

PUBLIC UTILITIES COMMISSION OF OHIO

PUBLIC HEARING

IN RE: APPLICATION OF

THE OHIO EDISON COMPANY

CLEVELAND ELECTRIC ILLUMINATING COMPANY

TOLEDO EDISON COMPANY

CASE NO. 07551ELAIR

07^S52ELATA

07553ELAAM

07554ELUNC

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MS. BOJKO: The Public Utilities Commission of Ohio has assigned for Public Hearing at this time and place Case No. 07551ELAIR, 07752ELATA, 07553ELAAM, and 07554ELUNC, being captioned in the of the Application of Ohio Edison Company, the Cleveland Electric Illuminating Company, and the Toledo Edison Company for authority to increase rates for distribution service, modify certain accounting practices, and for tariff approval. My name is Kimberly Bojko; I'm the Attorney Examiner that has been assigned to this proceeding. At this time I would like to take appearances of the parties that have intervened in this proceeding. We'll start with the Company.

MR. KORKOSZ: Your Honor, please, on behalf of the Applicants, Arthur E. Korkosz.

MS. BOJKO: And on behalf of the Ohio Consumers Counsel.

MR. REESE: Thank you, Your Honor. On behalf of the residential rate payers of First Energy Companies and the office of the Ohio Consumers Counsel, Janine Milo-Ostrander, I'm Rick Reese.

MS. BOJKO: Are there any other parties to the case present that would like to make

1 an appearance at this time? Seeing none.

2 At the hearing tonight there are
3 representatives from the Commission Service
4 Monitoring Enforcement Department which were out
5 front at the table, and there are also
6 representatives here from First Energy tonight, or
7 this afternoon, excuse me, as well as the office of
8 the Ohio Consumers Counsel. If you have any
9 questions concerning a utility matter, other than the
10 rate increase proceeding, which is the focus of
11 today's hearing, please see a company representative
12 or the Commissions personnel, or the Consumers
13 Counsel; they are here to assist you.

14 On June 7th, 2007, the Ohio Edison Company,
15 the Toledo Edison Company, and the Cleveland Electric
16 Illuminating Company filed applications with the
17 Public Utilities Commission of Ohio to each increase
18 their electric distribution rate. As part of the
19 rate proceeding the Commission staff prepared and
20 filed a staff report. The Ohio Edison Staff Report
21 looks like this. It was filed on December 4th, 2007
22 and this staff report summarizes the staff's finding;
23 the staff did an independent review and then they
24 issued this staff report with their findings and
25 recommendations. This staff report can be obtained

1 by visiting the Commission's Website at
2 www.puco.ohio.gov, or you can also call
3 1-800-686-PUCO. This is one of 12 local public
4 hearings that have been scheduled in this case. And
5 this is only one aspect of the proceeding. As I
6 discussed earlier, another aspect is the evidentiary
7 hearing that was held at the Commission's offices in
8 Columbus, Ohio. That hearing began on January 29th,
9 2008; it lasted several weeks, and we received either
10 written testimony or heard oral testimony from
11 approximately 60 witnesses in the case. The purpose
12 of that hearing was to allow the companies, the
13 staff, and any interveners, any parties to the case,
14 to present witnesses and evidence in support of their
15 position.

16 The purpose of today's public hearing is to
17 receive comments from the public regarding First
18 Energy's proposed rate. We will not be hearing from
19 the companies tonight, we will not be hearing from
20 the Commission staff, and we will not be hearing from
21 the parties. This is your opportunity, the public,
22 to tell the Commission what you think about First
23 Energy's proposed application. When you arrived you
24 were offered an opportunity to sign up to testify.
25 If you missed that opportunity, please feel free to

1 go back out to the table and sign your name. If you
2 signed up and you prefer not to testify, that is
3 fine; when I call your name just say pass and I will
4 move on to the next witness. I will call the
5 witnesses in the order that they signed up. Before
6 you begin your statement I will ask for your name and
7 address, please spell your last name for the court
8 reporter, and your testimony will be considered part
9 of the official record of the case, and it will be
10 reviewed by the Commissioners before they make their
11 final decision in this case. And all testimony will
12 be under oath, and the attorneys for the Company or
13 any parties may ask you questions about your
14 statement while you are under oath.

15 Today's hearing is being transcribed by a
16 court reporter, please speak clearly so that the
17 court reporter can accurately reflect your comments
18 of the record. If you have prepared a written
19 statement it would be helpful for you to provide a
20 copy to the court reporter, as well as myself. We
21 appreciate your participation in today's hearing and
22 we want everyone who wishes to make a public
23 statement to be able to do so. So we appreciate your
24 patience and your cooperation as each individual is
25 allowed to testify.

1 And we'll begin with our first witness. Our
2 first witness is Mr. Coffman. And I apologize in
3 advance if I mispronounce your name, I will do the
4 best that I can.

5 MR. COFFMAN: John Coffman,
6 C-O-F-F-M-A-N, 505 South Washington Street, Castalia.

7 MS. BOJKO: Before you begin,
8 Mr. Coffman, please raise your right hand. Do you
9 swear the testimony you're about to give is the
10 truth, the whole truth, and nothing but the truth?

11 MR. COFFMAN: I do.

12 MS. BOJKO: Thank you. You may
13 begin.

14 MR. COFFMAN: Hello, my name is John
15 Coffman; I'm the Treasurer of Lorain City Schools. I
16 thank the Commission for this opportunity to explain
17 how this electric rate increase will impact the
18 children of Lorain. As a point of reference, Lorain
19 Schools has 8,200 students and operates 17
20 buildings. School funding is a major issue in this
21 state. The State budget does not have any room to
22 fund an increase and the local tax payers are telling
23 us to make do with what we have. Any increase in the
24 cost of operating our district buildings will take
25 dollars away from other budget items, specifically

1 classroom instruction.

2 Our current budget for electricity is just
3 under \$1.5 million. The loss of the Energy for
4 Education II program will result in approximately a
5 13.4 percent increase January 1st of 2009. The
6 distribution cost increase, as well as the
7 undetermined increase cost of generation, add up to a
8 huge increase that will place an unfair burden on
9 school districts. We are being told to expect the
10 total increase to be around 40 percent, which will
11 increase our electrical bill by approximately
12 600,000, an amount that would fund 12 classroom
13 teachers. Our total electric bill would be over \$2
14 million a year.

15 At the start of this school year Lorain laid
16 off 246 classroom teachers and another 100 employees
17 due to a budget shortfall. That's a total of 346
18 employees. We have already made over \$15 million in
19 budget cuts. We will not be able to absorb this
20 level of increase. Pupil/teacher ratios will have to
21 increase, again. School districts have different
22 load characteristics than other commercial
23 businesses, as our buildings have reduced usage
24 during the peak load period of summer. A separate
25 rate schedule makes sense. I ask that the Commission

1 reconsider the size of this increase and a separate
2 rate schedule for tax supported public schools.

3 Thank you for taking the time to listen to
4 the impact this increase will have on Lorain school
5 children.

6 MS. BOJKO: Thank you. Patrick
7 Saunders. Would you please raise your right hand?
8 Do you solemnly swear that the testimony you're about
9 to give is the truth, the whole truth, and nothing
10 but the truth?

11 MR. SAUNDERS: I do. My name is
12 Patrick R. Saunders, S-A-U-N-D-E-R-S; I live at 283
13 Whittlesey Avenue, Norwalk, Ohio. I teach at Bowling
14 Green State University and I'm not here representing
15 the University. I'm representing myself as a
16 consumer, as a consumer who's going to have to pay
17 the prices that First Energy is asking. I guess my
18 first thing is, I'd like to ask a question, which I
19 know can't be answered today, is, what is the
20 percentage of increase in profit that First Energy
21 has experienced from 1988 to the present? The reason
22 I'm asking that question is based on a study done by
23 Policy Matters Ohio and positioned on Labor Day of
24 2007. And what it talks about is about the income
25 that Ohioans are bringing home today. And it's based

1 on 1988, between the years 1988 and 2006. They said
2 that, and this report said that in the middle
3 percentiles of 40 to 60 percentile, where most of us
4 find ourselves, that the average income in 1988 was
5 \$37,489 in Ohio, okay? And by 2006 their income had
6 actually declined \$89. Instead of making \$37,489,
7 they were in 2006 making \$37,400. And then when you
8 couple the fact that the purchasing power of their
9 1988 dollars equates in 2008 dollars, to that, that
10 37,489, in order to be duplicated this year, that a
11 person would have to make \$68,445 shows that we are
12 sliding down to the bottom faster than we know.
13 Okay? I guess the, in the sheet that the Consumers
14 Counsel passed out they had a series of questions.
15 And one is about what would the average increase be
16 for my household? It would, this 40 percent
17 increase, if they would get the total number, would
18 add an additional \$720 per year to our cost of
19 keeping the lights burning, and we don't -- and we
20 heat with gas. So if you consider the across the
21 board impact of these rate increases, on
22 transportation costs, on your, on the natural gas is
23 going to go up because they'll probably be some kind
24 of cost error. So I mean it just keeps on hitting
25 you.

1 I mean, and the other thing, too, is they
2 were asking about the difference in service. Since
3 the 1980's, when most corporations in this country
4 discovered the word "down-sizing," First Energy and
5 the rest of the power companies have followed that
6 program zealously. The number of workers who worked
7 for First Energy in this area has declined to almost
8 nothing. And service calls are kind of a nightmare.
9 And especially when we have a weather event in this
10 area, it's not uncommon to see crews called in from
11 four or five states over to take care of an event
12 that used to be handled by the people who worked
13 here. Power surges are more prevalent. I know since
14 I have a computer and the other peripherals that come
15 with a computer, I know that I'll, I find that my
16 computer has went off and came back on numerous
17 times; this -- and it has a direct relationship to
18 this policy of deferred maintenance and employee
19 down-sizing. So I think the thing of it is, you
20 know, this is what we're facing here, is kind of a
21 common thing for the 21st Century. They want more
22 money for delivering less and we're expected to pay.
23 I think the thing of it is, is that, that what I've
24 shown is, is that our income is declining in a faster
25 rate than their need of income. So, I mean, there's

1 got to be some middle path here that we can reach so
2 we all don't have to out and live in a pup tent.
3 Thank you.

4 MS. BOJKO: Thank you. John Zang.
5 Please raise your right hand. Do you solemnly swear
6 that the testimony you're about to give is the truth,
7 the whole truth, and nothing but the truth?

8 MR. ZANG: I do. John Zang, 5213
9 West Waterberry Drive, Huron, Ohio.

10 MS. BOJKO: Can you spell that,
11 please?

12 MR. ZANG: Yes. It's Z-A-N-G.
13 Thank you, Your Honor. I'm not a lawyer, I've been a
14 teacher for 33 years and I'm going to keep this
15 simple. I realize this at some times looks very
16 complex. First of all, as I look at the rate
17 increase, again, with my goal I was a little confused
18 and you cleared that up a little bit. I think I was
19 talking to someone yesterday and they said the real
20 problem is that when you go on the Ohio Choice Page
21 there's no choice. It's a monopoly. First Energy is
22 our only recourse, we have no choice. There's no
23 negotiation, there's no competition. I guess we
24 can't fight the inevitable. I don't know if Ohio
25 Edison or First Energy has a great deal of concern

1 for us, but if you look at their gross profit for the
2 last four years, they average over \$6 billion in
3 gross profit. If you look at their net, net profits
4 of 1.3 billion, which was stated in the Toledo Blade
5 about a week ago, again, it seems like they're making
6 an awful lot of money. I'm going to get a 2 percent
7 raise and I'm happy about that. They mention that
8 rates have not risen since '96. I don't know if
9 that's exactly true. If you have an all electric
10 home and you bought an all electric home after
11 December of 2006, the special rate that was enacted
12 prior to 2006 doesn't apply to those people, so the
13 rates went up. I know specifically that people that
14 are on that special rate are getting it for 4 cents a
15 kilowatt hour and people that are after that point
16 are about 6.3, and I understand that varies, too.
17 They want 40 percent, I think you folks talked about
18 31 percent. I think they're both unfair. I think
19 that if Ohio's rates continue to remain among the
20 highest in the nation we'll continue to lose things
21 like the steel mill that was being considered; we're
22 going to continue to loose jobs. Our schools, which,
23 again, I'm a part of, our hospitals, our businesses
24 that have to pay into this electric rate increase
25 will continue to lose, lose, and lose.

1 I think it's important for the Commission to
2 please realize that as individuals we don't have a
3 lot of power; we depend on you and we depend on you
4 to listen to our statements. I realize some of them
5 aren't maybe the most intelligent statements and
6 maybe some of them aren't the most educated
7 statements, like mine, I don't think is the most
8 educated statement, but it's very sincere. And I'd
9 like you to consider that and I thank you for your
10 time, Your Honor.

11 MS. BOJKO: Nancy Weeks.

12 MS. WEEKS: I will pass, because I
13 think pretty much what I was saying has already been
14 said, except for the average American amount.

15 MS. BOJKO: Joyce Bocree, Bobcree?

16 MS. BOYD: Boyd.

17 MS. BOJKO: Oh, sorry.

18 MS. BOYD: Likewise.

19 MS. BOJKO: Cloris Neal.

20 MS. NEAL: I pass.

21 MS. BOJKO: Pass. Tom Neal.

22 MR. NEAL: I have to pass.

23 MS. BOJKO: Phyllis Wassner.

24 Please raise your right hand. Is the testimony
25 you're about to give the truth, the whole truth, and

1 nothing but the truth?

2 MS. WASSNER: It is. Thank you. I'm
3 Phyllis Wassner, I'm from 1130 Main Street in Huron,
4 Ohio. I'm also a member of the City Council there.
5 I've had many seniors --

6 UNIDENTIFIED PERSON: We can't hear you.

7 MS. WASSNER: Is this better? Many
8 seniors -- should I start over?

9 MS. BOJKO: Yes.

10 MS. WASSNER: Phyllis Wassner, 1130
11 South Main Street, Huron, Ohio. I'm here as a
12 private citizen; I'm also a member of the Huron City
13 Council. I've had numerous senior citizens tell me
14 they just can't afford any more increases for
15 anything. And we are going into a depression, I
16 believe, and I don't think a rate increase right now
17 is the best thing to have. Everybody, usually when
18 they want a rate increase they ask for more than they
19 think they can get, so I'm sure this rate increase is
20 twice as much as they need. They -- I'm not denying
21 they might need it, but I think we're all asked to
22 make do with what we have and live with it, and
23 therefore I feel maybe the energy company can try to
24 do the same thing. It's also been noted in the past,
25 the State of Ohio is not on the top of the list in

1 attracting businesses for economic development. I
2 don't think a rate increase would be attractive to
3 get businesses to come into the State of Ohio and do
4 business here. I just ask the PUCO to take that into
5 consideration, and thank you.

6 MS. BOJKO: Thank you. Vinnin
7 Vickery.

8 MS. VICKERY: I pass.

9 MS. BOJKO: I apologize if I
10 mispronounced your name. Donald Mazza. Raise your
11 right hand. Do you swear that the testimony you're
12 about to give is the truth, the whole truth, and
13 nothing but the truth?

14 MR. MAZZA: Yes. My name is Donald
15 Mazza. I represent the Lakefield Manor Owners
16 Condominium Association. My address is 1910 East
17 Waterberry, Huron, Ohio, and I represent as a board
18 member for Lakefied Manner Condominium Owners
19 Association. We are 191 unit association; each of
20 those units are all electric. The bulk of the
21 individuals residing within the framework of this
22 condominium association are retirees, they are senior
23 citizens, many of them are widow or widowers, and
24 they have a great concern with respect to how this
25 rate increase may impact their ability to basically

1 service, or pay for that service. It's our feeling
2 that over the course of time every business has the
3 responsibility to look at how they deploy their
4 resources. And if, in fact, First Energy has not
5 deployed their resources in a manner such as to
6 provide the line service, the pole service, and
7 whatever else they're doing, in a manager, to manage
8 effectively, then we should not bear the burden of
9 basically supplying additional dollars to service
10 those particular needs. That concludes my remarks.

11 MS. BOJKO: Thank you. Bob Warner.
12 Please raise your right hand. Do you solemnly swear
13 that the testimony you're about to give is the truth,
14 the whole truth, and nothing but the truth?

15 MR. WARNER: Yes. Hi. My name is
16 Bob Warner, I live at 1011 Third Street, Sandusky,
17 Ohio, and I am a Business Representative for the
18 Painters and Allied Trades District Council 6. We
19 represent about seven or 8,000 active and retired
20 members of the Painters Union. First, I want to
21 speak to the retired members. The retired members
22 that we have live on a fixed income, their retirement
23 is fixed; it doesn't go up and down every year, or up
24 every year with the rate of inflation. For one, they
25 can't afford another rate hike. Their food has been

1 going up, their bills have been going up, gasoline is
2 going up; everything they do, the price has gone up
3 over the last few years. Another increase would put
4 a severe hardship on them. Now, they're already at
5 severe hardship at this point in the game. I know
6 some of them that have come off retirement and went
7 back to work full time just because they can't make
8 it on their retirement. So that's for the retiree
9 guys, they just can't make it anymore with another
10 rate hike. You may need one, but the guys just can't
11 afford at. The active members that I represent,
12 gasoline has gone up, rent has gone up, food has gone
13 up, everything, insurance has gone up. We know you
14 might need an increase, but we would respectfully ask
15 you to not, not so quite high of an increase. And if
16 you have to have an increase would you really think
17 about increase in where you actually fix the poles
18 and the distribution, where you improve those areas,
19 institute the increases at those points as you fix
20 the poles and upgrade the poles and the lines;
21 institute those increases at those areas until you
22 get around to everybody. I've lived in Sandusky, in
23 my house, for a little over 20 years now and I've got
24 the same lines and the same transformers in the
25 backyard; the transformer has been bad for three or

1 four years now. Last year it went out because we
2 were using electricity, it was out for quite some
3 time. This year the wife made me go out and buy a
4 generator the other day, because she knows the storm
5 season is coming up and she wants to have some
6 electricity in the house when it goes out. She knows
7 it's going to go out. So if you're going to propose
8 a rate increase, if you have to increase the rates,
9 when you fix my lines and the transformers in my
10 area, then institute my increase. Don't institute it
11 and then 20 years never get around to fixing what I
12 got in my backyard and then institute another one, I
13 don't think it's fair. Thank you.

14 (Clapping).

15 MS. BOJKO: Gloria Hiendlmayr.
16 Please raise your right hand. Do you swear the
17 testimony you're about to give is the truth, the
18 whole truth, and nothing but the truth?

