

BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of The)
Cleveland Electric Illuminating Company for) Case No. 11-4288-EL-AIS
Authority to Issue, Sell, or Enter into Debt)
Transactions.)

In the Matter of the Application of Ohio)
Edison Company for Authority to Issue, Sell, or) Case No. 11-4289-EL-AIS
Enter into Debt Transactions.)

In the Matter of the Application of The)
Cleveland Electric Illuminating Company for) Case No. 11-4290-EL-AIS
Authority to Issue, Sell, or Enter into Debt)
Transactions.)

FINDING AND ORDER

The Commission finds:

- (1) Applicants, The Cleveland Electric Illuminating Company (CEI), Ohio Edison Company (Ohio Edison), and The Toledo Edison Company are Ohio corporations, and are public utilities, as defined in Sections 4905.03(A)(3) and 4905.02, Revised Code, subject to the jurisdiction of this Commission.
- (2) On July 13, 2011, Applicants filed their applications and exhibits, as amended and supplemented on August 17, and August 23, 2011 (Applications), pursuant to the provisions of Sections 4905.40, Revised Code.
- (3) Applicants are requesting Commission authorization to enter into capital lease transactions (Capital Leases) in aggregate principal amounts of \$15 million for CEI, \$30 million for Ohio Edison and \$5 million for Toledo Edison with a New York corporation (the Lessor), within the terms and conditions as set forth in the Applications.

- (4) The Capital Leases will have a term of not more than 10 years and the cost of the Capital Leases will not exceed 8%. The cost will be fixed at the time of the acquisition of the equipment and will be based on a spread plus an index, as described in the Applications.
- (5) The structure and terms of the Capital Leases will be similar to other forms of debt financing. Applicants state that the Capital Leases will allow Applicants to access lower cost funds for financing the property acquisitions.
- (6) At the end of the lease term, Applicants anticipate that they will be purchasing the leased equipment upon the final payments with all liens being released by the Lessor, within the parameters described in the Applications.
- (7) Applicants propose to use the proceeds from the Capital Leases to finance the acquisition of certain equipment to be utilized in Applicants' energy delivery operations, as described in the Applications.
- (8) The proposed guidelines or parameters set forth in the Applications are intended to facilitate the issuance of the Capital Leases on the best terms possible and at lowest cost. The authorization to consummate these financial transactions, within the parameters set forth in the Applications, in no way relieves each of the Applicants of their responsibility to negotiate and obtain the best terms available.
- (9) The aggregate amounts of the Capital Leases, and the terms thereof, and the probable costs to Applicants, within the parameters set forth in the Applications do not appear to be unjust or unreasonable.
- (10) The Commission is of the opinion that each of the Applicants should not include in their Capital Leases any existing property that is currently in Applicants' jurisdictional rate base.
- (11) Applicants state that they will seek the recovery of revenue requirements as a result of the Capital Leases either in future rate proceedings or through an existing rider or other yet to be established recovery mechanism.

The Commission notes that approval of these cases should not be construed as determinative or binding of any future requests by Applicants as to the recovery of revenue requirements as a result of the Capital Leases either in future rate proceedings or through an existing rider or other yet to be established recovery mechanism.

- (12) The effect on Applicants' revenue requirements resulting from entering into the Capital Leases will be considered in the determination of required revenue in rate proceedings in which all factors affecting rates will be taken into account according to law. In any event, Applicants state that their future revenue requirement associated the property financed under the Capital Leases would be no greater than if the property had been financed with alternative debt securities.
- (13) The Commission is of the opinion that, after the consummation of the Capital Leases, Applicants should file executed copies of their Capital Leases with this Commission with brief reports containing the significant terms of each of the Capital Leases. The reports should include, but not be limited to, detailed descriptions of the transactions, rationale for entering into the transactions and a quantification of the benefits of the transactions.
- (14) Based on the information contained in the Applications, the purposes to which the proceeds from the Capital Leases shall be applied appear to be reasonably required by Applicants to meet their present and prospective obligations to provide utility service, and the Commission is satisfied that consent and authority should be granted subject to the conditions in Finding 12.

It is, therefore,

ORDERED, That Applicants, The Cleveland Electric Illuminating Company, Ohio Edison Company, and The Toledo Edison Company, are hereby authorized, to enter into capital lease transactions in aggregate principal amounts of \$15 million for CEI, \$30 million for Ohio Edison and \$5 million for Toledo Edison with a New York corporation, within the terms and conditions as set forth in the Application. It is, further,

ORDERED, That Applicants shall apply the proceeds from the Capital Leases for the purposes set forth in this Order and otherwise pursuant to the provisions of Section 4905.40, Revised Code. It is, further,

ORDERED, That Applicants shall file executed copies of their Capital Leases with this Commission with brief reports containing the significant terms of each of the Capital Leases. The reports shall include, but not be limited to, detailed descriptions of the transactions, rationale for entering into the transactions and a quantification of the benefits of the transactions. It is, further,

ORDERED, That the authorization granted by this Order shall not be construed as limiting the Commission's determination of the appropriateness of the Capital Leases for future ratemaking treatment. It is, further,

ORDERED, That the future revenue requirement associated with the Capital Leases shall be no greater than if the property had been financed with alternative debt securities. It is, further,

ORDERED, That Applicants, for the purposes of the Capital Leases authorized by this Order, shall not include any existing property that is currently in Applicants' jurisdictional rate base. It is, further,

ORDERED, That the Applicants shall account for the issuance of the Capital Leases as prescribed in the Federal Energy Regulatory Commission Uniform System of Accounts as currently in effect. It is, further,

ORDERED, That nothing in this Order shall be construed to imply any guaranty or obligation by the Commission to assure completion of any specific construction project of the Applicant. It is, further,

ORDERED, That nothing in this Order shall be deemed to 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,

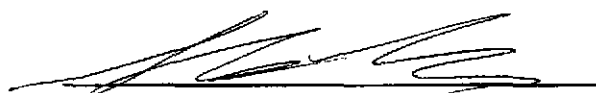
ORDERED, That nothing in this Order shall be construed to imply any guaranty or obligation as to the Capital Leases on the part of the State of Ohio. It is, further,

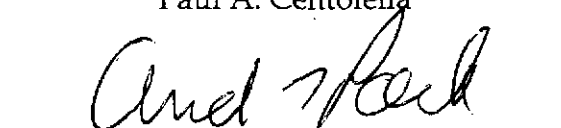
ORDERED, That a copy of this Order be served upon all parties of record.

THE PUBLIC UTILITIES COMMISSION OF OHIO


Todd A. Snitchler, Chairman


Paul A. Centolella


Steven D. Lesser

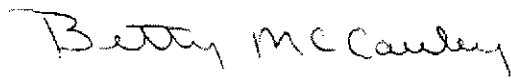

Andre T. Porter


Cheryl L. Roberto

SUM:jd

Entered in the Journal

SEP - 7 2011



Betty McCauley
Secretary