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 MODIFICATION OF A TARIFF.	CASE NO. 17-334-EL-ATA

ENTRY

Entered in the Journal on June 13, 2018

I. SUMMARY

{¶ 1} The Commission finds that the application considering the implementation of a straight-fixed variable cost recovery mechanism for residential customers as filed by Ohio Edison Company, The Cleveland Electric Illuminating Company, and The Toledo Edison Company on April 3, 2017, should be denied.

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 customers within its certified territory a standard service offer (SSO) of all competitive retail electric services necessary to maintain essential electric services to customers, including 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 March 31, 2016, the Commission issued an Opinion and Order approving modified stipulations between FirstEnergy and certain parties, which provided for an ESP for the period beginning June 1, 2016, through May 31, 2024, pursuant to R.C. 4928.143. *In re Ohio Edison Co., Cleveland Elec. Illum. Co., and Toledo Edison Co. for Auth. to Provide for a Std.*

Serv. Offer Pursuant to R.C. 4928.143, in the Form of an Elec. Security Plan, Case No. 14-1297-EL-SSO (*FirstEnergy ESP IV Case*), Opinion and Order (Mar. 31, 2016).

{¶ 5} Thereafter, on October 12, 2016, the Commission noted that FirstEnergy, under the stipulations, is required to file an application in a separate proceeding where any interested party will have a full and fair opportunity to address whether the proposed straight-fixed variable cost recovery mechanism (SFV) should be implemented and to raise any other issues specific to the Companies' service territories. *FirstEnergy ESP IV Case*, Fifth Entry on Rehearing (Oct. 12, 2016) at ¶265.

{¶ 6} On April 3, 2017, the Companies filed an application to propose a transition to an SFV cost recovery mechanism for residential customers' base distribution rates, as agreed to in the *FirstEnergy ESP IV Case*. The Companies state that the SFV mechanism is proposed to be phased in over a three-year term, beginning January 1, 2019. Further, the Companies aver that the cost recovery shall be based on an allocation of 75 percent fixed costs and 25 percent variable costs.

{¶ 7} The potential implementation of an SFV cost recovery mechanism for residential customers is not a novel argument at the Commission. In fact, in Case No. 10-3126-EL-UNC, we encouraged electric utilities to propose an SFV rate design in their next base rate cases. *In re Aligning Electric Distribution Utility Rate Structure*, Case No. 10-3126-EL-UNC (*Rate Design Case*), Finding and Order (Aug. 21, 2013) at 20. In its application, FirstEnergy proposed to phase in the SFV rate design, pursuant to the stipulations approved in the *FirstEnergy ESP IV Case*. FirstEnergy also noted that the filing of its application satisfies any requirement or obligation for the Companies arising out of the *Rate Design Case*. However, in light of the dramatic changes in the electric industry, the Commission finds that it is more appropriate to address the issue of rate design, consistent with the state policy objectives set forth in R.C. 4928.02, as part of our ongoing PowerForward initiative. Therefore, the Commission finds that FirstEnergy's application considering the implementation of an SFV cost recovery mechanism for residential customers should be denied at this time. Furthermore, we find that neither FirstEnergy nor Staff shall have an obligation to propose or support an SFV rate design in the next rate case.

III. ORDER

{¶ 8} It is, therefore,

{¶ 9} ORDERED, That FirstEnergy's application considering the implementation of an SFV cost recovery mechanism for residential customers be denied. It is, further,

{¶ 10} ORDERED, That Case No. 17-344-EL-ATA be dismissed and closed of record. It is, further,

{¶ 11} ORDERED, That a copy of this Entry be served upon all parties of record.

THE PUBLIC UTILITIES COMMISSION OF OHIO

Asim Z. Haque, Chairman

M. Beth Trombold

Thomas W. Johnson

Lawrence K. Friedeman

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Barcy F. McNeal
Secretary