19 MS. HIENDLMAYR: Yes.

20 MS. BOJKO: Thank you.

21 MS. HIENDLMAYR: My name is Gloria
22 Hiendlmayr, and it's H-I-E-N-D-L-M-A-Y-R.

23 MS. BOJKO: Okay.

24 MS. HIENDLMAYR: I don't believe a rate
25 increase is appropriate for a mismanaged company.

1 MS. BOJKO: Speak up.

2 MS. MIENDLYMAYR: I don't believe a rate
3 increase is appropriate for a mismanaged company.
4 Although First Energy has not had a rate increase,
5 they have taken in \$6 billion in stranded cost from
6 the consumers in that time frame. I'd also like to
7 know from First Energy, because although they can't
8 answer my questions, how much they sold their
9 generating plants for? That's profitable for First
10 Energy; this is \$340 million out of our economy,
11 which our economy can ill afford it. When new lines
12 and poles are dropped, the customers pay for them.
13 First Energy retains the ownership rights and
14 depreciates that equipment. First Energy is opposed
15 to distributed generation. Distributed generation
16 would enhance our transmission lines, industrials,
17 and you, yourself, you could put one in, energy in.
18 It would enhance it, you wouldn't have to pay for any
19 connections with First Energy. But they are opposed
20 to these moves. Net metering, you can only put net
21 metering in for your home use. Anything beyond that,
22 if you were to sell power or give power to First
23 Energy, they would only have to pay for the amount
24 that you normally use. If you were to generate more
25 electricity they don't have to pay you for it. I'd

1 like to know why First Energy does not acknowledge
2 the repeal of the 1935 SEC Act, which means that
3 First Energy Solutions is a separate corporation.
4 That when I call First Energy and say I don't want to
5 go with First Energy Solutions, First Energy violates
6 that 1935 SEC Act and tells me it's in my best
7 interest to go with First Energy Solutions. They are
8 two separate entities; they're not allowed to do
9 this. It is illegal. I'd like to know why when we
10 pay for the poles and lines for your drops, new
11 customers pay for those? First -- again, First
12 Energy owns those and takes the depreciation on that
13 equipment; they're writing it off. First Energy,
14 again, has made \$6 million -- \$6 billion in stranded
15 costs. And they're asking for a rate increase in an
16 economy that can ill afford it. We are in desperate
17 times here. I wonder if they're very much like the
18 Cleveland Water Company who said they need a rate
19 increase because the customers have become more
20 efficient, so they need more money to operate because
21 there's not as many people paying the water bills.
22 Now we have industrials not paying the electricity
23 bill; is that why they need the new rate increase?
24 Because industrials were forced to leave because they
25 can't afford the electric rate? This is my questions

1 for the Public Utilities Commission, and thank you.

2 MS. BOJKO: Thank you. I'm having
3 difficulty reading the next one. John Ginta, I
4 apologize.

5 MR. GINTY: I'm sorry, my writing
6 is not very good sometimes. Swear me in or swear me
7 out.

8 MS. BOJKO: What is your name,
9 sir? What is your name?

10 MR. GINTY: John Ginty, G-I-N-T-Y.

11 MS. BOJKO: Okay. Thank you.
12 Please raise your right hand. Do you solemnly swear
13 that the testimony you're about to give is the truth,
14 the whole truth, and nothing but the truth?

15 MR. GINTY: Yes, ma'am.

16 MS. BOJKO: Thank you.

17 MR. GINTY: I'm here speaking of
18 the senior citizens, myself, and for a number of
19 seniors that have contacted me. I feel that a rate
20 increase is not in order at this time. I feel that
21 the top management of First Energy has not been good
22 for the consumers, or for the company, in fact. I
23 feel they have a captive audience. You either have
24 to buy electricity from them, unless you can afford a
25 windmill or some of these other alternate sources or

1 your own generator. The service has gone down, the
2 cost of everything has gone up, the quality of the
3 electricity received is not -- it's dirtier than it
4 used to be and if you have any electronic equipment
5 and so forth you know that. I feel that they have to
6 quit advertising, they have a captive audience, they
7 have to get rid of the PR people, the advertising
8 people, and so forth; maybe in the newspapers and the
9 t.v. and the radio stations will not appreciate that,
10 but I think they have to look at the facts. I am
11 very upset that when there is a power outage you call
12 and you get some type of an electronic device telling
13 you what you already know, that the electricity is
14 out. If you're a patient, a person that needs oxygen
15 equipment and so forth, you're trying to get an
16 answer when the electricity may be restored. So if
17 you need to you'd have to drive to some area where
18 you can get power and so forth. I don't think the
19 utility is -- they've closed their office here in
20 town, they've laid off people, they bring people,
21 when there is an outage they bring people from
22 various other states in and so forth. The service
23 has gone down, the cost has gone up, and I think
24 industry recognizes this, this cost, the school
25 system, the gentlemen ahead of me said, from Lorain

1 School Systems, I think top management better change
2 and they better get up to date. Thank you.

3 MS. BOJKO: Sue Collar.

4 MS. COLLAR: Pass.

5 MS. BOJKO: Laura Rieley, Wiley,
6 Lilly?

7 MS. LILLY: Lilly. I pass.

8 MS. BOJKO: All right. Herman
9 Robinson.

10 MS. BOJKO: Do you solemnly swear
11 that the testimony you're about to give is the truth,
12 the whole truth, and nothing but the truth?

13 MR. ROBINSON: I do. My name is
14 Herman Robinson. I am with the Acorn Ministry and I
15 guess I'm speaking on behalf of myself, my family, as
16 well as the constituency, what the Acorn Ministry
17 represents, as well as the constituency that we work
18 for in trying to serve as a board member of Serving
19 Our Seniors here in Erie County. What I'm basically
20 coming here for four, I guess four categories of
21 interests: No. 1 is education, because, you know,
22 when I look at the fact that the cost of living is
23 going up, the jobs are going down, that, that we have
24 an aging population, that there are health issues
25 that are connected with utilities. There's a lot of

1 people, like Mr. Ginty just said, there's a lot of
2 people that depends on the utilities for some of
3 their medical equipment and safety equipment around
4 their house and this kind of thing. So I really
5 wanted to see, what I was anticipating on seeing what
6 kind of argument that the utility company had to
7 justify a rate increase. I'm looking at a bill here,
8 and if we're just talking about the delivery, this is
9 one particular bill I'm looking at, the delivery part
10 of the bill represents around 12 percent. And we
11 know that as far as, as far as the company goes in
12 terms of, in terms of justification, I'm like a lot
13 of other people here, I don't know how you can
14 justify a rate increase when their earnings is over
15 6 billion plus. In terms of this family of fours,
16 served this family of fours the last four to five
17 years the growth rate of First Energy stock has been
18 almost 22 percent, which is tops in utilities as far
19 as family of fours. I guess from the stand point of
20 disclosure also, I'm a shareholder for First Energy
21 and I'm really satisfied with making 22 percent over
22 the last five years. I wish I had more money to put
23 in it because I think it's a good company. It's one
24 of those companies that can put in less and get more
25 out of it, that's something I haven't been able to

1 do. Just like Mr. Ginty said, you got less service,
2 less service, the people that work in the company go
3 further away from the source of delivery, but it
4 still can keep getting greater profits and just
5 everything. I just think we need to help us with
6 that, with that job supervision as it were to help
7 justify that. Maybe we need to commit -- First
8 Energy needs to commit to being a little bit more
9 competitive and I guess, since they want to, they
10 want to bring in a rate increase through the gateway
11 of the delivery system, which basically it sounds
12 like you're talking about the copper wire or
13 something that's costing a little bit more. I guess
14 you can pick whatever you want to pick to bring it
15 in, but the bottom line is, when it gets to peoples'
16 houses people don't have the options to pay for the
17 delivery or to pay for some other part, some part of
18 the bill or some category of the bill. If they can
19 make up some kind of formula where the general public
20 could just pay for the delivery and that wouldn't
21 have any problems with terms of interrupting the
22 service, then I think that, I think we may be on --
23 we may be on to something. But I think most people
24 when they get a bill they have to pay the whole bill
25 or risk service disruption. So I would be really

1 interested to know what the company could do to be
2 more competitive and also to realize the fact that
3 the whole country is going through. I mean, we just,
4 we don't got faster earnings and we don't got a --
5 with the mortgage situation, I mean, I know these
6 guys make a lot of money, but they don't live that
7 far away from everybody. So I think the leaders, the
8 members of the Board of Directors of First Energy
9 should really roll your sleeves up and go back and
10 see if they can't be a little bit more creative in
11 terms of keeping that stock share up. And they're
12 doing a great job on that though. Thank you.

13 MS. BOJKO: Jude Theibert, is that
14 right? Raise your right hand. Do you swear that the
15 testimony you're about to give is the truth, the
16 whole truth and nothing but the truth?

17 MR. THEIBERT: I do. It's Jude
18 T-H-E-I-B-E-R-T, 4118 Greenfield Drive, Sandusky,
19 Ohio. And I'm President of the Condo Association.
20 And it's an all electric unit, 182 units. I came
21 here to talk about a greater problem than this
22 particular rate increase. And I know that you've
23 tried in the beginning to not let us talk about other
24 things, but I know that you sat through a lot of
25 these anyway. So I'm going to take this opportunity

1 to talk to you people about our more important
2 problem that has to do with rate increase. At the
3 end of 2009 there won't even be rate increase
4 meetings like this where you have a chance to input.
5 Because at that time, if this law continues into
6 effect, First Energy becomes unregulated and they
7 don't have to come before this Commission for rate
8 increases, for any part of it, and that to me is a
9 far greater problem than what we're here about
10 today. So I want to talk today, even though I know
11 that's not the purpose of this particular meeting.

12 But 10 years ago we embarked on deregulating
13 the electricity market and two things were supposed
14 to happen in those 10 years. One, First Energy was
15 supposed to present themselves as a distribution
16 company, the distribution lines, and make it a
17 completely separate company and it was never done.
18 They made it a wholly owned subsidiary of
19 themselves. And so when they, even underneath that
20 system, when they go to rate increases, it's like one
21 of their companies demanding an increase for the rest
22 of their companies. And that part of the plan was
23 not implemented and I think maybe for two reasons;
24 one, I suspect that First Energy thought at the end
25 of 10 years they wouldn't become unregulated and they

1 didn't want to, at that time, have their distribution
2 system sold off and then not have control over it,
3 but that's only an opinion on my side. But the fact
4 of the matter is, that by not having that
5 distribution separate it makes it difficult. It was
6 envisioned that any electric company might offer
7 services to us using that distribution system, but
8 that's not going to happen and it doesn't happen.
9 You know, if you can find some other company to put
10 electricity through your unit, I'd liked to know how
11 you did it. So anyway,
12 I am encouraging people to look up those two bills
13 she's talking about and talk to your Ohio Legislature
14 about what's going to happen in 2009, when we won't
15 even have a chance to talk about a rate increase.

16 Second, I'd like to talk about the market
17 underneath that plan. I'm a great believer in free
18 enterprise and in free market competition systems.
19 Professionally at sometime I worked in the Soviet
20 Area of Relations for our country and -- during the
21 Cold War -- and I'm not a great believer in
22 government controlling our markets, any part of our
23 markets. I'm a believer in free enterprise, I'm a
24 believer in the most efficiency you get through that
25 system and the best prices you get through that

1 system. But I'm also opposed to monopolies. And if
2 you don't have a competitive market you don't get the
3 efficiencies or the cost that we're looking for. And
4 I don't think any market exists. We spent 10 years
5 trying to create a market, but where is it?

6 And so what's going to happen here in the
7 next year is First Energy is going to say, "Hey,
8 we're no longer regulated by you and we can do our
9 own rates based on the market, but there's no market
10 there. So unless something gets done, you're going
11 to see bigger increases than this 10 or 15 percent
12 that they're asking for. And so you better start
13 asking on that. Secondly, the side issue of my condo
14 area, we're all electric units and somebody already
15 mentioned the electric company, you know, struck a
16 deal to a lot of communities to build all electric
17 units, and the idea was that they gave them a
18 discount on rates, whatever they are, whether it was
19 produced by them or by the market or what have you.
20 And they have now changed the rule, that if you sell
21 your unit the new buyer doesn't get that rate
22 increase. Now, what does that do to the current
23 buyer? First of all, it depreciates the value of
24 their home. And in our area, if we took the average
25 rate and it increased 5 or 15, or 5 or 10 percent

1 because of that increased cost of electricity that
2 would be about a 1.5 to 3.3 million drop in home
3 values, which also means they drop in taxes to the
4 county and the local community. And so my feeling is
5 that what they've done -- to me they have a moral and
6 ethical obligation to keep that discount, no matter
7 who owns the home, because what they did is they
8 created something like the cigarette companies do.
9 They've created, people that were dependent on it to
10 build a home with no gas lines, no place to put in
11 different kinds of heat, and that house is now
12 dependent upon the electricity companies. They did
13 it for a discount and now that discount is gone.

14 So on this particular rate increase, I would
15 kind of question, I haven't looked into it
16 particularly, but I would kind of question, because
17 it's by their distribution system, asking for an
18 increase on their distribution system. But I would
19 have to rely on the staff to do what they've always
20 done on the regulation; that they have to look at a
21 request, look at a decent profit, look at the cost
22 and try to represent us to come up with a reasonable
23 charge for whatever those rates increases are going
24 to be. I don't know whether this one is good, bad,
25 or indifferent, I know its high. But what I'm

1 arguing for is to keep the system. In our country,
2 on our free enterprise system. We know when we don't
3 have a market, our solution is to put regulatory
4 commissions in place to control that market. And
5 it's been a fair system over the years; they put in
6 enough profits so that they can get investors, they
7 can get capital, to do what they have to do. And
8 what I'm saying is that's just how to continue. And
9 these kind of rate increases ought to be considered
10 like this, they should always exist. So even though
11 I'm off the subject, I encourage you to take what
12 I've said to heart, do some research and get ahold of
13 your State Representative and Congressman to make, to
14 make sure things get turned around before 2009/2010
15 come here. Thank you.

16 MS. BOJKO: Robert Johnson.

17 MR. JOHNSON: I'll pass.

18 MS. BOJKO: Something Anderson. I
19 can't read your first name.

20 MR. ANDERSON: Everything has been
21 said, nothing else. I'll pass.

22 MS. BOJKO: Marge or Mard
23 Gargolinski.

24 MS. GOGOLEWSKI: She really messed that
25 up, didn't she?

1 MS. BOJKO: I'm sorry. You have to
2 take into consideration peoples' handwritings and
3 stuff.

4 MS. GOGOLEWSKI: That's okay, everybody
5 does. I don't have very good handwriting.

6 MS. BOJKO: What is your name?

7 MS. GOGOLEWSKI: Mara Gogolewski.

8 MS. BOJKO: M-A-R-A.

9 MS. GOGOLEWSKI: M-A-R-A, the last name
10 is G-O-G-O-L-E-W-S-K-I.

11 MS. BOJKO: Please raise your right
12 hand. Do you solemnly swear that the testimony
13 you're about to give is the truth, the whole truth,
14 and nothing but the truth?

15 MS. GOGOLEWSKI: Yes, I do.

16 MS. BOJKO: Okay.

17 MS. GOGOLEWSKI: My name is Mara
18 Gogolewski; I live in Huron, Ohio, 519 Liberty
19 Drive. And I am here as a private citizen speaking
20 more on a personal note. My first question is, why
21 every time one of these big companies say, "We need
22 more money, where do we get it?" I don't know about
23 anybody else in this room, but I see no money trees
24 around here anywhere. Nowhere. When the schools
25 want more money they come to us. When the gas

1 companies want more money they come to us. When
2 anybody wants more money they come to us. Water has
3 gone up, sewer has gone up. Food to eat has gone
4 up. Everything has gone up. I live on a limited
5 income. Who can afford it? This jobs -- this area
6 has no jobs. I am out of a job right now, so my
7 income is very limited. If they raise the rates for
8 like, take for example, the -- if they want to charge
9 7 cents an hour or 10 cents an hour for a kilowatt
10 hour of electricity and it's cheaper somewhere else,
11 do you think the industry is going to come here?
12 No. They're going to try and save money, just like
13 us.

14 Most of us are stuck here because of whatever
15 reasons. Now, I know of people and it's getting that
16 way with me, too, you have to decide, do I pay the
17 mortgage? Do I put gas in the car? Do I eat? Do I
18 take my medicine I need to live? What do I do?
19 Pretty soon we're all going to be out living in
20 cardboard boxes on the street. We won't be using any
21 electricity, nothing, and then all the companies that
22 are saying, "Oh, poor us, we need more money." You
23 don't have any money, because we don't have it to
24 give to you. I mean, it's like the old saying goes:
25 Well, go to the library and find ways to save money.

1 I'm going to tell the electric company the same
2 thing, go to the library and look in books, ways to
3 save money. Use cheaper cleaners, use cheaper this,
4 use cheaper that; we're told that all the time. The
5 same way with schools and everything else. Pay your
6 teachers less, pay this less, pay that less. With
7 the jobs here are \$7.00 an hour, if that. Well,
8 excuse me, it has to be that because the minimum wage
9 has gone up, but do you think we can live on \$7.00 an
10 hour? No. It's very, very difficult with everything
11 going up and like I think Mr. Ginty said, when your
12 electric goes out and you call, you don't speak to a
13 person. You get an automated system that tells you,
14 "Yes, your electric is out; it will be fixed in an
15 hour or two." What are you supposed to do in the
16 meantime? If you have medical problems especially,
17 what are you supposed to do? So I, like everybody
18 else I've heard speak, the service we get for what we
19 pay for stinks. And I'm glad to see this room full,
20 because somebody has to do something about it and
21 we're the ones that have to stand up and do something
22 about it. Thank you.

23 MS. BOJKO:

Michael McLaughlin.

24 Please raise your right hand. Do you solemnly swear
25 that the testimony you're about to give is the truth,

1 the whole truth, and nothing but the truth?

2 MR. McLAUGHLIN: Yes.

3 MS. BOJKO: Okay.

4 MR. McLAUGHLIN: I'm Mike McLaughlin,
5 I'm the plant controller representing Commercial
6 Vehicle Group in Norwalk, Ohio. Our Norwalk facility
7 produces heavy duty truck cab structures, employs
8 approximately 234 local residents. I appreciate the
9 opportunity to address the Ohio Public Utilities
10 Commission today and let you know that we oppose this
11 electrical rate increase that is proposed by Ohio
12 Edison. Our plant was the benefit of a special
13 arrangement, economic development initiative back in
14 the mid 90's, and at the end of 2007 that initiative
15 expired. That particular arrangement saved us about
16 4 percent on our electric bill per year. Now we
17 learn that Ohio Edison is proposing to further raise
18 our energy rights on top of the absorbed increase at
19 the end of 2007. We don't understand the need for
20 this double increase to our plant. We believe that
21 in the long term such an increase will have a
22 negative impact on the competitiveness of our
23 business and businesses and the other geographical
24 plants in the area. Like all manufacturers, we at
25 CVG are under constant competitive pressure to reduce

1 costs. Also, like many others in the heavy truck and
2 automotive manufacturing sectors, we are asked to
3 provide annual price reductions for customers. In
4 our highly competitive industry we must comply with
5 these contractual requirements or risk losing
6 business with our customer base. Due to that
7 pressure we are constantly striving to find new
8 creative ways to remain competitive through multiple
9 means of reducing costs of labor, raw materials,
10 services, supplies, anywhere we can get reductions.
11 Actions we have taken to reduce utility costs at our
12 Norwalk Plant include maintenance, capital
13 improvements to our operations. Our position is that
14 the power suppliers, including Ohio Edison, need to
15 also drive down costs, not simply pass them on to
16 their customers. CVG recently opened a second
17 facility in Norwalk and we want to be a long-term
18 part of this community. We are requesting that this
19 rate increase be denied and that Ohio Edison join us
20 as partners to keep Ohio and its businesses
21 competitive. Thank you.

22 MS. BOJKO: Thank you. Ed Windau.

23 MR. WINDAU: My name is Ed Windau.

24 MS. BOJKO: Do you solemnly swear

25 that the testimony you're about to give is the truth,

1 the whole truth, and nothing but the good truth?

