

FILE

BOEHM, KURTZ & LOWRY

ATTORNEYS AT LAW
36 EAST SEVENTH STREET
SUITE 1510
CINCINNATI, OHIO 45202
TELEPHONE (513) 421-2255
TELECOPIER (513) 421-2764

54
RECEIVED-DOCKETING DIV

2008 JAN 10 PM 2:01

PUCO

Via Overnight Mail

January 9, 2008

Public Utilities Commission Of Ohio
PUCO Docketing
180 E. Broad Street, 10th Floor
Columbus, Ohio 43215

In Re: Case Nos. 07-551-EL-AIR, 07-552-EL-ATA, 07-553-EL-AAM AND 07-554-EL-UNC

Dear Sir/Madam:

Please find enclosed an original and twenty (20) copies of the DIRECT TESTIMONY AND EXHIBITS OF RICHARD A. BAUDINO, LANE KOLLEN AND STEPHEN J. BARON FILED ON BEHALF OF THE OHIO ENERGY GROUP filed in the above-referenced matter.

Copies have been served on all parties on the attached certificate of service. Please place this document of file.

Respectfully Yours,



David F. Boehm, Esq.
Michael L. Kurtz, Esq.
Kurt J. Boehm, Esq.
BOEHM, KURTZ & LOWRY

Mlkew
Encl.

This is to certify that the images appearing are an accurate and complete reproduction of a case file document delivered in the regular course of business.
Technician 5 Date Processed 1-10-08

CERTIFICATE OF SERVICE

I hereby certify that true copy of the foregoing was served by regular mail, unless otherwise noted, this 9th day of January, 2008 to the following::

Kolich, Kathy Attorney At Law
FirstEnergy Corp
76 South Main Street
Akron Oh 44308

Feld, Stephen L
FirstEnergy Service Company
76 South Main Street
Akron Oh 44308

Korkosz, Arthur
First Energy, Senior Attorney
76 South Main Street
Legal Dept., 18th Floor
Akron Oh 44308-1890

Kovacik, Leslie A Ms.
City Of Toledo
420 Madison Avenue Suite 100
Toledo Oh 43614-1219

Miller, Ebony L. Attorney-At-Law
FirstEnergy Corp.
76 South Main St.
Akron Oh 44308

Hayden, Mark A Mr.
FirstEnergy Corp.
76 South Main
Akron Oh 44308

Whitt, Mark A
Jones Day
P.O. Box 165017 325 John H McConnell Blvd, Suite 600
Columbus Oh 43216-5017

Burk, James Attorney-At-Law
FirstEnergy Service Company
76 South Main Street
Akron Oh 44308

Industrial Energy Users-Ohio
Samuel C. Randazzo, General Counsel
McNees Wallace & Nurick LLC
21 East State Street 17th Floor
Columbus Oh 43215

McAlister, Lisa G Attorney
McNees, Wallace And Nurick
21 East State Street, 17th Floor
Columbus Oh 43215-4228

Ohio Partners For Affordable Energy
Mooney Colleen L
1431 Mulford Rd
Columbus Oh 43212

Rinebolt, David
Law Director
231 West Lima Street P.O. Box 1793
Findlay Oh 45839-1793

Office Of The Consumers Counsel
10 West Broad Street, Suite 1800
Columbus Oh 43215-3485
Phone: 614-466-8574



David F. Boehm, Esq.
Michael L. Kurtz, Esq.
Kurt J. Boehm, Esq.

**BEFORE THE
PUBLIC UTILITY COMMISSION OF OHIO**

**IN RE: IN THE MATTER OF THE APPLICATION)
OF OHIO EDISON COMPANY, THE)
CLEVELAND ELECTRIC ILLUMINATING) CASE NO. 07-551-EL-AIR
COMPANY, AND THE TOLEDO EDISON) CASE NO. 07-552-EL-ATA
COMPANY FOR AUTHORITY TO INCREASE) CASE NO. 07-553-EL-AAM
RATES FOR DISTRIBUTION SERVICE,) CASE NO. 07-554-EL-UNC
MODIFY CERTAIN ACCOUNTING)
PRACTICES AND FOR TARIFF APPROVAL)**

**DIRECT TESTIMONY

OF

STEPHEN J. BARON**

**ON BEHALF OF

THE OHIO ENERGY GROUP**

**J. KENNEDY AND ASSOCIATES, INC.
ROSWELL, GEORGIA**

January 2008

**BEFORE THE
PUBLIC UTILITY COMMISSION OF OHIO**

**IN RE: IN THE MATTER OF THE APPLICATION)
OF OHIO EDISON COMPANY, THE)
CLEVELAND ELECTRIC ILLUMINATING) CASE NO. 07-551-EL-AIR
COMPANY, AND THE TOLEDO EDISON) CASE NO. 07-552-EL-ATA
COMPANY FOR AUTHORITY TO INCREASE) CASE NO. 07-553-EL-AAM
RATES FOR DISTRIBUTION SERVICE,) CASE NO. 07-554-EL-UNC
MODIFY CERTAIN ACCOUNTING)
PRACTICES AND FOR TARIFF APPROVAL)**

TABLE OF CONTENTS

I.	QUALIFICATIONS AND SUMMARY	1
II.	CLASS COST OF SERVICE STUDY ISSUES – RATE RESTRUCTURING	9
III.	APPORTIONMENT OF REVENUE INCREASE TO RATE SCHEDULES.....	18

**BEFORE THE
PUBLIC UTILITY COMMISSION OF OHIO**

**IN RE: IN THE MATTER OF THE APPLICATION)
OF OHIO EDISON COMPANY, THE)
CLEVELAND ELECTRIC ILLUMINATING) CASE NO. 07-551-EL-AIR
COMPANY, AND THE TOLEDO EDISON) CASE NO. 07-552-EL-ATA
COMPANY FOR AUTHORITY TO INCREASE) CASE NO. 07-553-EL-AAM
RATES FOR DISTRIBUTION SERVICE,) CASE NO. 07-554-EL-UNC
MODIFY CERTAIN ACCOUNTING)
PRACTICES AND FOR TARIFF APPROVAL)**

DIRECT TESTIMONY OF STEPHEN J. BARON

I. QUALIFICATIONS AND SUMMARY

Q. Please state your name and business address.

**A. My name is Stephen J. Baron. My business address is J. Kennedy and Associates,
Inc. ("Kennedy and Associates"), 570 Colonial Park Drive, Suite 305, Roswell,
Georgia 30075.**

Q. What is your occupation and by who are you employed?

**A. I am the President and a Principal of Kennedy and Associates, a firm of utility rate,
planning, and economic consultants in Atlanta, Georgia.**

J. Kennedy and Associates, Inc.

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20

Q. Please describe briefly the nature of the consulting services provided by Kennedy and Associates.

A. Kennedy and Associates provides consulting services in the electric and gas utility industries. Our clients include state agencies and industrial electricity consumers. The firm provides expertise in system planning, load forecasting, financial analysis, cost-of-service, and rate design. Current clients include the Georgia and Louisiana Public Service Commissions, and industrial consumer groups throughout the United States.

Q. Please state your educational background.

A. I graduated from the University of Florida in 1972 with a B.A. degree with high honors in Political Science and significant coursework in Mathematics and Computer Science. In 1974, I received a Master of Arts Degree in Economics, also from the University of Florida. My areas of specialization were econometrics, statistics, and public utility economics. My thesis concerned the development of an econometric model to forecast electricity sales in the State of Florida, for which I received a grant from the Public Utility Research Center of the University of

1 Florida. In addition, I have advanced study and coursework in time series analysis
2 and dynamic model building.

3
4 **Q. Please describe your professional experience.**

5
6 **A.** I have more than thirty years of experience in the electric utility industry in the areas
7 of cost and rate analysis, forecasting, planning, and economic analysis.

8
9 Following the completion of my graduate work in economics, I joined the staff of
10 the Florida Public Service Commission in August of 1974 as a Rate Economist. My
11 responsibilities included the analysis of rate cases for electric, telephone, and gas
12 utilities, as well as the preparation of cross-examination material and the preparation
13 of staff recommendations.

14
15 In December 1975, I joined the Utility Rate Consulting Division of Ebasco Services,
16 Inc. as an Associate Consultant. In the seven years I worked for Ebasco, I received
17 successive promotions, ultimately to the position of Vice President of Energy
18 Management Services of Ebasco Business Consulting Company. My
19 responsibilities included the management of a staff of consultants engaged in
20 providing services in the areas of econometric modeling, load and energy

1 forecasting, production cost modeling, planning, cost-of-service analysis,
2 cogeneration, and load management.

3
4 I joined the public accounting firm of Coopers & Lybrand in 1982 as a Manager of
5 the Atlanta Office of the Utility Regulatory and Advisory Services Group. In this
6 capacity I was responsible for the operation and management of the Atlanta office.
7 My duties included the technical and administrative supervision of the staff,
8 budgeting, recruiting, and marketing as well as project management on client
9 engagements. At Coopers & Lybrand, I specialized in utility cost analysis,
10 forecasting, load analysis, economic analysis, and planning.

11
12 In January 1984, I joined the consulting firm of Kennedy and Associates as a Vice
13 President and Principal. I became President of the firm in January 1991.

14
15 During the course of my career, I have provided consulting services to more than
16 thirty utility, industrial, and Public Service Commission clients, including three
17 international utility clients.

18
19 I have presented numerous papers and published an article entitled "How to Rate
20 Load Management Programs" in the March 1979 edition of "Electrical World." My
21 article on "Standby Electric Rates" was published in the November 8, 1984 issue of

1 "Public Utilities Fortnightly." In February of 1984, I completed a detailed analysis
2 entitled "Load Data Transfer Techniques" on behalf of the Electric Power Research
3 Institute, which published the study.

4
5 I have presented testimony as an expert witness in Arizona, Arkansas, Colorado,
6 Connecticut, Florida, Georgia, Indiana, Kentucky, Louisiana, Maine, Michigan,
7 Minnesota, Maryland, Missouri, New Jersey, New Mexico, New York, North
8 Carolina, Ohio, Pennsylvania, Texas, Virginia, West Virginia, Wisconsin, the
9 Federal Energy Regulatory Commission and in United States Bankruptcy Court. A
10 list of my specific regulatory appearances can be found in Baron Exhibit __ (SJB-1).

11
12 **Q. On whose behalf are you testifying in this proceeding?**

13
14 **A.** I am testifying on behalf of The Ohio Energy Group ("OEG"), a group of large
15 industrial customers of The Toledo Edison Company ("TE"), Ohio Edison
16 Company ("OE") and The Cleveland Electric Illuminating Company ("CEI"),
17 hereinafter referred to as "the Companies" or First Energy ("FE").

18
19 **Q. Have you previously presented testimony in FE cases in Ohio?**
20

1 A. Yes. I have previously testified in Case Nos. 88-171 and 88-170. I have also
2 testified in Case Nos. 99-1212, 99-1213, and 99-1214, the 2000 proceedings in
3 which the Companies' rates were unbundled and the Companies were restructured
4 to implement retail competition.

5
6 **Q. What is the purpose of your testimony?**

7
8 A. I am addressing the Companies' filed class cost of service studies, rate schedule
9 restructuring and the proposed apportionment of the overall revenue increase to rate
10 schedules. I will also respond to the Staff Report for each Company on these same
11 issues.

