

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

**Application Not for an Increase in Rates,
pursuant to Section 4909.18 Revised Code**

In the Matter of the Application of Ohio)	
Edison Company, The Cleveland Electric)	
Illuminating Company and The Toledo)	Case No. 17-0334-EL-ATA
Edison Company for Modification of a)	
Tariff)	

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: Proposal to transition to decoupled residential rates pursuant to Commission Order dated March 31, 2016 approving the Third Supplemental Stipulation and Recommendation and Fifth Entry on Rehearing in Case No. 14-1297-EL-SSO, and satisfying the requirements in the Commission Order dated August 21, 2013 in Case No. 10-3126-EL-UNC.

3. TARIFFS AFFECTED: (If more than 2, use additional sheets) Only the existing tariff, Residential Service – (Rate “RS”), Sheet No. 10, is affected.

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

- ☒ Exhibit A - existing schedule sheets (to be superseded) if applicable

_____ Exhibit B - proposed schedule sheets

_____ Exhibit C-1

- a) if new service is proposed, describe;
- 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 any total increase in any rate, joint rate, toll, classification, charge or rental.
- 6. Applicants respectfully request the Commission to review the proposed filing attached hereto and advise the Applicants on further action.

Respectfully submitted,

/s/ Carrie M. Dunn

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*Attorney for Ohio Edison Company, The Cleveland
Electric Illuminating Company, and The Toledo
Edison Company*

RESIDENTIAL SERVICE - (RATE "RS")**AVAILABILITY:**

Available for residential service to installations served through one meter for each family unit in a residence or apartment.

When service is used through the same meter for both residential and commercial purposes the applicable general service rate schedule shall apply.

This rate schedule is not available for service to a commercial, institutional or industrial establishment. The hallways and other common facilities of an apartment building or apartment complex are to be billed on the appropriate general service rate.

SERVICE:

Service is provided per the Electric Service Regulations at a secondary voltage.

RATE:

All charges under this rate schedule shall be calculated as described below and charged on a monthly basis.

Distribution Charges:

Service Charge:	\$4.00
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Energy Charges:	
All kWh, per kWh	3.1898¢

SPECIAL METERS:

Time-Of-Day Metering is available from the Company. Charges for such service are specified in the Miscellaneous Charges, Tariff Sheet 75.

APPLICABLE RIDERS:

The charges included with the applicable riders as designated on the Summary Rider, Tariff Sheet 80 shall be added to the Rates and charges set forth above.

ELECTRIC SERVICE REGULATIONS:

The Company's Electric Service Regulations shall apply to the installation and use of electric service.

RESIDENTIAL SERVICE - (RATE "RS")**AVAILABILITY:**

Available for residential service to installations served through one meter for each family unit in a residence or apartment.

When service is used through the same meter for both residential and commercial purposes the applicable general service rate schedule shall apply.

This rate schedule is not available for service to a commercial, institutional or industrial establishment. The hallways and other common facilities of an apartment building or apartment complex are to be billed on the appropriate general service rate.

SERVICE:

Service is provided per the Electric Service Regulations at a secondary voltage.

RATE:

All charges under this rate schedule shall be calculated as described below and charged on a monthly basis.

Distribution Charges:

Service Charge:	\$4.00
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Energy Charges:	
All kWh, per kWh	2.9510¢

SPECIAL METERS:

Time-Of-Day Metering is available from the Company. Charges for such service are specified in the Miscellaneous Charges, Tariff Sheet 75.

APPLICABLE RIDERS:

The charges included with the applicable riders as designated on the Summary Rider, Tariff Sheet 80 shall be added to the Rates and charges set forth above.

ELECTRIC SERVICE REGULATIONS:

The Company's Electric Service Regulations shall apply to the installation and use of electric service.

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This rate schedule is not available for service to a commercial, institutional or industrial establishment. The hallways and other common facilities of an apartment building or apartment complex are to be billed on the appropriate general service rate.

SERVICE:

Service is provided per the Electric Service Regulations at a secondary voltage.

RATE:

All charges under this rate schedule shall be calculated as described below and charged on a monthly basis.

Distribution Charges:

Service Charge:	\$4.00
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Energy Charge:	
All kWh, per kWh	3.5595¢

SPECIAL METERS:

Time-Of-Day Metering is available from the Company. Charges for such service are specified in the Miscellaneous Charges, Tariff Sheet 75.

APPLICABLE RIDERS:

The charges included with the applicable riders as designated on the Summary Rider, Tariff Sheet 80 shall be added to the Rates and charges set forth above.

ELECTRIC SERVICE REGULATIONS:

The Company's Electric Service Regulations shall apply to the installation and use of electric service.

Reason for Proposal

Pursuant to the Commission Order dated March 31, 2016 in Case No. 14-1297-EL-SSO and October 12, 2016 Fifth Entry on Rehearing approving the Third Supplemental Stipulation and Recommendation filed on December 1, 2015¹, the Applicants file this case for consideration by the Commission. Specifically, Section V.F. of the Third Supplemental Stipulation and Recommendation provides as follows:

1. The Companies agree to file a case before the Commission by April 3, 2017, to transition to the proposed straight fixed variable cost recovery mechanism for residential customers' base distribution rates:
 - a. The mechanism shall be phased in over a three year term, beginning January 1, 2019.
 - b. Cost Recovery should be based on an allocation of 75 percent fixed costs and 25 percent variable costs. The phase in will occur as follows:
 - i. Year 1: 25% fixed costs and 75% variable costs
 - ii. Year 2: 50% fixed costs and 50% variable costs
 - iii. Year 3: 75% fixed costs and 25% variable costs
2. All lost distribution revenue shall continue to be recovered in its current fashion up to the time any decoupling mechanism is implemented. If the Commission approves a decoupling mechanism, lost distribution revenue associated with the decoupled rates after the effective date shall be recovered for the variable portion of the rate, and all other riders shall continue and revenue will be decoupled to the level of weather adjusted base distribution and lost distribution revenue and kWh sales as of the twelve month period ended September 30, 2018.
3. When proposing the straight fixed variable decoupling mechanism, the Companies agree to be cognizant of the principle of gradualism and the effect of decoupling on various usage levels.

