



**Public Utilities
Commission**

Asim Z. Haque, Chairman

Commissioners

M. Beth Trombold
Thomas W. Johnson
Lawrence K. Friedeman
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May 19, 2017

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

2017 MAY 19 PM 1:47
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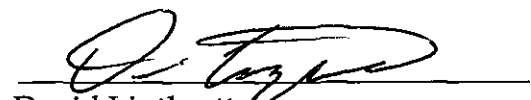
RE: *In the Matter of the Review of the Smart Grid Modernization Initiative Contained in the Tariffs of Ohio Edison Company, The Cleveland Electric Illuminating Company, and The Toledo Edison Company, Case No. 15-1841-EL-RDR*

Dear Docketing Division:

Enclosed please find the Staff's Review and Recommendations in regard to the application filed by Ohio Edison, The Cleveland Electric Illuminating Company, and The Toledo Edison Company for the annual review of its Smart Grid Modernization Initiative, in Case No. 15-1841-EL-RDR.



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



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

Enclosure

Cc: Parties of Record

this is to certify that the enclosed documents are an accurate and complete reproduction of a case file document delivered in the regular course of business.

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**Cleveland Electric Illuminating Company
Ohio Edison Company
Toledo Edison Company
Case No. 15-1841-EL-RDR (Rider AMI)**

SUMMARY

On February 28, 2017, Cleveland Electric Illuminating Company, Ohio Edison Company, and The Toledo Edison Company (FirstEnergy) filed their application (Application) for the annual review of 2016 costs applicable to the Advanced Metering Infrastructure/Modern Grid Rider (Rider AMI). Rider AMI is a non-bypassable rider, approved by the Commission as the mechanism for recovering the costs related to the deployment of smart grid and advanced metering infrastructure as originally approved in Case No. 07-551-EL-AIR.

In its order in Case No. 10-388-EL-SSO¹, the Commission provided its final guidance on matters related to Rider AMI and costs that could be recovered through this rider. The Commission authorized FirstEnergy to collect smart grid costs that it incurred as part of its pilot program over a ten-year period through Rider AMI, with quarterly adjustments to the rate. Operation and maintenance expenses were deemed to be incremental to costs reflected in base rates for purposes of this pilot program. The rider is billed monthly on a fixed customer charge basis.

STAFF REVIEW AND RECOMMENDATIONS

Staff's review of the Application was designed to ensure that FirstEnergy's policies and practices comport with sound ratemaking principles and Commission policies, confirm that its books and records are reliable sources of cost data, and ultimately determine if the application is just and reasonable.

In its review, Staff examined the as-filed schedules for consistency with the Commission's Opinion and Orders in previous smart grid cases and to ensure proper accounting treatment was applied. The audit consisted of a review of the financial statements for completeness, occurrence, presentation, valuation, allocation, and accuracy. Staff conducted this audit through a combination of document review, interviews, and interrogatories. Staff requested documentation as needed to determine that the costs were substantiated or to conclude that an adjustment was warranted.

¹ Case No. 10-338-EL-SSO, August 25, 2010 Opinion and Order at 13-14.

CONCLUSION

After reviewing all of the pertinent information, Staff has determined that no adjustments are necessary and recommends that FirstEnergy's application filed on February 28, 2017 be approved.