2 MR. WINDAU: My name is Ed Windau;
3 I'm the owner of Windau Heating in Sandusky. I'd
4 like to just take an opportunity to address a couple
5 issues that affect my customers and myself
6 personally. Back in the 80's when it was competition
7 between the gas company and the electric company, the
8 electric company marketers put out the all electric
9 rate and people, my customers and builders and
10 developers, listened to their motion and based on
11 that made a business decision to go to all electric.
12 And the deal was that it was a discounted rate for
13 all electric rate customer users, and a lot of the
14 condos took that opportunity and now that rate, that
15 promise has been pulled out from underneath them.
16 And they actually had an advertisement out that said,
17 "The All Electric Rate Will Never Go Away And
18 Probably Will Come Down." Okay. And now we find out
19 that the all electric rate is going away and it is a
20 way for anybody building a new home. And they're
21 pulling the rug out from people selling their homes,
22 and it's my understanding that soon it's going to
23 pull away from the people that maintain their homes
24 on the all electric rate. That's not a good business
25 practice, it's not honest.

1 Also I'd like to address the cost of energy
2 in Ohio. All the adjoining states around us, other
3 than Michigan and Pennsylvania, have lower rates,
4 considerably lower rates. And if you take that
5 thinking that just First Energy is the one that's
6 driving the rates up, actually there are a lot of
7 munies in the state that are pulling us down to keep
8 us not so high in relationship to the other states.
9 If it was just First Energy we would even be higher
10 than what we are now. So it's not good for the
11 building businesses, it's not good for the heating
12 business, it's not good for the manufacturing
13 business, it's just not good for anybody. I
14 appreciate the opportunity to address the Commission
15 and I really hopefully, sincerely hope that the PUCO
16 represents the public in this issue. Thank you.

17 MS. BOJKO: Thank you. Bill
18 Waldock. Do you solemnly swear that the testimony
19 you're about to give is the truth, the whole truth,
20 and nothing but the truth?

21 MR. WALDOCK: I do. My name is Bill
22 Waldock, I'm a Sandusky native, I've lived here all
23 my life. My son and I control, with the banks, about
24 800 apartments in Sandusky; I'm here to represent the
25 people who live in those apartments. Now, Sandusky

1 is in a blighted area the last three or four years
2 and we are having a hard time even renting apartments
3 at less than we did a couple years ago. But the big
4 thing is these people would like to work hard, but a
5 lot of them don't even have jobs, so I don't see how
6 this electric, Ohio Edison can try to get an
7 increase, like they are, for our area. And I vote no
8 and I vote for a lot of people. Thank you.

9 MS. BOJKO: Ron Urig.

10 MR. URIG: Pass.

11 MS. BOJKO: Sorry if I mispronounce
12 it, Irig, Urig, Avondale Street. Dennis Murray. Do
13 you swear that the testimony you're about to give is
14 the truth, the whole truth, and nothing but the
15 truth?

16 MR. MURRAY: I do. My name is
17 Dennis Murray; I live at 2035 Cedar Point Road. I'm
18 here in two capacities: One, as a business owner and
19 a homeowner; and the secondly, as a representative of
20 our community, as I'm also a Sandusky City
21 Commissioner. Two preliminary things: First, I want
22 to say it's unfortunate that we have to gather for
23 something like this on what should otherwise be a day
24 of celebration, St. Patrick's Day. Secondly, is I
25 want to say I'm very sorry I forgot to wear my green

1 today, but I've already been ostracized by my office,
2 so you don't need to file up. The second thing is, I
3 want to say I agree with so many of the remarks that
4 have been already offered this afternoon, but
5 especially to the Thieberts. You're spot on with
6 your comments about the need to maintain a monopoly
7 as a regulated entity.

8 In a free market system we ordinarily should
9 be getting what we pay for, but we've been getting
10 less and paying more. And I can tell you, as a
11 business owner, we have spent tens of thousands of
12 dollars since we moved into our current location in
13 terms of replacing equipment that's been damaged by
14 power spikes, in terms of adding additional
15 conditioning equipment that we should not have to pay
16 for for those computers and our heating and air
17 conditioning systems, and in terms of lost
18 productivity. We've taken all those steps, yet we
19 still have to pay all of our employees when the
20 computers go down in the mornings and they have gone
21 down overnight and we need to reboot all of them, and
22 those things all add up into significant dollars. So
23 when we talk about an additional increase for the
24 distribution system, my perspective is we've already
25 been paying for that quite a bit, and paying and

1 being asked to pay for it now is inappropriate.

2 The second observation is that Erie County
3 currently already has an unemployment rate of over 8
4 percent. We have in this community of the various
5 businesses and the governments have joined together
6 and paid for a Target Industry Study by Andrew
7 Economics. It's been reported in the newspaper, I'm
8 sure a lot of you in this room are so concerned about
9 it, you've read it, it's on line at the GEM website,
10 and if you haven't seen it I suggest that you take a
11 look at it, because one of the major impediments, in
12 fact, I think the most serious impediment to the area
13 in terms of being able to go, is the fact that we pay
14 very high utility rates compared to electricity
15 rates, compared to other parts of the country. That
16 is really holding us down from moving forward. As so
17 many people have indicated, we have significant
18 unemployment in the area, we have people who want to
19 go to work. We need to be able to have competitive
20 energy rates in order to be able to attract business
21 to this area. And if the Commission is going to
22 accept an exhibit as part of this record, I'd like to
23 offer this. Should I offer it to the court
24 reporter?

25 MS. BOJKO: Yes. We will accept it

1 as an exhibit attached to the transcript.

2 MR. MURRAY: Thank you. Last year
3 First Energy had a very great year, as Reverend
4 Robinson indicated and it's been a very good
5 investment and I wish I'd followed your lead, but I
6 didn't. On revenues of 1.25 billion, First Energy
7 made 1.3 million dollars in profit just last year. I
8 think the request that they make more, and especially
9 the request that they make more by charging the
10 schools more is unconscionable and should be
11 rejected, and I urge the rate increase to be denied
12 in it's entirety. Thank you.

13 MS. BOJKO: Barbara Herp -- Herb?

14 MS. BOJKO: Please raise your right
15 hand. Do you solemnly swear that the testimony
16 you're about to give is the truth, the whole truth,
17 and nothing but the truth?

18 MS. HERB: Yes, ma'am. My name is
19 Barbara Herb; I live at 1104 West Madison Street in
20 Sandusky. Recently I had my neighbor pass away,
21 which has been very devastating, but this lady lived
22 on \$800 a month. She didn't buy any meat because she
23 didn't have the money to buy it. If the doctor or
24 Sue Daughterty didn't get her medication, she didn't
25 have her medication. I would buy meat and share it

1 with her. We did get an increase in our Social
2 Security, but then they also increased our Medicare
3 payments and we reached the point that some people
4 didn't get as much as \$12 increase in their income.
5 I am very much against this increase. The one
6 gentlemen talked about repairs. A few years ago my
7 husband and I kept having light bulbs blow out and we
8 couldn't figure out what it was. The one night I
9 turned the microwave on and when I did it was just a
10 glow and I immediately turned it off. I went in the
11 living room and got him and he came out and he said
12 there's something wrong. So we called Ohio Edison;
13 they came out and they said -- I don't understand
14 this, but my version was, I kept saying, "We have too
15 much electricity in our house." So they put this
16 meter on and the meter went way up, I think it was in
17 the one -- almost 140's. So they said, well, they
18 would go out on Perkins Avenue and they would fix
19 it. Well, that solved the problem for about two
20 weeks; the next thing we know light bulbs are
21 blowing. We called them back. They come back and
22 said, "Something is wrong." Well, finally we raise
23 enough ruckus that they called in somebody from
24 Akron. The man come up, and before he got there we
25 had a short-to-ground, is what they told us. We lost

1 our refrigerator, transformers, and everything, our
2 door bell, everything that was plugged in when that
3 thing hit, we lost. We asked them if they were going
4 to pay for it. No, that's an act of God, you have to
5 pay for it out of your pocket or your insurance. My
6 neighbors lost their refrigerators. One lady had a
7 radio on her kitchen counter and it blew up. I just
8 feel that this rate increase is not fair. But when
9 the man from Akron came back he said, "Well, you're
10 on the line to Perkins Avenue; we are going to
11 transfer your line to the Bay Area." Wherever that
12 is, I don't know. So they changed it and then we
13 didn't have anymore trouble. But when the man said
14 about the repairs, I felt that transformer made a
15 short-to-ground; their insurance should have paid for
16 our repairs, instead of us having to pay for it out
17 of our pocket, because we had like a \$500
18 deductible. So I thank you and I really hope that
19 you don't do this to we senior citizens. Thank you.

20 MS. BOJKO: Sue Lesch. Please
21 raise your right hand. Do you swear that the
22 testimony you're going to give is the truth, the
23 whole truth, and nothing but the truth?

24 MS. LESCH: My name is Sue Lesch
25 and I'm the Mayor of the City of Norwalk, Ohio, and I

1 share the concerns so many have addressed here with
2 senior citizens on fixed incomes and those who
3 struggle with jobs and those who are unemployed.
4 Certainly there are many of us that are very
5 concerned about this increase. But today I'd like to
6 address one concern in particular, and that is the
7 impact that these rate increases are going to have on
8 our manufacturers. Anyone who's paid attention to
9 Ohio knows how hard is it is for us to keep
10 manufacturers. And this is something as Mayor of the
11 city that I work on a lot, is to try to attract and
12 keep our manufacturers here. I'm telling you that I
13 am very concerned about what this cost increase will
14 do because our manufacturers are hurting already.
15 We already have many issues with the quality of
16 power, with the quantity of power, we've had
17 questions about would we have enough power if we
18 bought a certain manufacturer in and could we get it,
19 then told it would take a couple years to get that,
20 the quantity of power that we need. But the cost
21 factor is huge for us. Just in the last four months
22 we have worked hard to attract three manufacturers to
23 town and what they've told us is the -- one of the
24 factors keeping them out of Ohio is the cost of our
25 power. We have a manufacturer in town that has a

1 number of locations across the nation and already
2 without the increase, Ohio Edison's cost is
3 22.4 percent higher than North Carolina's, 40.9
4 percent higher than the state of Mississippi, and
5 32.9 percent higher than the state of Tennessee. I
6 don't know how we continue to compete if this
7 increase is allowed to go through. This is not a
8 dire prediction, this is a reality of what we are
9 seeing today. I think most of us who live and love
10 this state are concerned that we see a state that's
11 nearly on it's knees. What I ask you to do, PUCO, is
12 to stand with us as a community, as business, as
13 public officials, stand with us and ask, insist that
14 Ohio Edison do what's best for the whole state as a
15 whole. Thank you.

16 MS. BOJKO: Bethany Dentler --
17 Dentley.

18 MS. DENTLER: Dentler.

19 MS. BOJKO: Raise your right hand.
20 Do you swear the testimony you're about to give is
21 the truth, the whole truth, and nothing but the
22 truth?

23 MS. DENTLER: Yes. Bethany Dentler,
24 10 West Main Street in Norwalk, Ohio. I serve as
25 Norwalk's Economic Development Director and I'm very

1 concerned about the proposed rate increases. Over
2 the last decade the City of Norwalk, as indeed most
3 of Ohio, has suffered a great deal from the loss of
4 particularly manufacturing jobs. I've personally
5 spoken with quite a number of our remaining
6 manufacturers in the area and I'm repeatedly told how
7 Ohio Edison's electric rates make it difficult to
8 operate in our state, and as the Mayor of Norwalk
9 just said, to compete with our surrounding states.
10 These proposed increases will be most damaging to our
11 efforts to keep manufacturers in the State of Ohio.
12 Besides the issue of rates, our local economic
13 development team, which includes a number of
14 dedicated city officials, have heard on a number of
15 occasions that manufacturers do have trouble
16 obtaining the quantity and quality of power they need
17 to sustain their operations. While Ohio Edison's
18 local economic development team, and there are a
19 couple here in the room today, they're more than
20 willing and have been very helpful in meeting and
21 listening to those concerns, but even their hands are
22 tied when it comes to the issue of rates. In these
23 difficult economic times it's critical for all of us
24 to work together to keep our state competitive. This
25 includes our local governments, our businesses, our

1 utilities, along with our partners at the state
2 level. Otherwise we're certain that these
3 manufacturers and large utility users will no longer
4 choose to do business in Ohio. To the Public Utility
5 Commission, I thank you in advance for considering
6 these very real concerns that you make decisions that
7 seriously impact the economic future of Ohio's
8 communities.

9 MS. BOJKO: Sue Daughterty.

10 MS. DAUGHTERTY: Director of Serving Our
11 Seniors in Sandusky and also a resident of 1016 Third
12 Street.

13 MS. BOJKO: Please raise your right
14 hand. Do you solemnly swear that the testimony
15 you're about to give is the truth, the whole truth,
16 and nothing but the truth?

17 MS. DAUGHTERTY: I do. To the PUCO
18 Commission, I'm here on behalf of the people living
19 in Erie County age 60 and older, and also I'm here to
20 represent myself as a resident of the city of
21 Sandusky. As a geriatric social service, I can tell
22 you just in from October through the month of
23 December we subsidized 10 older adults who have
24 already applied for Percentage of Income Payment
25 Plan, the Home Health, the Home Heating Energy

1 Assistance Program, and when that assistance has been
2 inadequate for those older people to afford their
3 utilities, then Serving Our Seniors stepped in and
4 filled the gap and paid for the portion of that
5 utility that was not affordable for that older
6 person. If the electric utility costs increase, of
7 those 10 individuals, 5 of them were electric
8 consumers. When we looked at last year's subsidies
9 of older people who could not afford their utilities,
10 we had 43 utilities and we were the third source of
11 subsidy for most of those individuals. Half of them
12 were electric consumers. And if the price is
13 increased I can tell you that our ability to continue
14 to assist and subsidize more older adults who cannot
15 afford to keep an adequate and a healthy temperature
16 in their home is beyond our ability to accommodate.
17 As a resident who is extremely conservative and
18 extremely interested in using the least amount of
19 energy possible, I don't know what this room can say
20 to you as the Commission, but I can tell you that it
21 is just not people who are 60 and older. And
22 unfortunately people in my age group do have to work
23 and are not able to give the fair representation, but
24 this is as much a concern for young adults and middle
25 aged adults, as it is for older people. And with our

1 economy I want to echo the sentiments that have
2 already been expressed. Where is First Energy and
3 where is Ohio Edison going to get its customer base
4 if its customers have no income to pay the bill? And
5 the one thing to make our state and our region
6 attractive for jobs and business is to make us an
7 attractive community that is inviting for business.

8 It is my sincere hope that the PUCO is aware
9 that many consumers feel like the PUCO is not in tune
10 with its customers, and I'm not alone when I say
11 that. Of many people that have taken the interest in
12 understanding the issues associated with energy, the
13 individuals that I talk with feel that the PUCO is an
14 advocate of the energy industry. And I'm thrilled to
15 see the room is full as it is today, because I can
16 tell you, through our agency, to get a room this
17 packed usually takes three mailings and two sources
18 of phone calls to say "Remember to come to this
19 meeting." And I can see people here today are here
20 because you've read an announcement in the news, and
21 so please, that speaks volumes for how serious of a
22 problem this is. And we're asking for the PUCO to
23 please be an advocate for the consumer; do not allow
24 for this increase.

25 MS. BOJKO:

Roger Kinney. Please

1 raise your right hand. Do you swear the testimony
2 you're about to give is the truth, the whole truth,
3 and nothing but the truth?

4 MR. KINNEY: Yes, I do. I'm Roger
5 Kinney; I live in Sandusky, Ohio. I, too, am a whole
6 house electric user, it's the only utility that I
7 have. I oppose this regulation or this rate increase
8 that they want to put upon us. I feel it's not
9 justified. I also feel that, from what I understand,
10 we already have the highest rates in the State of
11 Ohio that we're already paying, so I don't see why we
12 need to be anymore than, you know, we already are.
13 Secondly, I back the issues that people are
14 supporting that we need affordable utilities to
15 maintain the industry that we have and to also bring
16 new interested industry into our state. And,
17 thirdly, I cannot personally afford an increase; I'm
18 on a fixed income, and second of that, is that the
19 schools are going to have pass it, should it pass,
20 and I don't feel that I can afford anymore property
21 taxes. So I oppose this suggested increase and let's
22 back up all the people here. Thank you.

23 MS. BOJKO: Tommy Aylward.

24 MR. AYLWARD: Tommy Aylward.

25 MS. BOJKO: Please raise your right

1 hand. Do you swear that the testimony you're about
2 to give will be the truth, the whole truth, and
3 nothing but the truth?

4 MR. AYLWARD: I do. My name is Tom
5 Aylward, I live at 3722 Shady Lane, Sandusky, Ohio.
6 I want to thank you for allowing me to speak this
7 afternoon. I'm here as a private individual, but I
8 have been a business man in this area for many
9 years. As a business man I look at the total cost of
10 electricity. It doesn't matter to me whether you
11 call it a delivery charge or a consumption charge,
12 it's the total cost, especially when all these
13 charges are coming from the same company, First
14 Energy. The fact of the matter is, is First
15 Energy/Ohio Edison electrical charges are highest in
16 the State of Ohio. PUCO's Website shows direct power
17 comparisons to the major cities in the State of
18 Ohio. Columbus rates are typical of other rates in
19 the state; Columbus is supplied by AEP, an
20 independent company. The comparison of rates, for
21 residential rates, show that Ohio Edison rates are 20
22 percent higher than Columbus, commercial and
23 industrial rates are even higher, the differences.
24 No wonder northern Ohio is losing business. Allowing
25 First Energy to further increase the rates just makes

1 the problem worse. In order for our economy to
2 survive, the emphasis, emphasis has to be on reducing
3 rates, not increasing them. PUCO should not allow
4 First Energy/Ohio Edison to subsidize their
5 inefficiencies by raising rates. In today's free
6 market economy all the increase does is to drive jobs
7 to lower cost areas. Northern Ohio needs PUCO's help
8 to remain competitive. A proposed rate increase is
9 counterproductive and should be denied. Thank you.

10 MS. BOJKO: That concludes my
11 list. Is there somebody in the audience that did not
12 sign up that would still like the opportunity to
13 testify today, or if anybody passed that would like
14 to now testify? Seeing -- yes, sir.

15 MR. CHAMBERLAIN: Thank you. My name is
16 Ralph Chamberlain, I live at 4215 Creekside Circle in
17 Sandusky. I'm the Executive Director for Erie
18 Metropolitan Housing Authority and we operate the
19 Erie Senior Center as well.

20 MS. BOJKO: Would you spell your
21 last name?

22 MR. CHAMBERLAIN: Chamberlain,
23 C-H-A-M-B-E-R-L-A-I-N.

24 MS. BOJKO: Would you please raise
25 your right hand? Do you swear the testimony you're

1 about to give is the truth, the whole truth, and
2 nothing but the truth?

3 MR. CHAMBERLAIN: I do.

4 MS. BOJKO: Please proceed.

5 MR. CHAMBERLAIN: As I mentioned, I
6 represent the Erie Metro Housing Authority and the
7 Erie County Senior Center. We subsidized rental
8 assistance to over 1,200 low income families in Erie
9 County and also provide nutritional and recreational,
10 additional social services to the seniors at the Erie
11 County Senior Center. On behalf of these people I
12 would oppose the increase, because we are already
13 subsidizing rent and meals to the people.