12
13 With regard to the Companies' filed class cost of service studies, I will discuss my
14 general support for the methodologies employed by FE. However, because the
15 Companies failed to remove the deferred RCP fuel amortization and return costs
16 from their studies, the reported relative rate of return results reported by each
17 Company are not correct. I will present corrected versions of each study that
18 removes these deferred RCP fuel costs that the Ohio Supreme Court found to be
19 improper. I will also address the general rate restructuring proposed by the
20 Companies to simplify their rates and to establish consistent rate schedules among

1 the Companies. Finally, I will discuss the Companies proposed apportionment of
2 the overall revenue increase to rate schedules.

3
4 With regard to the Staff's recommendations, as discussed in the respective Staff
5 Reports for each Company, I will address the Staff's recommended increases for
6 each rate schedule and the Staff's recommended adjustments to remove the
7 improper deferred RCP fuel costs (amortization and return). I will also address the
8 Staff's recommended "revenue distribution factors" that the Staff developed to
9 adjust the rate schedule increases to conform to the Commission approved overall
10 revenue increase for each Company. As I will discuss, the Staff's methodology does
11 not reasonably provide for rate decreases that are supported by the results of the cost
12 of service analyses.

13
14 **Q. Would you summarize your recommendations and findings?**

15
16 **A. Yes.**

- 17 • **The Companies' have developed class cost of service studies**
18 **using a reasonable methodology to functionalize, classify and**
19 **allocate costs to the restructured rate schedules proposed in**
20 **this case. However, each of the Companies' studies includes**
21 **costs associated with the deferral of RCP fuel expenses that**
22 **have now been found to be inappropriate by the Supreme**
23 **Court of Ohio. These cost of service studies must be revised**
24 **to remove the amortization expense, the return on the**
25 **unamortized balances of RCP deferred fuel costs and**
26 **associated income tax effects.**

- Because these deferred RCP costs are energy related, high load factor rate schedules, such as GP, GSUB and GT are most affected by the removal of the inappropriate costs. All else being equal, the corrected cost of service results imply larger reductions in the Companies' proposed increases for large, high load factor customers than for the system average.
- The proposed increase recommended by the Companies must be adjusted to reflect the cost of service differences due to the removal of the improper deferred RCP costs.
- The Staff recommendation in this case is to allocate the Commission authorized revenue increases for each Company among rate schedules on the basis of the relative revenue increase recommended by the Staff using the full Company requested increases (a scale-back method applied to the Staff's proposed revenue increases). The Staff methodology is not reasonable because it fails to adequately address situations where one or more rate schedules should receive a rate decrease (based on the full Company requested revenue level). A reasonable approach, which should be adopted, is to calculate the revenue apportionment based on a scale-back methodology applied to the total proposed rate schedule revenues, calculated at the full Company requested increase.

II. CLASS COST OF SERVICE STUDY ISSUES – RATE RESTRUCTURING

Q. Have you reviewed the Companies' filed class cost of service studies?

A. Yes. The Companies' have developed class cost of service studies using a reasonable methodology to functionalize, classify and allocate costs to the restructured rate schedules proposed in this case. However, as I will discuss subsequently, each of the Companies' studies includes costs associated with the deferral of RCP fuel expenses that have now been found to be inappropriate by the Supreme Court of Ohio.¹ As a result, each of the Companies' cost of service studies must be revised to remove the amortization expense, the return on the unamortized balances of RCP deferred fuel costs and associated income tax effects.

Q. The Staff Reports in each of the three cases addresses this issue (removing the improper RCP deferred fuel costs). Do you agree with the Staff's methodology to adjust the class cost of service study results to remove RCP deferred fuel costs?

¹ August 29, 2007 Ohio Supreme Court ruling in *Elyria Foundry Co. v. Pub. Util. Comm.*, 114 Ohio St.3d 305, 2007-Ohio 4164.

1 A. No. While the Staff's approach is not unreasonable, a more appropriate and
2 accurate methodology is to actually revise each class cost of service study directly,
3 to remove the improper RCP amortization expenses and returns.

4
5 The Staff's approach, as shown in each of the three reports (Staff report, Table 2), is
6 to make an after-the-fact adjustment to the proposed revenue increases for each rate
7 schedule. The "proposed revenue increases" that are being adjusted are based on
8 cost of service results that include the improper RCP deferred fuel costs. Since the
9 original revenue increases were based on the Companies' cost of service results with
10 the RCP deferred fuel expenses, the use of these studies as a "guide" to the
11 apportionment of the overall revenue increase to rate schedules is questionable.

12
13 **Q. Did the Companies revise their class cost of service studies to remove the RCP**
14 **deferred fuel costs?**

15
16 A. No. Though OEG requested (OEG Set 3, No. 1) the Companies to do so, FE would
17 not revise their class cost of service studies to remove the improper RCP costs.

18
19 **Q. Before discussing the results of your revised class cost of service studies, which**
20 **reflect the removal of RCP deferred fuel costs, would you address the**
21 **Companies' proposals in this case to restructure their rate schedules?**

1

2 A. Yes. Since the class cost of service studies are structured to measure the rates of
3 return at present and proposed rates using the revised rate structures recommended
4 by FE in this case, it is appropriate to comment on the restructuring.

5

6 Based on my review, I agree with the Staff that the Companies' proposed rate
7 restructuring is appropriate. Overall, the Companies' rate restructuring approach is
8 reasonable. For large customer classes, the Companies have proposed rates that are
9 differentiated by serving voltage, which is appropriate, particularly for distribution
10 rates.

11

12 As noted by Companies' witness Hussing, this is the first opportunity to revise the
13 unbundled distribution rates that were established in the 2000 restructuring
14 proceedings. These unbundled rates were, in turn, based on bundled rates that were
15 established many years ago. In the case of TE and CEI, the original bundled rates
16 were developed in 1996 and for OE the current rates were originally developed in
17 1990. Due to the passage of time, and the requirements of the unbundling process,
18 the current distribution rates are not reflective of cost of service. This is particularly
19 true for some special contracts. Due to the expiration of some special contracts for
20 large customers prior to the rate effective period in this case, the new restructured

1 rate classes will include a large variety of customers, taking service on many
2 different present rates.

3
4 **Q. As you previously discussed, the Companies' filed cost of service results in this**
5 **case that included the inappropriate RCP deferred fuel costs. Did the**
6 **Companies rely on these studies to apportion the revenue increases to rate**
7 **schedules and develop proposed rates?**

8
9 **A. Yes. As discussed by Companies' witness Hussing, FE used the class cost of**
10 **service results as a starting point in the apportionment of the overall requested**
11 **revenue increase for each Company. This resulted in each rate schedule producing**
12 **an equal rate of return at proposed rates. Adjustments were then made based on the**
13 **principle of gradualism and rate impact.**

14
15 Table 1 shows the rates of return and relative rate of return indexes for each rate
16 schedule, by Company, at present rates using the filed cost of service studies. These
17 results, based on the Companies' cost of service studies that included RCP deferred
18 fuel costs, show a wide disparity among rate schedules. As I indicated previously,
19 these results are strongly influenced by the inclusion of expiring special contract
20 industrial customers in the new standard tariff rate classes.²

² Special contracts were unbundled such that the "distribution" rate was calculated as a residual, after the generation and transmission components of the bundled rate were removed.

<p>Table 1 First Energy Filed Cost of Service Study Results (at current rates)</p>						
<u>Rate</u>	<u>TE</u>		<u>OE</u>		<u>CEI</u>	
	<u>ROR</u>	<u>Index</u>	<u>ROR</u>	<u>Index</u>	<u>ROR</u>	<u>Index</u>
RS	-1.08%	(27.0)	2.64%	1.17	5.52%	1.53
GS	3.56%	89.3	2.20%	0.97	0.03%	0.01
GP	6.89%	167.8	1.19%	0.53	5.36%	1.48
GSUB	11.64%	292.1	3.35%	1.48	9.23%	2.56
GT	-3.21%	(80.5)	-3.72%	-1.64	10.25%	2.84
TL	14.51%	364.2	1.54%	0.68	10.32%	2.86
SL	4.29%	107.7	-1.47%	-0.65	8.67%	2.40
POL	5.84%	146.7	3.54%	1.56	17.24%	4.78
CONTRACT	-42.84%	(1,075.5)	7.33%	3.24	3.53%	0.98
Total Retail	0.04%		2.26%		3.61%	

Q. Have you developed a revised class cost of service study that excludes the improper deferred RCP fuel related costs for each of the Companies?

A. Yes. Baron Exhibits__ (SJB-2), (SJB-3), and (SJB-4) contain the results of OEG's revised class cost of service studies for TE, OE and CEI that reflect the removal of deferred RCP fuel costs. Each of these cost of service studies has been adjusted to remove the deferred RCP fuel amortization expense, the debt-only return on the unamortized balance of RCP deferred fuel and the associated income effects of the adjustments. In all other respects, each of these revised cost of service studies is identical to the Companies' filed study.

Table 2 summarizes the rates of return, by rate schedule, at present rates for each Company. As can be seen by comparing the results in Tables 1 and 2, there are some large differences in the earned rates of return (at present rates) between the Companies' filed studies that included the improper deferred RCP fuel costs and the revised studies (Table 2) that remove these improper costs.

Table 2 Cost of Service Study - Remove RCP Fuel Costs (at current rates)			
<u>Rate</u>	<u>TE</u>	<u>OE</u>	<u>CEI</u>
RS	-1.01%	8.80%	8.51%
GS	3.68%	11.30%	10.62%
GP	7.10%	10.34%	10.54%
GSUB	12.52%	10.36%	12.95%
GT	-1.99%	16.78%	17.28%
TL	14.62%	9.48%	94.82%
SL	4.31%	-0.40%	8.80%
POL	5.87%	3.67%	17.68%
CONTRACT	-42.51%	8.84%	6.89%
Total Retail	0.17%	9.48%	9.54%

To see the significance of these differences, I have made a graphical comparison between the two sets of cost of service study results. These results are shown in Figure 1 for Ohio Edison and Figures 2 and 3 for TE and CEI.

