Ohio | **Public Utilities Commission**
Asim Z. Haque, Chairman

Commissioners

Lynn Slaby
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M. Howard Petricoff

FILE

November 10, 2016

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PUCO

Docketing Division
Public Utilities Commission of Ohio
180 East Broad Street
Columbus OH 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. 14-1949-EL-RDR*

Dear Docketing Division:

Enclosed please find the Staff's Review and Recommendations in regard to the application filed by Ohio Edison Company, The Cleveland Electric Illuminating Company and the Toledo Edison Company, Case No. 14-1949-EL-RDR.

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

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

Enclosure
Cc: Parties of Record

Cleveland Electric Illuminating Company
The Ohio Edison Company
The Toledo Edison Company

Case No. 14-1949-EL-RDR

Introduction

On July 29, 2016, Ohio Edison Company, The Cleveland Electric Illuminating Company and The Toledo Edison Company (the Companies, First Energy, or FE) filed their application for the review of the Companies' Distribution Uncollectible Rider ("Rider DUN"), PIPP Uncollectible Rider ("Rider PUR"), Non-Distribution Uncollectible Rider ("Rider NDU"), Generation Cost Reconciliation Rider ("Rider GCR"), and Economic Development Rider ("Rider EDR") for the year ending December 31, 2015. This filing was made pursuant to the Commission's July 18, 2012 Opinion and Order in Case No. 12-1230-EL-SSO.

Staff Review

Uncollectible Riders (Riders DUN, PUR and NDU)

Uncollectible Riders DUN, PUR and NDU were first approved for collection as a result of the Commission's Opinion and Order in Case No. 08-935-EL-SSO. Rider DUN recovers distribution uncollectible expense in excess of that being recovered in base rates which were set in Case No. 07-551-EL-AIR. Rider PUR recovers uncollectible expense associated with the Universal Service Fund/Percentage of Income Payment Plan. Rider NDU recovers non-distribution related uncollectible expense.

Staff recognizes that First Energy has applied a set monthly interest rate based on its Weighted Average Cost of Capital to the over- and under-collected balances in Riders DUN and PUR, as approved in a Stipulation in Case No. 08-935-EL-SSO, and had used an embedded cost of long-term debt to calculate the interest on the over and under-collected balance in Rider NDU.

However, based on the Commission order in Case No. 14-1297-EL-SSO, the latest approved cost of long-term debt from the Company's latest rate case shall be used as the carrying charge rate on all riders that solely have a debt-based carrying charge rate. Therefore, as approved by the Commission in ESPIV[1], First Energy began applying the last Commission-approved cost of long-term debt (currently from Case No. 07-551-EL-AIR, which is 6.54%) annually for the consolidated

[1] Case No. 14-1297-EL-SSO, Third Supplemental Stipulation and Recommendation, P. 16.

First Energy Companies, rather than the annual embedded cost of long-term debt, beginning June 1, 2016, for Rider NDU.

Staff has reviewed all necessary work-papers and support for Riders DUN, PUR and NDU that the FE companies provided in this case for the four quarters ending December 31, 2015 and is satisfied that this filing is both consistent with and in compliance with the Commission's orders. Therefore, Staff recommends that the Application be approved as filed for Riders DUN, PUR and NDU.

Generation Cost Reconciliation Rider (Rider GCR)

On March 25, 2009, August 25, 2010 and July 18, 2012, in Case Nos.08-935-EL-SSO, 10-388-EL-SSO and 12-1230-EL-SSO, respectively, the Commission authorized the FE companies to recover through Rider GCR the generation cost difference that the FE companies pay to suppliers as compared to the cost they recover from customers. Rider GCR is applicable to any customer who receives electric service under each of the Company's rate schedules. If GCR's deferred balance is less than or equal to 5 percent of actual generation supply cost, then Rider GCR is not applicable to customers who take generation service from a certified supplier. However, if GCR's deferred balance is greater than 5 percent, then Rider GCR is not avoidable.

The FE companies are required to update and reconcile this Rider on a quarterly basis no later than December 1st, March 1st, June 1st and September 1st of each year. Unless otherwise ordered by the Commission, this Rider shall become effective on January 1st, April 1st, July 1st and October 1st of each year.

