

December 2, 2015
Docketing Division
Public Utilities Commission of Ohio
180 E. Broad Street
Columbus, Ohio 43215

RE: *In the Matter of the Review of the Distribution Uncollectible Rider, PIPP Uncollectible Rider, Non-Distribution Uncollectible Rider, Generation Cost Reconciliation Rider, and Economic Development Rider of Ohio Edison Company, The Cleveland Electric Illuminating Company and the Toledo Edison Company, Case No. 13-2175-EL-RDR*

Dear Docketing Division:

Ohio Edison Company, The Cleveland Electric Illuminating Company and The Toledo Edison Company (collectively, "Companies", or "FirstEnergy") have reviewed the Staff's Review and Recommendations ("Staff Report") filed on November 18, 2015, in the above referenced matter. The Companies appreciate the timely review and submission of the Staff Report and offer the following comments for the Commission's consideration.

The Staff Report includes a recommendation regarding the Companies' use of the weighted average cost of capital (WACC) as the carrying cost rate for Riders DUN, PUR and GCR. In the report, Staff encourages the Commission, through the pending ESP IV proceeding, to reevaluate the appropriate carrying charge rate for the riders. Since the filing of the Staff Report on November 18th, the Companies and the Staff have entered into a settlement agreement in the Companies' ESP IV proceeding that addresses the issue of carrying charges on riders, which was filed on December 1, 2015. This settlement agreement permits the carrying charge for Riders DUN, PUR, and GCR to remain at the WACC for the ESP IV period.

In addition and by way of background, the use of the WACC established in case No. 07-551-EL-AIR to calculate carrying costs for Riders GCR, DUN and PUR has been the agreed upon rate for these specific riders since originally being approved by the Commission in the Companies' first ESP, Case No. 08-935-EL-SSO, and continued in the Companies' ESP II (Case No. 10-388-EL-SSO) and ESP III (Case No. 12-1230-EL-SSO) cases. This methodology has also been reviewed by Staff and accepted by the Commission in prior audits of these riders in Case No. 12-2979-EL-RDR and Case No. 13-1604-EL-RDR. As discussed above, in the Third Supplemental Stipulation and Recommendation in Case No. 14-1297-EL-SSO filed on December 1, 2015, Staff, the Companies and other Signatory Parties agreed that during ESP IV period the Companies will use the last approved embedded cost of debt for riders with debt based carrying charges. Since Riders GCR, DUN and PUR do not currently have debt based carrying charges, WACC remains the appropriate carrying charges. A change at this time would be counter to the agreed upon methodology. Based upon the foregoing, it is appropriate to continue the use of the WACC as a carrying cost for these three riders.

Sincerely,
Eileen M. Mikkelsen
Director, Rates & Regulatory Affairs

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Case No(s). 13-2175-EL-RDR

Summary: Response to Staff Recommendation electronically filed by Ms. Tamera J Singleton on behalf of Ohio Edison Company and The Cleveland Electric Illuminating Company and The Toledo Edison Company and Mikkelsen, Eileen M