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Ohio | **Public Utilities Commission**

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November 18, 2015

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Docketing Division
Public Utilities Commission of Ohio
180 East Broad Street
Columbus OH 43215

RE: *In the Matter of the Review of the Distribution Uncollectible Rider, PIPP Uncollectible Rider, Non-Distribution Uncollectible Rider, Generation Cost Reconciliation Rider, and Economic Development Rider of Ohio Edison Company, The Cleveland Electric Illuminating Company and the Toledo Edison Company, Case No. 13-2175-EL-RDR*

Dear Docketing Division:

Enclosed please find the Staff's Review and Recommendations in regard to the application filed by Ohio Edison Company, The Cleveland Electric Illuminating Company and the Toledo Edison Company, Case No. 13-2175-EL-RDR.

Tamara S. Turkenton
Chief, Regulatory Services Division
Public Utilities Commission of Ohio

David Lipthratt
Chief, Research and Policy Division
Public Utilities Commission of Ohio

Enclosure
Cc: Parties of Record

Cleveland Electric Illuminating Company
The Ohio Edison Company
The Toledo Edison Company

Case No. 13-2175-EL-RDR

Introduction

On July 31, 2015, Ohio Edison Company, The Cleveland Electric Illuminating Company and The Toledo Edison Company (First Energy, or FE) filed their application for the review of the Companies' Distribution Uncollectible Rider ("Rider DUN"), PIPP Uncollectible Rider ("Rider PUR"), Non-Distribution Uncollectible Rider ("Rider NDU"), Generation Cost Reconciliation Rider ("Rider GCR"), and Economic Development Rider ("Rider EDR") for the year ending December 31, 2014. This filing was made pursuant to the Commission's July 18, 2012 Opinion and Order in Case No. 12-1230-EL-SSO.

Staff Review

Uncollectible Riders (Riders DUN, PUR and NDU)

Uncollectible Riders DUN, PUR and NDU were first approved for collection as a result of the Commission's Opinion and Order in Case No. 08-935-EL-SSO. Rider DUN recovers distribution uncollectible expense in excess of that being recovered in base rates which were set in Case No. 07-551-EL-AIR. Rider PUR recovers uncollectible expense associated with the Universal Service Fund/Percentage of Income Payment Plan. Rider NDU recovers non-distribution related uncollectible expense.

Riders DUN, PUR and NDU are examples of "tracker mechanisms" and may recover more or less than the actual uncollectible expense for any given time period with subsequent periods truing up the amounts collected to reflect the actual expense booked by the Companies. In the course of Staff's examination of Riders DUN, PUR and NDU for the year ending December 31, 2014, Staff reviewed company documents including the uncollectible expense forecast, sales forecast, actual uncollectible expense and sales as well as associated work-papers supporting the three riders. Staff reviewed the calculation of the three uncollectible riders and was able to tie amounts used in the calculations to source documents.

Staff believes that Riders DUN, PUR and NDU were calculated appropriately for the year ending December 31, 2014 and recommends Commission approval of the amounts charged to customers for that period in the three uncollectible riders.

Generation Cost Reconciliation Rider (Rider GCR)

On March 25, 2009, August 25, 2010 and July 18, 2012, in Case Nos. 08-935-EL-SSO, 10-388-EL-SSO and 12-1230-EL-SSO, respectively, the Commission authorized the First Energy companies to recover through Rider GCR the generation cost difference that the companies pay to suppliers as compared to the revenue they recover from customers. Rider GCR is applicable to any customer who receives electric service under each of the companies' rate schedules. If the GCR's deferred balance is less than or equal to 5 percent of actual generation supply cost, then Rider GCR is not applicable to customers who take generation service from a certified supplier. However, if the GCR's deferred balance is greater than 5 percent, then Rider GCR is unavoidable. During the year 2014, the GCR's deferred balance never exceed 5 percent for two consecutive quarters, therefore, there was no charge applied to customers who took generation service from a certified supplier.

The FE companies are required to update and reconcile this Rider on a quarterly basis no later than December 1st, March 1st, June 1st and September 1st of each year. Unless otherwise ordered by the Commission, this Rider shall become effective on January 1st, April 1st, July 1st and October 1st of each year.

Staff has reviewed Rider GCR that the FE companies filed in this case for the four quarters ending December 31, 2014 and is satisfied that this filing is both consistent with and in compliance with the Commission orders. Therefore, Staff recommends that the Application be accepted as filed.

