

THE PUBLIC UTILITIES COMMISSION OF OHIO

IN THE MATTER OF THE APPLICATION OF
THE CLEVELAND ELECTRIC
ILLUMINATING COMPANY TO UPDATE
ITS DELIVERY CAPITAL RECOVERY
RIDER.

CASE NO. 17-1919-EL-RDR

IN THE MATTER OF THE APPLICATION OF
OHIO EDISON COMPANY TO UPDATE ITS
DELIVERY CAPITAL RECOVERY RIDER.

CASE NO. 17-1920-EL-RDR

IN THE MATTER OF THE APPLICATION OF
THE TOLEDO EDISON COMPANY TO
UPDATE ITS DELIVERY CAPITAL
RECOVERY RIDER.

CASE NO. 17-1921-EL-RDR

FINDING AND ORDER

Entered in the Journal on February 28, 2018

I. SUMMARY

{¶ 1} The Commission approves the proposed updates to the Delivery Capital Recovery Rider (Rider DCR) tariffs, as filed by Ohio Edison Company, The Cleveland Electric Illuminating Company, and The Toledo Edison Company on January 12, 2018, and revised on February 26, 2018.

II. DISCUSSION

{¶ 2} Ohio Edison Company, The Cleveland Electric Illuminating Company, and The Toledo Edison Company (collectively, FirstEnergy or the Companies) are electric distribution utilities, as defined in R.C. 4928.01(A)(6), and public utilities, as defined in R.C. 4905.02, and, as such, are subject to the jurisdiction of this Commission.

{¶ 3} R.C. 4928.141 provides that an electric distribution utility shall provide consumers within its certified territory a standard service offer (SSO) of all competitive retail electric services necessary to maintain essential electric services to customers, including a firm supply of electric generation services. The SSO may be either a market rate offer in

accordance with R.C. 4928.142 or an electric security plan (ESP) in accordance with R.C. 4928.143.

{¶ 4} On August 25, 2010, the Commission issued an Opinion and Order approving a modified combined stipulation, authorizing FirstEnergy to establish a delivery capital recovery rider (Rider DCR), effective January 1, 2012. *In re FirstEnergy*, Case No. 10-388-EL-SSO, Opinion and Order (Aug. 25, 2010) (*FirstEnergy ESP II Order*) at 46. Rider DCR provides for recovery of property taxes, commercial activity tax, and associated income taxes, and the opportunity to earn a return on and of plant-in-service associated with distribution, subtransmission, and general and intangible plant. Additionally, under the terms of the stipulation, FirstEnergy agreed to submit to an annual audit review process of Rider DCR. Rider DCR is to be adjusted quarterly, and the quarterly Rider DCR update filing is not considered an application to increase rates within the meaning of R.C. 4909.18. *FirstEnergy ESP II Order* at 11-12. Thereafter, on March 31, 2016, the Commission issued an Opinion and Order in Case No. 14-1297-EL-SSO, approving an extension, with modifications, of FirstEnergy's Rider DCR and annual audit review process. *In re FirstEnergy*, Case No. 14-1297-EL-SSO (*FirstEnergy ESP IV Case*), Opinion and Order (Mar. 31, 2016) (*FirstEnergy ESP IV Order*).

{¶ 5} On January 2, 2018, in the above-captioned cases, FirstEnergy filed its quarterly updates for Rider DCR for rates to become effective on March 1, 2018. With its application, FirstEnergy filed proposed Rider DCR tariffs.

{¶ 6} Prior to FirstEnergy's compliance filing, the Tax Cuts and Jobs Act of 2017 (TCJA) was signed into law, reducing the federal corporate income tax rate from 35 percent to 21 percent, effective January 1, 2018.

{¶ 7} On January 12, 2018, FirstEnergy filed revisions to its application, indicating that the filings reflected adjustments to Rider DCR resulting from the TCJA.

{¶ 8} On February 26, 2018, FirstEnergy filed additional revisions to its application to include new tariff language in the proposed Rider DCR tariffs. Following consultation with Staff, FirstEnergy proposes to modify the Rider DCR tariffs to provide that Rider DCR is subject to reconciliation, including increases or refunds. FirstEnergy also proposes to include language indicating that such reconciliation shall be based solely upon the results of audits ordered by the Commission in accordance with the Commission's orders in FirstEnergy's ESP proceedings and upon the Commission's orders in Case No. 18-47-AU-COI. *In re the Commission's Investigation of the Financial Impact of the Tax Cuts and Jobs Act of 2017 on Regulated Ohio Utility Companies*, Case No. 18-47-AU-COI (*Tax COI Case*). FirstEnergy notes that it has agreed to propose the new tariff language without prejudice to any position taken by the Companies in any other proceeding and while fully reserving the Companies' position in other proceedings.

