BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of Ohio Edison Company, The Cleveland Electric Illuminating Company and The Toledo Edison Company for Authority to Provide for a Standard Service Offer Pursuant to R.C. § 4928.143 in the Form of an Electric Security Plan	)))))))	**Case No. 14-1297-EL-SSO**

THIRD SUPPLEMENTAL STIPULATION AND RECOMMENDATION

I. INTRODUCTION

Since the filing of the Companies' fourth electric security plan ("ESP IV") on August 4, 2014, the Companies and interested stakeholders have worked tirelessly to further expand the ESP IV's benefits for the Companies' customers and the State of Ohio. This work resulted in three prior stipulations: i) the Stipulation and Recommendation filed on December 22, 2014, as modified by the Errata filed on January 21, 2015 (the "Stipulation"); ii) the Supplemental Stipulation and Recommendation filed on May 28, 2015 (the "Supplemental Stipulation"); and iii) the Second Supplemental Stipulation and Recommendation filed on June 4, 2015 (the "Second Supplemental Stipulation", together with the Stipulation and the Supplemental Stipulation hereinafter referred to as, the "Prior Stipulations"). Over the past fifteen months the Companies also engaged in extensive discovery, with the Companies responding to over 3,700 discovery requests, and depositions of the Companies' witnesses for more than 25 days. The Companies, the Public Utilities Commission of Ohio Staff ("Staff"), and intervening parties then participated in 35 days of evidentiary hearings from August through October, 2015, which generated over 7,400 pages of hearing transcript.

The Third Supplemental Stipulation and Recommendation (the "Third Supplemental Stipulation", together with the Prior Stipulations hereinafter referred to as, the "Stipulated ESP IV") is the culmination of that exhaustive, detailed process. Through the Stipulated ESP IV, the Companies, Staff, and the diverse group of parties who have signed below ("Signatory Parties") are placing the State of Ohio, the Companies, and their customers on the right path for the next eight years through a comprehensive, balanced, and forward-looking plan for the future.

Under the Stipulated ESP IV, the Companies will present an innovative plan to the Commission proposing the acceleration of state-of-the-art advancements in the distribution delivery business. As part of this initiative, the Companies will file a business plan for grid modernization initiatives throughout their service territories. The Companies will also implement resource diversification initiatives, including an unprecedented commitment to establish a goal to reduce CO_2 emissions by at least 90 percent below 2005 levels by 2045, and pursue renewed support of further development of energy efficiency and renewable resources in Ohio. Further, through the implementation of the Economic Stability Program and continuing timely recovery of all amounts authorized by the Commission to be collected through rate components and deferral of cost recovery, the Stipulated ESP IV provides electric service at predictable prices regardless of external forces for an extended period of time from three years to eight years. The proposed Retail Rate Stability Rider ("Rider RRS") will supplement the benefits of the Companies' competitively-bid auction for SSO service by countering the impact of potential long-term retail price increases and volatility. In addition, to the credits that may naturally occur over time, Rider RRS will also provide up to $100 million in Companies'-funded customer credits during the last four years of ESP IV as part of a new risk sharing mechanism. In addition to the term of Rider RRS being shortened from fifteen to eight years, Staff and Public Utilities Commission of Ohio will have rigorous review authority over the rider.

Interested stakeholders – parties and non-parties alike – have expressed to the Companies in countless meetings that the Companies should have a robust electric security plan that provides consumer empowerment and promote economic development and job retention across the Companies' service territories in Ohio. The Companies' ESP IV offers these benefits to the Companies' customers and to the State of Ohio. The Signatory Parties, including the Staff, believe that now is the time for the Companies to implement ground-breaking efforts to actively engage with retail customers to modernize and expand the electric distribution grid to ensure that the State's long-term resource adequacy needs continue to be met in a responsible manner. In particular, the Companies, Staff, and the Signatory Parties are confident that their grid modernization initiatives should not only provide savings from advance metering infrastructure, Distribution Automation, circuit reconfiguration, and VOLT/VAR, but also enhance retail competition in the State of Ohio through the full deployment of advanced smart meters.

Through the Stipulated ESP IV, the Companies, Staff, and the Signatory Parties provide an evolutionary approach toward regulation that is forward-looking and will advance and modernize the distribution delivery business. The package as a whole not only facilitates consumer empowerment over their electricity consumption, but also promotes resource adequacy through carbon reduction provisions, renewed support for energy efficiency and renewable resources in Ohio, and Rider RRS. Thus, the Signatory Parties recommend that the

Commission approve the Companies' application, as amended and modified by the Stipulated ESP IV.

II. BACKGROUND

Rule 4901-1-30, Ohio Administrative Code, provides that any two or more parties to a proceeding may enter into a written stipulation covering the issues presented in such a proceeding. The purpose of this document is to set forth the understanding and agreement of the Signatory Parties and to recommend that the Commission approve and adopt the application filed in the above-captioned proceeding as amended and modified by the terms and conditions of the Stipulated ESP IV, as part of its Opinion and Order in this proceeding, resolving all of the issues in this proceeding.

The Stipulated ESP IV is supported by adequate data and information; represents a just and reasonable resolution of issues in this proceeding; violates no regulatory principle or precedent; is the product of lengthy, serious bargaining among knowledgeable and capable Signatory Parties in a cooperative process; and undertaken by the Signatory Parties representing a wide range of interests to resolve the aforementioned issues. The Stipulated ESP IV represents the culmination of this exhaustive process and is an accommodation of the diverse interests represented by the Signatory Parties. It is entitled to careful consideration by the Commission. For purposes of resolving the issues raised by this proceeding, the Signatory Parties stipulate, agree and recommend as set forth below.

