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August 28, 2019

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

RE: *In the Matter of the Application of Ohio Edison Company, The Cleveland Electric Illuminating Company, and The Toledo Edison Company to Implement Matters Relating to the Tax Cuts and Jobs Act of 2017.*

Dear Docketing Division:

Enclosed please find the Review and Recommendations of the Staff of the Public Utilities Commission of Ohio (Staff) in Ohio Edison Company's, The Cleveland Electric Illuminating Company's, and the Toledo Edison Company's application to implement matters relating to the Tax Cuts and Jobs Act of 2017, Case Nos. 18-1604-EL-UNC, et al.

Tamara S. Turkenton
Director, Rates and Analysis Department
Public Utilities Commission of Ohio



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

Enclosure

Cc: Parties of Record

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**Ohio Edison Company
The Cleveland Electric Illuminating Company
The Toledo Edison Company
Case No. 18-1604-EL-UNC**

SUMMARY

On December 22, 2017, the Tax Cuts and Jobs Act of 2017 (TCJA) was signed into law. Among other changes, TCJA lowered the federal corporate income tax rate from a maximum 35 percent to a flat 21 percent, effective January 1, 2018. Additionally, the reduction in the federal corporate tax rate may result in excess accumulated deferred income taxes (ADIT) balances because the amount of ADIT that a public utility has recorded in its books will exceed the amount the public utility needs to pay its future federal income tax obligations.

On January 10, 2018, the Commission opened an investigation into the financial impacts of TCJA on regulated utilities in this state. See *In re the Commission's Investigation of the Financial Impact of the TCJA on Regulated Ohio Utility Companies*, Case No. 18-47-AU-COI (TCJA Investigation), Entry (Jan. 10, 2018). On October 24, 2018, following an extensive comment period and hearing, the Commission directed public utilities to file applications not for an increase in rates, pursuant to R.C. 4909.18, by January 1, 2019, in order to return to consumers the tax impacts resulting from the TCJA. On October 30, 2018, Ohio Edison Company, The Cleveland Electric Illuminating Company, and The Toledo Edison Company (collectively, FirstEnergy or the Companies) filed an application to establish a process to resolve TCJA-related issues in Case No. 18-1604-EL-UNC (TCJA Impacts Case).

On November 9, 2018, a stipulation and recommendation (Stipulation) was filed, recommending a resolution for the above-captioned cases, by the following parties: the Companies; Staff; Direct Energy Services, LLC and Direct Energy Business, LLC (collectively, Direct Energy); Environmental Defense Fund (EDF); Ohio Energy Group (OEG); Industrial Energy Users – Ohio (IEU); Ohio Cable Telecommunications Association (OCTA); Ohio Hospital Association (OHA); and Interstate Gas Supply, Inc. (IGS). On January 25, 2019, a supplemental stipulation and recommendation was filed, which modified the original stipulation and included all of the original signatory parties as well as the Office of the Ohio Consumers' Counsel (OCC), The Northeast Ohio Public Energy Council (NOPEC), and Ohio Partners for Affordable Energy (OPAE).

By Entry issued November 15, 2018, the attorney examiner consolidated the above-captioned cases and set a procedural schedule, including scheduling an evidentiary hearing to commence on February 4, 2019.

The evidentiary hearing was later rescheduled and actually commenced on February 5, 2019. The hearing concluded on February 6, 2019.

The following parties submitted timely initial briefs on March 1, 2019: the Companies; Staff; OPAE; the Smart Thermostat Coalition (STC); OCC; OCTA; OEG; IGS; the Environmental Law & Policy Center (ELPC), the Ohio Environmental Council (OEC), and the Natural Resources Defense Council (NRDC) (collectively, the Environmental Advocates); the Ohio Manufacturers' Association Energy Group (OMAEG); The Kroger Co. (Kroger); and Direct Energy. The Companies, Staff, STC, IEU, OEG, OCC, IGS, OMAEG, Environmental Advocates, Kroger, and Direct Energy filed timely reply briefs on March 12, 2019.

On July 17, 2019, the Commission ordered that the Stipulation be adopted and approved, as modified in the Opinion and Order, and that the Companies file in final form, two complete copies of its tariffs consistent with the Opinion and Order. On July 26, 2019, the Companies filed compliance tariffs.

STAFF REVIEW AND RECOMMENDATION

Staff performed a review of the Companies compliance tariffs and finds that they comply with the Commission's Order. Staff concludes that the Tax Savings Adjustment Rider (Rider TSA), through annual reviews and reconciliations, will ensure the appropriate annual amounts are credited to customers and that the tariffs become effective with the first billing cycle for September 2019.