Staff has reviewed all necessary work-papers and support for Rider GCR that the FE companies provided in this case for the four quarters ending December 31, 2015 and is satisfied that this filing is both consistent with and in compliance with the Commission's orders. Therefore, Staff recommends that the Application be approved as filed for Rider GCR.

Economic Development Rider (Rider EDR)

Under Rider EDR, there are nine provisions which are identical amongst all FE companies. The following is a brief description of the nine provisions under Rider EDR;

a. Residential Non-Standard Credit Provision

This provision is applicable to residential customers who take service under the Company's rate schedule RS to which each Company's Residential Distribution Credit Rider (RDC) applies. This provision is not applied to customers during the period the customer takes electric generation service from a certified supplier.

b. Interruptible Credit Provision

This provision is applicable to all customers who took service under each Company's approved contracts containing interruptible provisions or the Company's interruptible tariffs as of February 1, 2008 and continue to take service in conjunction with the Company's Economic Load Response Program Rider (ELR). This provision is not applied to customers during the period the customer takes electric generation service from a certified supplier.

c. Non Residential Provision

This provision is applicable to any customer taking GT, STL and TRF service under each Company's rate schedules. This provision is not applied to customers during the period the customers take electric generation service from a certified supplier.

d. General Service -Transmission Provision (Rate GT)

This provision is applicable to any customer taking service under each Company's Rate GT and is not avoidable for customers who take electric generation service from a certified supplier. This provision is reconciled quarterly and is revenue neutral to the FE companies.

e. Standard Charge Provision

This provision is applicable to any customer taking service under each Company's rate schedules. This provision is not avoidable for customers who take electric generation service from a certified supplier. This provision recovers the costs associated with credits provided under provisions (a), (b), (c) and (f).

f. School Credit Provision

This credit is applicable to any public school district building that either (1) was served under each Company's Energy for Education II Program on December 31, 2008, or (2) is a new public school district building served under the Company's Energy for Education II Program on December 31, 2008 of which fifty per cent or more of the total square footage of such building is used for classroom related purposes. This credit is not applied to customers during the period the customers take electric generation service from a certified supplier.

g. Infrastructure Improvement Provision

This provision is applicable to any customer taking service under each Company's rate schedules with the exception of STL, TRF and POL. The charges provided under this provision recover costs associated with certain economic expansion programs and new employment opportunities in the State of Ohio. This provision is not avoidable for customers who take electric generation service from a certified supplier.

h. Automaker Credit Provision

This provision is applicable to domestic automaker facilities with more than 45 million kilowatt-hours of consumption for the twelve (12) monthly billing periods (baseline usage) ending December 31, 2009 at a single site. This credit is applied only to usage that exceeds the average of baseline usage and is available for customers who take electric generation service from a certified supplier.

i. Automaker Charge Provision

This provision is applicable to any customer that takes electric service under each Company's rate schedules, except for customers under GT, STL, TRF and POL customers. This provision is not avoidable for customers who take electric generation service from a certified supplier. The charges provided under this provision recover costs related to the implementation of the Automaker Credit Provision.

Staff recognizes that First Energy had used an embedded cost of long-term debt to calculate the interest on the over and under-collected balance in Rider EDR. However, based on the Commission order in Case No. 14-1297-EL-SSO, the latest approved cost of long-term debt from the Company's latest rate case shall be used as the carrying charge rate on all riders that solely have a debt-based carrying charge rate. Therefore, on June 1, 2016, First Energy began applying the last Commission-approved cost of long-term debt (currently from Case No. 07-551-EL-AIR, which is 6.54%) annually for the consolidated First Energy Companies, rather than the annual embedded cost of long-term debt, for Rider EDR.

Staff has reviewed all necessary work-papers and support for Rider EDR that the FE companies provided in this case for the four quarters ending December 31, 2015 and is satisfied that this filing is both consistent with and in compliance with the Commission's orders. Therefore, Staff recommends that the Application be approved as filed for Rider EDR.