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March 14, 2008

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

In re: Case No 08-124-EL-ATA and Case No. 08-125-EL-AAM

Dear Sir/Madam:

Please find enclosed an original and twenty (20) copies of COMMENTS OF THE OHIO ENERGY GROUP to be 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.
BOEHM, KURTZ & LOWRY

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Encl.

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CERTIFICATE OF SERVICE

I hereby certify that true copy of the foregoing was served by regular mail, unless otherwise noted, this 14TH day of March, 2008 to the following:

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BEFORE THE
PUBLIC UTILITY COMMISSION OF OHIO

In The Matter Of The Application Of Ohio Edison Company The Cleveland Electric Illuminating Company And The Toledo Edison Company for Authority to Modify Certain Accounting Practices and for Tariff Approvals	:	**Case Nos. 08-124-EL-ATA 08-125-EL-AAM**

COMMENTS OF THE OHIO ENERGY GROUP

The Ohio Energy Group (OEG") submits these Comments to the February 8, 2008 Application of the Ohio Edison Company, the Cleveland Electric Illuminating Company, and the Toledo Edison Company (collectively "FirstEnergy") to establish a rider to recover 2006-2007 deferred fuel costs.

1. <u>The Amortization Period Should be 25 Years</u>

FirstEnergy has proposed alternative amortization periods for the recovery of the RCP deferred fuel costs ranging from 5 years to 25 years. OEG recommends the use of a 25-year recovery period, subject to annual true-ups, as discussed below. The use of a 25-year recovery period reduces the impact of the recovery on customers and provides for a full recovery, with a return, to the Company. The use of a 25-year recovery period for these costs is consistent with the Company's original proposal in its 2007 distribution rate case and in the RCP Stipulation as approved by the Commission in its January 4, 2006 Order in Case No. 05-704-EL-ATA. The impact on customers will be minimized using a full 25 year amortization period. The 25-year recovery period, rather than a shorter time, is a consumer benefit to which the Company has already agreed and which the Commission has already approved. That should not change.

2. <u>There Should Be An Annual True-up To Prevent Accelerated Recovery</u>

FirstEnergy's proposal is based on a fixed rate per kWh, calculated by unitizing the annual revenue requirement by forecasted kWh sales for the period 12 months ending May 31, 2009.

For example, using a 25-year recovery period, this rate is set at $0.0003636 per kWh for Ohio Edison. FirstEnergy proposes to continue collecting this fixed rate until the full balance, including a return on the uncollected amounts, is recovered. Though the initial calculation is based on a 25-year recovery period, the actual recovery will be much quicker than 25 years because the calculation does not reflect any amortization of the un-recovered balance. Since the initial rate includes a return on the un-recovered balance, which will be declining over time, the Company's proposal results in a full recovery in about 17 years, rather than the assumed 25-year period. The Table below shows the expected recovery (assuming an initial 25 year amortization of the deferral balance), assuming no growth in kWh sales.

Ohio Edison Company
Illustration of 25 Year Recovery With No Sales Growth

Year	Rider Charge	Sales mWh	Annual Recovery	Deferral Balance	ADIT Bal	Rate Base
Initial Balances				114,328,850	40,728,395	73,600,455
1	0.03636	25,937,134	9,430,742	109,754,707	39,098,907	70,655,800
2	0.03636	25,937,134	9,430,742	104,990,045	37,401,549	67,588,497
3	0.03636	25,937,134	9,430,742	100,026,929	35,633,493	64,393,436
4	0.03636	25,937,134	9,430,742	94,857,092	33,791,795	61,065,296
5	0.03636	25,937,134	9,430,742	89,471,924	31,873,389	57,598,536
6	0.03636	25,937,134	9,430,742	83,862,457	29,875,078	53,987,380
7	0.03636	25,937,134	9,430,742	78,019,349	27,793,535	50,225,814
8	0.03636	25,937,134	9,430,742	71,932,866	25,625,292	46,307,574
9	0.03636	25,937,134	9,430,742	65,592,874	23,366,740	42,226,134
10	0.03636	25,937,134	9,430,742	58,988,813	21,014,116	37,974,697
11	0.03636	25,937,134	9,430,742	52,109,683	18,563,501	33,546,182
12	0.03636	25,937,134	9,430,742	44,944,029	16,010,816	28,933,213
13	0.03636	25,937,134	9,430,742	37,479,916	13,351,808	24,128,108
14	0.03636	25,937,134	9,430,742	29,704,912	10,582,048	19,122,864
15	0.03636	25,937,134	9,430,742	21,606,069	7,696,924	13,909,145
16	0.03636	25,937,134	9,430,742	13,169,898	4,691,631	8,478,267
17	0.03636	25,937,134	9,430,742	4,382,350	1,561,164	2,821,186
18	0.03636	25,937,134	9,430,742	-	-	-
19	0.03636	25,937,134	9,430,742	-	-	-
20	0.03636	25,937,134	9,430,742	-	-	-
21	0.03636	25,937,134	9,430,742	-	-	-
22	0.03636	25,937,134	9,430,742	-	-	-
23	0.03636	25,937,134	9,430,742	-	-	-
24	0.03636	25,937,134	9,430,742	-	-	-
25	0.03636	25,937,134	9,430,742	-	-	-

