.
- (5) On May 30, 2007, the Office of the Ohio Consumers' Counsel (OCC) filed a motion to intervene and comments opposing FirstEnergy's applications. OCC argues that the stipulation entered into in the RCP case and approved by the Commission did not provide for any changes to payments ordered by the Commission in the Line Extension case and that there is no need to extend the period of payments for the line extensions beyond the dates set by the Commission in the Line Extension case. OCC believes that the Commission should address this issue in FirstEnergy's recently initiated rate case proceeding.
- (6) On June 15, 2007, FirstEnergy filed a memorandum contra to OCC's motion to intervene stating that its requested tariff change is in keeping with the Commission's decision to authorize the monthly surcharge for the period in which the distribution rate freeze remains in effect to help the utilities defray the cost of building line extensions. FirstEnergy also argues that addressing this matter in its current rate case proceeding will not provide cost recovery for the year 2008. OCC filed a reply to the memorandum contra

stating that FirstEnergy has not set forth reasonable grounds to approve its applications.

- (7) OCC has set forth reasonable grounds to intervene. Accordingly, its motion for intervention should be granted.
- (8) The Commission finds that FirstEnergy's applications should be granted, in part, and denied, in part. We agree with FirstEnergy that extending the time period for recovery of the monthly surcharge, until December 31, 2008, is in keeping with the original premise for granting the utility an opportunity to recover a portion of line extension costs from line extension customers. That premise was that the monthly surcharge was to cover in part the carrying charges for deferred line extension costs until the utilities had the opportunity to file distribution rate cases and devise new methodologies to recover line extension cost in a post electric restructuring paradigm. However, to apply the one-year extension to current residential and general service line extension customers would be unfair and amount to retroactive rate making. Since early 2003, line extension customers have entered into contracts or paid line extension costs on the basis that they would end at a specific date, in FirstEnergy's case, December 31, 2007. We are not inclined to alter those arrangements after the fact because FirstEnergy has now agreed to an extension of its distribution rate freeze as part of its RCP. Accordingly, we find it reasonable to allow FirstEnergy to revise its line extension tariffs to recover the monthly surcharge to the end of 2008 for line extension projects entered into after the tariff change becomes effective. Residential and general service customers being charged a line extension surcharge pursuant to line extension projects entered into prior to the effective date of the tariff change shall have that surcharge end on December 31, 2007. We encourage all parties participating in FirstEnergy's current rate case to propose methodologies for the recovery of line extension costs that provide a fair balancing of cost recovery between ratepayers as a whole and those specific customers seeking a line extension.

It is, therefore,

ORDERED, That OCC's motion to intervene is granted. It is, further,

ORDERED, That the applications of The Toledo Edison Company, The Cleveland Electric Illuminating Company and Ohio Edison Company are approved, in part, and denied, in part, as set forth above. It is, further,

ORDERED, That the Applicants are authorized to file in final form four complete copies of the tariffs consistent with this Finding and Order. Applicants shall file one copy in its TRF docket (or may make such filing electronically as directed in case No 06-900-AU-WVR) and one copy in this case docket. The remaining two copies shall be designated for distribution to the Rates and Tariffs, Energy and Water Division of the Commission's Utilities Department. It is, further,

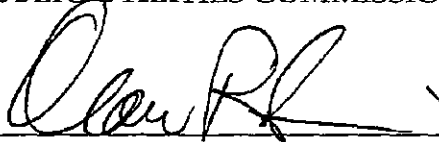
ORDERED, That the proposed tariffs shall be effective upon filing. It is, further,

ORDERED, That the Applicants shall notify all affect customers via a bill message or via a bill insert within 30 days of the effective date of the tariffs. A copy of the customer notice shall be submitted to the Commission's Service Monitoring and Enforcement Department, Reliability and Service Analysis Division, at least 10 days prior to its distribution to customers. It is, further,

ORDERED, That nothing in this Finding and Order shall be binding upon this Commission in any future proceeding or investigation involving the justness or reasonableness of any rate, charge, rule or regulation. It is, further,


ORDERED, That a copy of this Finding and Order be served upon the Applicants and all parties of record.

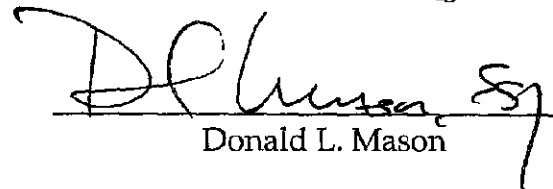
THE PUBLIC UTILITIES COMMISSION OF OHIO


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RRG:ct

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Renee J. Jenkins
Secretary