Economic Development Rider (Rider EDR)

Under Rider EDR, there are nine provisions which are similar amongst all FE companies. The following is a brief description of the nine provisions under Rider EDR;

Provision (A) - Residential Non-Standard Credit Provision

This provision provides a credit to residential customers who take service under the Company's rate schedule RS to which each Company's Residential Distribution Credit Rider (RDC) applies. The credit is applied to customer's monthly usage that exceeds 500 kWhs during the winter billing periods. This provision is not applied to customers during the period the customer takes electric generation service from a certified supplier.

Provision (B) - Interruptible Credit Provision

This provision is applicable to all customers who took service under each Company's approved contracts containing interruptible provisions or the Company's interruptible tariffs as of February 1, 2008 and continue to take service under rate schedules GP, GSU, or GT in conjunction with the Company's Economic Load Response Program Rider (ELR). This provision is not applied to customers during the period the customer takes electric generation service from a certified supplier.

Provision (C) - Non-Residential Provision

This provision provides a credit, if necessary, to customers taking service under rate schedules GT, STL, TRF or POL to help mitigate impacts of a rate increase. This provision is not applied to customers during the period the customers take electric generation service from a certified supplier.

Provision (D) - General Service -Transmission (Rate GT) Provision

This provision is applicable to any customer taking service under the Company's rate schedule GT and is not avoidable for customers who take electric generation service from a certified supplier. This provision is reconciled quarterly and is revenue neutral to the FE companies.

Provision (E) - Standard Charge Provision

This provision is applicable to any customer taking service under the Company's rate schedules GS and GP. This provision is not avoidable for customers who take electric generation service from a certified supplier. This provision recovers the costs associated with credits provided under provisions (A), (B), (C) and (F).

Provision (F) - School Credit Provision

This credit is applicable to any public school district building that either (1) was served under each Company's Energy for Education II Program on December 31, 2008, or (2) is a new public school district building served under the Company's Energy for Education II Program on December 31, 2008 of which fifty per cent or more of the total square footage of such building is used for classroom related purposes. This credit is not applied to customers during the period the customers take electric generation service from a certified supplier.

Provision (G) - Infrastructure Improvement Provision

This provision is applicable to any customer taking service under each Company's rate schedules with the exception of STL, TRF and POL. The charges provided under this provision recover costs associated with certain economic expansion programs and new employment opportunities in the State of Ohio. This provision is not avoidable for customers who take electric generation service from a certified supplier.

Provision (H) - Automaker Credit Provision

This provision is applicable to domestic automaker facilities with more than 45 million kilowatt-hours of consumption for the twelve (12) monthly billing periods (baseline usage) ending December 31, 2009 at a single site. This credit is applied only to usage that exceeds the average of baseline usage and is available to customers regardless of whether or not they shop for their electric generation service.

Provision (I) - Automaker Charge Provision

This provision is applicable to any customer that takes electric service under each Company's rate schedules, except for customers under GT, STL, TRF and POL customers. This provision is not avoidable for customers who take electric generation service from a certified supplier. The charges provided under this provision recover costs related to the implementation of the Automaker Credit Provision under EDR Provision (H).

Staff has reviewed all provisions of Rider EDR filed in this case for the four quarters ending December 31, 2014 and is satisfied that this filing is both consistent with and in compliance with the Commission's orders. Therefore, Staff recommends that the Application be approved as filed for Rider EDR.

Carrying Charges

Riders EDR and NDU

Consistent with Case No. 15-648-EL-RDR, Staff recommends that FirstEnergy applies the cost of long-term debt approved in Case No. 07-551-EL-AIR, which is 6.54% consolidated for the FirstEnergy Companies, rather than the annual embedded cost of long-term debt. Staff recommends that this carrying charge rate be applied to both the EDR and NDU riders on a going forward basis, beginning on January 1, 2016.

Riders DUN, PUR, and GCR

Staff recognizes that pursuant to stipulations or tariffs on file with the Commission, Riders DUN, PUR, and GCR currently include carrying charges calculated at the weighted average cost of capital (WACC) established in Case No. 07-551-EL-AIR. However, Staff believes that all of FirstEnergy's riders should be treated in a consistent fashion and does not support carrying charges at WACC for riders that are not based on capital investment. Consistent with Staff's testimony in the Electric Security Plan (ESP), Case No. 14-1297-EL-SSO, "Staff recommends using the last approved cost of long-term debt from the Companies' last rate case or ESP case for all riders." Therefore, Staff encourages the Commission, through the pending ESP, to reevaluate the appropriate carrying charge rate for these riders.