



**Public Utilities
Commission**

John R. Kasich, Governor
Thomas W. Johnson, Chairman

Commissioners

Steven D. Lesser
Asim Z. Haque
Lynn Slaby
M. Beth Trombold

January 15, 2015

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

RE: *In the Matter of the Review of the Non-Market-Based Services Rider (NMB Rider)
contained in the Tariffs of Ohio Edison Company, The Cleveland Electric Illuminating
Company and The Toledo Edison Company, Case No. 14-542-EL-RDR*

Dear Docketing Division:

Enclosed please find the Staff's Review and Recommendations in regard to the interim
rate update application filed by Ohio Edison Company, The Cleveland Electric
Illuminating Company and The Toledo Edison Company, in Case No. 14-542-EL-RDR.

Sincerely,


Tamara S. Turkenton
Chief, Accounting & Electricity Division
Public Utilities Commission of Ohio

RECEIVED-DOCKETING DIV
2015 JAN 15 PM 2:25

Enclosure
Cc: Parties of Record

This is to certify that the images appearing are an
accurate and complete reproduction of a case file
document delivered in the regular course of business
Technician DMB Date Processed JAN 15 2015

180 East Broad Street
Columbus, Ohio 43215-3793

(614) 466-3016
www.PUCO.ohio.gov

**Cleveland Electric Illuminating Company
Ohio Edison Company
Toledo Edison Company**

Case No. 14-542-EL-RDR
(Rider NMB Interim Rate Update)

SUMMARY

On January 9, 2015, The Cleveland Electric Illuminating Company, Ohio Edison Company and The Toledo Edison Company (FirstEnergy Utilities) filed an interim update to its Non-Market-Based Services Rider (Rider NMB).

Included in its Rider NMB are Network Integration Transmission Service (NITS) costs, which make up the majority of the total NMB costs. On December 31, 2014, in Docket No. ER15-303, the Federal Energy Regulatory Commission (FERC) accepted an application by American Transmission System Inc. (ATSI), subject to refund, to modify their NITS formula rates to be based upon a forward-looking test year beginning January 1, 2015. As a result, the costs charged to FirstEnergy Utilities for NITS significantly increased effective January 1, 2015.

In addition, on September 8, 2014, FERC issued an initial decision in Docket No. EL11-54, ordering a modification to ATSI's formula rate calculation to eliminate ATSI's voltage-differentiated rates. These additional changes to ATSI's transmission service rates also became effective January 1, 2015.

Rider NMB is updated on an annual basis for rates effective July 1 through June 30 each year. The current rates were approved on June 11, 2014, for rates effective from July 1, 2014 to June 30, 2015. When the filing was made and the rates were approved, the significant increase in NITS costs beginning January 1, 2015 were not anticipated. As a result, if the current rates are left unadjusted until the next update filing, FirstEnergy Utilities will experience a significant under recovery of costs from January 1, 2015 through June 30, 2015.

To avoid significant under-recovery of NITS costs and associated carrying costs resulting from FERC Docket No. ER15-303, and to account for the impacts associated with FERC's approval in Docket No EL11-54, FirstEnergy Utilities have filed an interim rate adjustment for Rider NMB to become effective from February 1, 2015 through June 30, 2015.

STAFF REVIEW

The Staff has completed its review of the filing and believes that the proposed interim rate adjustment will help to avoid the significant under-recovery of NITS costs that would otherwise occur from January 1, 2015 through June 30, 2015.

All costs/credits included in Rider NMB will be audited in the next Rider NMB update filing that will be filed on or before May 1, 2015. All costs/credits included in the May 2015 filing may subject to adjustments following the audit.

CONCLUSION

The Staff recommends that FirstEnergy Utilities' interim update filing in Case No. 14-542-EL-RDR be approved, subject to future audit, for rates effective February 1, 2015.