III. PARTIES

The Stipulated ESP IV is entered into by and among the Companies and the Signatory Parties hereto. All the Signatory Parties have agreed to fully support the ESP IV filed in this proceeding as amended and modified by the terms and conditions set forth in the Stipulated ESP IV.

IV. RECITALS

WHEREAS, the Companies filed their ESP IV on August 4, 2014 following pre-filing discussions about its content with a number of interested stakeholders. Following the filing date, the Companies communicated with parties regarding the potential settlement of this proceeding, and subsequently engaged in negotiations with parties[1] culminating in the development of the Prior Stipulations.

WHEREAS, the parties further engaged in extensive discovery, with the Companies responding to over 3,700 discovery requests and the Companies' witnesses being deposed for more than 25 days. The Companies, Staff and intervening parties then participated in 35 days of evidentiary hearings, which generated over 7,400 pages of hearing transcript, all of which led to the development of this Third Supplemental Stipulation;

WHEREAS, all of the related issues and concerns raised by the Signatory Parties have been addressed in the substantive provisions of the Stipulated ESP IV, and reflect, as a result of such discussions and compromises by the Signatory Parties, an overall reasonable resolution of all such issues. The Stipulated ESP IV is the product of the discussions and negotiations of the Signatory Parties, and is not intended to reflect the views or proposals which any individual party may have advanced acting unilaterally. Accordingly, the Stipulated ESP IV represents an accommodation of the diverse interests represented by the Signatory Parties, and is entitled to careful consideration by the Commission;

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[1] The Companies made reasonable efforts to meet with all interested parties to this proceeding to engage in meaningful settlement discussions.

WHEREAS, the ESP IV as set forth in the Stipulated ESP IV represents a serious compromise of complex issues and involves substantial customer benefits that would not otherwise have been achievable. Through implementation of the Economic Stability Program and continuing timely recovery of all amounts authorized by the PUCO to be collected through rate components and deferral of cost recovery, the Stipulated ESP IV provides electric service at more predictable prices for an extended period, which would not have been available otherwise, all of which is beneficial to customers and critical to the economy of Ohio and the well-being of Ohioans. The rates, together with other terms and conditions provided in the Stipulated ESP IV, including commitments regarding submitting a plan for grid modernization for future PUCO review, resource diversification, CO_2 emissions reductions and renewable resources, better assure customers of stabilized prices through the period covered by the different aspects of the Stipulated ESP IV and continue to support energy efficiency, reasonable generation pricing for customers, distribution system reliability, economic development and low income customers;

WHEREAS, in order to address these and other concerns and to continue providing to customers assurances as to the price of electricity covered by the Stipulated ESP IV and support energy efficiency, grid modernization, resource diversification, CO_2 emissions reductions, renewable resources, distribution system reliability, economic development, low income customers and more stabilized pricing, the Signatory Parties stipulate and agree to the Stipulated ESP IV.

NOW, THEREFORE, the Signatory Parties stipulate, agree and recommend that the Commission approve the Stipulated ESP IV and issue its Opinion and Order in accordance herewith, and recommend that the Commission act by February 10, 2016, to permit the Companies adequate time to prepare for and conduct their standard service offer competitive procurement auctions and to prepare the first Rider RRS tariff pricing to be filed on or before April 1, 2016.

V. TERMS AND CONDITIONS

Set forth below are the specific terms and conditions agreed to by the Signatory Parties that are different from or in addition to the terms and conditions contained in the Companies' ESP IV Application, as amended and modified by the Prior Stipulations.[2] If not changed by the terms and conditions expressly set out below, the Signatory Parties expressly agree and recommend that the Commission approve and adopt the ESP IV Application and supporting testimony in its entirety, as amended and modified by each of the Prior Stipulations.

A. Term of Electric Security Plan

1. The Companies agree to modify the three-year term of their ESP IV from their proposed term of June 1, 2016 through May 31, 2019, to an eight-year term commencing on June 1, 2016 and concluding on May 31, 2024, subject to final reconciliation. The Companies' commitment to extend the term of their ESP IV is contingent upon the Signatory Parties agreement to, and the Commission's approval of, the Transition Provision set forth in Section K below.

B. Retail Rate Stability Rider

1. Term of Rider RRS: The Companies agree to modify the fifteen-year term of the Retail Rate Stability Rider ("Rider RRS") from their proposed term of June 1, 2016 through May 31, 2031, to an eight-year term commencing on June 1, 2016 and concluding on May 31, 2024, subject to final reconciliation. Rider RRS is limited to the eight-year term of the Companies' ESP IV with a sunset date of May 31, 2024 (subject to reconciliation). The Companies agree that the Commission may proceed to terminate the specific charge/credit of Rider RRS for any generation unit upon its sale or transfer pursuant to R.C. 4905.26.

2. Risk Sharing: Notwithstanding the payments of credits by the Companies in the first four years of the ESP IV, the Companies agree that customers shall receive a credit from Rider RRS in Year 5 of $10 million in the aggregate. For example, if Rider RRS produces an aggregate credit of $6 million, the Companies agree to contribute an additional $4 million to consumers. If Rider RRS produces a credit of $15 million, the Companies do not have an obligation to provide an additional credit to consumers. Conversely, in the event Rider

[2] Capitalized terms not otherwise defined herein have the same meaning as in the Companies' ESP IV Application or related tariffs.