{¶ 9} On February 27, 2018, Staff filed its review and recommendations. Following its review of FirstEnergy's application and proposed tariffs, Staff notes that FirstEnergy made certain tax adjustments which reflect the TCJA; however, Staff notes that it has not completed a full review of the impact of the TCJA. Staff further contends that FirstEnergy indicated in their January 12, 2018 filing that the Companies intend to fully participate in the *Tax COI Case*. Staff concludes that the revised proposed tariffs appropriately clarify the Commission's authority with respect to reconciliations and adjustments to Rider DCR. Staff, therefore, recommends that the new tariff language be approved, effective March 1, 2018.

{¶ 10} Upon review of the Companies' application, as revised on February 26, 2018, and Staff's review and recommendations, the Commission finds that FirstEnergy's proposed Rider DCR tariffs do not appear to be unjust or unreasonable and are consistent with the *FirstEnergy ESP II Order* and *FirstEnergy ESP IV Order*. Importantly, FirstEnergy's proposed tariffs are consistent with the Commission's prior directives and make clear that Rider DCR is subject to reconciliation and adjustment. *FirstEnergy ESP II Order* at 12; *FirstEnergy ESP IV Order* at 25. Therefore, we accept Staff's recommendations and approve

FirstEnergy's application, as revised on February 26, 2018, for rates effective March 1, 2018. Finally, the Commission finds that a hearing on the tariffs is not necessary.

III. ORDER

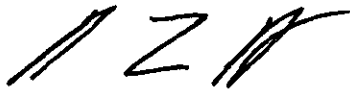
{¶ 11} It is, therefore,

{¶ 12} ORDERED, That, in accordance with Paragraph 10, FirstEnergy's proposed Rider DCR tariff sheets be approved and become effective on March 1, 2018. It is, further,

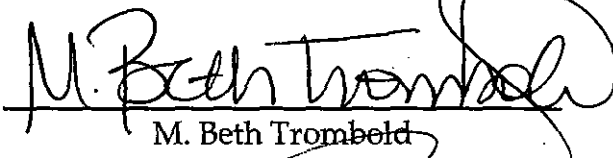
{¶ 13} ORDERED, That nothing in this Finding and Order shall be binding upon this Commission in any future proceeding or investigation involving the justness or reasonableness of any rate, charge, rule, or regulation. It is, further,

{¶ 14} ORDERED, That a copy of this Finding and Order be served upon all interested persons and parties of record.

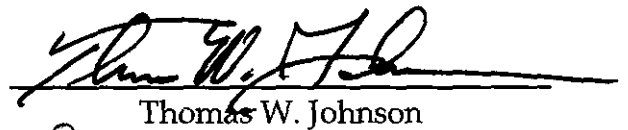
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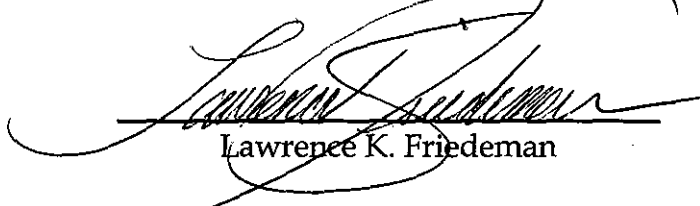
Asim Z. Haque, Chairman



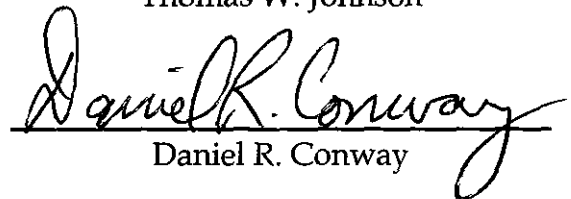
M. Beth Trombeld



Thomas W. Johnson



Lawrence K. Friedeman



Daniel R. Conway

MJA/LLA/mef

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Barcy F. McNeal
Secretary

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