14 MS. BOJKO: Speak into the mike,
15 please.

16 MR. CHAMBERLAIN: I'm sorry. We have
17 1,200 families that we provide subsidy to for housing
18 and we also provide assistance to seniors through the
19 Erie County Senior Center to hundreds of seniors, and
20 the increase would be a detrimental effect on all of
21 those residents. Thank you for your time.

22 MS. BOJKO: Thank you. Anybody
23 else that would like to testify at this time? Seeing
24 none, that concludes the hearing for this day --

25 MR. JACOBS: I want to --

1 MS. BOJKO: Oh, I'm sorry. I
2 thought you were getting up to leave.

3 MR. JACOBS: Not yet.

4 MS. BOJKO: Would you please state
5 your name, spell your last name and your address for
6 the record?

7 MR. JACOBS: My name is John Jacobs,
8 I spell that J-A-C-O-B-S. My address is 1125
9 Marlboro Street, Sandusky, Ohio.

10 MS. BOJKO: Would you please raise
11 your right hand? Do you swear that the testimony you
12 are about to give is the truth, the whole truth, and
13 nothing but the truth?

14 MR. JACOBS: Yes.

15 MS. BOJKO: Thank you. Please
16 proceed.

17 MR. JACOBS: Yes. The main
18 probably, I want to thank Dennis for coming up here,
19 but from what my standpoint I'm a retiree; I worked
20 at Delphi for 37 years. I'm a member of the Acorn
21 Ministry, I'm a volunteer ombudsman and when I'm
22 here, I've been around a lot of people, but I'm
23 affected just like everyone here, but what my thing
24 is, is I think the bottom line is is greed, is
25 corporate greed, okay? It's the board room, the

1 lobbyists, they think of ways to perpetuate what
2 they're doing, and the bottom line when they say it's
3 not about the money, it's about the money. They've
4 got the investments overseas, the stock market is
5 falling, but the bottom line, we want to get to the
6 bottom line so that they can continue to get the
7 money. There's only so much you can get. The money
8 you can get is like getting blood out of a rock and
9 all of us on a fixed income, and it's like the baby
10 boomers are being targeted, the people that's in the
11 -- the reality of it being, being more or less, it's
12 insensitivity towards the homeowners and the people
13 of Sandusky. And basically they're out of touch, and
14 we don't know the lack of corporate, the people that
15 have mission statements. So I don't know if this is
16 a facade or, because a lot of times we come here and
17 we have a meeting here and then you will write that,
18 check that off, but I had a meeting here with the
19 people who usually go back and don't do anything
20 about it, because we had -- that's the same thing we
21 got in the mail saying, we regretfully say, well
22 thank you for coming to the meeting, but we're still
23 going to go up on the prices anyway. So my thing is,
24 are we here just put on a front or are we here to do
25 something about this? And I think for us we don't

1 have the pow -- we don't have the money or we have
2 the people, the people we need -- we got to step up
3 in the powers and the people, because we don't have
4 the money to compete with the lobbyists and the
5 people that, that are controlling all of this. And
6 then, like I said, I said this earlier with concern
7 the unfinished, they're doing a great job, they can
8 only do so much. Is we got to hold the politicians
9 accountable, the lawyers accountable, and put their
10 feet to the fire, because otherwise I don't see it go
11 in touch with them and I don't see no sympathy or
12 they care one way or the other. And the people, like
13 I said, the crime is going to go up, the people that
14 die from this, as far as not having the electric on,
15 the gas on, and then, like I said, it's out of line,
16 this corporate greed, okay? And there's a lot of
17 people that are in the office, they have investments
18 also in oil, in electric, in the electric and gas and
19 whatnot. That's why they don't say anything then.
20 Why would you say anything about making money? So
21 the bottom line is, if we're doing this we got to
22 do-- we got to work together on this if you're
23 sincere. In the past I don't know, it's like I don't
24 think you're sincere, but that's just my point of
25 view. I just want to thank you for your time and

1 thanks for allowing me to talk. Thank you.

2 MS. BOJKO: Thank you. Thank you
3 for everyone's testimony today. As I stated before,
4 it is part of the record and it will be available as
5 part of the evidentiary record in this case for the
6 Commissioners to review. And the Commission will
7 make a decision in this case. Thank you.

8 THEREUPON, the hearing was adjourned.

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CERTIFICATE

STATE OF OHIO)
) ss.
 COUNTY OF ERIE)

I, Lori L. Delhees, Stenotype Reporter and Notary Public within and for the State aforesaid, duly commissioned and qualified, do hereby certify that the foregoing, consisting of 59 pages, is a true and complete transcript as taken by me in stenotype and later transcribed under my direction of the proceedings conducted on the 17th day of March. I do further certify that I was personally present in the room during all of the proceedings.

IN WITNESS WHEREOF, I have hereunto set my hand and seal of office at Sandusky, Ohio this 21st day of

April, 2008

Lori L. Delhees

HUNTLEY REPORTING SERVICE
 Lori L. Delhees
 Notary Public
 P. O. Box 1067
 Sandusky, Ohio 44870

My commission expires 11/24/2012

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Page 3

PUBLIC UTILITIES COMMISSION OF OHIO

PUBLIC HEARING

IN RE: APPLICATION OF

THE OHIO EDISON COMPANY

CLEVELAND ELECTRIC ILLUMINATING COMPANY

TOLEDO EDISON COMPANY

CASE NO. 07551ELAIR

07752ELATA

07553ELAAM

07554ELUNC

Wednesday, March 17, 2008

Erie County Commissioner's Office

247 Columbus Avenue

3rd Floor

Sandusky, Ohio

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APPEARANCES:

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Attorney Examiner

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Consumers' CounselArthur E. Korkosz, Esquire
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Akron, OH 44308On behalf of The Applicants
First Energy

MS. BOJKO: The Public Utilities Commission of Ohio has assigned for Public Hearing at this time and place Case No. 07551ELAIR, 07752ELATA, 07553ELAAM, and 07554ELUNC, being captioned in the of the Application of Ohio Edison Company, the Cleveland Electric Illuminating Company, and the Toledo Edison Company for authority to increase rates for distribution service, modify certain accounting practices, and for tariff approval. My name is Kimberly Bojko; I'm the Attorney Examiner that has been assigned to this proceeding. At this time I would like to take appearances of the parties that have intervened in this proceeding. We'll start with the Company.

MR. KORKOSZ: Your Honor, please, on behalf of the Applicants, Arthur E. Korkosz.

MS. BOJKO: And on behalf of the Ohio Consumers Counsel.

MR. REESE: Thank you, Your Honor. On behalf of the residential rate payers of First Energy Companies and the office of the Ohio Consumers Counsel, Janine Milo-Ostrander, I'm Rick Reese.

MS. BOJKO: Are there any other parties to the case present that would like to make

an appearance at this time? Seeing none. At the hearing tonight there are representatives from the Commission Service Monitoring Enforcement Department which were out front at the table, and there are also representatives here from First Energy tonight, or this afternoon, excuse me, as well as the office of the Ohio Consumers Counsel. If you have any questions concerning a utility matter, other than the rate increase proceeding, which is the focus of today's hearing, please see a company representative or the Commissions personnel, or the Consumers Counsel; they are here to assist you. On June 7th, 2007, the Ohio Edison Company, the Toledo Edison Company, and the Cleveland Electric Illuminating Company filed applications with the Public Utilities Commission of Ohio to each increase their electric distribution rate. As part of the rate proceeding the Commission staff prepared and filed a staff report. The Ohio Edison Staff Report looks like this. It was filed on December 4th, 2007 and this staff report summarizes the staff's finding; the staff did an independent review and then they issued this staff report with their findings and recommendations. This staff report can be obtained

1 by visiting the Commission's Website at
 2 www.puco.ohio.gov, or you can also call
 3 1-800-686-PUCO. This is one of 12 local public
 4 hearings that have been scheduled in this case. And
 5 this is only one aspect of the proceeding. As I
 6 discussed earlier, another aspect is the evidentiary
 7 hearing that was held at the Commission's offices in
 8 Columbus, Ohio. That hearing began on January 29th,
 9 2008; it lasted several weeks, and we received either
 10 written testimony or heard oral testimony from
 11 approximately 60 witnesses in the case. The purpose
 12 of that hearing was to allow the companies, the
 13 staff, and any interveners, any parties to the case,
 14 to present witnesses and evidence in support of their
 15 position.

16 The purpose of today's public hearing is to
 17 receive comments from the public regarding First
 18 Energy's proposed rate. We will not be hearing from
 19 the companies tonight, we will not be hearing from
 20 the Commission staff, and we will not be hearing from
 21 the parties. This is your opportunity, the public,
 22 to tell the Commission what you think about First
 23 Energy's proposed application. When you arrived you
 24 were offered an opportunity to sign up to testify.
 25 If you missed that opportunity, please feel free to

1 go back out to the table and sign your name. If you
 2 signed up and you prefer not to testify, that is
 3 fine; when I call your name just say pass and I will
 4 move on to the next witness. I will call the
 5 witnesses in the order that they signed up. Before
 6 you begin your statement I will ask for your name and
 7 address, please spell your last name for the court
 8 reporter, and your testimony will be considered part
 9 of the official record of the case, and it will be
 10 reviewed by the Commissioners before they make their
 11 final decision in this case. And all testimony will
 12 be under oath, and the attorneys for the Company or
 13 any parties may ask you questions about your
 14 statement while you are under oath.

15 Today's hearing is being transcribed by a
 16 court reporter, please speak clearly so that the
 17 court reporter can accurately reflect your comments
 18 of the record. If you have prepared a written
 19 statement it would be helpful for you to provide a
 20 copy to the court reporter, as well as myself. We
 21 appreciate your participation in today's hearing and
 22 we want everyone who wishes to make a public
 23 statement to be able to do so. So we appreciate your
 24 patience and your cooperation as each individual is
 25 allowed to testify.

1 And we'll begin with our first witness. Our
 2 first witness is Mr. Coffman. And I apologize in
 3 advance if I mispronounce your name, I will do the
 4 best that I can.
 5 MR. COFFMAN: John Coffman,
 6 C-O-F-F-M-A-N, 505 South Washington Street, Castalia.
 7 MS. BOJKO: Before you begin,
 8 Mr. Coffman, please raise your right hand. Do you
 9 swear the testimony you're about to give is the
 10 truth, the whole truth, and nothing but the truth?
 11 MR. COFFMAN: I do.
 12 MS. BOJKO: Thank you. You may
 13 begin.
 14 MR. COFFMAN: Hello, my name is John
 15 Coffman; I'm the Treasurer of Lorain City Schools. I
 16 thank the Commission for this opportunity to explain
 17 how this electric rate increase will impact the
 18 children of Lorain. As a point of reference, Lorain
 19 Schools has 8,200 students and operates 17
 20 buildings. School funding is a major issue in this
 21 state. The State budget does not have any room to
 22 fund an increase and the local tax payers are telling
 23 us to make do with what we have. Any increase in the
 24 cost of operating our district buildings will take
 25 dollars away from other budget items, specifically

1 classroom instruction.
 2 Our current budget for electricity is just
 3 under \$1.5 million. The loss of the Energy for
 4 Education II program will result in approximately a
 5 13.4 percent increase January 1st of 2009. The
 6 distribution cost increase, as well as the
 7 undetermined increase cost of generation, add up to a
 8 huge increase that will place an unfair burden on
 9 school districts. We are being told to expect the
 10 total increase to be around 40 percent, which will
 11 increase our electrical bill by approximately
 12 600,000, an amount that would fund 12 classroom
 13 teachers. Our total electric bill would be over \$2
 14 million a year.
 15 At the start of this school year Lorain laid
 16 off 246 classroom teachers and another 100 employees
 17 due to a budget shortfall. That's a total of 346
 18 employees. We have already made over \$15 million in
 19 budget cuts. We will not be able to absorb this
 20 level of increase. Pupil/teacher ratios will have to
 21 increase, again. School districts have different
 22 load characteristics than other commercial
 23 businesses, as our buildings have reduced usage
 24 during the peak load period of summer. A separate
 25 rate schedule makes sense. I ask that the Commission

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1 reconsider the size of this increase and a separate
2 rate schedule for tax supported public schools.
3 Thank you for taking the time to listen to
4 the impact this increase will have on Lorain school
5 children.

6 MS. BOJKO: Thank you. Patrick
7 Saunders. Would you please raise your right hand?
8 Do you solemnly swear that the testimony you're about
9 to give is the truth, the whole truth, and nothing
10 but the truth?

11 MR. SAUNDERS: I do. My name is
12 Patrick R. Saunders, S-A-U-N-D-E-R-S; I live at 283
13 Whittlescy Avenue, Norwalk, Ohio. I teach at Bowling
14 Green State University and I'm not here representing
15 the University. I'm representing myself as a
16 consumer, as a consumer who's going to have to pay
17 the prices that First Energy is asking. I guess my
18 first thing is, I'd like to ask a question, which I
19 know can't be answered today, is, what is the
20 percentage of increase in profit that First Energy
21 has experienced from 1988 to the present? The reason
22 I'm asking that question is based on a study done by
23 Policy Matters Ohio and positioned on Labor Day of
24 2007. And what it talks about is about the income
25 that Ohioans are bringing home today. And it's based

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1 on 1988, between the years 1988 and 2006. They said
2 that, and this report said that in the middle
3 percentiles of 40 to 60 percentile, where most of us
4 find ourselves, that the average income in 1988 was
5 \$37,489 in Ohio, okay? And by 2006 their income had
6 actually declined \$89. Instead of making \$37,489,
7 they were in 2006 making \$37,400. And then when you
8 couple the fact that the purchasing power of their
9 1988 dollars equates in 2008 dollars, to that, that
10 37,489, in order to be duplicated this year, that a
11 person would have to make \$68,445 shows that we are
12 sliding down to the bottom faster than we know.
13 Okay? I guess the, in the sheet that the Consumers
14 Counsel passed out they had a series of questions.
15 And one is about what would the average increase be
16 for my household? It would, this 40 percent
17 increase, if they would get the total number, would
18 add an additional \$720 per year to our cost of
19 keeping the lights burning, and we don't -- and we
20 heat with gas. So if you consider the across the
21 board impact of these rate increases, on
22 transportation costs, on your, on the natural gas is
23 going to go up because they'll probably be some kind
24 of cost error. So I mean it just keeps on hitting
25 you.

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1 I mean, and the other thing, too, is they
2 were asking about the difference in service. Since
3 the 1980's, when most corporations in this country
4 discovered the word "down-sizing," First Energy and
5 the rest of the power companies have followed that
6 program zealously. The number of workers who worked
7 for First Energy in this area has declined to almost
8 nothing. And service calls are kind of a nightmare.
9 And especially when we have a weather event in this
10 area, it's not uncommon to see crews called in from
11 four or five states over to take care of an event
12 that used to be handled by the people who worked
13 here. Power surges are more prevalent. I know since
14 I have a computer and the other peripherals that come
15 with a computer, I know that I'll, I find that my
16 computer has went off and came back on numerous
17 times; this -- and it has a direct relationship to
18 this policy of deferred maintenance and employee
19 down-sizing. So I think the thing of it is, you
20 know, this is what we're facing here, is kind of a
21 common thing for the 21st Century. They want more
22 money for delivering less and we're expected to pay.
23 I think the thing of it is, is that, that what I've
24 shown is, is that our income is declining in a faster
25 rate than their need of income. So, I mean, there's

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1 got to be some middle path here that we can reach so
2 we all don't have to out and live in a pup tent.
3 Thank you.

4 MS. BOJKO: Thank you. John Zang.
5 Please raise your right hand. Do you solemnly swear
6 that the testimony you're about to give is the truth,
7 the whole truth, and nothing but the truth?

8 MR. ZANG: I do. John Zang, 5213
9 West Waterberry Drive, Huron, Ohio.

10 MS. BOJKO: Can you spell that,
11 please?

12 MR. ZANG: Yes. It's Z-A-N-G.
13 Thank you, Your Honor. I'm not a lawyer, I've been a
14 teacher for 33 years and I'm going to keep this
15 simple. I realize this at some times looks very
16 complex. First of all, as I look at the rate
17 increase, again, with my goal I was a little confused
18 and you cleared that up a little bit. I think I was
19 talking to someone yesterday and they said the real
20 problem is that when you go on the Ohio Choice Page
21 there's no choice. It's a monopoly. First Energy is
22 our only recourse, we have no choice. There's no
23 negotiation, there's no competition. I guess we
24 can't fight the inevitable. I don't know if Ohio
25 Edison or First Energy has a great deal of concern

1 for us, but if you look at their gross profit for the
 2 last four years, they average over \$6 billion in
 3 gross profit. If you look at their net, net profits
 4 of 1.3 billion, which was stated in the Toledo Blade
 5 about a week ago, again, it seems like they're making
 6 an awful lot of money. I'm going to get a 2 percent
 7 raise and I'm happy about that. They mention that
 8 rates have not risen since '96. I don't know if
 9 that's exactly true. If you have an all electric
 10 home and you bought an all electric home after
 11 December of 2006, the special rate that was enacted
 12 prior to 2006 doesn't apply to those people, so the
 13 rates went up. I know specifically that people that
 14 are on that special rate are getting it for 4 cents a
 15 kilowatt hour and people that are after that point
 16 are about 6.3, and I understand that varies, too.
 17 They want 40 percent, I think you folks talked about
 18 31 percent. I think they're both unfair. I think
 19 that if Ohio's rates continue to remain among the
 20 highest in the nation we'll continue to lose things
 21 like the steel mill that was being considered; we're
 22 going to continue to loose jobs. Our schools, which,
 23 again, I'm a part of, our hospitals, our businesses
 24 that have to pay into this electric rate increase
 25 will continue to lose, lose, and lose.