RRS produces a charge of $12 million, the Companies agree to credit consumers to reduce the charge to $2 million. The Companies' commitment to provide customer credits under Rider RRS shall then be increased by $10 million each additional year through the remainder of the ESP IV. For illustrative purposes, the Companies' credits are depicted below:

Year 5: $10 million
Year 6: $20 million
Year 7: $30 million
Year 8: $40 million

3. Review of Rider RRS:

    a. Rigorous Review of Rider RRS: The rigorous review process set forth in the Companies' ESP IV filing in the testimony of Company Witness Mikkelsen supporting the Application shall be adopted. Specifically, the Companies agree to participate in annual compliance reviews before the Commission to ensure that actions taken by the Companies when selling the output from generation units included in Rider RRS into the PJM market were not unreasonable. The Companies, not their customers, would be responsible for the adjustments made to Rider RRS based on actions deemed unreasonable by the Commission, including any costs (after proper consideration of such costs and netting of any bonus payments) associated with performance requirements in PJM's markets. Any determination that the costs and revenues included in Rider RRS are unreasonable shall be made in light of the facts and circumstances known at the time such costs were committed and market revenues were received. In addition, the calculation of Rider RRS will be based on the sale of power into PJM.

    b. Full Information Sharing: FirstEnergy Solutions Corp. fleet information on any cost component will be provided pursuant to a reasonable Staff request (as determined by the Commission) as it conducts a reasonableness review of a specific cost component for the generation units included in the Economic Stability Program. Staff shall treat any and all such information, regardless of its content, as if it is highly sensitive, proprietary, trade secret information, and Critical Energy Infrastructure Information. In addition, as permitted by law, such information shall not be subject to a public information request and shall be protected indefinitely.

    c. Severability Provision: If a court of competent jurisdiction invalidates Rider RRS in whole or in part, the Companies will permit any part of the Stipulated ESP IV that has not been invalidated to continue while a good faith effort is made by the Signatory Parties to restore the invalidated provision to its equivalent value. The Signatory Parties agree to work in good faith, on an expedited basis not to exceed 60 days, to cure any court-determined deficiency. The Companies will then file (or jointly file with Signatory Parties) the modified Rider RRS, or its successor provision, for expedited approval by the PUCO, which approval shall not be withheld if the modified Rider RRS, or its successor provision, provides a reasonable remedy to cure the deficiency. The Companies' agreement to permit the stipulated provisions to go into effect in this manner (rather than terminate pursuant to the terms of the Stipulated ESP IV) is contingent upon the Signatory Parties supporting the modified Rider RRS, or its successor provision. A Signatory Party may choose to oppose and express any concerns with the modified Rider RRS, or its successor provision, to the Commission; however, if such concerns are not accepted by the Commission, then any Signatory Party that opposed the modified Rider RRS, or its successor provision, will forfeit its stipulated provision(s). This commitment on severability is not intended and shall not be construed to affect the prohibition against retroactive ratemaking. No amounts collected shall be refunded as a result of this severability provision.

C. Federal Advocacy

1. Through May 31, 2024, the Companies shall, in good faith advocate for market enhancements such as a longer-term capacity product, and any other market improvements. Before making any such filing, the Companies will inform Staff of their position and the rationale behind it.

2. Beginning June 1, 2016, and continuing through May 31, 2024, the Companies shall provide a public, quarterly update to the Commission on the state of wholesale electricity markets from the Companies' perspective.

3. In the event that PJM has not obtained approval for a longer term capacity product to address State resource adequacy needs by September 1, 2017, the Commission will solicit comments from interested parties no later than October 30, 2017, addressing the State's long term resource adequacy needs.

D. Grid Modernization

1. In addition to promoting stable customer rates through Rider RRS, the Companies agree to empower consumers through grid modernization initiatives that promote customer choice in Ohio. Examples include: Advanced Metering Infrastructure, Distribution Automation Circuit Reconfiguration, VOLT/VAR, working with Staff to attempt to remove any barriers for distributed generation, and consulting with Staff on net-metering tariffs.

2. Within 90 days of the filing of this Third Supplemental Stipulation, the Companies shall file a grid modernization business plan highlighting future initiatives for Commission consideration and approval.

    a. The plan will include a timeline for the Companies to achieve full smart meter implementation with data capabilities and capable of transferability, and a decoupling mechanism as detailed in Section F below.

    b. The plan will address the examples set forth in Section D.1. above.

c. The plan will include a provision that the data would be customer owned and that it would be made available to competitive suppliers and third parties certified by the Commission upon written authorization from the customer, pursuant to Commission rules and State law.[3] The data will be provided in hourly interval, or an interval less than an hour, and will be bill quality, i.e. it will have gone through the Validate, Estimate, and Edit (VEE) process. The Companies shall work with CRES providers to ensure that the bill quality AMI data is provided in a timely manner, so that CRES can use the AMI data for billing purposes.

d. The plan will identify opportunities to leverage smart meter related investments being made in Pennsylvania that could benefit smart meter implementation in Ohio.