However, with any reasonable level of kWh sales growth, the actual recovery will be more rapid than 17 years.

A more reasonable approach would be to incorporate a true-up mechanism into the rate calculation on an annual basis. OEG recommends that the deferred fuel cost rider charge be recalculated on an annual basis, using projected kWh sales that are updated each year. In addition, a true-up adjustment should be incorporated into the calculation to adjust the next 12-month charge for over/under collections in the prior 12-month period. This annual calculation could be made in December of each calendar year and filed with the Commission prior to January 1st of each year. This methodology will result in a true, 25-year recovery period for the deferred fuel cost, unlike the Company's proposal that would likely produce a recovery over a shorter period. Since the Company will receive a return on the uncollected balance, FirstEnergy will receive the identical amounts (on a present value basis) under the OEG proposal as it would under its requested rider.

3. <u>The Rider Should Vary By Rate Schedule To Reflect Voltage Losses</u>

FirstEnergy's proposed rider does not differentiate between rate schedules to recognize the service voltage at which customers on each rate schedule consume energy. In particular, customers on rate schedules GP, GSUB and GT have a lower level of electrical losses, compared to residential, general service secondary and other secondary customers. The deferred RCP fuel costs being recovered from each rate schedule are directly related to the level of kWh energy usage by customers, including the losses incurred for distribution primary and secondary lines and transformers. In its original request to recover the deferred RCP fuel costs in the 2007 rate cases for each Company, FirstEnergy allocated these deferred RCP costs to rate schedules on the basis of loss adjusted energy (at transmission). This is the generally accepted methodology to allocate fuel related costs in a cost allocation study. Thus, for example, customers on rate schedule GSUB were allocated a share of deferred RCP costs based on GSUB metered kWh, plus losses to adjust for "transmission system" losses. Similarly, the residential class (RS) received loss adjustments for secondary, primary and sub-transmission losses.

In this filing, to recover deferred RCP costs using a rider, FirstEnergy is proposing to calculate a single kWh charge for all customers, thus ignoring rate schedule loss differences. The Table below shows a comparison for the first year recovery, for Ohio Edison, with and without losses.

Ohio Edison Company
Impact of Voltage Losses on RCP Deferred Fuel Charge Allocation

			Allocation Based on:		
	kWh @ meter*	kWh w/losses	Sales @ meter	Sales w/losses	Difference
RS	9,225,981,525	9,844,122,287	3,310,193	3,379,013	68,820
GS	6,712,393,410	7,162,123,769	2,408,342	2,458,412	50,070
GP	3,098,384,784	3,191,336,328	1,111,671	1,095,432	(16,238)
GSU	922,379,013	923,301,392	330,941	316,925	(14,016)
GT	4,895,106,911	4,895,106,911	1,756,317	1,680,255	(76,063)
SP Contract	977,824,529	981,410,717	350,834	336,871	(13,963)
POL	37,646,793	40,169,128	13,507	13,788	281
STL	23,607,744	25,189,463	8,470	8,646	176
TRF	22,396,480	23,897,044	8,036	8,203	167
ESIP	102,546,440	109,417,052	36,793	37,558	765
			-	-	-
TOTAL	26,018,267,630	27,196,074,091			
Deferred Fuel Cost Rider Revenue Requirement			$ 9,335,103	$ 9,335,103	0

* Source: Test year ending May 2008

As can be seen, rate schedules GP, GSUB and GT are overpaying under the Company's proposed method, which ignores losses. This should be corrected in the rider by differentiating between rate schedules taking service at secondary, primary, sub-transmission and transmission voltages for each Company.

4. This Proceeding Should Not Be Considered A Precedent for Future Cases

This case results from the RCP Stipulation and Ohio Supreme Court remand order. It is unique. The Commission should make clear that its resolution of this case should not be relied on as precedent. The concept of charging future customers for historic fuel costs through a non-bypassable charge should not be construed as a reasonable policy under ordinary circumstances.

Respectfully submitted,

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