1 I think it's important for the Commission to
 2 please realize that as individuals we don't have a
 3 lot of power; we depend on you and we depend on you
 4 to listen to our statements. I realize some of them
 5 aren't maybe the most intelligent statements and
 6 maybe some of them aren't the most educated
 7 statements, like mine, I don't think is the most
 8 educated statement, but it's very sincere. And I'd
 9 like you to consider that and I thank you for your
 10 time, Your Honor.
 11 MS. BOJKO: Nancy Weeks.
 12 MS. WEEKS: I will pass, because I
 13 think pretty much what I was saying has already been
 14 said, except for the average American amount.
 15 MS. BOJKO: Joyce Bocree, Bobcree?
 16 MS. BOYD: Boyd.
 17 MS. BOJKO: Oh, sorry.
 18 MS. BOYD: Likewise.
 19 MS. BOJKO: Cloris Neal.
 20 MS. NEAL: I pass.
 21 MS. BOJKO: Pass. Tom Neal.
 22 MR. NEAL: I have to pass.
 23 MS. BOJKO: Phyllis Wassner.
 24 Please raise your right hand. Is the testimony
 25 you're about to give the truth, the whole truth, and

1 nothing but the truth?
 2 MS. WASSNER: It is. Thank you. I'm
 3 Phyllis Wassner, I'm from 1130 Main Street in Huron,
 4 Ohio. I'm also a member of the City Council there.
 5 I've had many seniors --
 6 UNIDENTIFIED PERSON: We can't hear you.
 7 MS. WASSNER: Is this better? Many
 8 seniors -- should I start over?
 9 MS. BOJKO: Yes.
 10 MS. WASSNER: Phyllis Wassner, 1130
 11 South Main Street, Huron, Ohio. I'm here as a
 12 private citizen; I'm also a member of the Huron City
 13 Council. I've had numerous senior citizens tell me
 14 they just can't afford any more increases for
 15 anything. And we are going into a depression, I
 16 believe, and I don't think a rate increase right now
 17 is the best thing to have. Everybody, usually when
 18 they want a rate increase they ask for more than they
 19 think they can get, so I'm sure this rate increase is
 20 twice as much as they need. They -- I'm not denying
 21 they might need it, but I think we're all asked to
 22 make do with what we have and live with it, and
 23 therefore I feel maybe the energy company can try to
 24 do the same thing. It's also been noted in the past,
 25 the State of Ohio is not on the top of the list in

1 attracting businesses for economic development. I
 2 don't think a rate increase would be attractive to
 3 get businesses to come into the State of Ohio and do
 4 business here. I just ask the PUCO to take that into
 5 consideration, and thank you.
 6 MS. BOJKO: Thank you. Vinmin
 7 Vickery.
 8 MS. VICKERY: I pass.
 9 MS. BOJKO: I apologize if I
 10 mispronounced your name. Donald Mazza. Raise your
 11 right hand. Do you swear that the testimony you're
 12 about to give is the truth, the whole truth, and
 13 nothing but the truth?
 14 MR. MAZZA: Yes. My name is Donald
 15 Mazza. I represent the Lakefield Manor Owners
 16 Condominium Association. My address is 1910 East
 17 Waterberry, Huron, Ohio, and I represent as a board
 18 member for Lakefield Manner Condominium Owners
 19 Association. We are 191 unit association; each of
 20 those units are all electric. The bulk of the
 21 individuals residing within the framework of this
 22 condominium association are retirees, they are senior
 23 citizens, many of them are widow or widowers, and
 24 they have a great concern with respect to how this
 25 rate increase may impact their ability to basically

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1 service, or pay for that service. It's our feeling
2 that over the course of time every business has the
3 responsibility to look at how they deploy their
4 resources. And if, in fact, First Energy has not
5 deployed their resources in a manner such as to
6 provide the line service, the pole service, and
7 whatever else they're doing, in a manager, to manage
8 effectively, then we should not bear the burden of
9 basically supplying additional dollars to service
10 those particular needs. That concludes my remarks.

11 MS. BOJKO: Thank you. Bob Warner.
12 Please raise your right hand. Do you solemnly swear
13 that the testimony you're about to give is the truth,
14 the whole truth, and nothing but the truth?

15 MR. WARNER: Yes. Hi. My name is
16 Bob Warner, I live at 1011 Third Street, Sandusky,
17 Ohio, and I am a Business Representative for the
18 Painters and Allied Trades District Council 6. We
19 represent about seven or 8,000 active and retired
20 members of the Painters Union. First, I want to
21 speak to the retired members. The retired members
22 that we have live on a fixed income, their retirement
23 is fixed; it doesn't go up and down every year, or up
24 every year with the rate of inflation. For one, they
25 can't afford another rate hike. Their food has been

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1 going up, their bills have been going up, gasoline is
2 going up; everything they do, the price has gone up
3 over the last few years. Another increase would put
4 a severe hardship on them. Now, they're already at
5 severe hardship at this point in the game. I know
6 some of them that have come off retirement and went
7 back to work full time just because they can't make
8 it on their retirement. So that's for the retiree
9 guys, they just can't make it anymore with another
10 rate hike. You may need one, but the guys just can't
11 afford at. The active members that I represent,
12 gasoline has gone up, rent has gone up, food has gone
13 up, everything, insurance has gone up. We know you
14 might need an increase, but we would respectfully ask
15 you to not, not so quite high of an increase. And if
16 you have to have an increase would you really think
17 about increase in where you actually fix the poles
18 and the distribution, where you improve those areas,
19 institute the increases at those points as you fix
20 the poles and upgrade the poles and the lines;
21 institute those increases at those areas until you
22 get around to everybody. I've lived in Sandusky, in
23 my house, for a little over 20 years now and I've got
24 the same lines and the same transformers in the
25 backyard; the transformer has been bad for three or

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1 four years now. Last year it went out because we
2 were using electricity, it was out for quite some
3 time. This year the wife made me go out and buy a
4 generator the other day, because she knows the storm
5 season is coming up and she wants to have some
6 electricity in the house when it goes out. She knows
7 it's going to go out. So if you're going to propose
8 a rate increase, if you have to increase the rates,
9 when you fix my lines and the transformers in my
10 area, then institute my increase. Don't institute it
11 and then 20 years never get around to fixing what I
12 got in my backyard and then institute another one, I
13 don't think it's fair. Thank you.

14 (Clapping).

15 MS. BOJKO: Gloria Hiendlmayr.
16 Please raise your right hand. Do you swear the
17 testimony you're about to give is the truth, the
18 whole truth, and nothing but the truth?

19 MS. HIENDLMAYR: Yes.

20 MS. BOJKO: Thank you.

21 MS. HIENDLMAYR: My name is Gloria
22 Hiendlmayr, and it's H-I-E-N-D-L-M-A-Y-R.

23 MS. BOJKO: Okay.

24 MS. HIENDLMAYR: I don't believe a rate
25 increase is appropriate for a mismanaged company.

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1 MS. BOJKO: Speak up.
2 MS. MIENDLYMAYR: I don't believe a rate
3 increase is appropriate for a mismanaged company.
4 Although First Energy has not had a rate increase,
5 they have taken in \$6 billion in stranded cost from
6 the consumers in that time frame. I'd also like to
7 know from First Energy, because although they can't
8 answer my questions, how much they sold their
9 generating plants for? That's profitable for First
10 Energy; this is \$340 million out of our economy,
11 which our economy can ill afford it. When new lines
12 and poles are dropped, the customers pay for them.
13 First Energy retains the ownership rights and
14 depreciates that equipment. First Energy is opposed
15 to distributed generation. Distributed generation
16 would enhance our transmission lines, industrials,
17 and you, yourself, you could put one in, energy in.
18 It would enhance it, you wouldn't have to pay for any
19 connections with First Energy. But they are opposed
20 to these moves. Net metering, you can only put net
21 metering in for your home use. Anything beyond that,
22 if you were to sell power or give power to First
23 Energy, they would only have to pay for the amount
24 that you normally use. If you were to generate more
25 electricity they don't have to pay you for it. I'd

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1 like to know why First Energy does not acknowledge
 2 the repeal of the 1935 SEC Act, which means that
 3 First Energy Solutions is a separate corporation.
 4 That when I call First Energy and say I don't want to
 5 go with First Energy Solutions, First Energy violates
 6 that 1935 SEC Act and tells me it's in my best
 7 interest to go with First Energy Solutions. They are
 8 two separate entities; they're not allowed to do
 9 this. It is illegal. I'd like to know why when we
 10 pay for the poles and lines for your drops, new
 11 customers pay for those? First -- again, First
 12 Energy owns those and takes the depreciation on that
 13 equipment; they're writing it off. First Energy,
 14 again, has made \$6 million -- \$6 billion in stranded
 15 costs. And they're asking for a rate increase in an
 16 economy that can ill afford it. We are in desperate
 17 times here. I wonder if they're very much like the
 18 Cleveland Water Company who said they need a rate
 19 increase because the customers have become more
 20 efficient, so they need more money to operate because
 21 there's not as many people paying the water bills.
 22 Now we have industrials not paying the electricity
 23 bill; is that why they need the new rate increase?
 24 Because industrials were forced to leave because they
 25 can't afford the electric rate? This is my questions

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1 for the Public Utilities Commission, and thank you.
 2 MS. BOJKO: Thank you. I'm having
 3 difficulty reading the next one. John Ginty, I
 4 apologize.
 5 MR. GINTY: I'm sorry, my writing
 6 is not very good sometimes. Swear me in or swear me
 7 out.
 8 MS. BOJKO: What is your name,
 9 sir? What is your name?
 10 MR. GINTY: John Ginty, G-I-N-T-Y.
 11 MS. BOJKO: Okay. Thank you.
 12 Please raise your right hand. Do you solemnly swear
 13 that the testimony you're about to give is the truth,
 14 the whole truth, and nothing but the truth?
 15 MR. GINTY: Yes, ma'am.
 16 MS. BOJKO: Thank you.
 17 MR. GINTY: I'm here speaking of
 18 the senior citizens, myself, and for a number of
 19 seniors that have contacted me. I feel that a rate
 20 increase is not in order at this time. I feel that
 21 the top management of First Energy has not been good
 22 for the consumers, or for the company, in fact. I
 23 feel they have a captive audience. You either have
 24 to buy electricity from them, unless you can afford a
 25 windmill or some of these other alternate sources or

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1 your own generator. The service has gone down, the
 2 cost of everything has gone up, the quality of the
 3 electricity received is not -- it's dirtier than it
 4 used to be and if you have any electronic equipment
 5 and so forth you know that. I feel that they have to
 6 quit advertising, they have a captive audience, they
 7 have to get rid of the PR people, the advertising
 8 people, and so forth; maybe in the newspapers and the
 9 t.v. and the radio stations will not appreciate that,
 10 but I think they have to look at the facts. I am
 11 very upset that when there is a power outage you call
 12 and you get some type of an electronic device telling
 13 you what you already know, that the electricity is
 14 out. If you're a patient, a person that needs oxygen
 15 equipment and so forth, you're trying to get an
 16 answer when the electricity may be restored. So if
 17 you need to you'd have to drive to some area where
 18 you can get power and so forth. I don't think the
 19 utility is -- they've closed their office here in
 20 town, they've laid off people, they bring people,
 21 when there is an outage they bring people from
 22 various other states in and so forth. The service
 23 has gone down, the cost has gone up, and I think
 24 industry recognizes this, this cost, the school
 25 system, the gentlemen ahead of me said, from Lorain

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1 School Systems, I think top management better change
 2 and they better get up to date. Thank you.
 3 MS. BOJKO: Sue Collar.
 4 MS. COLLAR: Pass.
 5 MS. BOJKO: Laura Rieley, Wiley,
 6 Lilly?
 7 MS. LILLY: Lilly. I pass.
 8 MS. BOJKO: All right. Herman
 9 Robinson.
 10 MS. BOJKO: Do you solemnly swear
 11 that the testimony you're about to give is the truth,
 12 the whole truth, and nothing but the truth?
 13 MR. ROBINSON: I do. My name is
 14 Herman Robinson. I am with the Acorn Ministry and I
 15 guess I'm speaking on behalf of myself, my family, as
 16 well as the constituency, what the Acorn Ministry
 17 represents, as well as the constituency that we work
 18 for in trying to serve as a board member of Serving
 19 Our Seniors here in Erie County. What I'm basically
 20 coming here for four, I guess four categories of
 21 interests: No. 1 is education, because, you know,
 22 when I look at the fact that the cost of living is
 23 going up, the jobs are going down, that, that we have
 24 an aging population, that there are health issues
 25 that are connected with utilities. There's a lot of

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1 people, like Mr. Ginty just said, there's a lot of
 2 people that depends on the utilities for some of
 3 their medical equipment and safety equipment around
 4 their house and this kind of thing. So I really
 5 wanted to see, what I was anticipating on seeing what
 6 kind of argument that the utility company had to
 7 justify a rate increase. I'm looking at a bill here,
 8 and if we're just talking about the delivery, this is
 9 one particular bill I'm looking at, the delivery part
 10 of the bill represents around 12 percent. And we
 11 know that as far as, as far as the company goes in
 12 terms of, in terms of justification, I'm like a lot
 13 of other people here, I don't know how you can
 14 justify a rate increase when their earnings is over
 15 6 billion plus. In terms of this family of fours,
 16 served this family of fours the last four to five
 17 years the growth rate of First Energy stock has been
 18 almost 22 percent, which is tops in utilities as far
 19 as family of fours. I guess from the stand point of
 20 disclosure also, I'm a shareholder for First Energy
 21 and I'm really satisfied with making 22 percent over
 22 the last five years. I wish I had more money to put
 23 in it because I think it's a good company. It's one
 24 of those companies that can put in less and get more
 25 out of it, that's something I haven't been able to

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1 do. Just like Mr. Ginty said, you got less service,
 2 less service, the people that work in the company go
 3 further away from the source of delivery, but it
 4 still can keep getting greater profits and just
 5 everything. I just think we need to help us with
 6 that, with that job supervision as it were to help
 7 justify that. Maybe we need to commit -- First
 8 Energy needs to commit to being a little bit more
 9 competitive and I guess, since they want to, they
 10 want to bring in a rate increase through the gateway
 11 of the delivery system, which basically it sounds
 12 like you're talking about the copper wire or
 13 something that's costing a little bit more. I guess
 14 you can pick whatever you want to pick to bring it
 15 in, but the bottom line is, when it gets to peoples'
 16 houses people don't have the options to pay for the
 17 delivery or to pay for some other part, some part of
 18 the bill or some category of the bill. If they can
 19 make up some kind of formula where the general public
 20 could just pay for the delivery and that wouldn't
 21 have any problems with terms of interrupting the
 22 service, then I think that, I think we may be on --
 23 we may be on to something. But I think most people
 24 when they get a bill they have to pay the whole bill
 25 or risk service disruption. So I would be really

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1 interested to know what the company could do to be
 2 more competitive and also to realize the fact that
 3 the whole country is going through. I mean, we just,
 4 we don't got faster earnings and we don't got a --
 5 with the mortgage situation, I mean, I know these
 6 guys make a lot of money, but they don't live that
 7 far away from everybody. So I think the leaders, the
 8 members of the Board of Directors of First Energy
 9 should really roll your sleeves up and go back and
 10 see if they can't be a little bit more creative in
 11 terms of keeping that stock share up. And they're
 12 doing a great job on that though. Thank you.
 13 MS. BOJKO: Jude Theibert, is that
 14 right? Raise your right hand. Do you swear that the
 15 testimony you're about to give is the truth, the
 16 whole truth and nothing but the truth?
 17 MR. THEIBERT: I do. It's Jude
 18 T-H-E-I-B-E-R-T, 4118 Greenfield Drive, Sandusky,
 19 Ohio. And I'm President of the Condo Association.
 20 And it's an all electric unit, 182 units. I came
 21 here to talk about a greater problem than this
 22 particular rate increase. And I know that you've
 23 tried in the beginning to not let us talk about other
 24 things, but I know that you sat through a lot of
 25 these anyway. So I'm going to take this opportunity

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1 to talk to you people about our more important
 2 problem that has to do with rate increase. At the
 3 end of 2009 there won't even be rate increase
 4 meetings like this where you have a chance to input.
 5 Because at that time, if this law continues into
 6 effect, First Energy becomes unregulated and they
 7 don't have to come before this Commission for rate
 8 increases, for any part of it, and that to me is a
 9 far greater problem than what we're here about
 10 today. So I want to talk today, even though I know
 11 that's not the purpose of this particular meeting.
 12 But 10 years ago we embarked on deregulating
 13 the electricity market and two things were supposed
 14 to happen in those 10 years. One, First Energy was
 15 supposed to present themselves as a distribution
 16 company, the distribution lines, and make it a
 17 completely separate company and it was never done.
 18 They made it a wholly owned subsidiary of
 19 themselves. And so when they, even underneath that
 20 system, when they go to rate increases, it's like one
 21 of their companies demanding an increase for the rest
 22 of their companies. And that part of the plan was
 23 not implemented and I think maybe for two reasons;
 24 one, I suspect that First Energy thought at the end
 25 of 10 years they wouldn't become unregulated and they

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1 didn't want to, at that time, have their distribution
 2 system sold off and then not have control over it,
 3 but that's only an opinion on my side. But the fact
 4 of the matter is, that by not having that
 5 distribution separate it makes it difficult. It was
 6 envisioned that any electric company might offer
 7 services to us using that distribution system, but
 8 that's not going to happen and it doesn't happen.
 9 You know, if you can find some other company to put
 10 electricity through your unit, I'd liked to know how
 11 you did it. So anyway,
 12 I am encouraging people to look up those two bills
 13 she's talking about and talk to your Ohio Legislature
 14 about what's going to happen in 2009, when we won't
 15 even have a chance to talk about a rate increase.

16 Second, I'd like to talk about the market
 17 underneath that plan. I'm a great believer in free
 18 enterprise and in free market competition systems.
 19 Professionally at sometime I worked in the Soviet
 20 Area of Relations for our country and -- during the
 21 Cold War -- and I'm not a great believer in
 22 government controlling our markets, any part of our
 23 markets. I'm a believer in free enterprise, I'm a
 24 believer in the most efficiency you get through that
 25 system and the best prices you get through that

1 because of that increased cost of electricity that
 2 would be about a 1.5 to 3.3 million drop in home
 3 values, which also means they drop in taxes to the
 4 county and the local community. And so my feeling is
 5 that what they've done -- to me they have a moral and
 6 ethical obligation to keep that discount, no matter
 7 who owns the home, because what they did is they
 8 created something like the cigarette companies do.
 9 They've created, people that were dependent on it to
 10 build a home with no gas lines, no place to put in
 11 different kinds of heat, and that house is now
 12 dependent upon the electricity companies. They did
 13 it for a discount and now that discount is gone.

14 So on this particular rate increase, I would
 15 kind of question, I haven't looked into it
 16 particularly, but I would kind of question, because
 17 it's by their distribution system, asking for an
 18 increase on their distribution system. But I would
 19 have to rely on the staff to do what they've always
 20 done on the regulation; that they have to look at a
 21 request, look at a decent profit, look at the cost
 22 and try to represent us to come up with a reasonable
 23 charge for whatever those rates increases are going
 24 to be. I don't know whether this one is good, bad,
 25 or indifferent, I know its high. But what I'm

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1 system. But I'm also opposed to monopolies. And if
 2 you don't have a competitive market you don't get the
 3 efficiencies or the cost that we're looking for. And
 4 I don't think any market exists. We spent 10 years
 5 trying to create a market, but where is it?

6 And so what's going to happen here in the
 7 next year is First Energy is going to say, "Hey,
 8 we're no longer regulated by you and we can do our
 9 own rates based on the market, but there's no market
 10 there. So unless something gets done, you're going
 11 to see bigger increases than this 10 or 15 percent
 12 that they're asking for. And so you better start
 13 asking on that. Secondly, the side issue of my condo
 14 area, we're all electric units and somebody already
 15 mentioned the electric company, you know, struck a
 16 deal to a lot of communities to build all electric
 17 units, and the idea was that they gave them a
 18 discount on rates, whatever they are, whether it was
 19 produced by them or by the market or what have you.
 20 And they have now changed the rule, that if you sell
 21 your unit the new buyer doesn't get that rate
 22 increase. Now, what does that do to the current
 23 buyer? First of all, it depreciates the value of
 24 their home. And in our area, if we took the average
 25 rate and it increased 5 or 15, or 5 or 10 percent

1 arguing for is to keep the system. In our country,
 2 on our free enterprise system. We know when we don't
 3 have a market, our solution is to put regulatory
 4 commissions in place to control that market. And
 5 it's been a fair system over the years; they put in
 6 enough profits so that they can get investors, they
 7 can get capital, to do what they have to do. And
 8 what I'm saying is that's just how to continue. And
 9 these kind of rate increases ought to be considered
 10 like this, they should always exist. So even though
 11 I'm off the subject, I encourage you to take what
 12 I've said to heart, do some research and get ahold of
 13 your State Representative and Congressman to make, to
 14 make sure things get turned around before 2009/2010
 15 come here. Thank you.