3. If the Commission approves any portion of the grid modernization business plan, the Signatory Parties agree to the following rate treatment. The Companies' recovery shall be through a rider, which would commence within three months of the issuance of a Commission order authorizing the implementation of a Grid Modernization project, and shall be based on a forward looking formula rate concept that would be subsequently reconciled for actual costs compared to forecasted costs and for actual revenue received compared to revenue forecasted to be recovered. The return on equity shall initially be set at 10.38% (following the ATSI ROE as that may be adjusted in the future), with an additional 50 basis point adder, the cost of debt will be set at the embedded long term cost of debt in existence at the time the rider is updated, and the capital structure will be based on the actual capital structure in existence at the time the rider is updated. All costs incurred will be recovered in Rider AMI, which will be updated and reconciled on a quarterly basis, and will remain in effect until such costs are fully recovered.[4] Any operational savings that are produced by the investment and accrue to the Companies, such as reduced meter reading expense, will be credited against the costs during the quarterly update and reconciliation process.

4. Semi-Annual Updates: The Companies agree, beginning six months after the Commission's issuance of an order approving the grid modernization initiative, to provide semi-annual updates to the Commission on progress made to its grid modernization initiatives. The semi-annual updates may include, but shall not be limited to, indicating the status of smart meter implementation, data-sharing progress, and any other grid modernization enhancements the Companies are undertaking.

5. For the period of June 1, 2016 through May 31, 2024, the Companies agree not to request a waiver of O.A.C. 4901:1-18-06(A)(2) regarding providing customers with personal notice on the day of disconnection of service for nonpayment.

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[3] In order to be abundantly clear, customer authorization is not needed for the normal business practice of sharing information with vendors acting as agents of the Companies.

[4] Kroger reserves the right, if any, to challenge the rate design of Rider AMI in a future proceeding separate from this ESP IV proceeding. As Commission approval of the Stipulated ESP IV constitutes approval of the rate design of Rider AMI, the Companies believe the Commission would be bound by both its decision in this proceeding and the doctrines of res judicata and collateral estoppel as to the rate design of Rider AMI.

E. Resource Diversification

The Companies agree to implement the following mechanisms/programs to promote future resource diversity:

1. Commitment to Environmental Stewardship – CO_2 Reduction Goal: As part of the Stipulated ESP IV, FirstEnergy Corp. will establish a goal to reduce CO_2 emissions by at least 90% below 2005 levels by 2045, regardless of whether EPA's recently finalized Clean Power Plan is overturned by court order. This would be among the most aggressive targets in the utility industry. This goal represents a potential reduction of over 80 million tons of CO_2 emissions. The Companies agree to file with the Commission a report as to the then-status of carbon reductions every five years until 2045.

2. Battery Technology: The Companies will evaluate investing in battery resources contingent on Commission approval that all investments for such resources shall be rate-based and included in the recovery mechanism stipulated in Section D.3. above.

3. Unlocking Energy Efficiency -- Robust Comprehensive Energy Efficiency Offerings:
    a. The Companies will reactivate in 2017 all programs suspended in their EE/PDR Portfolio Plan in Case No. 12-2190-EL-POR, *et al.*, and will expand offerings through May 31, 2024, to include best practice ideas from utility peers in Ohio and nationally.[5]

    b. The robust EE/PDR Portfolio Plan offerings would strive to achieve over 800,000 MWh of energy savings annually, subject to customer opt outs. The submitted EE/PDR Portfolio Plan will be subject to Commission review and approval, which approval shall examine the aggregate cost of energy efficiency and its impact on customers.

    c. The Companies agree to include in their next EE/PDR Portfolio Plan filing for Commission approval a 3-year, white-labeled, customer engagement pilot program to be implemented with EnerNOC across the Companies' small/medium commercial and industrial customers. The pilot will engage small/medium commercial and industrial customers through a software platform customized for the Companies which will empower customers to make smart energy choices through customized, timely, and targeted content and recommended actions specific to their businesses. By strengthening customer satisfaction with the Companies and maximizing the value of interval data, the customer engagement pilot should assist the Company in meeting its energy efficiency goals outlined herein.

    d. All costs incurred, including dedicated energy efficiency/demand response internal labor, for such programs shall be recovered through Rider DSE. Cost effective

[5] Nothing in this provision would disrupt or otherwise set aside the opt-outs that have occurred or will occur pursuant to SB 310.

energy efficiency programs shall be eligible for shared savings. The after-tax annual shared savings cap shall be increased from $10 million to $25 million and shall continue to be recovered in Rider DSE.

4. Increase Renewable Resources -- 100 MW of Wind or Solar: To the extent Staff deems it helpful to comply with a future federal or state law or rule, and, to the extent such federal or state law or rule has not fostered the development of new renewable energy resources, including wind and solar, the Companies shall procure at least 100 MW of new Ohio wind or solar resources as part of a strategy to further diversify Ohio's energy portfolio.

   The procurement of wind and/or solar resources will complement the Companies' Economic Stability Program by providing additional diverse generation in Ohio. The 100 MW of wind and/or solar will be procured for a period not to exceed the remaining term of the Stipulated ESP IV based on an all-in price (energy and RECs) and sold into the market. A new non-bypassable rider, Ohio Renewable Resources Rider (Rider ORR), shall be established as a placeholder and set at zero. In the event future statutory changes or rule changes do not lead to the development of new renewable resources, the Companies, at Staff's request, shall make a filing at the Commission demonstrating the need to procure new renewable energy resources, including wind and solar, before the Commission. All costs incurred shall be recovered through Rider ORR as a non-bypassable charge or credit depending on the relation between the all-in price and the comparable wholesale price received from the market.