Figure 1
Ohio Edison Rates of Return
As Filed vs. Revised

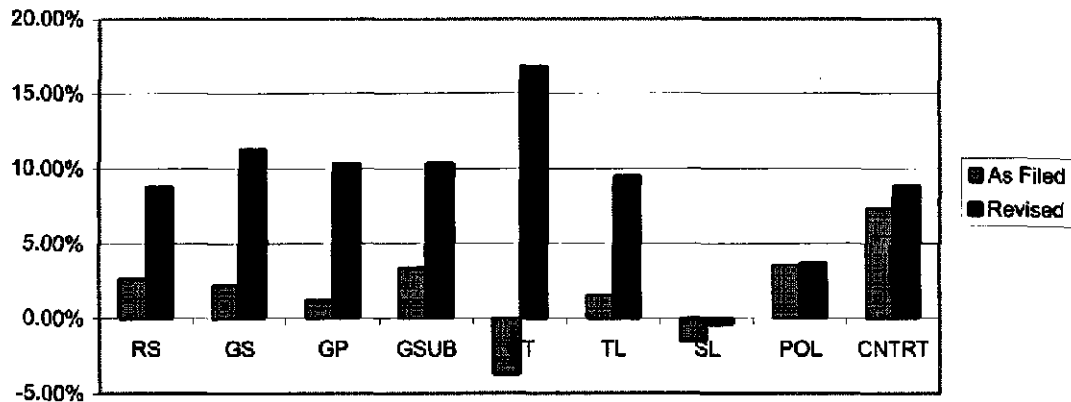
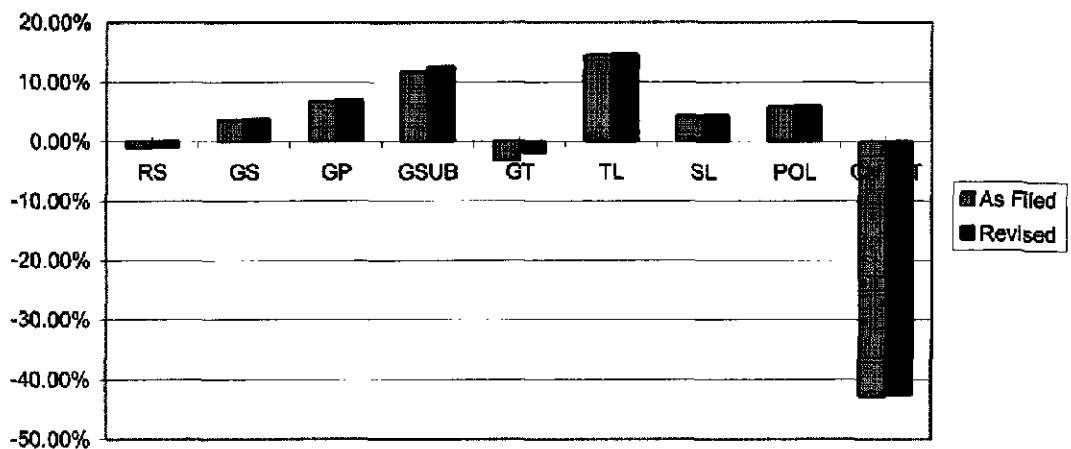
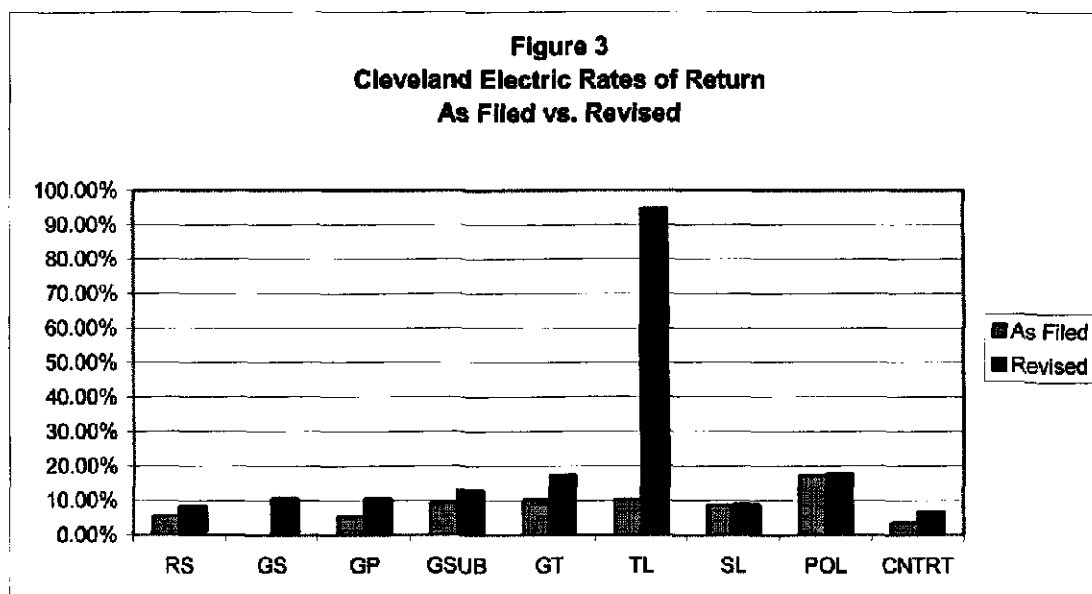


Figure 2
Toledo Edison Rates of Return
As Filed vs. Revised





Q. What conclusions do you draw from the revised cost of service analyses?

A. First, there is the obvious result that the test year level of return for all rate schedules, at present rates, is greater than reported by the Companies. This occurs because expenses and rate base have been reduced, while test year revenues (at present rates) remain the same. More significantly, the impact on large general service rate schedules rates (GP, GSUB and GT) is generally greater than for total retail (all schedules) because the deferred RCP fuel costs, which are removed in the revised cost of service studies, had been allocated in the original cost of service study on the basis of kWh energy. Because these deferred RCP costs are energy related, high load factor rate schedules, such a GP, GSUB and GT are most affected

1 by the removal of the inappropriate costs. All else being equal, the corrected cost of
2 service results imply larger reductions in the Companies' proposed increases for
3 large, high load factor customers. In the next section, I will present OEG's
4 recommended revenue increases for each Company by rate schedule, reflecting the
5 results of our revised cost of service study.

III. APPORTIONMENT OF REVENUE INCREASE TO RATE SCHEDULES

Q. Have you developed an apportionment of the Companies' requested revenue increases, by rate schedule that reflect your revised cost of service study results?

A. Yes. Table 3 summarizes the revenue increases by rate schedule for each Company, based on the revised class cost of service studies presented in Exhibits __ (SJB-2), (SJB-3) and (SJB-4). As discussed previously, these cost of service studies, and the revenue increases shown in Table 3 reflect the Companies requested revenue requirement, adjusted to remove the deferred RCP fuel costs found to be improper by the Ohio Supreme Court. In all other respects, these results reflect each Company's original filing.

For the most part, the Companies' original recommended revenue increases followed the results of the cost of service studies, such that proposed rates were developed to recover cost of service. However, as noted by Companies' witness Hussing, FE is recommending some mitigation of full cost of service in some cases. In particular, for the Contract rate class, the provisions of each contract determine the revenue increase, rather than the results of the class cost of service study. Because of these issues (mitigation, contract rates), I have developed the

1 OEG the proposed revenue increases shown in Table 3 based on an adjustment to
2 the Companies' original proposed revenue increases for each rate schedule, as
3 filed in this case. The adjustment that I made reflects the revenue requirement
4 impact of removing the allocated deferred RCP fuel costs (amortization, return on
5 unamortized balance and associated taxes) from the cost of service, at proposed
6 revenue levels for each rate class.

7
8 The increases shown in Table 3 reflect the mitigation for certain rates proposed by
9 the Companies. In addition, all of the increases shown in Table 3 assume that the
10 Companies receive 100% of their requested increases (except for the deferred
11 RCP fuel costs). The apportionment shown in Table 3 would have to be adjusted
12 to reflect the actual level of Commission approved revenue increase for each
13 Company.

<p align="center">Table 3 Proposed Allocation of Revenue Increases* (\$1,000's)</p>						
<u>Rate</u>	<u>TE</u>		<u>OE</u>		<u>CEI</u>	
	<u>\$ Increase</u>	<u>%</u>	<u>\$ Increase</u>	<u>%</u>	<u>\$ Increase</u>	<u>%</u>
RS	26,767	31.67%	80,591	26.15%	19,483	8.69%
GS	34,635	76.51%	49,886	41.81%	74,965	57.26%
GP	2,960	29.44%	5,575	21.97%	143	5.10%
GSUB	6	1.50%	(148)	-2.89%	(1,145)	-5.46%
GT	633	26.32%	5,845	65.34%	(237)	-21.33%
TL	11	9.60%	83	27.03%	(21)	-12.94%
SL	(121)	-2.12%	317	4.05%	(148)	-0.87%
POL	(8)	-0.58%	(20)	-0.49%	(55)	-0.64%
CONTRACT	897	(see **)	(404)	-5.22%	865	4.80%
Total Retail	65,780	45.01%	141,724	29.11%	93,851	22.15%
<p>* These increase are at the Companies' full requested revenue increases, as filed, and must be scaled-back to the Commission approved increase amounts.</p> <p>** Existing distribution revenues are negative for these customers.</p>						

Q. As you discussed in previously, the Companies' original proposed apportionment of the overall revenue increases reflects significant mitigation, particularly for TE. To the extent that you incorporated the Companies' original apportionment in the proposed increases shown in Table 3, do you agree with all of these mitigation adjustments made by FE?

A. No. Though I did not make any adjustments to the Companies' original apportionment proposal, except for the adjustments to remove the RCP deferred fuel costs, I do believe that the proposed increases for the RS, GS and GP rate schedules for Toledo Edison should be modified to better reflect the results of the

1 cost of service studies. This would involve shifting some of the proposed
2 increases for the TE rate schedules GS and GP to rate schedule RS. The Staff
3 Report recommends a similar adjustment to Toledo Edison's proposed increases
4 for these three TE rate schedules "to better reflect costs (Staff Report on Toledo
5 Edison at page 27).
6

7 **Q. The Staff is recommending a methodology to apportion the Commission**
8 **approved revenue increases among rate schedules, assuming (as is likely) that**
9 **these approved increases are less than the Companies' requested increases.**
10 **Do you agree with the Staff proposed methodology ("revenue distribution**
11 **factors")?**
12

13 **A.** No. The Staff recommendation is to allocate the approved revenue increases for
14 each Company among rate schedules on the basis of the relative revenue increase
15 recommended by the Staff at the full Company requested level. If all rate
16 schedules were receiving an increase at the full Company request, the Staff
17 methodology would be a reasonable approach. For example, if the Staff
18 recommends a \$10 million revenue increase for a Company's residential rate at
19 the full requested increase of \$50 million, then the Staff would assign 20% of the
20 Commission authorized increase to the residential rate. This approach works
21 reasonably well if all rate schedules are assigned a revenue increase or a "0"

1 increase. However, if one or more rate schedules should receive a rate decrease,
2 even if the Company receives its entire requested revenue increase, then the Staff
3 methodology becomes problematic.

4
5 **Q. Would you provide an illustration of the problem with the Staff**
6 **methodology, in the case of a rate schedule that should receive a revenue**
7 **decrease?**

8
9 **A. Table 4 below illustrates this problem. For simplicity, I have assumed three rate**
10 **schedules; residential, commercial and industrial. In this case, the utility is**
11 **requesting an overall revenue increase of \$100 million. Based on cost of service**
12 **results, assume that the appropriate revenue increases for each rate schedule at the**
13 **full \$100 million increase are as shown in the table. In this example, the**
14 **commercial class should receive a \$10 million decrease at the full \$100 million**
15 **increase requested by the utility.**

Table 4 Illustration of Problem With Staff Method				
	Revenue <u>Increase*</u>	Increase Distribution <u>Factor</u>	Allocation of Approved <u>Increase</u>	
Residential	\$ 75.0	75.00%	\$	37.5
Commercial	\$ (10.0)	-10.00%	\$	(5.0)
Industrial	<u>\$ 35.0</u>	<u>35.00%</u>	\$	17.5
Total	\$ 100.0	100%	\$	50.0
* At full utility requested level				

The column labeled "increase distribution factor" is based on the recommended revenue increase at the full \$100 million level. If the approved overall increase is only \$50 million, the use of a traditional percentage factor approach will actually result in a smaller decrease for the commercial class than if the Company received its entire \$100 million increase (\$5 million decrease versus \$10 million decrease). This is obviously not fair. In this case, the Commission found that the utility's overall revenue requirement is lower than the Company filed amount, yet the commercial class will pay higher rates than if the Company actually received the larger overall revenue level.