16 MS. BOJKO: Robert Johnson.

17 MR. JOHNSON: I'll pass.

18 MS. BOJKO: Something Anderson. I
 19 can't read your first name.

20 MR. ANDERSON: Everything has been
 21 said, nothing else. I'll pass.

22 MS. BOJKO: Marge or Mard
 23 Gargolinski.

24 MS. GOGOLEWSKI: She really messed that
 25 up, didn't she?

1 MS. BOJKO: I'm sorry. You have to
2 take into consideration peoples' handwritings and
3 stuff.
4 MS. GOGOLEWSKI: That's okay, everybody
5 does. I don't have very good handwriting.
6 MS. BOJKO: What is your name?
7 MS. GOGOLEWSKI: Mara Gogolewski.
8 MS. BOJKO: M-A-R-A.
9 MS. GOGOLEWSKI: M-A-R-A, the last name
10 is G-O-G-O-L-E-W-S-K-I.
11 MS. BOJKO: Please raise your right
12 hand. Do you solemnly swear that the testimony
13 you're about to give is the truth, the whole truth,
14 and nothing but the truth?
15 MS. GOGOLEWSKI: Yes, I do.
16 MS. BOJKO: Okay.
17 MS. GOGOLEWSKI: My name is Mara
18 Gogolewski; I live in Huron, Ohio, 519 Liberty
19 Drive. And I am here as a private citizen speaking
20 more on a personal note. My first question is, why
21 every time one of these big companies say, "We need
22 more money, where do we get it?" I don't know about
23 anybody else in this room, but I see no money trees
24 around here anywhere. Nowhere. When the schools
25 want more money they come to us. When the gas

1 I'm going to tell the electric company the same
2 thing, go to the library and look in books, ways to
3 save money. Use cheaper cleaners, use cheaper this,
4 use cheaper that; we're told that all the time. The
5 same way with schools and everything else. Pay your
6 teachers less, pay this less, pay that less. With
7 the jobs here are \$7.00 an hour, if that. Well,
8 excuse me, it has to be that because the minimum wage
9 has gone up, but do you think we can live on \$7.00 an
10 hour? No. It's very, very difficult with everything
11 going up and like I think Mr. Ginty said, when your
12 electric goes out and you call, you don't speak to a
13 person. You get an automated system that tells you,
14 "Yes, your electric is out; it will be fixed in an
15 hour or two." What are you supposed to do in the
16 meantime? If you have medical problems especially,
17 what are you supposed to do? So I, like everybody
18 else I've heard speak, the service we get for what we
19 pay for stinks. And I'm glad to see this room full,
20 because somebody has to do something about it and
21 we're the ones that have to stand up and do something
22 about it. Thank you.
23 MS. BOJKO: Michael McLaughlin.
24 Please raise your right hand. Do you solemnly swear
25 that the testimony you're about to give is the truth,

1 companies want more money they come to us. When
2 anybody wants more money they come to us. Water has
3 gone up, sewer has gone up. Food to eat has gone
4 up. Everything has gone up. I live on a limited
5 income. Who can afford it? This jobs -- this area
6 has no jobs. I am out of a job right now, so my
7 income is very limited. If they raise the rates for
8 like, take for example, the -- if they want to charge
9 7 cents an hour or 10 cents an hour for a kilowatt
10 hour of electricity and it's cheaper somewhere else,
11 do you think the industry is going to come here?
12 No. They're going to try and save money, just like
13 us.
14 Most of us are stuck here because of whatever
15 reasons. Now, I know of people and it's getting that
16 way with me, too, you have to decide, do I pay the
17 mortgage? Do I put gas in the car? Do I eat? Do I
18 take my medicine I need to live? What do I do?
19 Pretty soon we're all going to be out living in
20 cardboard boxes on the street. We won't be using any
21 electricity, nothing, and then all the companies that
22 are saying, "Oh, poor us, we need more money." You
23 don't have any money, because we don't have it to
24 give to you. I mean, it's like the old saying goes:
25 Well, go to the library and find ways to save money.

1 the whole truth, and nothing but the truth?
2 MR. McLAUGHLIN: Yes.
3 MS. BOJKO: Okay.
4 MR. McLAUGHLIN: I'm Mike McLaughlin,
5 I'm the plant controller representing Commercial
6 Vehicle Group in Norwalk, Ohio. Our Norwalk facility
7 produces heavy duty truck cab structures, employs
8 approximately 234 local residents. I appreciate the
9 opportunity to address the Ohio Public Utilities
10 Commission today and let you know that we oppose this
11 electrical rate increase that is proposed by Ohio
12 Edison. Our plant was the benefit of a special
13 arrangement, economic development initiative back in
14 the mid 90's, and at the end of 2007 that initiative
15 expired. That particular arrangement saved us about
16 4 percent on our electric bill per year. Now we
17 learn that Ohio Edison is proposing to further raise
18 our energy rights on top of the absorbed increase at
19 the end of 2007. We don't understand the need for
20 this double increase to our plant. We believe that
21 in the long term such an increase will have a
22 negative impact on the competitiveness of our
23 business and businesses and the other geographical
24 plants in the area. Like all manufacturers, we at
25 CVG are under constant competitive pressure to reduce

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1 costs. Also, like many others in the heavy truck and
2 automotive manufacturing sectors, we are asked to
3 provide annual price reductions for customers. In
4 our highly competitive industry we must comply with
5 these contractual requirements or risk losing
6 business with our customer base. Due to that
7 pressure we are constantly striving to find new
8 creative ways to remain competitive through multiple
9 means of reducing costs of labor, raw materials,
10 services, supplies, anywhere we can get reductions.
11 Actions we have taken to reduce utility costs at our
12 Norwalk Plant include maintenance, capital
13 improvements to our operations. Our position is that
14 the power suppliers, including Ohio Edison, need to
15 also drive down costs, not simply pass them on to
16 their customers. CVG recently opened a second
17 facility in Norwalk and we want to be a long-term
18 part of this community. We are requesting that this
19 rate increase be denied and that Ohio Edison join us
20 as partners to keep Ohio and its businesses
21 competitive. Thank you.

22 MS. BOJKO: Thank you. Ed Windau.

23 MR. WINDAU: My name is Ed Windau.

24 MS. BOJKO: Do you solemnly swear
25 that the testimony you're about to give is the truth,

1 Also I'd like to address the cost of energy
2 in Ohio. All the adjoining states around us, other
3 than Michigan and Pennsylvania, have lower rates,
4 considerably lower rates. And if you take that
5 thinking that just First Energy is the one that's
6 driving the rates up, actually there are a lot of
7 munies in the state that are pulling us down to keep
8 us not so high in relationship to the other states.
9 If it was just First Energy we would even be higher
10 than what we are now. So it's not good for the
11 building businesses, it's not good for the heating
12 business, it's not good for the manufacturing
13 business, it's just not good for anybody. I
14 appreciate the opportunity to address the Commission
15 and I really hopefully, sincerely hope that the PUCO
16 represents the public in this issue. Thank you.

17 MS. BOJKO: Thank you. Bill

18 Waldock. Do you solemnly swear that the testimony
19 you're about to give is the truth, the whole truth,
20 and nothing but the truth?

21 MR. WALDOCK: I do. My name is Bill

22 Waldock, I'm a Sandusky native, I've lived here all
23 my life. My son and I control, with the banks, about
24 800 apartments in Sandusky; I'm here to represent the
25 people who live in those apartments. Now, Sandusky

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1 the whole truth, and nothing but the good truth?

2 MR. WINDAU: My name is Ed Windau;
3 I'm the owner of Windau Heating in Sandusky. I'd
4 like to just take an opportunity to address a couple
5 issues that affect my customers and myself
6 personally. Back in the 80's when it was competition
7 between the gas company and the electric company, the
8 electric company marketers put out the all electric
9 rate and people, my customers and builders and
10 developers, listened to their motion and based on
11 that made a business decision to go to all electric.
12 And the deal was that it was a discounted rate for
13 all electric rate customer users, and a lot of the
14 condos took that opportunity and now that rate, that
15 promise has been pulled out from underneath them.
16 And they actually had an advertisement out that said,
17 "The All Electric Rate Will Never Go Away And
18 Probably Will Come Down." Okay. And now we find out
19 that the all electric rate is going away and it is a
20 way for anybody building a new home. And they're
21 pulling the rug out from people selling their homes,
22 and it's my understanding that soon it's going to
23 pull away from the people that maintain their homes
24 on the all electric rate. That's not a good business
25 practice, it's not honest.

1 is in a blighted area the last three or four years
2 and we are having a hard time even renting apartments
3 at less than we did a couple years ago. But the big
4 thing is these people would like to work hard, but a
5 lot of them don't even have jobs, so I don't see how
6 this electric, Ohio Edison can try to get an
7 increase, like they are, for our area. And I vote no
8 and I vote for a lot of people. Thank you.

9 MS. BOJKO: Ron Urig.

10 MR. URIG: Pass.

11 MS. BOJKO: Sorry if I mispronounce
12 it, Irig, Urig, Avondale Street. Dennis Murray. Do
13 you swear that the testimony you're about to give is
14 the truth, the whole truth, and nothing but the
15 truth?

16 MR. MURRAY: I do. My name is
17 Dennis Murray; I live at 2035 Cedar Point Road. I'm
18 here in two capacities: One, as a business owner and
19 a homeowner; and the secondly, as a representative of
20 our community, as I'm also a Sandusky City
21 Commissioner. Two preliminary things: First, I want
22 to say it's unfortunate that we have to gather for
23 something like this on what should otherwise be a day
24 of celebration, St. Patrick's Day. Secondly, is I
25 want to say I'm very sorry I forgot to wear my green

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1 today, but I've already been ostracized by my office,
2 so you don't need to file up. The second thing is, I
3 want to say I agree with so many of the remarks that
4 have been already offered this afternoon, but
5 especially to the Thieberts. You're spot on with
6 your comments about the need to maintain a monopoly
7 as a regulated entity.

8 In a free market system we ordinarily should
9 be getting what we pay for, but we've been getting
10 less and paying more. And I can tell you, as a
11 business owner, we have spent tens of thousands of
12 dollars since we moved into our current location in
13 terms of replacing equipment that's been damaged by
14 power spikes, in terms of adding additional
15 conditioning equipment that we should not have to pay
16 for for those computers and our heating and air
17 conditioning systems, and in terms of lost
18 productivity. We've taken all those steps, yet we
19 still have to pay all of our employees when the
20 computers go down in the mornings and they have gone
21 down overnight and we need to reboot all of them, and
22 those things all add up into significant dollars. So
23 when we talk about an additional increase for the
24 distribution system, my perspective is we've already
25 been paying for that quite a bit, and paying and

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1 being asked to pay for it now is inappropriate.
2 The second observation is that Erie County
3 currently already has an unemployment rate of over 8
4 percent. We have in this community of the various
5 businesses and the governments have joined together
6 and paid for a Target Industry Study by Andrew
7 Economics. It's been reported in the newspaper, I'm
8 sure a lot of you in this room are so concerned about
9 it, you've read it, it's on line at the GEM website,
10 and if you haven't seen it I suggest that you take a
11 look at it, because one of the major impediments, in
12 fact, I think the most serious impediment to the area
13 in terms of being able to go, is the fact that we pay
14 very high utility rates compared to electricity
15 rates, compared to other parts of the country. That
16 is really holding us down from moving forward. As so
17 many people have indicated, we have significant
18 unemployment in the area, we have people who want to
19 go to work. We need to be able to have competitive
20 energy rates in order to be able to attract business
21 to this area. And if the Commission is going to
22 accept an exhibit as part of this record, I'd like to
23 offer this. Should I offer it to the court
24 reporter?

25 MS. BOJKO: Yes. We will accept it

1 as an exhibit attached to the transcript.

2 MR. MURRAY: Thank you. Last year
3 First Energy had a very great year, as Reverend
4 Robinson indicated and it's been a very good
5 investment and I wish I'd followed your lead, but I
6 didn't. On revenues of 1.25 billion, First Energy
7 made 1.3 million dollars in profit just last year. I
8 think the request that they make more, and especially
9 the request that they make more by charging the
10 schools more is unconscionable and should be
11 rejected, and I urge the rate increase to be denied
12 in it's entirety. Thank you.

13 MS. BOJKO: Barbara Herp -- Herb?

14 MS. BOJKO: Please raise your right
15 hand. Do you solemnly swear that the testimony
16 you're about to give is the truth, the whole truth,
17 and nothing but the truth?

18 MS. HERB: Yes, ma'am. My name is
19 Barbara Herb; I live at 1104 West Madison Street in
20 Sandusky. Recently I had my neighbor pass away,
21 which has been very devastating, but this lady lived
22 on \$800 a month. She didn't buy any meat because she
23 didn't have the money to buy it. If the doctor or
24 Sue Daughterty didn't get her medication, she didn't
25 have her medication. I would buy meat and share it

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1 with her. We did get an increase in our Social
2 Security, but then they also increased our Medicare
3 payments and we reached the point that some people
4 didn't get as much as \$12 increase in their income.
5 I am very much against this increase. The one
6 gentlemen talked about repairs. A few years ago my
7 husband and I kept having light bulbs blow out and we
8 couldn't figure out what it was. The one night I
9 turned the microwave on and when I did it was just a
10 glow and I immediately turned it off. I went in the
11 living room and got him and he came out and he said
12 there's something wrong. So we called Ohio Edison;
13 they came out and they said -- I don't understand
14 this, but my version was, I kept saying, "We have too
15 much electricity in our house." So they put this
16 meter on and the meter went way up, I think it was in
17 the one -- almost 140's. So they said, well, they
18 would go out on Perkins Avenue and they would fix
19 it. Well, that solved the problem for about two
20 weeks; the next thing we know light bulbs are
21 blowing. We called them back. They come back and
22 said, "Something is wrong." Well, finally we raise
23 enough ruckus that they called in somebody from
24 Akron. The man come up, and before he got there we
25 had a short-to-ground, is what they told us. We lost

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1 our refrigerator, transformers, and everything, our
 2 door bell, everything that was plugged in when that
 3 thing hit, we lost. We asked them if they were going
 4 to pay for it. No, that's an act of God, you have to
 5 pay for it out of your pocket or your insurance. My
 6 neighbors lost their refrigerators. One lady had a
 7 radio on her kitchen counter and it blew up. I just
 8 feel that this rate increase is not fair. But when
 9 the man from Akron came back he said, "Well, you're
 10 on the line to Perkins Avenue; we are going to
 11 transfer your line to the Bay Area." Wherever that
 12 is, I don't know. So they changed it and then we
 13 didn't have anymore trouble. But when the man said
 14 about the repairs, I felt that transformer made a
 15 short-to-ground; their insurance should have paid for
 16 our repairs, instead of us having to pay for it out
 17 of our pocket, because we had like a \$500
 18 deductible. So I thank you and I really hope that
 19 you don't do this to we senior citizens. Thank you.

20 MS. BOJKO: Sue Lesch. Please
 21 raise your right hand. Do you swear that the
 22 testimony you're going to give is the truth, the
 23 whole truth, and nothing but the truth?

24 MS. LESCH: My name is Sue Lesch
 25 and I'm the Mayor of the City of Norwalk, Ohio, and I

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1 share the concerns so many have addressed here with
 2 senior citizens on fixed incomes and those who
 3 struggle with jobs and those who are unemployed.
 4 Certainly there are many of us that are very
 5 concerned about this increase. But today I'd like to
 6 address one concern in particular, and that is the
 7 impact that these rate increases are going to have on
 8 our manufacturers. Anyone who's paid attention to
 9 Ohio knows how hard it is for us to keep
 10 manufacturers. And this is something as Mayor of the
 11 city that I work on a lot, is to try to attract and
 12 keep our manufacturers here. I'm telling you that I
 13 am very concerned about what this cost increase will
 14 do because our manufacturers are hurting already.
 15 We already have many issues with the quality of
 16 power, with the quantity of power, we've had
 17 questions about would we have enough power if we
 18 bought a certain manufacturer in and could we get it,
 19 then told it would take a couple years to get that,
 20 the quantity of power that we need. But the cost
 21 factor is huge for us. Just in the last four months
 22 we have worked hard to attract three manufacturers to
 23 town and what they've told us is the -- one of the
 24 factors keeping them out of Ohio is the cost of our
 25 power. We have a manufacturer in town that has a

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1 number of locations across the nation and already
 2 without the increase, Ohio Edison's cost is
 3 22.4 percent higher than North Carolina's, 40.9
 4 percent higher than the state of Mississippi, and
 5 32.9 percent higher than the state of Tennessee. I
 6 don't know how we continue to compete if this
 7 increase is allowed to go through. This is not a
 8 dire prediction, this is a reality of what we are
 9 seeing today. I think most of us who live and love
 10 this state are concerned that we see a state that's
 11 nearly on it's knees. What I ask you to do, PUCO, is
 12 to stand with us as a community, as business, as
 13 public officials, stand with us and ask, insist that
 14 Ohio Edison do what's best for the whole state as a
 15 whole. Thank you.

16 MS. BOJKO: Bethany Dentler --
 17 Dentler.

18 MS. DENTLER: Dentler.

19 MS. BOJKO: Raise your right hand.

20 Do you swear the testimony you're about to give is
 21 the truth, the whole truth, and nothing but the
 22 truth?

23 MS. DENTLER: Yes. Bethany Dentler,
 24 10 West Main Street in Norwalk, Ohio. I serve as
 25 Norwalk's Economic Development Director and I'm very

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1 concerned about the proposed rate increases. Over
 2 the last decade the City of Norwalk, as indeed most
 3 of Ohio, has suffered a great deal from the loss of
 4 particularly manufacturing jobs. I've personally
 5 spoken with quite a number of our remaining
 6 manufacturers in the area and I'm repeatedly told how
 7 Ohio Edison's electric rates make it difficult to
 8 operate in our state, and as the Mayor of Norwalk
 9 just said, to compete with our surrounding states.
 10 These proposed increases will be most damaging to our
 11 efforts to keep manufacturers in the State of Ohio.
 12 Besides the issue of rates, our local economic
 13 development team, which includes a number of
 14 dedicated city officials, have heard on a number of
 15 occasions that manufacturers do have trouble
 16 obtaining the quantity and quality of power they need
 17 to sustain their operations. While Ohio Edison's
 18 local economic development team, and there are a
 19 couple here in the room today, they're more than
 20 willing and have been very helpful in meeting and
 21 listening to those concerns, but even their hands are
 22 tied when it comes to the issue of rates. In these
 23 difficult economic times it's critical for all of us
 24 to work together to keep our state competitive. This
 25 includes our local governments, our businesses, our

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1 utilities, along with our partners at the state
2 level. Otherwise we're certain that these
3 manufacturers and large utility users will no longer
4 choose to do business in Ohio. To the Public Utility
5 Commission, I thank you in advance for considering
6 these very real concerns that you make decisions that
7 seriously impact the economic future of Ohio's
8 communities.

9 MS. BOJKO: Sue Daughterty.

10 MS. DAUGHTERTY: Director of Serving Our
11 Seniors in Sandusky and also a resident of 1016 Third
12 Street.

13 MS. BOJKO: Please raise your right
14 hand. Do you solemnly swear that the testimony
15 you're about to give is the truth, the whole truth,
16 and nothing but the truth?

17 MS. DAUGHTERTY: I do. To the PUCO
18 Commission, I'm here on behalf of the people living
19 in Erie County age 60 and older, and also I'm here to
20 represent myself as a resident of the city of
21 Sandusky. As a geriatric social service, I can tell
22 you just in from October through the month of
23 December we subsidized 10 older adults who have
24 already applied for Percentage of Income Payment
25 Plan, the Home Health, the Home Heating Energy

1 economy I want to echo the sentiments that have
2 already been expressed. Where is First Energy and
3 where is Ohio Edison going to get its customer base
4 if its customers have no income to pay the bill? And
5 the one thing to make our state and our region
6 attractive for jobs and business is to make us an
7 attractive community that is inviting for business.