5. Carbon Reduction Emissions Plan: By November 1, 2016, the Companies will file a report with the Commission highlighting their then-current strategy regarding promoting fuel diversification and carbon reduction, recognizing that renewable resources, energy efficiency, other advanced resources, including batteries, and existing or proposed legislation or regulation may play a role in such strategy and cause it to alter over time. Consistent with Section E.1., above, Companies agrees to file with the Commission a report regarding progress of such initiatives every five years until 2045.

F. Transition to Decoupled Rates

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 shall 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 that 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 revenue 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.

G. Certain Provisions Extended to 8-Year Term

1. Extension of Base Distribution Rate Freeze: The Signatory Parties agree that no proceeding shall commence whereby an adjustment to the base distribution rates of the Companies would go into effect prior to June 1, 2024 (subject to the provisions set forth in this Stipulated ESP IV, including new riders and rider adjustments and other charges provided in the tariffs), except in the case of an emergency pursuant to the provisions of Ohio Revised Code Section 4909.16. The Companies would not be precluded during this period from implementing changes in rate design (e.g. implementing decoupling under Section F above) that are designed to be revenue neutral, eliminate subsidies, or for any new service offering, as approved by the Commission. Notwithstanding the abovementioned commitment, the Companies are also not precluded with Staff agreement to file for a base distribution rate case that would go in effect prior to June 1, 2024.

2. Delivery Capital Recover Rider (Rider DCR): The revenue caps for Rider DCR will increase annually in accordance with the following:

   $30 million for the period June 1, 2016 through May 31, 2019
   $20 million for the period June 1, 2019 through May 31, 2022
   $15 million for the period June 1, 2022 through May 31, 2024

   The audit schedule set forth on Page 14 of the Application shall be amended to provide audits for the entire term of the Stipulated ESP IV. The amended language shall read:

   > The independent auditor shall be selected by Staff. The audit shall include a review to confirm that the amounts for which recovery is sought are not unreasonable and will be conducted following the Companies' December 31 filing during the term of the Companies' ESP IV, and one final audit following the Companies' final June 30 reconciliation filing.

3. SSO Auctions: For the period beginning June 1, 2016 and ending May 31, 2024, retail generation rates will be determined pursuant to the results of a descending-clock format competitive bid process. The schedule shown in Attachment A is designed to "ladder in" procurements at various times to help smooth out market prices for customers over the eight year term of the Stipulated ESP IV. Similar to the Companies' previously approved

auction schedules, this schedule provides a mix of one, two and three year products. Other than the modification to the competitive bid process schedule, the competitive bid process will be conducted as described in the Companies' Application and the testimony of Companies' Witnesses Miller and Stein. Notwithstanding, the Companies' PIPP load will be served in compliance with Ohio Revised Code Section 4928.54.

4. Reconciliation: As a result of modifying the three-year term of the ESP IV to an eight-year term, the Signatory Parties agree that, along with the other terms and conditions, certain other provisions reconcile as follows:

   a. Rate Design:

      i. Rider ELR

         1. The proposed rate design changes with respect to the renewal of Rider ELR in the Supplemental Stipulation (replacing Section V.A.1(i)(1)-(3) of the Stipulation) will begin with service rendered June 1, 2016 and shall expire with service rendered May 31, 2024. Along with the renewal of Rider ELR for the eight-year term, the Interruptible Credit Provisions (Rider ELR and Rider EDR(b)) will continue during the Stipulated ESP IV and expire on May 31, 2024, subject to reconciliation. The Rider ELR credit will be recovered through the DSE 1 component of Rider DSE, and the Rider EDR(b) credit will be recovered in Rider EDR(e), in the same manner as was recovered in ESP III. The Companies will work in good faith with their Rider ELR customers to develop terms and conditions of interruptible service that comply with necessary PJM requirements that may change from time to time.

         2. With respect to provisions associated with the renewal of Rider ELR that expire on May 31, 2024, the Stipulated ESP IV does not preclude any Signatory Party from arguing for an extension of that provision in the Companies' next ESP.

      ii. The Automaker Credit and Charge Provisions (Rider EDR(h) and (i)) (Section V.A.1.(i)(7-8) of the Stipulation) will continue during the Stipulated ESP IV and expire on May 31, 2024, subject to final reconciliation.

      iii. The General Service – Transmission (Rate GT) Provision (Rider EDR(d)) (Section V.A.1.(i)(9) of the Stipulation) will be modified as follows:

         a. The charge for June 1, 2016 through May 31, 2017 will be $8.00 per kVA of billing demand.

         b. The charge for June 1, 2017 through May 31, 2018 will be $6.00 per kVA of billing demand.

c. The charge for June 1, 2018 through May 31, 2019 will be $4.00 per kVA of billing demand.

d. There will be no charge or credit effective June 1, 2019, subject to final reconciliation.

e. All dollars collected will be returned to Rate GT customers via the Rider EDR(d) credit.

iv. Commercial High Load Factor Experimental Time-of-Use Rate: The Commercial High Load Factor Experimental Time-of-Use rate proposal established in the Second Supplemental Stipulation (adding a new Section V.A.3 to the Stipulation) will continue during the Stipulated ESP IV through May 31, 2024. The Companies also agree to continue to offer the Experimental Critical Peak Pricing Rider ("Rider CPP") and the Experimental Real Time Pricing Rider ("Rider RTP") for the duration of ESP IV.