Q. Does the Staff Report address this problem?

1 A. Not in a reasonable manner. First, the Staff Report recommends rate decreases for
2 Toledo Edison's GSUB (General Service Subtransmission voltage), SL and POL
3 rates; Ohio Edison's SL and Contract rates and Cleveland Electric's GSUB, GT,
4 TL, SL, POL and Contract rates, based on each Company's full requested revenue
5 increase amount. The Staff recommendation is that these rate schedules receive
6 rate decreases, even if each of the Companies receives their requested increases.

7
8 However, the Staff's recommended revenue distribution factors, which are
9 designed to allocate a lower Commission authorized increase to rate schedules,
10 sets these decreases to "0". This is not appropriate or reasonable.

11
12 **Q. How should the revenue distribution factors be calculated if one or more rate**
13 **schedules should receive a revenue decrease?**

14
15 A. A reasonable approach is to calculate the revenue apportionment using a scale-
16 back methodology applied to total rate schedule revenues calculated at proposed
17 rates, based on the full utility requested increase. Under this method, proposed
18 revenues are calculated for each rate schedule, including those schedules that will
19 receive a rate decrease, even if the utility receives all of its requested increase.
20 The proposed revenues are then scaled-back on an equal percentage basis to match
21 the approved Commission overall increase for the utility. This approach is similar

1 to the Staff's method in cases where all rate schedules are being increased;
2 however, it also addresses cases in which one or more rate schedules should
3 receive a rate decrease. Table 5 below illustrates this methodology, which I am
4 recommending in this case.

Table 5 Illustration of Recommended Scaleback Methodology							
	<u>Present</u> <u>Revenues</u>	<u>Revenue</u> <u>Increase*</u>	<u>Proposed</u> <u>Revenues</u>	<u>Approved</u> <u>Revenue</u> <u>Increase</u>	<u>Scaleback</u> <u>Percent**</u>	<u>Adjusted</u> <u>Proposed</u> <u>Revenues</u>	<u>Adjusted</u> <u>Revenue</u> <u>Increase</u>
Residential	\$ 425.0	\$ 75.0	\$ 500.0		-4.26%	\$ 478.7	\$ 53.7
Commercial	\$ 250.0	\$ (10.0)	\$ 240.0		-4.26%	\$ 229.8	\$ (20.2)
Industrial	\$ 400.0	\$ 35.0	\$ 435.0		-4.26%	\$ 416.5	\$ 16.5
Total	\$ 1,075.0	\$ 100.0	\$ 1,175.0	\$ 50.0	-4.26%	\$ 1,125.0	\$ 50.0
* At full utility requested level							
** Percent scaleback of proposed revenues							

7
8
9
10 **Q. Does that complete your Direct Testimony?**

11
12 **A. Yes.**

BEFORE THE
PUBLIC UTILITY COMMISSION OF OHIO

IN RE: IN THE MATTER OF THE APPLICATION)
OF OHIO EDISON COMPANY, THE)
CLEVELAND ELECTRIC ILLUMINATING) **CASE NO. 07-551-EL-AIR**
COMPANY, AND THE TOLEDO EDISON) **CASE NO. 07-552-EL-ATA**
COMPANY FOR AUTHORITY TO INCREASE) **CASE NO. 07-553-EL-AAM**
RATES FOR DISTRIBUTION SERVICE,) **CASE NO. 07-554-EL-UNC**
MODIFY CERTAIN ACCOUNTING)
PRACTICES AND FOR TARIFF APPROVAL)

EXHIBITS

OF

STEPHEN J. BARON

ON BEHALF OF

THE OHIO ENERGY GROUP

J. KENNEDY AND ASSOCIATES, INC.
ROSWELL, GEORGIA

BEFORE THE
PUBLIC UTILITY COMMISSION OF OHIO

IN RE: IN THE MATTER OF THE APPLICATION)
OF OHIO EDISON COMPANY, THE)
CLEVELAND ELECTRIC ILLUMINATING) **CASE NO. 07-551-EL-AIR**
COMPANY, AND THE TOLEDO EDISON) **CASE NO. 07-552-EL-ATA**
COMPANY FOR AUTHORITY TO INCREASE) **CASE NO. 07-553-EL-AAM**
RATES FOR DISTRIBUTION SERVICE,) **CASE NO. 07-554-EL-UNC**
MODIFY CERTAIN ACCOUNTING)
PRACTICES AND FOR TARIFF APPROVAL)

EXHIBIT__(SJB-1)
OF
STEPHEN J. BARON

ON BEHALF OF
THE OHIO ENERGY GROUP

**Expert Testimony Appearances
of
Stephen J. Baron
As of January 2008**

Date	Case	Jurisdct.	Party	Utility	Subject
4/81	203(B)	KY	Louisville Gas & Electric Co.	Louisville Gas & Electric Co.	Cost-of-service.
4/81	ER-81-42	MO	Kansas City Power & Light Co.	Kansas City Power & Light Co.	Forecasting.
6/81	U-1933	AZ	Arizona Corporation Commission	Tucson Electric Co.	Forecasting planning.
2/84	8924	KY	Airco Carbide	Louisville Gas & Electric Co.	Revenue requirements, cost-of-service, forecasting, weather normalization.
3/84	84-038-U	AR	Arkansas Electric Energy Consumers	Arkansas Power & Light Co.	Excess capacity, cost-of- service, rate design.
5/84	830470-EI	FL	Florida Industrial Power Users' Group	Florida Power Corp.	Allocation of fixed costs, load and capacity balance, and reserve margin. Diversification of utility.
10/84	84-199-U	AR	Arkansas Electric Energy Consumers	Arkansas Power and Light Co.	Cost allocation and rate design.
11/84	R-842651	PA	Lehigh Valley Power Committee	Pennsylvania Power & Light Co.	Interruptible rates, excess capacity, and phase-in.
1/85	85-65	ME	Airco Industrial Gases	Central Maine Power Co.	Interruptible rate design.
2/85	I-840381	PA	Philadelphia Area Industrial Energy Users' Group	Philadelphia Electric Co.	Load and energy forecast.
3/85	9243	KY	Alcan Aluminum Corp., et al.	Louisville Gas & Electric Co.	Economics of completing fossil generating unit.
3/85	3498-U	GA	Attorney General	Georgia Power Co.	Load and energy forecasting, generation planning economics.
3/85	R-842632	PA	West Penn Power Industrial Intervenors	West Penn Power Co.	Generation planning economics, prudence of a pumped storage hydro unit.
5/85	84-249	AR	Arkansas Electric Energy Consumers	Arkansas Power & Light Co.	Cost-of-service, rate design return multipliers.
5/85		City of Santa	Chamber of Commerce	Santa Clara Municipal	Cost-of-service, rate design.

J. KENNEDY AND ASSOCIATES, INC.

**Expert Testimony Appearances
of
Stephen J. Baron
As of January 2008**

Date	Case	Jurisdiction	Party	Utility	Subject
6/85	84-768-E-42T	Clara WV	West Virginia Industrial Intervenor	Monongahela Power Co.	Generation planning economics, prudence of a pumped storage hydro unit.
6/85	E-7 Sub 391	NC	Carolina Industrials (CIGFUR III)	Duke Power Co.	Cost-of-service, rate design, interruptible rate design.
7/85	29046	NY	Industrial Energy Users Association	Orange and Rockland Utilities	Cost-of-service, rate design.
10/85	85-043-U	AR	Arkansas Gas Consumers	Arkla, Inc.	Regulatory policy, gas cost-of-service, rate design.
10/85	85-83	ME	Airco Industrial Gases	Central Maine Power Co.	Feasibility of interruptible rates, avoided cost.
2/85	ER-8507698	NJ	Air Products and Chemicals	Jersey Central Power & Light Co.	Rate design.
3/85	R-850220	PA	West Penn Power Industrial Intervenor	West Penn Power Co.	Optimal reserve, prudence, off-system sales guarantee plan.
2/86	R-850220	PA	West Penn Power Industrial Intervenor	West Penn Power Co.	Optimal reserve margins, prudence, off-system sales guarantee plan.
3/86	85-299U	AR	Arkansas Electric Energy Consumers	Arkansas Power & Light Co.	Cost-of-service, rate design, revenue distribution.
3/86	85-726-EL-AIR	OH	Industrial Electric Consumers Group	Ohio Power Co.	Cost-of-service, rate design, interruptible rates.
5/86	86-081-E-GI	WV	West Virginia Energy Users Group	Monongahela Power Co.	Generation planning economics, prudence of a pumped storage hydro unit.
8/86	E-7 Sub 408	NC	Carolina Industrial Energy Consumers	Duke Power Co.	Cost-of-service, rate design, interruptible rates.
10/86	U-17378	LA	Louisiana Public Service Commission Staff	Gulf States Utilities	Excess capacity, economic analysis of purchased power.
12/86	38063	IN	Industrial Energy Consumers	Indiana & Michigan Power Co.	Interruptible rates.

J. KENNEDY AND ASSOCIATES, INC.

**Expert Testimony Appearances
of
Stephen J. Baron
As of January 2008**

Date	Case	Jurisdct.	Party	Utility	Subject
3/87	EL-86-53-001 EL-86-57-001	Federal Energy Regulatory Commission (FERC)	Louisiana Public Service Commission Staff	Gulf States Utilities, Southern Co.	Cost/benefit analysis of unit power sales contract.
4/87	U-17282	LA	Louisiana Public Service Commission Staff	Gulf States Utilities	Load forecasting and imprudence damages, River Bend Nuclear unit.
5/87	87-023-E-C	WV	Alco Industrial Gases	Monongahela Power Co.	Interruptible rates.
5/87	87-072-E-G1	WV	West Virginia Energy Users' Group	Monongahela Power Co.	Analyze Mon Power's fuel billing and examine the reasonableness of MP's claims.
5/87	86-524-E-SC	WV	West Virginia Energy Users' Group	Monongahela Power Co.	Economic dispatching of pumped storage hydro unit.
5/87	9781	KY	Kentucky Industrial Energy Consumers	Louisville Gas & Electric Co.	Analysis of impact of 1986 Tax Reform Act.
6/87	3673-U	GA	Georgia Public Service Commission	Georgia Power Co.	Economic prudence, evaluation of Vogtle nuclear unit - load forecasting, planning.
6/87	U-17282	LA	Louisiana Public Service Commission Staff	Gulf States Utilities	Phase-in plan for River Bend Nuclear unit.
7/87	85-10-22	CT	Connecticut Industrial Energy Consumers	Connecticut Light & Power Co.	Methodology for refunding rate moderation fund.
8/87	3673-U	GA	Georgia Public Service Commission	Georgia Power Co.	Test year sales and revenue forecast.
9/87	R-850220	PA	West Penn Power Industrial Intervenor	West Penn Power Co.	Excess capacity, reliability of generating system.
10/87	R-870651	PA	Duquesne Industrial Intervenor	Duquesne Light Co.	Interruptible rate, cost-of-service, revenue allocation, rate design.
10/87	I-860025	PA	Pennsylvania Industrial Intervenor		Proposed rules for cogeneration, avoided cost, rate recovery.