In accordance with the aforementioned provision, the Applicants are hereby making this filing with the Commission to propose a transition to a straight fixed variable ("SFV") cost recovery mechanism for residential customers' base distribution rates. The SFV mechanism is proposed to be phased in over a three year term, beginning January 1, 2019. Cost recovery shall be based on an allocation of 75 percent fixed costs and 25 percent variable costs. The phase in will occur upon approval as follows:

¹ Case No. 14-1297-EL-SSO ("ESP IV"), Opinion and Order (March 31, 2016) and Fifth Entry on Rehearing (October 12, 2016).

Year 1: 25% fixed costs and 75% variable costs;
Year 2: 50% fixed costs and 50% variable costs;
Year 3: 75% fixed costs and 25% variable costs.

This filing shall also satisfy any requirement or obligation for the Companies arising from Case No. 10-3126-EL-UNC, whereby the Commission “encourage[d] electric utilities to file their next base rate cases utilizing the SFV rate design.”² The Applicants, recognizing that the Third Supplemental Stipulation and Recommendation contained a base rate freeze through June 1, 2024, agreed to expedite the filing of a proposed transition to a SFV rate design. Moreover, inasmuch as the Commission approved the Applicants’ agreement in the Third Supplemental Stipulation and Recommendation in the ESP IV Order to file the proposed transition to a SFV cost recovery mechanism for residential customers’ base distribution rates by April 3, 2017, and prior to its next base distribution rate case³, there will no longer be an obligation for an additional, separate inclusion of a proposed SFV rate design in the Applicants’ next base distribution rate case.

Pursuant to the Third Supplemental Stipulation and Recommendation approved in Case No. 14-1297-EL-SSO, the rates set forth in this filing as presented are illustrative and based on weather adjusted base distribution revenue and lost distribution revenue and kWh sales for calendar 2016. See Exhibit C-3 Attachment 1 for illustrative base distribution rates. Final proposed rates will be based on the level of weather adjusted base distribution revenue and lost distribution revenue and kWh sales as of the twelve month period ended September 30, 2018. This filing will be updated once those rates are known.

² Case No. 10-3126-EL-UNC, Finding and Order at ¶64 (August 21, 2013).

³ In accordance with the Commission Order dated March 31, 2016 in Case No. 14-1297-EL-SSO, there is a base distribution rate freeze for eight years. In the Fifth Entry on Rehearing dated October 12, 2016 in Case No. 14-1297-EL-SSO, the Commission directed the Companies to file a base distribution rate case by May 31, 2024.

Illustrative SFV Cost Recovery Mechanism Based on Calendar 2016

(A) Operating Company	(B) Year	(C) Revenue Requirement	(D) Annual Number of Bills	(E) Annual kWh Sales	(F) Fixed Costs %	(G) Variable Costs %	(H) = (C) x (F) Fixed Costs	(I) = (C) x (G) Variable Costs	(J) = (H)/(D) Customer Charge	(K) = [(I)/(E)] x 100 Variable Charge (¢/kWh)
OE	1	\$353,542,870	11,124,298	9,095,076,183	25%	75%	\$88,385,718	\$265,157,153	\$7.95	2.9154
	2	\$353,542,870	11,124,298	9,095,076,183	50%	50%	\$176,771,435	\$176,771,435	\$15.89	1.9436
	3	\$353,542,870	11,124,298	9,095,076,183	75%	25%	\$265,157,153	\$88,385,718	\$23.84	0.9718
CEI	1	\$200,392,255	7,966,606	5,369,884,646	25%	75%	\$50,098,064	\$150,294,191	\$6.29	2.7988
	2	\$200,392,255	7,966,606	5,369,884,646	50%	50%	\$100,196,128	\$100,196,128	\$12.58	1.8659
	3	\$200,392,255	7,966,606	5,369,884,646	75%	25%	\$150,294,191	\$50,098,064	\$18.87	0.9329
TE	1	\$109,434,691	3,273,846	2,508,953,117	25%	75%	\$27,358,673	\$82,076,018	\$8.36	3.2713
	2	\$109,434,691	3,273,846	2,508,953,117	50%	50%	\$54,717,346	\$54,717,346	\$16.71	2.1809
	3	\$109,434,691	3,273,846	2,508,953,117	75%	25%	\$82,076,018	\$27,358,673	\$25.07	1.0904

Notes: (C) Revenue Requirement based on weather adjusted base distribution revenue and lost distribution revenue for calendar 2016.

(D) Annual number of bills for calendar 2016.

(E) Annual weather adjusted kWh sales for 2016.

(F) Fixed costs recovery phase in. Source: Page 24 of the March 31, 2016 Opinion and Order in Case No. 14-1297-EL-SSO.

(G) Variable costs recovery phase in. Source: Page 24 of the March 31, 2016 Opinion and Order in Case No. 14-1297-EL-SSO.

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in

Case No(s). 17-0334-EL-ATA

Summary: Application electronically filed by Ms. Carrie M Dunn on behalf of The Toledo Edison Company and The Cleveland Electric Illuminating Company and Ohio Edison Company