b. Energy Efficiency/Demand Response:

i. The contribution by the Companies to the Council of Smaller Enterprises ("COSE") Ohio Energy Efficiency Resource Program for the COSE Unrestricted Payment under Section V.B.2 of the Stipulation is modified as follows: $170,000 in 2016; $25,000 in 2017; $25,000 in 2018; $20,000 in 2019; and $60,000 per year in 2020 through 2024, with such amounts recovered through Rider DSE from June 1, 2016 through May 31, 2019.

ii. The number of ASHRAE Level II Energy Efficiency Audits for C&I customers to be performed by the Companies under Section V.B.4 of the Stipulation is modified as follows: 58 in 2016; 100 per year in 2017 through 2023; and 42 in 2024. All costs the Companies incur to conduct the audits shall be recovered through Rider DSE.

iii. The contribution by the Companies to the Association of Independent Colleges and Universities of Ohio ("AICUO") Efficiency Resource Program for the AICUO Unrestricted Payment under Section V.B.5 of the Stipulation is modified as follows: $50,000 per year for the Stipulated ESP IV eight-year period commencing in 2016, with such amounts recovered through Rider DSE from June 1, 2016 through May 31, 2019.

iv. COSE and AICUO shall work in good faith with the Companies to track the benefits to ratepayers, which may include jobs created, retained, and impacted and energy efficiency and/or demand response savings. For the period of June 1, 2019 to May 31, 2024, the Companies may seek approval to recover costs associated with the demonstrated savings achieved through Section G.4.b.i and iii, such approval shall not be unreasonably withheld.

c. Other Issues:

   i. The funding of the fuel fund in the CEI service territory to assist low-income customers in paying their electric bills under Section V.C.1 of the Stipulation shall be continued consisting of $1,390,000 to be spent in each calendar year from 2017 through 2024. Any unspent funds from the annual fuel fund provided herein will be carried over through the following calendar year but must be spent prior to June 1, 2024.

   ii. The contribution by the Companies to the Citizens Coalition for use in establishing a Customer Advisory Agency under Section V.C.2 of the Stipulation is modified as follows: $1,000,000 per year for the Stipulated ESP IV eight-year period, commencing in 2017. The Customer Advisory Agency will be a pilot program and shall be evaluated after the third year of the Stipulated ESP IV, or by May 31, 2019. Should the Companies' evaluation conclude that the benefits of the establishment of a Customer Advisory Agency do not outweigh its costs, the contributions for the remaining 5 years shall instead be made on an annual basis to fund the above-mentioned fuel fund in the CEI service territory to assist low-income customers in paying their electric bills.

   iii. Notwithstanding paragraph V.A.1.(i).9 of the Stipulation, Toledo Edison will bill to and collect from Material Sciences Corporation a charge of:

      1. $4.00 per kVA of billing demand under Rider EDR(d), General Service-Transmission (Rate GT) Provision, for service June 1, 2016 through May 31, 2019.

      2. There will be no charge or credit effective June 1, 2019 subject to final reconciliation.

H. Other Changes to as Filed Application

1. The Companies will file amended partial service tariffs that minimize risks to other non-shopping customers and reflect the fact that the Companies no longer own generation and source generation for their non-shopping customers via a competitive bid process.

2. The Companies agree to accept the three revisions proposed by Staff Witness Nicodemus to the proposed Electric Service Regulations included in the Companies' Application.

3. Going forward, the Companies will use the long term cost of debt approved in Case No. 07-551-EL-AIR as the carrying charge rate for all riders that solely have a debt based carrying charge rate.

4. The Companies agree that the determination of whether to exclude the impact of deferred carrying charges shall be made at the time of the Companies' annual SEET filings.

5. The Companies will continue funding the Community Connections program under the same terms and conditions as set forth in Case Nos. 07-551-EL-AIR, et. al., 08-935-EL-SSO, 12-1230-EL-SSO, and 14-1297-EL-SSO. Community Connections shall be funded at $6,000,000 per year from 2016 through 2023. The funding shall continue to be fully recoverable through Rider DSE or other applicable rider. Ohio Partners for Affordable Energy ("OPAE") shall be paid out of the commitment above an administrative fee equal to 5% of the program funding. Notwithstanding, the Cleveland Housing Network will be allocated $1.7 million of the annual Community Connections program funding for each year of the Stipulated ESP IV.

6. Rider NMB: Participation in the small scale pilot program included in the Supplemental Stipulation that provides an alternative means for customers to obtain and pay for services otherwise provided by or through the Non-Market-Based Services Rider ("Rider NMB Pilot") will be expanded to include up to five additional Rate GT customers who otherwise would not be eligible for participation.

I. Economic Development, Reliability and Low Income

1. Assessment of Reliability and Economic Development: The Companies utilized an independent consultant to perform the detailed transmission reliability impact study that was based on PJM data and described by Witness Phillips in this proceeding. The Companies will provide, upon request, an electronic copy of the independent third party's economic development analysis conducted for and filed in this proceeding.

2. Economic Development and Job Retention: The Companies' economic development and job retention contribution proposed in the Companies' Application is modified as follows: During the period June 1, 2016 through May 31, 2024, the Companies will contribute $3 million dollars per each 12-month period (totaling $24 million over the eight-year period) of shareholder dollars to fund energy conservation programs in the Companies' service territories, and economic development and job retention programs in Ohio.

3. FirstEnergy will maintain its corporate headquarters and its nexus of operations in Akron, Ohio for the duration of Rider RRS.