J. KENNEDY AND ASSOCIATES, INC.

**Expert Testimony Appearances
of
Stephen J. Baron
As of January 2008**

Date	Case	Jurisdic.	Party	Utility	Subject
10/87	E-015/ GR-87-223	MN	Taconite Intervenors	Minnesota Power & Light Co.	Excess capacity, power and cost-of-service, rate design.
10/87	8702-EI	FL	Occidental Chemical Corp.	Florida Power Corp.	Revenue forecasting, weather normalization.
12/87	87-07-01	CT	Connecticut Industrial Energy Consumers	Connecticut Light Power Co.	Excess capacity, nuclear plant phase-in.
3/88	10064	KY	Kentucky Industrial Energy Consumers	Louisville Gas & Electric Co.	Revenue forecast, weather normalization rate treatment of cancelled plant.
3/88	87-183-TF	AR	Arkansas Electric Consumers	Arkansas Power & Light Co.	Standby/backup electric rates.
5/88	870171C001 PA		GPU Industrial Intervenors	Metropolitan Edison Co.	Cogeneration deferral mechanism, modification of energy cost recovery (ECR).
6/88	870172C005 PA		GPU Industrial Intervenors	Pennsylvania Electric Co.	Cogeneration deferral mechanism, modification of energy cost recovery (ECR).
7/88	88-171- EL-AIR 88-170- EL-AIR Interim Rate Case	OH	Industrial Energy Consumers	Cleveland Electric/ Toledo Edison	Financial analysis/need for interim rate relief.
7/88	Appeal of PSC	19th Judicial Docket U-17282	Louisiana Public Service Commission Circuit Court of Louisiana	Gulf States Utilities	Load forecasting, imprudence damages.
11/88	R-880989	PA	United States Steel	Carnegie Gas	Gas cost-of-service, rate design.
11/88	88-171- EL-AIR 88-170- EL-AIR	OH	Industrial Energy Consumers	Cleveland Electric/ Toledo Edison. General Rate Case.	Weather normalization of peak loads, excess capacity, regulatory policy.
3/89	870216/283 PA 284/286		Armco Advanced Materials Corp., Allegheny Ludlum Corp.	West Penn Power Co.	Calculated avoided capacity, recovery of capacity payments.

J. KENNEDY AND ASSOCIATES, INC.

**Expert Testimony Appearances
of
Stephen J. Baron
As of January 2008**

Date	Case	Jurisdct.	Party	Utility	Subject
8/89	8555	TX	Occidental Chemical Corp.	Houston Lighting & Power Co.	Cost-of-service, rate design.
8/89	3840-U	GA	Georgia Public Service Commission	Georgia Power Co.	Revenue forecasting, weather normalization.
9/89	2087	NM	Attorney General of New Mexico	Public Service Co. of New Mexico	Prudence - Palo Verde Nuclear Units 1, 2 and 3, load forecasting.
10/89	2262	NM	New Mexico Industrial Energy Consumers	Public Service Co. of New Mexico	Fuel adjustment clause, off-system sales, cost-of-service, rate design, marginal cost.
11/89	38728	IN	Industrial Consumers for Fair Utility Rates	Indiana Michigan Power Co.	Excess capacity, capacity equalization, jurisdictional cost allocation, rate design, interruptible rates.
1/90	U-17282	LA	Louisiana Public Service Commission Staff	Gulf States Utilities	Jurisdictional cost allocation, O&M expense analysis.
5/90	890366	PA	GPU Industrial Intervenor	Metropolitan Edison Co.	Non-utility generator cost recovery.
6/90	R-901609	PA	Armco Advanced Materials Corp., Allegheny Ludlum Corp.	West Penn Power Co.	Allocation of QF demand charges in the fuel cost, cost-of-service, rate design.
9/90	8278	MD	Maryland Industrial Group	Baltimore Gas & Electric Co.	Cost-of-service, rate design, revenue allocation.
12/90	U-9346 Rebuttal	MI	Association of Businesses Advocating Tariff Equity	Consumers Power Co.	Demand-side management, environmental externalities.
12/90	U-17282 Phase IV	LA	Louisiana Public Service Commission Staff	Gulf States Utilities	Revenue requirements, jurisdictional allocation.
12/90	90-205	ME	Airco Industrial Gases	Central Maine Power Co.	Investigation into interruptible service and rates.
1/91	90-12-03 Interim	CT	Connecticut Industrial Energy Consumers	Connecticut Light & Power Co.	Interim rate relief, financial analysis, class revenue allocation.

J. KENNEDY AND ASSOCIATES, INC.

**Expert Testimony Appearances
of
Stephen J. Baron
As of January 2008**

Date	Case	Jurisdct.	Party	Utility	Subject
5/91	90-12-03 Phase II	CT	Connecticut Industrial Energy Consumers	Connecticut Light & Power Co.	Revenue requirements, cost-of- service, rate design, demand-side management.
8/91	E-7, SUB SUB 487	NC	North Carolina Industrial Energy Consumers	Duke Power Co.	Revenue requirements, cost allocation, rate design, demand- side management.
8/91	8341 Phase I	MD	Westvaco Corp.	Potomac Edison Co.	Cost allocation, rate design, 1990 Clean Air Act Amendments.
8/91	91-372 EL-UNC	OH	Armco Steel Co., L.P.	Cincinnati Gas & Electric Co.	Economic analysis of cogeneration, avoid cost rate.
9/91	P-910511 P-910512	PA	Allegheny Ludlum Corp., Armco Advanced Materials Co., The West Penn Power Industrial Users' Group	West Penn Power Co.	Economic analysis of proposed CWIP Rider for 1990 Clean Air Act Amendments expenditures.
9/91	91-231 -E-NC	WV	West Virginia Energy Users' Group	Monongahela Power Co.	Economic analysis of proposed CWIP Rider for 1990 Clean Air Act Amendments expenditures.
10/91	8341 - Phase II	MD	Westvaco Corp.	Potomac Edison Co.	Economic analysis of proposed CWIP Rider for 1990 Clean Air Act Amendments expenditures.
10/91	U-17282	LA	Louisiana Public Service Commission Staff	Gulf States Utilities	Results of comprehensive management audit.
<i>Note: No testimony was prefiled on this.</i>					
11/91	U-17949 Subdocket A	LA	Louisiana Public Service Commission Staff	South Central Bell Telephone Co. and proposed merger with Southern Bell Telephone Co.	Analysis of South Central Bell's restructuring and
12/91	91-410- EL-AIR	OH	Armco Steel Co., Air Products & Chemicals, Inc.	Cincinnati Gas & Electric Co.	Rate design, interruptible rates.
12/91	P-880286	PA	Armco Advanced Materials Corp., Allegheny Ludlum Corp.	West Penn Power Co.	Evaluation of appropriate avoided capacity costs - QF projects.

J. KENNEDY AND ASSOCIATES, INC.

**Expert Testimony Appearances
of
Stephen J. Baron
As of January 2008**

Date	Case	Jurisdct.	Party	Utility	Subject
1/92	C-913424	PA	Duquesne Interruptible Complainants	Duquesne Light Co.	Industrial interruptible rate.
6/92	92-02-19	CT	Connecticut Industrial Energy Consumers	Yankee Gas Co.	Rate design.
8/92	2437	NM	New Mexico Industrial Intervenor	Public Service Co. of New Mexico	Cost-of-service.
8/92	R-00922314	PA	GPU Industrial Intervenor	Metropolitan Edison Co.	Cost-of-service, rate design, energy cost rate.
9/92	39314	ID	Industrial Consumers for Fair Utility Rates	Indiana Michigan Power Co.	Cost-of-service, rate design, energy cost rate, rate treatment.
10/92	M-00920312 C-007	PA	The GPU Industrial Intervenor	Pennsylvania Electric Co.	Cost-of-service, rate design, energy cost rate, rate treatment.
12/92	U-17949	LA	Louisiana Public Service Commission Staff	South Central Bell Co.	Management audit.
12/92	R-00922378	PA	Armco Advanced Materials Co. The WPP Industrial Intervenor	West Penn Power Co.	Cost-of-service, rate design, energy cost rate, SO ₂ allowance rate treatment.
1/93	8487	MD	The Maryland Industrial Group	Baltimore Gas & Electric Co.	Electric cost-of-service and rate design, gas rate design (flexible rates).
2/93	E002/GR- 92-1185	MN	North Star Steel Co. Praxair, Inc.	Northern States Power Co.	Interruptible rates.
4/93	EC92 21000 ER92-006- 000 (Rebuttal)	Federal Energy Regulatory Commission	Louisiana Public Service Commission Staff	Gulf States Utilities/Entergy agreement.	Merger of GSU into Entergy System; impact on system
7/93	93-0114- E-C	WV	Airco Gases	Monongahela Power Co.	Interruptible rates.
8/93	930759-EG	FL	Florida Industrial Power Users' Group	Generic - Electric Utilities	Cost recovery and allocation of DSM costs.
9/93	M-009 30406	PA	Lehigh Valley Power Committee	Pennsylvania Power & Light Co.	Ratemaking treatment of off-system sales revenues.

J. KENNEDY AND ASSOCIATES, INC.

**Expert Testimony Appearances
of
Stephen J. Baron
As of January 2008**

Date	Case	Jurisdct.	Party	Utility	Subject
11/93	346	KY	Kentucky Industrial Utility Customers	Generic - Gas Utilities	Allocation of gas pipeline transition costs - FERC Order 636.
12/93	U-17735	LA	Louisiana Public Service Commission Staff	Cajun Electric Power Cooperative	Nuclear plant prudence, forecasting, excess capacity.
4/94	E-015/ GR-94-001	MN	Large Power Intervenor	Minnesota Power Co.	Cost allocation, rate design, rate phase-in plan.
5/94	U-20178	LA	Louisiana Public Service Commission	Louisiana Power & Light Co.	Analysis of least cost integrated resource plan and demand-side management program.
7/94	R-00942986	PA	Armco, Inc.; West Penn Power Industrial Intervenor	West Penn Power Co.	Cost-of-service, allocation of rate increase, rate design, emission allowance sales, and operations and maintenance expense.
7/94	94-0035- E-42T	WV	West Virginia Energy Users Group	Monongahela Power Co.	Cost-of-service, allocation of rate increase, and rate design.
8/94	EC94 13-000	Federal Energy Regulatory Commission	Louisiana Public Service Commission	Gulf States Utilities/Entergy	Analysis of extended reserve shutdown units and violation of system agreement by Entergy.
9/94	R-00943 081 R-00943 081C0001	PA	Lehigh Valley Power Committee	Pennsylvania Public Utility Commission	Analysis of interruptible rate terms and conditions, availability.
9/94	U-17735	LA	Louisiana Public Service Commission	Cajun Electric Power Cooperative	Evaluation of appropriate avoided cost rate.
9/94	U-19904	LA	Louisiana Public Service Commission	Gulf States Utilities	Revenue requirements.
10/94	5258-U	GA	Georgia Public Service Commission	Southern Bell Telephone & Telegraph Co.	Proposals to address competition in telecommunication markets.
11/94	EC94-7-000 FERC ER94-898-000	FERC	Louisiana Public Service Commission	El Paso Electric and Central and Southwest	Merger economics, transmission equalization hold harmless proposals.
2/95	941-430EG	CO	CF&I Steel, L.P.	Public Service Company of Colorado	Interruptible rates, cost-of-service.

