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Public Utilities
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February 7, 2017

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

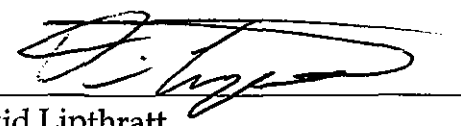
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RE: *In the Matter of the Review of the Non-Market Based Services Rider contained in the Tariffs of Ohio Edison, The Cleveland Electric Illuminating Company and The Toledo Edison Company, Case No. 16-2043-EL-RDR*

Dear Docketing Division:

Enclosed please find the Staff's Review and Recommendations in regard to the application filed by The Ohio Edison, The Cleveland Electric Illuminating Company and The Toledo Edison Company to update its Non-Market Based Services Rider, in Case No. 16-2043-EL-RDR.


Tamara S. Turkenton
Chief, Regulatory Services Division
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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**The Ohio Edison Company
The Cleveland Electric Illuminating Company
The Toledo Edison Company**

Case No. 16-2043-EL-RDR (NMB)

Summary

On December 15, 2016 The Ohio Edison Company, The Cleveland Electric Illuminating Company, and The Toledo Edison Company (collectively, FirstEnergy) filed the Non-Market Based Services Rider (NMB). The NMB is designed to recover non-market based transmission-related costs, such as Network Integration Transmission Service (NITS) charges, imposed on or charged to the Companies by the Federal Energy Regulatory Commission (FERC) or PJM on a non-bypassable basis.

The NMB pilot program (Pilot) was approved in Case No. 14-1297-EL-SSO. The Pilot began June 1, 2016 and as of the filing of the application in this Case, approximately 40 customers are expected to be participating in the Pilot as of March 1, 2017.

Customers served under the Pilot are billed directly by PJM or their CRES provider and are no longer subject to the NMB Rider rates. This allows the customer or their CRES to be billed directly for certain costs such as NITS based on the customer's specific Network Service Peak Load (NSPL), as opposed to the customer being billed by the utility under Rider NMB based on their monthly metered billing demand. This provides an opportunity for these customers to control their transmission related costs by controlling their NSPL.

Staff Review

Staff reviewed the December 15, 2016 application. In its review, Staff examined the as-filed schedules for consistency with the Commission's Opinion and Orders in previous cases and to ensure proper accounting treatment was applied. The audit consisted of a review of the financial statements regarding completeness, occurrence, presentation, valuation, allocation, and accuracy. Staff conducted this audit through a combination of document review, interview, and interrogatories. Staff requested documentation as needed to determine that the costs were substantiated and jurisdictional or to conclude that an adjustment was warranted. Staff concludes that the proposed NMB rates reflect the current and projected costs through February 28, 2017.

In the instant case, the proposed NMB rider rates include the recovery of under recovered costs that are in part a result of the Pilot. It is estimated that approximately \$5.5M (approximately 15.3%) of the under recovered costs are attributable to the Pilot program from June 2016 through February 2017, as the reduction in Rider NMB revenues received by the Companies due to the Pilot was greater than the reduction in expenses incurred by the Companies. Going forward, the Pilot is not expected to result in a substantial under recovery of costs since customers can only participate under the Pilot effective on the date updated NMB rates go into effect.

Additional detailed reports will be provided in the future that evaluate both the benefits of the Pilot and the potential impacts the Pilot creates for participating and non-participating customers.

Conclusion

Staff recommends to the Commission that FirstEnergy's application filed on December 15, 2016 be approved for rates effective March 1, 2017.