4. The Companies will provide OPAE $1,000,000 per year from 2016 through 2023 through shareholder contributions to be used for the funding of a fuel fund to be administered by OPAE in the Companies' Ohio Edison and Toledo Edison service territories.

J. Incremental Tax

The Signatory Parties agree that recovery of new or incremental taxes authorized after May 31, 2014, shall continue for the entire Stipulated ESP IV period.

K. Transition Provision

1. <u>Termination and Transition of Stipulated ESP IV</u>: The Signatory Parties agree that the following orderly termination and transition must occur under the fourth-year test required by R.C. 4928.143(E):
    a. Termination shall only be ordered following: (i) the Commission's test of the plan, which shall include consideration of the prospective quantitative and qualitative effects of the Stipulated ESP IV, including the impact of termination on the financial health of the utilities, and (ii) a finding that the results of the test conclude that the remaining term of the Stipulated ESP IV is no longer more favorable than an MRO and a finding that the remaining term of the Stipulated ESP IV is substantially likely to result in significantly excessive earnings for each utility.

    Termination shall not affect the continued cost recovery of Riders DCR and RRS.

L. Statutory Compliance

1. The Stipulated ESP IV is more favorable in the aggregate to customers as compared to the expected results that would otherwise occur under an MRO alternative and represents a serious compromise of complex issues and involves substantial customer benefits that would not otherwise have been achievable. Through combining more certain rate levels and timely recovery of all amounts authorized by the Commission to be collected through rate components and deferral of cost recovery, the Stipulated ESP IV provides electric service at more predictable prices for an extended period through the adoption of the Economic Stability Program and supports demand response, energy efficiency, grid modernization, resource diversification, CO_2 emissions reductions, renewable resources, distribution system reliability, economic development and low income customers, which would not have been available otherwise, all of which is beneficial to customers and critical to the economy of Ohio and the well-being of Ohioans.

2. The Stipulated ESP IV is in all respects consistent with Ohio law and does not violate any important regulatory principle or practice. Rider RRS, is a term, condition or charge that relates to bypassability and default service as would have the effect of stabilizing or providing certainty regarding retail electric service, and is an economic development and job retention program. Rider RRS may operate as a financial limitation on the consequences of shopping but does not in any way limit a customer's ability to shop, and does not negatively impact retail competition or POLR auctions.

VI. PROCEDURAL ASPECTS

1. Recognizing the value of a timely ruling by the Commission to achieve the benefits described in the Stipulated ESP IV, the Signatory Parties urge the Commission to render a decision adopting the Stipulated ESP IV no later than February 10, 2016, in order to permit the Companies adequate time to prepare for and conduct their standard service offer

competitive procurement auctions and to prepare the first Rider RRS tariff pricing to be filed on or before April 1, 2016.

2. The Stipulated ESP IV is presented, collectively, by all three Companies and its offer is conditioned on its acceptance in its totality with all of its provisions and accepted for all three Companies. The Commission's approval of the Stipulated ESP IV indicates the Commission's acceptance of all of the Signatory Parties' recommendations contained herein.

3. The term of the Stipulated ESP IV is June 1, 2016 to May 31, 2024.[6] The duration of the Stipulated ESP IV (including for purposes of determining the applicability of R.C. 4928.143(E)) is the period during which the standard service offer provided by it is in effect, i.e., June 1, 2016 through May 31, 2024, which will be the termination date, except that certain provisions will continue after May 31, 2024 to the extent such provisions are necessary to carry out the terms and conditions of the Stipulated ESP IV. The Signatory Parties agree to not take a position contrary to the preceding sentence in any forum. Approval of the Stipulated ESP IV by the Commission shall constitute its concurrence with this position.

4. The Stipulated ESP IV is submitted for purposes of this proceeding only, and is not deemed binding in any other proceeding, and except as otherwise provided herein, nor is it to be offered or relied upon in any other proceedings, except as necessary to enforce the terms of the Stipulated ESP IV. The agreement of the Signatory Parties reflected in this document is expressly conditioned upon its acceptance in its entirety and without alteration by the Commission. Notwithstanding anything herein to the contrary, except the Severability

[6] The Companies' current ESP is in place through May 31, 2016.

Provision set forth in Section B.3.c., the Companies have the right to withdraw and terminate the Application and the Stipulated ESP IV if the Commission or any court of competent jurisdiction rejects all or any part of the Stipulated ESP IV or otherwise modifies its terms or provisions. The Signatory Parties agree that if the Commission or any court of competent jurisdiction rejects all or any material part of this Stipulated ESP IV, or otherwise materially modifies its terms, any adversely affected Signatory Party shall have the right to file an application for rehearing or a motion for reconsideration. If such application or motion is filed, and if the Commission or court does not, on rehearing or reconsideration, accept the Stipulated ESP IV without material modification within 45 days of the filing of such motion, then anytime thereafter the adversely affected Signatory Party may terminate its Signatory Party status without penalty or cost and regain its rights as a non-Signatory Party as if it had never executed the Stipulated ESP IV by filing a notice with the Commission and the other Signatory Parties. The provisions of this Paragraph do not impair the right of the Companies to withdraw and terminate the Stipulated ESP IV at any time prior to approval of the Application and the Stipulated ESP IV by the Commission.

5. The Signatory Parties and any non-opposing party agree not to oppose the Stipulated ESP IV in any forum. The Signatory Parties do not waive and expressly reserve all of their rights with respect to taking any action to enforce the Stipulated ESP IV and with respect to interpreting the Stipulation, as modified by the Supplemental Stipulation, the Second Supplemental Stipulation, and this Third Supplemental Stipulation, consistent with the Signatory Parties' obligations expressly set forth in the Stipulated ESP IV.