J. KENNEDY AND ASSOCIATES, INC.

**Expert Testimony Appearances
of
Stephen J. Baron
As of January 2008**

Date	Case	Jurisdct.	Party	Utility	Subject
4/95	R-00943271	PA	PP&L Industrial Customer Alliance	Pennsylvania Power & Light Co.	Cost-of-service, allocation of rate increase, rate design, interruptible rates.
6/95	C-00913424 C-00946104	PA	Duquesne Interruptible Complainants	Duquesne Light Co.	Interruptible rates.
8/95	ER95-112 -000	FERC	Louisiana Public Service Commission	Entergy Services, Inc.	Open Access Transmission Tariffs - Wholesale.
10/95	U-21485	LA	Louisiana Public Service Commission	Gulf States Utilities Company	Nuclear decommissioning, revenue requirements, capital structure.
10/95	ER95-1042 -000	FERC	Louisiana Public Service Commission	System Energy Resources, Inc.	Nuclear decommissioning, revenue requirements.
10/95	U-21485	LA	Louisiana Public Service Commission	Gulf States Utilities Co.	Nuclear decommissioning and cost of debt capital, capital structure.
11/95	I-940032	PA	Industrial Energy Consumers of Pennsylvania	State-wide - all utilities	Retail competition issues.
7/96	U-21496	LA	Louisiana Public Service Commission	Central Louisiana Electric Co.	Revenue requirement analysis.
7/96	8725	MD	Maryland Industrial Group	Baltimore Gas & Elec. Co., Potomac Elec. Power Co., Constellation Energy Co.	Ratemaking issues associated with a Merger.
8/96	U-17735	LA	Louisiana Public Service Commission	Cajun Electric Power Cooperative	Revenue requirements.
9/96	U-22092	LA	Louisiana Public Service Commission	Entergy Gulf States, Inc.	Decommissioning, weather normalization, capital structure.
2/97	R-973877	PA	Philadelphia Area Industrial Energy Users Group	PECO Energy Co.	Competitive restructuring policy issues, stranded cost, transition charges.
6/97	Civil Action No. 94-11474	US Bankruptcy Court Middle District of Louisiana	Louisiana Public Service Commission	Cajun Electric Power Cooperative	Confirmation of reorganization plan; analysis of rate paths produced by competing plans.

J. KENNEDY AND ASSOCIATES, INC.

**Expert Testimony Appearances
of
Stephen J. Baron
As of January 2008**

Date	Case	Jurisdct.	Party	Utility	Subject
6/97	R-973953	PA	Philadelphia Area Industrial Energy Users Group	PECO Energy Co.	Retail competition issues, rate unbundling, stranded cost analysis.
6/97	8738	MD	Maryland Industrial Group	Generic	Retail competition issues
7/97	R-973954	PA	PP&L Industrial Customer Alliance	Pennsylvania Power & Light Co.	Retail competition issues, rate unbundling, stranded cost analysis.
10/97	97-204	KY	Alcan Aluminum Corp. Southwire Co.	Big River Electric Corp.	Analysis of cost of service issues - Big Rivers Restructuring Plan
10/97	R-974008	PA	Metropolitan Edison Industrial Users	Metropolitan Edison Co.	Retail competition issues, rate unbundling, stranded cost analysis.
10/97	R-974009	PA	Pennsylvania Electric Industrial Customer	Pennsylvania Electric Co.	Retail competition issues, rate unbundling, stranded cost analysis.
11/97	U-22491	LA	Louisiana Public Service Commission	Entergy Gulf States, Inc.	Decommissioning, weather normalization, capital structure.
11/97	P-971265	PA	Philadelphia Area Industrial Energy Users Group	Enron Energy Services Power, Inc./ PECO Energy	Analysis of Retail Restructuring Proposal.
12/97	R-973981	PA	West Penn Power Industrial Intervenor	West Penn Power Co.	Retail competition issues, rate unbundling, stranded cost analysis.
12/97	R-974104	PA	Duquesne Industrial Intervenor	Duquesne Light Co.	Retail competition issues, rate unbundling, stranded cost analysis.
3/98 (Allocated Stranded Cost Issues)	U-22092	LA	Louisiana Public Service Commission	Gulf States Utilities Co.	Retail competition, stranded cost quantification.
3/98	U-22092		Louisiana Public Service Commission	Gulf States Utilities, Inc.	Stranded cost quantification, restructuring issues.
9/98	U-17735		Louisiana Public Service Commission	Cajun Electric Power Cooperative, Inc.	Revenue requirements analysis, weather normalization.
12/98	8794	MD	Maryland Industrial Group and	Baltimore Gas and Electric Co.	Electric utility restructuring, stranded cost recovery, rate

J. KENNEDY AND ASSOCIATES, INC.

**Expert Testimony Appearances
of
Stephen J. Baron
As of January 2008**

Date	Case	Jurisdct.	Party	Utility	Subject
			Millennium Inorganic Chemicals Inc.		unbundling.
12/98	U-23358	LA	Louisiana Public Service Commission	Entergy Gulf States, Inc.	Nuclear decommissioning, weather normalization, Entergy System Agreement.
5/99 (Cross- 40-000 Answering Testimony)	EC-98-	FERC	Louisiana Public Service Commission	American Electric Power Co. & Central South West Corp.	Merger issues related to market power mitigation proposals.
5/99 (Response Testimony)	98-426	KY	Kentucky Industrial Utility Customers, Inc.	Louisville Gas & Electric Co.	Performance based regulation, settlement proposal issues, cross-subsidies between electric. gas services.
6/99	98-0452	WV	West Virginia Energy Users Group	Appalachian Power, Monongahela Power, & Potomac Edison Companies	Electric utility restructuring, stranded cost recovery, rate unbundling.
7/99	99-03-35	CT	Connecticut Industrial Energy Consumers	United Illuminating Company	Electric utility restructuring, stranded cost recovery, rate unbundling.
7/99	Adversary Proceeding No. 98-1065	U.S. Bankruptcy Court	Louisiana Public Service Commission	Cajun Electric Power Cooperative	Motion to dissolve preliminary injunction.
7/99	99-03-06	CT	Connecticut Industrial Energy Consumers	Connecticut Light & Power Co.	Electric utility restructuring, stranded cost recovery, rate unbundling.
10/99	U-24182	LA	Louisiana Public Service Commission	Entergy Gulf States, Inc.	Nuclear decommissioning, weather normalization, Entergy System Agreement.
12/99	U-17735	LA	Louisiana Public Service Commission	Cajun Electric Power Cooperative, Inc.	Analysis of Proposed Contract Rates, Market Rates.
03/00	U-17735	LA	Louisiana Public Service Commission	Cajun Electric Power Cooperative, Inc.	Evaluation of Cooperative Power Contract Elections
03/00	99-1658-EL-ETP	OH	AK Steel Corporation	Cincinnati Gas & Electric Co.	Electric utility restructuring, stranded cost recovery, rate Unbundling.
04/00	99-1212	OH	AK Steel Corporation	Ohio Edison Co.	Electric utility restructuring.

J. KENNEDY AND ASSOCIATES, INC.

**Expert Testimony Appearances
of
Stephen J. Baron
As of January 2008**

Date	Case	Jurisdic^t	Party	Utility	Subject
	EL-ETP				stranded cost recovery, rate Unbundling.

J. KENNEDY AND ASSOCIATES, INC.

**Expert Testimony Appearances
of
Stephen J. Baron
As of January 2008**

Date	Case	Jurisdic.	Party	Utility	Subject
08/00	98-0452 E-GI	WVA	West Virginia Energy Users Group	Appalachian Power Co. American Electric Co.	Electric utility restructuring rate unbundling.
08/00	00-1050 E-T 00-1051-E-T	WVA	West Virginia Energy Users Group	Mon Power Co. Potomac Edison Co.	Electric utility restructuring rate unbundling.
10/00	SOAH 473- 00-1020 PUC 2234	TX	The Dallas-Fort Worth Hospital Council and The Coalition of Independent Colleges And Universities	TXU, Inc.	Electric utility restructuring rate unbundling.
12/00	U-24993	LA	Louisiana Public Service Commission	Entergy Gulf States, Inc.	Nuclear decommissioning, revenue requirements.
12/00	EL00-66- 000 & ER-2854-000 EL95-33-002	LA	Louisiana Public Service Commission	Entergy Services Inc.	Inter-Company System Agreement: Modifications for retail competition, interruptible load.
04/01	U-21453, U-20925, U-22092 (Subdocket B) Addressing Contested Issues	LA	Louisiana Public Service Commission	Entergy Gulf States, Inc.	Jurisdictional Business Separation - Texas Restructuring Plan
10/01	14000-U	GA	Georgia Public Service Commission Adversary Staff	Georgia Power Co.	Test year revenue forecast.
11/01	U-25687	LA	Louisiana Public Service Commission	Entergy Gulf States, Inc.	Nuclear decommissioning requirements transmission revenues.
11/01	U-25965	LA	Louisiana Public Service Commission	Generic	Independent Transmission Company ("Transco"), RTO rate design.
03/02	001148-EI	FL	South Florida Hospital and Healthcare Assoc.	Florida Power & Light Company	Retail cost of service, rate design, resource planning and demand side management.
06/02	U-25965	LA	Louisiana Public Service Commission	Entergy Gulf States Entergy Louisiana	RTO Issues
07/02	U-21453	LA	Louisiana Public Service Commission	SWEPCO, AEP	Jurisdictional Business Sep. - Texas Restructuring Plan.

J. KENNEDY AND ASSOCIATES, INC.

**Expert Testimony Appearances
of
Stephen J. Baron
As of January 2008**

Date	Case	Jurisdct.	Party	Utility	Subject
08/02	U-25888	LA	Louisiana Public Service Commission	Entergy Louisiana, Inc. Entergy Gulf States, Inc.	Modifications to the Inter-Company System Agreement, Production Cost Equalization.
08/02	EL01-88-000	FERC	Louisiana Public Service Commission	Entergy Services Inc. and the Entergy Operating Companies	Modifications to the Inter-Company System Agreement, Production Cost Equalization.
11/02	02S-315EG	CO	CF&I Steel & Climax Molybdenum Co.	Public Service Co. of Colorado	Fuel Adjustment Clause
01/03	U-17735	LA	Louisiana Public Service Commission	Louisiana Coops	Contract Issues
02/03	02S-594E	CO	Cripple Creek and Victor Gold Mining Co.	Aquila, Inc.	Revenue requirements, purchased power.
04/03	U-26527	LA	Louisiana Public Service Commission	Entergy Gulf States, Inc.	Weather normalization, power purchase expenses, System Agreement expenses.
11/03	ER03-753-000	FERC	Louisiana Public Service Commission Staff	Entergy Services, Inc. and the Entergy Operating Companies	Proposed modifications to System Agreement Tariff MSS-4.
11/03	ER03-583-000 ER03-583-001 ER03-583-002 ER03-681-000, ER03-681-001 ER03-682-000, ER03-682-001 ER03-682-002	FERC	Louisiana Public Service Commission	Entergy Services, Inc., the Entergy Operating Companies, EWO Market-Ing, L.P. and Entergy Power, Inc.	Evaluation of Wholesale Purchased Power Contracts.
12/03	U-27136	LA	Louisiana Public Service Commission	Entergy Louisiana, Inc.	Evaluation of Wholesale Purchased Power Contracts.
01/04	E-01345-03-0437	AZ	Kroger Company Arizona Public Service Co.		Revenue allocation rate design.
02/04	00032071	PA	Duquesne Industrial intervenors	Duquesne Light Company	Provider of last resort issues.
03/04	03A-436E	CO	CF&I Steel, LP and Climax Molybdenum	Public Service Company of Colorado	Purchased Power Adjustment Clause.