8 It is my sincere hope that the PUCO is aware
9 that many consumers feel like the PUCO is not in tune
10 with its customers, and I'm not alone when I say
11 that. Of many people that have taken the interest in
12 understanding the issues associated with energy, the
13 individuals that I talk with feel that the PUCO is an
14 advocate of the energy industry. And I'm thrilled to
15 see the room is full as it is today, because I can
16 tell you, through our agency, to get a room this
17 packed usually takes three mailings and two sources
18 of phone calls to say "Remember to come to this
19 meeting." And I can see people here today are here
20 because you've read an announcement in the news, and
21 so please, that speaks volumes for how serious of a
22 problem this is. And we're asking for the PUCO to
23 please be an advocate for the consumer; do not allow
24 for this increase.

25 MS. BOJKO: Roger Kinney. Please

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1 Assistance Program, and when that assistance has been
2 inadequate for those older people to afford their
3 utilities, then Serving Our Seniors stepped in and
4 filled the gap and paid for the portion of that
5 utility that was not affordable for that older
6 person. If the electric utility costs increase, of
7 those 10 individuals, 5 of them were electric
8 consumers. When we looked at last year's subsidies
9 of older people who could not afford their utilities,
10 we had 43 utilities and we were the third source of
11 subsidy for most of those individuals. Half of them
12 were electric consumers. And if the price is
13 increased I can tell you that our ability to continue
14 to assist and subsidize more older adults who cannot
15 afford to keep an adequate and a healthy temperature
16 in their home is beyond our ability to accommodate.
17 As a resident who is extremely conservative and
18 extremely interested in using the least amount of
19 energy possible, I don't know what this room can say
20 to you as the Commission, but I can tell you that it
21 is just not people who are 60 and older. And
22 unfortunately people in my age group do have to work
23 and are not able to give the fair representation, but
24 this is as much a concern for young adults and middle
25 aged adults, as it is for older people. And with our

1 raise your right hand. Do you swear the testimony
2 you're about to give is the truth, the whole truth,
3 and nothing but the truth?
4 MR. KINNEY: Yes, I do. I'm Roger
5 Kinney; I live in Sandusky, Ohio. I, too, am a whole
6 house electric user, it's the only utility that I
7 have. I oppose this regulation or this rate increase
8 that they want to put upon us. I feel it's not
9 justified. I also feel that, from what I understand,
10 we already have the highest rates in the State of
11 Ohio that we're already paying, so I don't see why we
12 need to be anymore than, you know, we already are.
13 Secondly, I back the issues that people are
14 supporting that we need affordable utilities to
15 maintain the industry that we have and to also bring
16 new interested industry into our state. And,
17 thirdly, I cannot personally afford an increase; I'm
18 on a fixed income, and second of that, is that the
19 schools are going to have pass it, should it pass,
20 and I don't feel that I can afford anymore property
21 taxes. So I oppose this suggested increase and let's
22 back up all the people here. Thank you.

23 MS. BOJKO: Tommy Aylward.

24 MR. AYLWARD: Tommy Aylward.

25 MS. BOJKO: Please raise your right

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1 hand. Do you swear that the testimony you're about
 2 to give will be the truth, the whole truth, and
 3 nothing but the truth?
 4 MR. AYLWARD: I do. My name is Tom
 5 Aylward, I live at 3722 Shady Lane, Sandusky, Ohio.
 6 I want to thank you for allowing me to speak this
 7 afternoon. I'm here as a private individual, but I
 8 have been a business man in this area for many
 9 years. As a business man I look at the total cost of
 10 electricity. It doesn't matter to me whether you
 11 call it a delivery charge or a consumption charge,
 12 it's the total cost, especially when all these
 13 charges are coming from the same company, First
 14 Energy. The fact of the matter is, is First
 15 Energy/Ohio Edison electrical charges are highest in
 16 the State of Ohio. PUCO's Website shows direct power
 17 comparisons to the major cities in the State of
 18 Ohio. Columbus rates are typical of other rates in
 19 the state; Columbus is supplied by AEP, an
 20 independent company. The comparison of rates, for
 21 residential rates, show that Ohio Edison rates are 20
 22 percent higher than Columbus, commercial and
 23 industrial rates are even higher, the differences.
 24 No wonder northern Ohio is losing business. Allowing
 25 First Energy to further increase the rates just makes

1 about to give is the truth, the whole truth, and
 2 nothing but the truth?
 3 MR. CHAMBERLAIN: I do.
 4 MS. BOJKO: Please proceed.
 5 MR. CHAMBERLAIN: As I mentioned, I
 6 represent the Erie Metro Housing Authority and the
 7 Erie County Senior Center. We subsidized rental
 8 assistance to over 1,200 low income families in Erie
 9 County and also provide nutritional and recreational,
 10 additional social services to the seniors at the Erie
 11 County Senior Center. On behalf of these people I
 12 would oppose the increase, because we are already
 13 subsidizing rent and meals to the people.
 14 MS. BOJKO: Speak into the mike,
 15 please.
 16 MR. CHAMBERLAIN: I'm sorry. We have
 17 1,200 families that we provide subsidy to for housing
 18 and we also provide assistance to seniors through the
 19 Erie County Senior Center to hundreds of seniors, and
 20 the increase would be a detrimental effect on all of
 21 those residents. Thank you for your time.
 22 MS. BOJKO: Thank you. Anybody
 23 else that would like to testify at this time? Seeing
 24 none, that concludes the hearing for this day --
 25 MR. JACOBS: I want to --

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1 the problem worse. In order for our economy to
 2 survive, the emphasis, emphasis has to be on reducing
 3 rates, not increasing them. PUCO should not allow
 4 First Energy/Ohio Edison to subsidize their
 5 inefficiencies by raising rates. In today's free
 6 market economy all the increase does is to drive jobs
 7 to lower cost areas. Northern Ohio needs PUCO's help
 8 to remain competitive. A proposed rate increase is
 9 counterproductive and should be denied. Thank you.
 10 MS. BOJKO: That concludes my
 11 list. Is there somebody in the audience that did not
 12 sign up that would still like the opportunity to
 13 testify today, or if anybody passed that would like
 14 to now testify? Seeing -- yes, sir.
 15 MR. CHAMBERLAIN: Thank you. My name is
 16 Ralph Chamberlain, I live at 4215 Creekside Circle in
 17 Sandusky. I'm the Executive Director for Erie
 18 Metropolitan Housing Authority and we operate the
 19 Erie Senior Center as well.
 20 MS. BOJKO: Would you spell your
 21 last name?
 22 MR. CHAMBERLAIN: Chamberlain,
 23 C-H-A-M-B-E-R-L-A-I-N.
 24 MS. BOJKO: Would you please raise
 25 your right hand? Do you swear the testimony you're

1 MS. BOJKO: Oh, I'm sorry. I
 2 thought you were getting up to leave.
 3 MR. JACOBS: Not yet.
 4 MS. BOJKO: Would you please state
 5 your name, spell your last name and your address for
 6 the record?
 7 MR. JACOBS: My name is John Jacobs,
 8 I spell that J-A-C-O-B-S. My address is 1125
 9 Marlboro Street, Sandusky, Ohio.
 10 MS. BOJKO: Would you please raise
 11 your right hand? Do you swear that the testimony you
 12 are about to give is the truth, the whole truth, and
 13 nothing but the truth?
 14 MR. JACOBS: Yes.
 15 MS. BOJKO: Thank you. Please
 16 proceed.
 17 MR. JACOBS: Yes. The main
 18 probably, I want to thank Dennis for coming up here,
 19 but from what my standpoint I'm a retiree; I worked
 20 at Delphi for 37 years. I'm a member of the Acorn
 21 Ministry, I'm a volunteer ombudsman and when I'm
 22 here, I've been around a lot of people, but I'm
 23 affected just like everyone here, but what my thing
 24 is, is I think the bottom line is is greed, is
 25 corporate greed, okay? It's the board room, the

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1 lobbyists, they think of ways to perpetuate what
 2 they're doing, and the bottom line when they say it's
 3 not about the money, it's about the money. They've
 4 got the investments overseas, the stock market is
 5 falling, but the bottom line, we want to get to the
 6 bottom line so that they can continue to get the
 7 money. There's only so much you can get. The money
 8 you can get is like getting blood out of a rock and
 9 all of us on a fixed income, and it's like the baby
 10 boomers are being targeted, the people that's in the
 11 -- the reality of it being, being more or less, it's
 12 insensitivity towards the homeowners and the people
 13 of Sandusky. And basically they're out of touch, and
 14 we don't know the lack of corporate, the people that
 15 have mission statements. So I don't know if this is
 16 a facade or, because a lot of times we come here and
 17 we have a meeting here and then you will write that,
 18 check that off, but I had a meeting here with the
 19 people who usually go back and don't do anything
 20 about it, because we had -- that's the same thing we
 21 got in the mail saying, we regretfully say, well
 22 thank you for coming to the meeting, but we're still
 23 going to go up on the prices anyway. So my thing is,
 24 are we here just put on a front or are we here to do
 25 something about this? And I think for us we don't

1 thanks for allowing me to talk. Thank you.
 2 MS. BOJKO: Thank you. Thank you
 3 for everyone's testimony today. As I stated before,
 4 it is part of the record and it will be available as
 5 part of the evidentiary record in this case for the
 6 Commissioners to review. And the Commission will
 7 make a decision in this case. Thank you.
 8 THEREUPON, the hearing was adjourned.

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1 have the pow -- we don't have the money or we have
 2 the people, the people we need -- we got to step up
 3 in the powers and the people, because we don't have
 4 the money to compete with the lobbyists and the
 5 people that, that are controlling all of this. And
 6 then, like I said, I said this earlier with concern
 7 the unfinished, they're doing a great job, they can
 8 only do so much. Is we got to hold the politicians
 9 accountable, the lawyers accountable, and put their
 10 feet to the fire, because otherwise I don't see it go
 11 in touch with them and I don't see no sympathy or
 12 they care one way or the other. And the people, like
 13 I said, the crime is going to go up, the people that
 14 die from this, as far as not having the electric on,
 15 the gas on, and then, like I said, it's out of line,
 16 this corporate greed, okay? And there's a lot of
 17 people that are in the office, they have investments
 18 also in oil, in electric, in the electric and gas and
 19 whatnot. That's why they don't say anything then.
 20 Why would you say anything about making money? So
 21 the bottom line is, if we're doing this we got to
 22 do-- we got to work together on this if you're
 23 sincere. In the past I don't know, it's like I don't
 24 think you're sincere, but that's just my point of
 25 view. I just want to thank you for your time and

1 CERTIFICATE
 2 STATE OF OHIO }
 3 COUNTY OF ERIE } ss.
 4
 5 I, Lori L. Delhees, Stenotype Reporter and
 6 Notary Public within and for the State aforesaid,
 7 duly commissioned and qualified, do hereby certify
 8 that the foregoing, consisting of 59 pages, is a true
 9 and complete transcript as taken by me in stenotype
 10 and later transcribed under my direction of the
 11 proceedings conducted on the 17th day of March. I do
 12 further certify that I was personally present in the
 13 room during all of the proceedings.

10 IN WITNESS WHEREOF, I have hereunto set my hand
 11 and seal of office at Sandusky, Ohio this day of
 12 , 2008

14 HUNTLEY REPORTING SERVICE
 15 Lori L. Delhees
 16 Notary Public
 17 P. O. Box 1067
 18 Sandusky, Ohio 44870

17 My commission expires 11/24/2012

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EXHIBIT



LORAIN CITY SCHOOLS

PUBLIC UTILITIES COMMISSION OF OHIO

Hello, my name is John Coffman, Treasurer Lorain City Schools.

I thank the commission for this opportunity to explain how this electric rate increase will impact the children of Lorain. As a point of reference, Lorain Schools has 8,200 students and operates 17 buildings.

School funding is a major issue in this state. The State budget does not have any room to fund an increase and the local taxpayers are telling us to make do with what we have.

Any increase in the costs of operating our district buildings will take dollars away from other budget items, specifically classroom instruction.

Our current budget for electricity is just under \$1.5 million. The loss of the Energy for Education II program will result in an approximately 13.4 percent increase January 1st, 2009. The distribution cost increase, as well as the undetermined increased cost of generation, add up to a huge increase that will place an unfair burden on school districts. We are being told to expect the total increase to be around 40 percent, which will increase our electric bill by approximately \$600,000, an amount that would fund 12 classroom teachers. Our total electric bill would be over \$2 million a year.

At the start of this school year, Lorain laid off 246 classroom teachers and another 100 employees due to a budget shortfall. That's a total of 346 employees. We have already made over \$15 million in budget cuts.

We will not be able to absorb this level of increase. Pupil teacher ratios will have to increase, AGAIN.

School districts have different load characteristics than other commercial businesses, as our buildings have reduced usage during the peak load period of summer. A separate rate schedule makes sense.

I ask that the commission reconsider the size of this increase and a separate rate schedule for tax supported public schools.

Thank you for taking the time to listen to the impact this increase will have on Lorain's school children.

Report:
ERIE COUNTY TARGET INDUSTRY IDENTIFICATION

 **AngelouEconomics**
technology-based economic development



Presented to:
GREATER ERIE COUNTY MARKETING GROUP, INC.

www.angelouconomics.com

OCTOBER 2007

REPORT

Erie County Target Industry Identification

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GREATER ERIE COUNTY MARKETING GROUP, INC.



Prepared by:

 **AngelouEconomics**
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A CALL TO ACTION

Erie County is currently undergoing a tremendous amount of change. The community's historic economic base, manufacturing, has suffered precipitous declines over the past decade. Since 2001 alone, area manufacturers have shed 20% of Erie County's manufacturing workforce, resulting in an overall net loss of employment in Erie County during this period.

While Erie County has experienced significant economic challenges over the past decade, there have been areas of notable growth. Buoyed by the presence of Cedar Point, tourism has continued to flourish within the region. Since 2001, employment in accommodation & food services has increased nearly 20%; the sector now employs more Erie County workers than any other industry. While tourism has certainly benefited Erie County, many of the jobs created in accommodation & food services are largely unskilled and poorly compensated. The prevalence of low-paying employment has certainly contributed to the fact that Erie County wages remain 20% below the national average.

Erie County must now aggressively address the declines in its manufacturing base while simultaneously diversifying its economy. Despite a decline in local manufacturing jobs, national trends suggest that specific manufacturing sectors will benefit from continued growth in the coming years. Erie County's large manufacturing workforce makes it an attractive community to such sectors in need of skilled labor. Additionally, although many jobs in tourism are unskilled and poorly paid, Erie County can leverage industry growth to promote lifestyle amenities that appeal to today's young professional. As Erie County is rapidly aging, the community must become more successful in attracting younger individuals to the area.

While Erie County faces significant economic development challenges, the region can position itself as a prime market for industries other than traditional manufacturing. Cities such as Detroit and Baltimore remain powerful examples of the potential perils of relying on a single industry for economic sustenance. **Now it is time to focus on diversifying the community's economic base and developing an economic development strategy that provides a long-term vision for high-impact, high-wage business growth and ensures exceptional employment opportunities for the region's residents.**

Importantly, change will not be immediate. Despite its many assets, the community must address several areas that currently preclude the successful recruitment of outside firms to diversify the local economy. While these obstacles have solutions, they require sustained, united action by residents and community leaders alike.

OLD VERSUS NEW ECONOMY

In the old economy, success was based on:

- Lowest cost for business operations
- Primary importance of business recruitment
- Beliefs that a high-quality physical environment was a luxury
- Regional competitive advantage on some fixed resource or skills
- Economic development efforts led by public sector

In the new economy, success is based on:

- Being in a place rich in talent
- A balance of recruitment, retention, entrepreneurship and development
- Regional competitiveness based on continuous change and the presence of institutions that support it
- Bold partnerships among business, government, and non-profit sector that can bring about continuous change and input

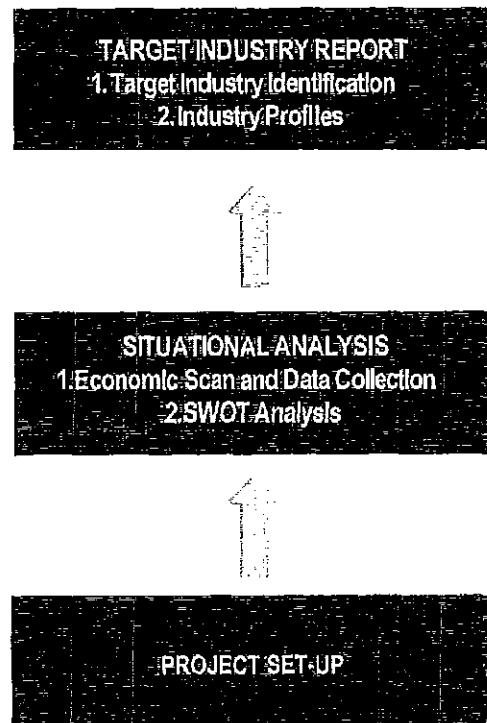
Over the past few months, AngelouEconomics (AE) has evaluated Erie County's capacity to succeed in today's knowledge-based economy. The initial evaluation, based on a review of the factors considered in industry site selection decisions, is detailed in our previous report, *Erie County Situational Analysis and Strategic Implications*.

Highlights from that report include:

- Erie County was benchmarked against similar communities, including Hancock County, Ohio; Elkhart County, Indiana; Dubuque County, Iowa; Daviess County, Kentucky; and Washington County, Tennessee. Areas of examination included business climate, workforce and education, sites and infrastructure, and quality of life.
- The analysis revealed that Erie County has several **key assets** that, if utilized correctly, will help support economic opportunity within the community. These assets include the I-90 interstate, the presence of a burgeoning tourism trade, a skilled manufacturing workforce, and a commitment among leadership to focus economic development.
- Despite enjoying some important economic advantages, **Erie County continues to face significant obstacles in its quest for continued economic prosperity**. In comparisons with benchmark communities, Erie County fared poorly in areas such as population growth, employment growth, and educational attainment.

Based on Erie County's assets and challenges, this second report, the *Erie County Target Identification*, outlines target industries for future growth and a roadmap that will enable community leadership to build on the area's assets and find solutions to the challenges it faces.

The *Erie County Target Industry Identification* represents the culmination of an in depth planning process commencing with the Situational Analysis, and the beginning of new strategic directions for Erie County. The ideas within could not have been developed without input from area residents and regional leaders.



TARGET METHODOLOGY & IDENTIFICATION

The development of competitive clusters is one of the key generators of regional prosperity. A cluster develops when businesses in interrelated industries choose to locate in close proximity to take advantage of a region's inherent advantages and business linkages. These businesses then become interdependent on each other, enhance their operating environments, and ultimately become more competitive on the global landscape. When this happens, these businesses become the experts in their field; they become more profitable, grow faster, and pay higher wages.

The target industry clusters identified by AE are based on a comprehensive review of Erie County and the surrounding region. Initially, AE conducted an assessment of the community in the *Erie County Situational Analysis and Strategic Implications*. This report provided an analysis of the factors influencing Erie County's strengths and weaknesses as a place to do business as well as the key demographic issues the county faces for the future.