6. The terms, conditions and understandings contained herein are all contingent upon the Commission accepting the Stipulation as modified by the Supplemental Stipulation, the Second Supplemental Stipulation, and this Third Supplemental Stipulation, without modification. The Signatory Parties agree that signing this Third Supplemental Stipulation binds them to the Stipulation, as modified by the Supplemental Stipulation and the Second Supplemental Stipulation, and as modified by this Third Supplemental Stipulation.
7. Unless a Signatory Party exercises its right to terminate its Signatory Party status as described above, each Signatory Party agrees to and will support the reasonableness of the Stipulated ESP IV and will cause its counsel to do the same, before the Commission, and in any appeal or proceeding in any forum challenging the Commission's adoption and/or enforcement of the Stipulated ESP IV. The Signatory Parties also agree to urge the Commission to accept and approve the terms hereof as promptly as possible.

IN WITNESS WHEREOF, this Third Supplemental Stipulation has been signed by the authorized agents of the undersigned Parties as of this 1st day of December, 2015. The undersigned Parties respectfully request the Commission to issue its Opinion and Order approving and adopting the Stipulated ESP IV. The Stipulated ESP IV will be held open for additional interveners and parties to sign on as Signatory Parties until the issuance of an Order by the Commission.

Signatory Parties

James W Burk
Ohio Edison Company

James W Burk
The Toledo Edison Company

James W Burk
The Cleveland Electric Illuminating Company

Joseph P. Meissner
Council for Economic Opportunities in Greater Cleveland

Ohio Power Company[6]

Michael Kurtz
Ohio Energy Group

Patricia Ambrose
City of Akron

Council of Smaller Enterprises ("COSE")

Thomas D McNamee
Staff of the Public Utilities Commission of Ohio

Joseph P. Meissner
Consumer Protection Association

Joseph P. Meissner
Cleveland Housing Network

Joseph P. Meissner
Citizens Coalition

Michael Lavanga
Nucor Steel Marion, Inc.

Craig Smith
Material Sciences Corporation

Association of Independent Colleges and Universities of Ohio ("AICUO")

Larry Tocherne
International Brotherhood of Electrical Workers Local 245

[6] The interest of Ohio Power Company (AEP Ohio) in intervening in this proceeding and its purpose in signing this Stipulation are limited to the legal and policy bases supporting the RRS Rider. AEP Ohio recommends adoption of the RRS Rider in this proceeding in recognition that the underlying legal and policy bases supporting the RRS Rider in this proceeding are comparable to AEP Ohio's Purchased Power Agreement Rider in Case Nos. 13-2385-EL-SSO, 13-2386-EL-SSO, 14-1693-EL-RDR and 14-1694-EL-AAM. AEP Ohio does not take any position with regard to any other issue being settled or litigated in this proceeding.

Signatory Parties

Ohio Edison Company

Staff of the Public Utilities Commission of Ohio

The Toledo Edison Company

Consumer Protection Association

The Cleveland Electric Illuminating Company

Cleveland Housing Network

Council for Economic Opportunities in Greater Cleveland

Citizens Coalition

Ohio Power Company[6]

Nucor Steel Marion, Inc.

Ohio Energy Group

Material Sciences Corporation

City of Akron

Association of Independent Colleges and Universities of Ohio ("AICUO")

Council of Smaller Enterprises ("COSE")
Matthew R. Cox, on behalf of COSE

International Brotherhood of Electrical Workers Local 245

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Signatory Parties

Ohio Edison Company

Staff of the Public Utilities Commission of Ohio

The Toledo Edison Company

Consumer Protection Association

The Cleveland Electric Illuminating Company

Cleveland Housing Network

Council for Economic Opportunities in Greater Cleveland

Citizens Coalition

Ohio Power Company[6]

Nucor Steel Marion, Inc.

Ohio Energy Group

Material Sciences Corporation

City of Akron

Christopher L. Miller

Association of Independent Colleges and Universities of Ohio ("AICUO")

Council of Smaller Enterprises ("COSE")

International Brotherhood of Electrical Workers Local 245

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The Kroger Company

EnerNOC, Inc.

Ohio Partners for Affordable Energy

Mark S. Yurick

The Kroger Company

EnerNOC, Inc.

Colleen Mooney

Ohio Partners for Affordable Energy

Attachment A

Procurement	Scheduled Date	Tranches Procured	Term Begin /End Term (Years)
1	TBD	17	3
		17	2
		16	1
2	TBD	17	3
		17	2
		16	1
3	Oct-16	16	1
4	Jan-17	16	1
5	Oct-17	17	3
		16	2
6	Jan-18	17	3
		16	2
7	Oct-18	17	1
8	Jan-19	17	1
9	Oct-19	17	2
		16	1
10	Jan-20	17	2
		16	1
11	Oct-20	17	3
		16	1
12	Jan-21	17	3
		16	1
13	Oct-21	17	2
		16	1
14	Jan-22	17	2
		16	1
15	Oct-22	16	1
16	Jan-23	16	1

Product Delivery							
Jun-16	Jun-17	Jun-18	Jun-19	Jun-20	Jun-21	Jun-22	Jun-23
May-17	May-18	May-19	May-20	May-21	May-22	May-23	May-24