J. KENNEDY AND ASSOCIATES, INC.

**Expert Testimony Appearances
of
Stephen J. Baron
As of January 2008**

Date	Case	Jurisdct.	Party	Utility	Subject
04/04	2003-00433 2003-00434	KY	Kentucky Industrial Utility Customers, Inc.	Louisville Gas & Electric Co. Kentucky Utilities Co.	Cost of Service Rate Design
0-6/04	03S-539E	CO	Cripple Creek, Victor Gold Mining Co., Goodrich Corp., Holcim (U.S.), Inc., and The Trane Co.	Aquila, Inc.	Cost of Service, Rate Design Interruptible Rates
06/04	R-00049255	PA	PP&L Industrial Customer Alliance PPLICA	PPL Electric Utilities Corp.	Cost of service, rate design, tariff issues and transmission service charge.
10/04	04S-164E	CO	CF&I Steel Company, Climax Mines	Public Service Company of Colorado	Cost of service, rate design, Interruptible Rates.
03/05	Case No. 2004-00426 Case No. 2004-00421	KY	Kentucky Industrial Utility Customers, Inc.	Kentucky Utilities Louisville Gas & Electric Co.	Environmental cost recovery.
06/05	050045-EI	FL	South Florida Hospital and Healthcare Assoc.	Florida Power & Light Company	Retail cost of service, rate design
07/05	U-28155	LA	Louisiana Public Service Commission Staff	Entergy Louisiana, Inc. Entergy Gulf States, Inc.	Independent Coordinator of Transmission – Cost/Benefit
09/05	Case Nos. WVA 05-0402-E-CN 05-0750-E-PC		West Virginia Energy Users Group	Mon Power Co. Potomac Edison Co.	Environmental cost recovery, Securitization, Financing Order
01/06	2005-00341	KY	Kentucky Industrial Utility Customers, Inc.	Kentucky Power Company	Cost of service, rate design, transmission expenses. Congestion Cost Recovery Mechanism
03/06	U-22092	LA	Louisiana Public Service Commission Staff	Entergy Gulf States, Inc.	Separation of EGSI into Texas and Louisiana Companies.
04/06	U-25116	LA	Louisiana Public Service Commission Staff	Entergy Louisiana, Inc.	Transmission Prudence Investigation
06/06	R-00061346 C0001-0005	PA	Duquesne Industrial Intervenors & IECPA	Duquesne Light Co.	Cost of Service, Rate Design, Transmission Service Charge, Tariff Issues
06/06	R-00061366 R-00061367 P-00062213 P-00062214		Met-Ed Industrial Energy Users Group and Penelec Industrial Customer Alliance	Metropolitan Edison Co. Pennsylvania Electric Co.	Generation Rate Cap, Transmission Service Charge, Cost of Service, Rate Design, Tariff Issues
07/06	U-22092 Sub-J	LA	Louisiana Public Service Commission Staff	Entergy Gulf States, Inc.	Separation of EGSI into Texas and Louisiana Companies.

J. KENNEDY AND ASSOCIATES, INC.

**Expert Testimony Appearances
of
Stephen J. Baron
As of January 2008**

Date	Case	Jurisd.	Party	Utility	Subject
07/06	Case No. 2006-00130 Case No. 2006-00129	KY	Kentucky Industrial Utility Customers, Inc.	Kentucky Utilities Louisville Gas & Electric Co.	Environmental cost recovery.
08/06	Case No. PUE-2006-00065	VA	Old Dominion Committee For Fair Utility Rates	Appalachian Power Co.	Cost Allocation, Allocation of Revenue Incr, Off-System Sales margin rate treatment
11/06	Doc. No. 97-01-15RE02	CT	Connecticut Industrial Energy Consumers	Connecticut Light & Power United Illuminating	Rate unbundling issues.
01/07	Case No. 06-0960-E-42T	WV	West Virginia Energy Users Group	Mon Power Co. Potomac Edison Co.	Retail Cost of Service Revenue apportionment
03/07	LI-29764	LA	Louisiana Public Service Commission Staff	Entergy Gulf States, Inc. Entergy Louisiana, LLC	Implementation of FERC Decision Jurisdictional & Rate Class Allocation
05/07	Case No. 07-63-EL-UNC	OH	Ohio Energy Group	Ohio Power, Columbus Southern Power	Environmental Surcharge Rate Design
05/07	R-00049255 PA Remand	PA	PP&L Industrial Customer Alliance PPLICA	PPL Electric Utilities Corp.	Cost of service, rate design, tariff issues and transmission service charge.
06/07	R-00072155 PA	PA	PP&L Industrial Customer Alliance PPLICA	PPL Electric Utilities Corp.	Cost of service, rate design, tariff issues.
07/07	Doc. No. 07F-037E	CO	Gateway Canyons LLC	Grand Valley Power Coop.	Distribution Line Cost Allocation
09/07	Doc. No. 05-UR-103	WI	Wisconsin Industrial Energy Group, Inc.	Wisconsin Electric Power Co.	Cost of Service, rate design, tariff issues, interruptible rates.
11/07	ER07-682-000	FERC	Louisiana Public Service Commission Staff	Entergy Services, Inc. and the Entergy Operating Companies	Proposed modifications to System Agreement Schedule MSS-3. Cost functionalization issues.

J. KENNEDY AND ASSOCIATES, INC.

BEFORE THE
PUBLIC UTILITY COMMISSION OF OHIO

IN RE: IN THE MATTER OF THE APPLICATION)
OF OHIO EDISON COMPANY, THE)
CLEVELAND ELECTRIC ILLUMINATING) **CASE NO. 07-551-EL-AIR**
COMPANY, AND THE TOLEDO EDISON) **CASE NO. 07-552-EL-ATA**
COMPANY FOR AUTHORITY TO INCREASE) **CASE NO. 07-553-EL-AAM**
RATES FOR DISTRIBUTION SERVICE,) **CASE NO. 07-554-EL-UNC**
MODIFY CERTAIN ACCOUNTING)
PRACTICES AND FOR TARIFF APPROVAL)

EXHIBIT __ (SJB-2)

OF

STEPHEN J. BARON

ON BEHALF OF

THE OHIO ENERGY GROUP

THE TOLEDO EDISON COMPANY
COST OF SERVICE STUDY - SUMMARY
TEST YEAR ENDED 2/08 FORECASTED - NO RCP FUEL DEFERRAL
PRESENT RATES, \$1,000s

	TOTAL RETAIL	RS	GS	GP	GSUB	GT	TLTG	SLTG	POL	CONTRACT
RATE BASE										
Plant in Service	785,202	480,666	208,112	20,930	506	3,193	272	45,124	5,848	10,552
Depreciation Reserve	(379,898)	(240,987)	(98,852)	(8,362)	(168)	(558)	(123)	(26,747)	(2,738)	(3,164)
Net Plant	405,504	249,679	111,261	12,567	338	2,636	149	18,376	3,110	7,388
Working Capital Allowance	5,994	2,366	2,533	443	50	76	13	1,116	352	(968)
Other Rate Base Items Excluding RCP	28,416	19,335	5,322	1,201	30	273	18	16	(38)	259
Rate Base Other Total	32,410	21,700	7,856	1,643	81	349	31	1,133	314	(697)
Rate Base Subtotal	437,914	271,380	119,116	14,211	419	2,985	180	19,509	3,424	6,692
DSM Deferral	384	384	0	0	0	0	0	0	0	0
RCP Distribution Deferral Net of Tax	51,738	32,099	16,949	1,839	22	12	24	257	0	535
RCP Fuel Deferral Net of Tax	0	0	0	0	0	0	0	0	0	0
Rate Base Earning Cost of Debt	52,122	32,483	16,949	1,839	22	12	24	257	0	535
Total Rate Base	531,149	316,550	147,427	21,517	954	11,889	219	20,022	3,488	9,083
INCOME STATEMENT										
Revenue										
Total Tariff Revenue	146,141	84,525	45,271	10,054	388	2,404	118	5,693	1,364	(3,876)
Total Other Revenue	11,287	7,806	2,382	297	18	219	3	137	73	351
Total Revenue	157,428	92,331	47,653	10,351	406	2,623	122	5,830	1,437	(3,325)
Expenses										
Total O&M Expense	81,006	57,410	18,096	2,608	58	348	42	1,447	221	778
Total Depreciation Expense	25,834	15,811	6,548	557	10	38	9	1,918	732	214
Total Amortization Expense	8,879	4,011	2,364	728	59	992	4	(43)	(3)	767
Taxes Other than Income Excl CAT	53,573	27,679	15,727	4,698	128	2,188	23	1,608	241	1,282
CAT Tax	251	147	76	17	1	4	0	9	2	(5)
Total Operating Expense	169,543	105,059	42,808	8,607	255	3,569	77	4,940	1,193	3,038
Reverse Amortization of Fuel Deferral	(2,463)	(780)	(881)	(328)	(31)	(533)	(1)	(15)	(4)	(111)
Adjusted Total Operating Expense	167,080	104,299	42,127	8,280	225	3,036	76	4,924	1,189	2,925
Income Before Taxes	(9,652)	(11,968)	5,528	2,072	181	(413)	46	906	248	(6,250)
Income taxes										
Current Local Income Tax	(433)	(332)	(33)	9	1	(7)	0	(6)	(1)	(64)
Current State Income Tax	(726)	(558)	(55)	15	2	(11)	1	(10)	(2)	(108)
Current Federal Income Tax	(14,983)	(11,493)	(1,140)	308	51	(232)	11	(205)	(42)	(2,218)
Deferred Income Taxes	4,232	3,332	945	(13)	(15)	(313)	2	278	89	(74)
Investment Tax Credit	(437)	(273)	(118)	(12)	(0)	(2)	(0)	(25)	(3)	(6)
Total Income Tax	(12,327)	(9,324)	(399)	306	39	(565)	13	32	40	(2,489)
Current Tax effect of RCP Fuel Rate Base	945	292	261	128	12	204	0	8	1	43
Deferred Income Tax on RCP Fuel Amort	847	261	234	113	11	183	0	5	1	38
Income Tax adjusted to remove RCP Fuel	(10,535)	(8,771)	96	544	62	(177)	14	43	43	(2,388)
Net Income After Tax	883	(3,197)	5,430	1,528	119	(236)	32	863	205	(3,881)
Rate of Return	0.17%	-1.01%	3.68%	7.10%	12.52%	-1.99%	14.62%	4.31%	5.87%	-42.51%
Index		(6)	22	43	75	(12)	88	28	35	(258)
Required Return on Non-RCP Rate Base	8.95%	39,193	24,288	10,861	1,272	37	267	16	1,746	306
Required Return on RCP Rate Base	6.26%	3,283	2,033	1,061	115	1	2	16	0	33
Revenue Deficiency	1.5986	66,460	47,189	10,068	(225)	(129)	808	(23)	1,437	182
Revenue Increase		70,759	28,182	36,046	3,660	71	1,755	13	(88)	0
Variance		4,299	(19,007)	25,988	3,875	199	949	36	(1,526)	(162)

**BEFORE THE
PUBLIC UTILITY COMMISSION OF OHIO**

**IN RE: IN THE MATTER OF THE APPLICATION)
OF OHIO EDISON COMPANY, THE)
CLEVELAND ELECTRIC ILLUMINATING) CASE NO. 07-551-EL-AIR
COMPANY, AND THE TOLEDO EDISON) CASE NO. 07-552-EL-ATA
COMPANY FOR AUTHORITY TO INCREASE) CASE NO. 07-553-EL-AAM
RATES FOR DISTRIBUTION SERVICE,) CASE NO. 07-554-EL-UNC
MODIFY CERTAIN ACCOUNTING)
PRACTICES AND FOR TARIFF APPROVAL)**

**EXHIBIT __ (SJB-3)
OF
STEPHEN J. BARON**

**ON BEHALF OF
THE OHIO ENERGY GROUP**

OHIO EDISON COMPANY
COST OF SERVICE STUDY - SUMMARY
TEST YEAR ENDED 2009 FORECASTED - NO RCP FUEL DEFERRAL
PRESENT RATES, \$1,000s

	TOTAL RETAIL	RS	GS	GP	GSUB	GT	TLTG	SLTG	POL	CONTRACT
RATE BASE										
Plant in Service	2,150,414	1,386,425	551,546	78,918	9,836	16,858	1,125	53,129	20,600	23,278
Depreciation Reserve	(913,210)	(526,625)	(202,823)	(30,442)	(3,497)	(2,337)	(409)	(29,928)	(9,089)	(6,120)
Net Plant	1,337,204	866,600	348,922	48,476	6,339	14,521	716	23,201	11,512	15,158
Working Capital Allowance	7,120	592	3,314	488	218	848	5	377	865	634
Other Rate Base Items Excluding RCP	(5,080)	(20,830)	(861)	4,498	1,268	10,148	19	263	(660)	1,038
Rate Base Other Total	2,081	(20,238)	2,453	4,982	1,486	10,797	24	670	206	1,672
Rate Base Subtotal	1,339,235	848,362	351,376	53,138	7,825	25,318	740	23,870	11,777	16,830
DSM Deferral	821	821	0	0	0	0	0	0	0	0
RCP Distribution Deferral Net of Tax	141,240	90,816	43,117	5,298	85	4	100	110	1	1,709
RCP Fuel Deferral Net of Tax	0	0	0	0	0	0	0	0	0	0
Rate Base Earning Cost of Debt	142,061	91,837	43,117	5,298	85	4	100	110	1	1,709
Total Rate Base	1,481,296	939,999	394,492	58,436	7,909	25,322	840	23,980	11,778	18,539
INCOME STATEMENT										
Revenue										
Total Tariff Revenue	466,914	308,155	119,322	25,372	5,112	8,945	307	7,835	4,134	7,731
Total Other Revenue	29,491	19,479	6,455	1,324	327	1,322	20	39	92	402
Total Revenue	516,375	327,634	125,777	26,696	5,439	10,267	327	7,875	4,227	8,134
Expenses										
Total O&M Expense	204,933	144,868	44,040	6,938	621	1,268	118	3,825	606	1,729
Total Depreciation Expense	57,408	43,653	16,062	2,111	207	204	32	2,413	2,198	628
Total Amortization Expense	59,423	39,820	16,440	4,808	1,120	5,632	43	544	168	1,127
Taxes Other than Income Excl CAT	162,474	88,063	44,633	13,441	3,106	7,510	132	2,177	804	2,907
CAT Tax	826	524	201	43	9	16	1	13	7	13
Total Operating Expense	494,165	307,848	120,376	27,041	5,063	14,631	326	8,972	3,804	6,105
Reverse Amortization of Fuel Deferral	(8,686)	(3,138)	(2,304)	(1,025)	(297)	(1,577)	(8)	(44)	(13)	(185)
Adjusted Total Operating Expense	485,576	304,710	118,072	26,016	4,766	13,056	318	8,928	3,791	5,919
Income Before Taxes	30,799	22,924	7,704	980	673	(2,788)	9	(1,054)	436	2,214
Income taxes										
Current Local Income Tax	281	191	98	12	9	(10)	0	(12)	2	22
Current State Income Tax	505	344	118	22	18	(18)	0	(22)	4	40
Current Federal Income Tax	10,401	7,083	2,440	460	332	(381)	4	(462)	92	834
Deferred Income Taxes	(24,548)	(13,259)	(6,431)	(1,885)	(419)	(1,999)	(17)	(204)	(88)	(446)
Investment Tax Credit	(1,288)	(835)	(331)	(47)	(6)	(10)	(1)	(32)	(12)	(14)
Total Income Tax	(14,691)	(8,476)	(4,138)	(1,247)	(59)	(2,419)	(14)	(733)	(2)	437
Current Tax effect of RCP Fuel Rate Base	3,485	1,273	935	416	120	640	3	18	5	78
Deferred Income Tax on RCP Fuel Amort	2,960	1,078	791	352	102	541	3	15	4	64
Income Tax adjusted to remove RCP Fuel	(8,215)	(4,126)	(2,412)	(480)	184	(1,238)	(8)	(700)	8	576
Net Income After Tax	39,014	27,049	10,116	1,160	509	(1,650)	17	(353)	428	1,639
Rate of Return	2.63%	2.88%	2.56%	1.98%	6.44%	-6.12%	2.02%	-1.47%	3.63%	8.64%
Index		1.09	0.97	0.75	2.45	-2.32	0.77	-0.56	1.38	3.38
Required Return on Non-RCP Rate Base	9.09%	121,335	78,862	31,838	4,614	708	2,294	67	2,163	1,067
Required Return on RCP Rate Base	6.47%	9,191	5,929	2,790	343	8	0	6	7	0
Revenue Deficiency	1,597,088	146,152	89,024	39,141	6,384	327	6,139	00	4,030	1,021
Revenue Increase		161,973	88,855	55,047	7,796	496	9,262	100	412	7
Variance		15,821	(170)	15,908	1,412	168	3,123	10	(3,618)	(1,014)

BEFORE THE
PUBLIC UTILITY COMMISSION OF OHIO

IN RE: IN THE MATTER OF THE APPLICATION)
OF OHIO EDISON COMPANY, THE)
CLEVELAND ELECTRIC ILLUMINATING) **CASE NO. 07-551-EL-AIR**
COMPANY, AND THE TOLEDO EDISON) **CASE NO. 07-552-EL-ATA**
COMPANY FOR AUTHORITY TO INCREASE) **CASE NO. 07-553-EL-AAM**
RATES FOR DISTRIBUTION SERVICE,) **CASE NO. 07-554-EL-UNC**
MODIFY CERTAIN ACCOUNTING)
PRACTICES AND FOR TARIFF APPROVAL)

EXHIBIT __ (SJB-4)
OF
STEPHEN J. BARON

ON BEHALF OF
THE OHIO ENERGY GROUP

THE CLEVELAND ELECTRIC ILLUMINATING COMPANY
COST OF SERVICE STUDY - SUMMARY
TEST YEAR ENDED 2008 FORECASTED - NO RCP FUEL DEFERRAL
PRESENT RATES, \$1,000s

	TOTAL RETAIL	RS	GS	GP	GSUB	GT	TLTG	SLTG	POL	CONTRACT
RATE BASE										
Plant in Service	1,974,807	906,507	768,157	10,569	67,125	984	35	81,500	22,785	96,944
Depreciation Reserve	(784,117)	(344,956)	(322,608)	(4,107)	(26,502)	(210)	(16)	(43,171)	(7,287)	(36,263)
Net Plant	1,190,690	561,552	465,551	6,462	41,623	774	21	38,329	15,498	60,681
Working Capital Allowance	1,865	(1,195)	(1,213)	(21)	319	(65)	(11)	1,852	1,481	708
Other Rate Base Items Excluding RCP	(108,205)	(39,936)	(47,913)	(682)	(4,621)	(3)	10	(6,181)	(2,165)	(6,514)
Rate Base Other Total	(106,340)	(41,131)	(49,126)	(703)	(4,501)	(58)	(1)	(4,329)	(684)	(5,805)
Rate Base Subtotal	1,084,150	520,421	416,425	5,759	37,121	715	19	34,000	14,814	54,875
DSM Deferral	879	879	0	0	0	0	0	0	0	0
RCP Distribution Deferral Net of Tax	128,764	56,290	62,174	352	920	23	3	2,784	0	4,218
RCP Fuel Deferral Net of Tax	0	0	0	0	0	0	0	0	0	0
Rate Base Earning Cost of Debt	126,443	55,969	62,174	352	920	23	3	2,784	0	4,218
Total Rate Base	1,210,593	576,390	478,599	6,111	38,041	738	22	36,784	14,814	59,094
INCOME STATEMENT										
Revenue										
Total Tariff Revenue	423,882	224,090	130,910	2,912	20,963	1,113	160	16,982	8,614	19,038
Total Other Revenue	22,597	13,208	8,458	120	839	47	1	351	199	1,375
Total Revenue	446,279	237,298	137,367	2,932	21,802	1,160	161	17,333	8,812	19,413
Expenses										
Total O&M Expense	169,576	92,470	54,321	569	2,679	73	9	4,122	587	4,547
Total Depreciation Expense	68,128	30,228	25,865	241	1,644	16	1	4,082	3,120	2,553
Total Amortization Expense	24,864	11,517	9,875	175	1,157	85	13	465	83	1,508
Taxes Other than Income Excl CAT	146,755	65,500	59,233	1,483	10,100	754	114	3,775	1,197	8,536
Commercial Activity Tax (CAT)	713	379	219	5	36	2	0	28	14	31
Total Operating Expense	402,038	198,151	149,314	2,472	15,815	930	137	13,042	5,001	17,173
Reverse Amortization of Fuel Deferral	(5,767)	(1,872)	(2,333)	(92)	(692)	(62)	(10)	(47)	(22)	(686)
Adjusted Total Operating Expense	396,271	196,279	146,982	2,380	15,124	868	128	12,995	4,978	16,507
Income Before Taxes	50,008	41,020	(9,614)	552	6,678	292	33	4,338	3,834	2,906
Income taxes										
Current Local Income Tax	165	296	(274)	4	57	3	0	34	38	8
Current State Income Tax	238	429	(397)	5	83	4	0	49	52	13
Current Federal Income Tax	4,807	5,831	(8,162)	106	1,714	76	8	1,013	1,083	277
Deferred Income Taxes	(7,378)	(3,510)	(2,034)	(55)	(382)	(30)	(4)	(28)	54	(487)
Investment Tax Credit	(779)	(357)	(311)	(4)	(27)	(0)	(0)	(32)	(9)	(38)
Total Income Tax	(2,847)	5,690	(12,099)	63	1,447	63	5	1,036	1,186	(225)
Current Tax effect of RCP Fuel Rate Base	2,285	738	920	36	273	24	4	19	9	263
Deferred Income Tax on RCP Fuel Amort	1,995	644	803	32	238	21	3	16	6	229
Income Tax adjusted to remove RCP Fuel	1,432	7,072	(10,377)	121	1,957	98	12	1,071	1,211	267
Net Income After Tax	48,008	33,948	763	431	4,722	194	21	3,267	2,623	2,630
Rate of Return	4.02%	5.89%	0.16%	7.06%	12.41%	26.26%	94.44%	8.88%	17.71%	4.47%
Index		1.47	0.04	1.76	3.09	6.54	23.52	2.21	4.41	1.11
Required Return on Non-RCP Rate Base	9.15%	99,200	47,619	38,103	527	3,387	85	3,111	1,355	5,021
Required Return on RCP Rate Base	6.65%	8,406	3,722	4,135	23	61	2	185	0	281
Revenue Deficiency	1.5978	94,270	27,789	68,267	190	(2,019)	(31)	47	(2,025)	4,253
Revenue Increase		106,883	24,088	80,003	340	327	(106)	0	(47)	2,284
Variance	12,613	(3,701)	13,736	150	2,347	97	31	(84)	2,018	(1,969)