This report, the *Erie County Target Identification*, will serve as the roadmap for expanded economic development efforts in Erie County. The report is organized in two sections:

- **Target Industry Methodology and Identification:** The Target Industry report outlines AE's selection method for identifying Erie County's target industries and culminates in the selection of four primary target industries. The identification of target industries involves an examination of quantitative and qualitative information at both the local and national level. Specifically, an industrial cluster analysis of the region was conducted to determine the dominant industries of the area
- **Target Industry Profile:** The Target Industry Profile provides data on each of the four selected target industries, with detailed information on industry growth trends, site selection requirements, Erie County's key assets and current obstacles, and niche sectors.

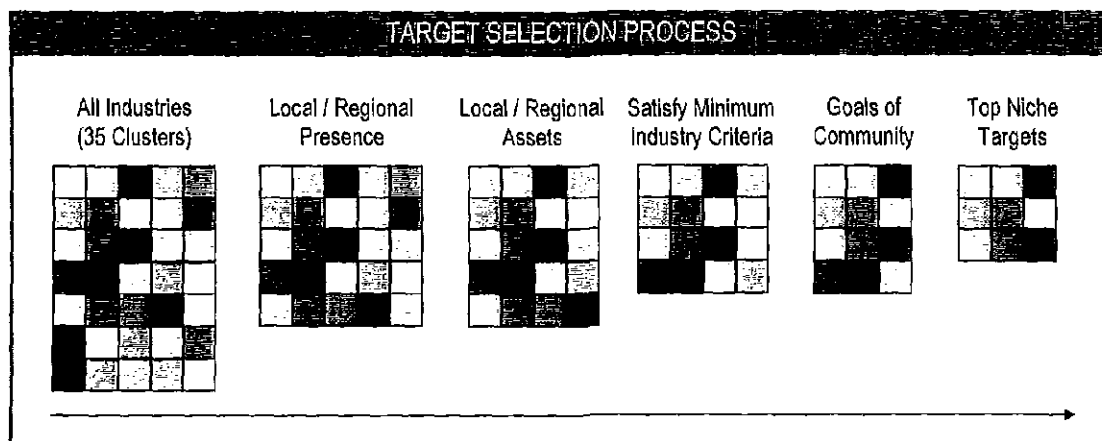
TARGET SELECTION PROCESS

AngelouEconomics employs a combination of quantitative and qualitative analysis in selecting the best target industries for a community. The process is guided by the following four questions:

1. **What clusters currently exist locally, and are they growing?** Immediate and obvious candidates for future growth targets are those that are experiencing growth within the community or surrounding communities. Industries that have a large presence but lack growth suggest that the region is losing its competitiveness in this industry. While the industry may be a candidate to target for a retention effort, a long-term decline calls for a close look at transitional opportunities into new industries that create jobs (e.g. textile workers transitioning into food processing).
2. **Are current or emerging local clusters within industries that are growing nationally or undergoing geographic dislocation?** For those local clusters that have potential, are they growing nationally as well? While some industries are experiencing high growth rates, most U.S. industries are modest or stagnant in their growth. However, the dislocation of industries from one part of the country to another has been a long-standing opportunity for recruitment. Many industries undergo restructuring in order to be more competitive or simply suffer a high rate of startup and failure.

3. **Are there local assets that give specific industries a competitive edge?** Communities are as unique as people. Each one has strengths that companies can leverage to create competitive advantages. These strengths can include such things as workforce skills, tax structure, infrastructure, and market proximity. Likewise, many companies have specific infrastructure and workforce minimum requirements, and understanding whether the region can meet those requirements is crucial. For example, if the region lacks water and wastewater capacity or has overly stringent environmental regulations, then the community could be ruled out for food processing and semiconductor manufacturing. Understanding the needs of target companies is essential to recruiting them.
4. **Does the industry match community goals?** The most important criterion is often whether or not the industry matches the stated economic goals of the community. Some communities may want to avoid manufacturing businesses or businesses that don't pay high enough wages. Sometimes lack of available land requires a more precise list of targets. Communities wanting to maintain a small-town appeal, for example, may target home-grown "soft" industries. Others wanting to transition into a more urban, metropolitan setting may focus more on larger office users. Industries that can survive locally will struggle to succeed without the backing of the populace and its elected officials. An aggressive marketing campaign and solid commitment by government to support a target can often overcome specific deficiencies or cost disadvantages.

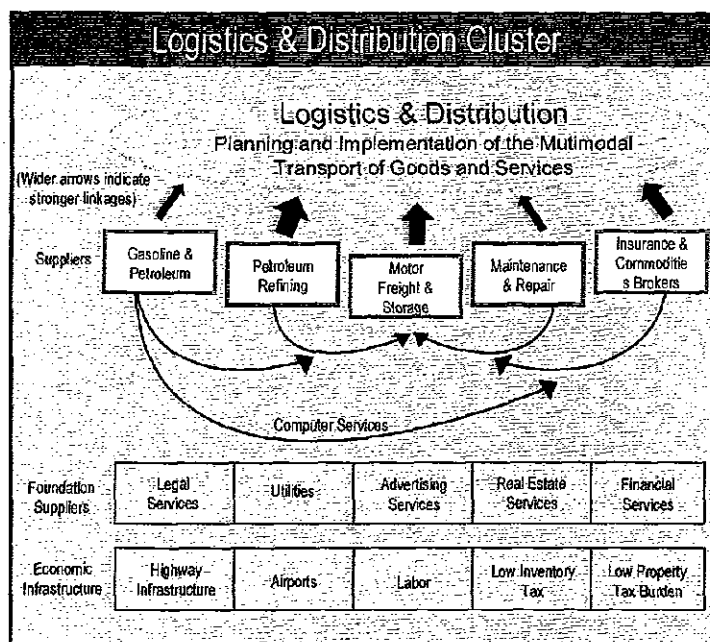
In many ways, target industry selection is better described as **target industry "elimination"**. The following chart shows AngelouEconomics' systematic process by which an industry is selected as a target:



We proceed through each of the "steps" outlined by the AngelouEconomics flowchart above, in order to arrive at a current, prioritized list of target industries for the region.

STEP 1: OVERVIEW OF ERIE COUNTY CLUSTERS

Clusters are highly integrated groups of businesses with strong vertical and horizontal linkages. "Vertical" linkages include the suppliers and customers in a region that combine to create a competitive business model. The tight relationship between auto manufacturers and their suppliers is a good example of this vertical relationship. "Horizontal" linkages include the relationships that competing companies have and the public sector institutions that support them. Workforce is the primary asset that passes through these horizontal linkages as competing firms often hire away each other's workers (and learn from them) and also hire out of the same training programs or universities. A sample of how such a cluster is organized can be seen in the diagram to the right.

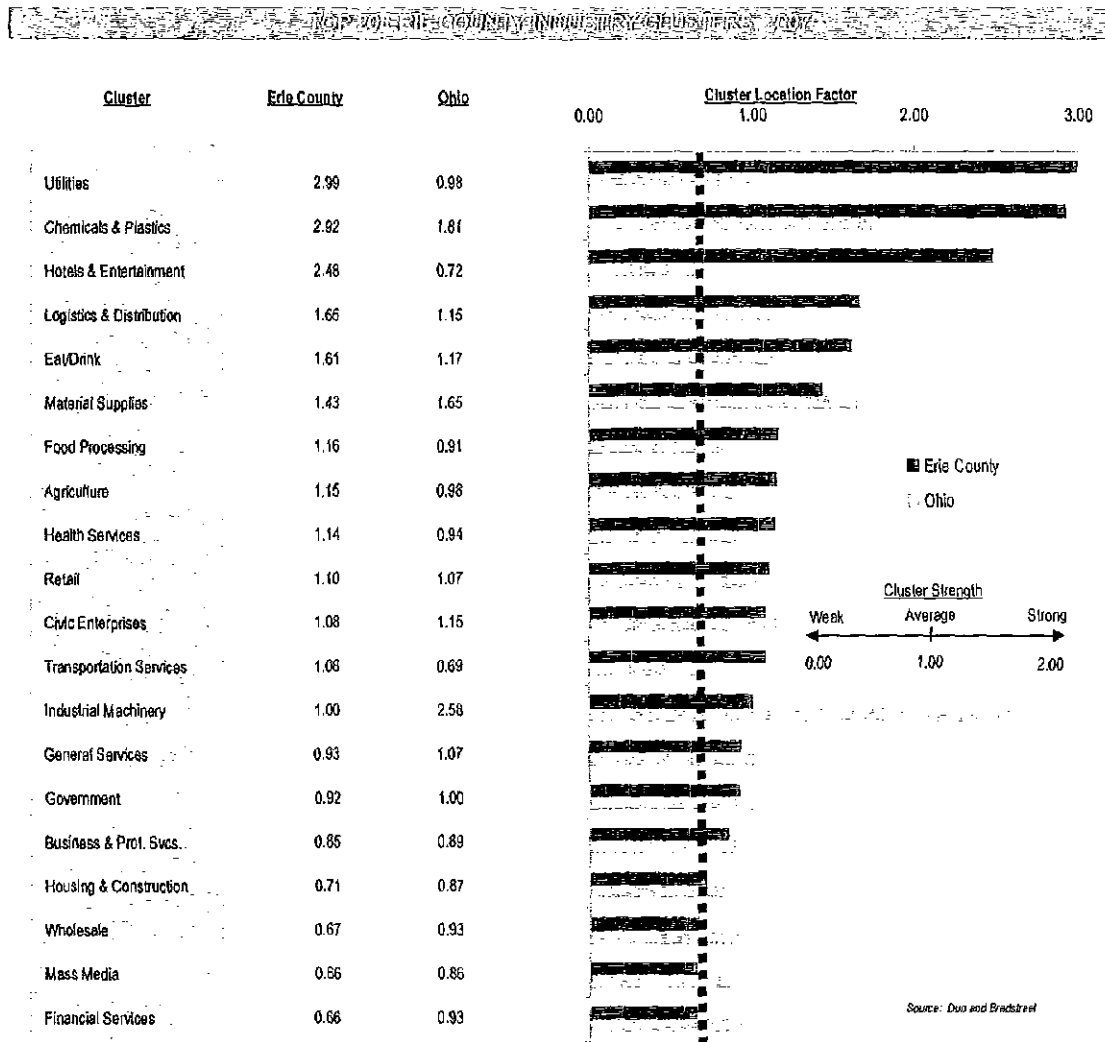


Historically, clusters gathered in specific regions of the U.S. due to natural advantages (e.g., natural resources and climate), cost factors (e.g., distance to market, labor costs), and existing transportation infrastructure. Today, companies are increasingly drawn to regions that can supply the unique workforce that they need. Universities and public sector institutions such as education and training facilities are now major drivers of regional economies. Clusters often mature when businesses expand their relationships with existing supplier firms in a region. As the clusters grow, additional supplier firms are attracted to the region, eventually creating a well-diversified "critical mass" of production, labor, and information.

AngelouEconomics has created 35 cluster definitions that achieve a much higher level of detail than the standard classification of the 10 major industries (manufacturing, services, etc.). This methodology categorizes businesses according to their final product and how these products are related to each other and integrated along the vertical supply chain. The results are a more accurate and detailed examination of industries than the broad method used currently by the Census. The new NAICS system is an improvement on how businesses are classified, but clusters will still be found across various NAICS codes and major industries.

To assess the strength of a cluster in a regional economy, AngelouEconomics has calculated location factors (or quotients) for each cluster. These factors are calculated by comparing the cluster's share of total local employment to the cluster's national share. This location quotient will yield a value generally between zero and two, where a result of "1" demonstrates that the cluster commands an average (expected) share of the local economy. Cluster location factors greater than two indicate a strong cluster agglomeration, while those less than .5 indicate extremely weak clusters.

The following table shows the cluster location factors for Erie County and the entire state of Ohio.

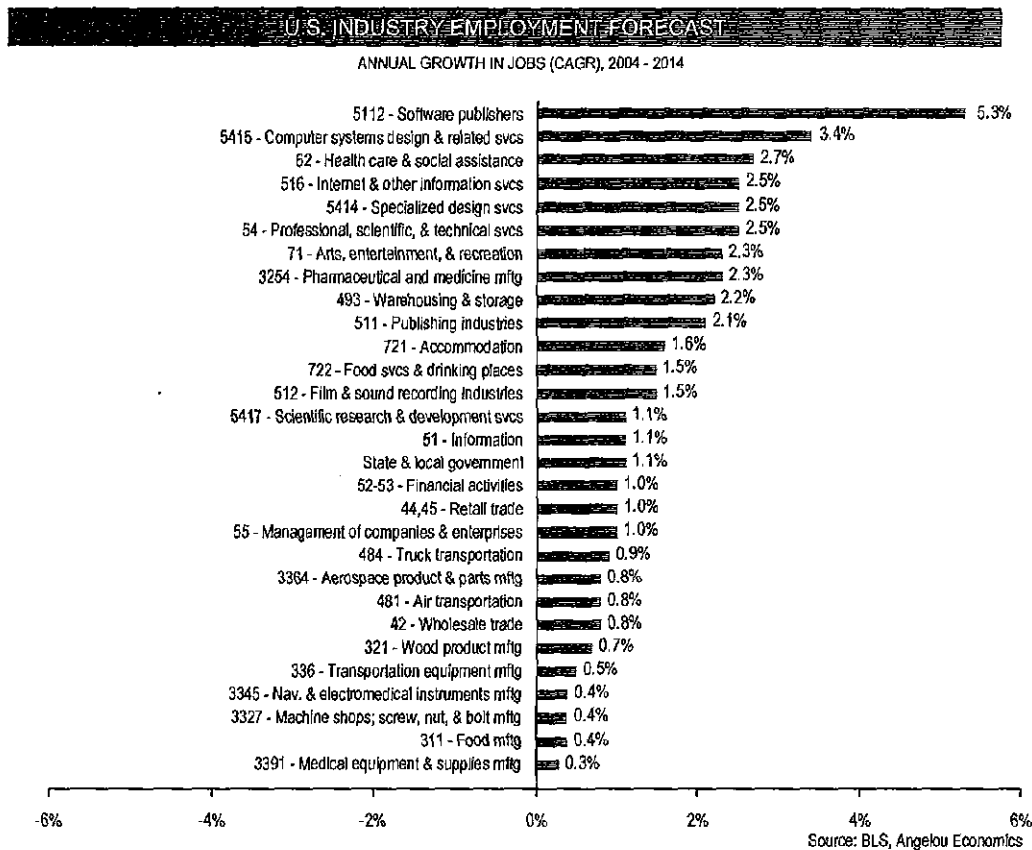


Erie County enjoys key cluster strength in several industry sectors. Notably, Erie County's employment base is substantially different than that of Ohio.

- **Utilities:** Utilities remains the single strongest cluster in Erie County; proportionally, local utility firms employ nearly three times the number of workers as the national average.
- **Chemicals & Plastics:** Proportionally, Chemicals & Plastics is the second most concentrated industrial cluster in Erie County, with a location quotient nearly three times greater than the national average.
- **Hotels & Entertainment:** Unsurprisingly, Hotels & Entertainment is the third most proportionally concentrated industry in Erie County. The presence of Cedar Point and other tourism destinations has contributed to a significant employment base in Erie County.

STEP 2: NATIONAL CLUSTER GROWTH

In general, communities should target industries that are growing, although other targets may be considered. The following chart shows the anticipated growth trends for specific industries and clusters:

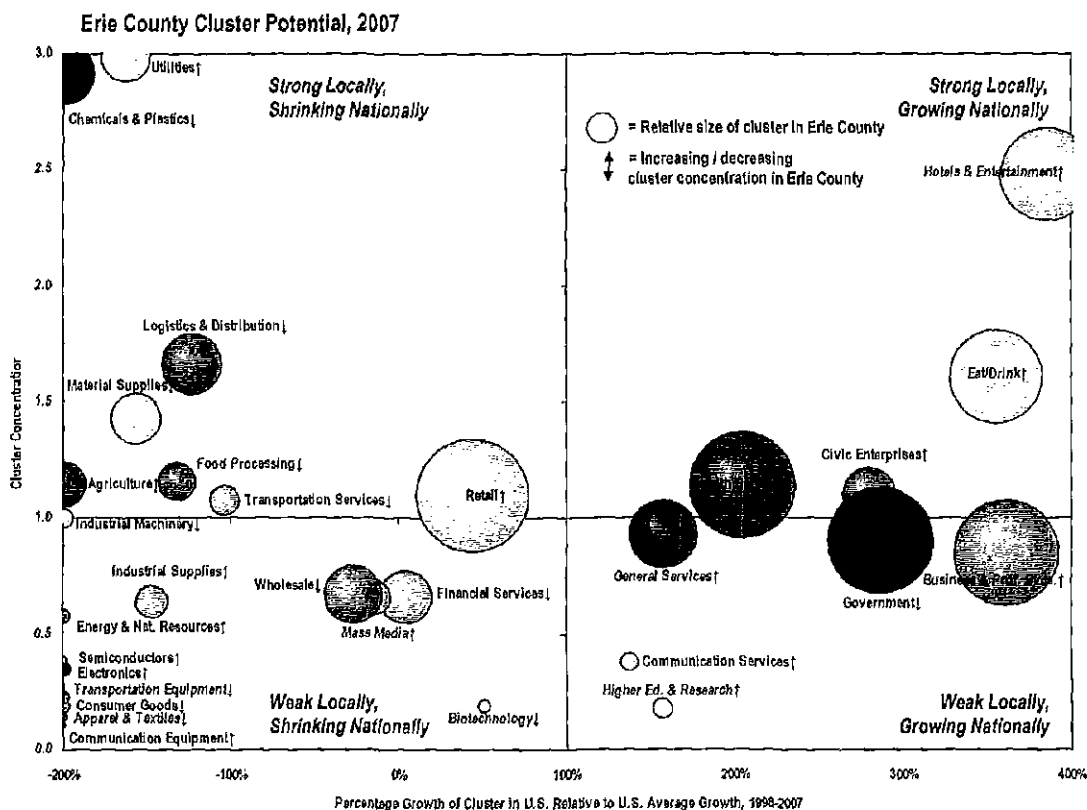


Technology sectors such as those relating to the use of computers and networks promise a high level of growth through 2014. Productivity improvements continue to be felt in traditional companies that adopt new computer technologies. The highest rates of growth will be found in design and service sectors such as **Computer Systems Design** (3.4% per year), and **Internet Services and Data Processing** (2.5%).

Health Care will be a high growth industry as the aging U.S. population becomes the dominant demographic story over the next 20 years. By 2010, nearly 15% of the population will be seniors 65+, a period in one's life where nearly half of health care expenditures occur. The senior population will be growing four times faster than the overall U.S. population by 2015. With this massive demographic shift occurring, an estimated 4.3 million additional jobs will be created in the health care industry by 2014, with residential and elderly care receiving the highest rates of growth. **Medical Instruments** and **Scientific R&D** will experience modest growth.

The steady growth of the overall U.S. population will drive the growth of industries that supply, feed, house and entertain us. Distribution of consumer goods will experience high growth: **Warehousing and Storage** (2.2% per year), **Truck Transportation** (1.0%), and **Wholesalers** (0.8%). **Entertainment and tourism** industries will see high growth, and end-sales industries such as **Retail Trade** and **Restaurants** will see moderate growth. The **Construction** industry tracks well with overall economic growth and is expected to experience modest growth.

In addition to national industry trends, the target selection process must also identify strong existing clusters in the region that are experiencing growth. Local industry clusters gain strength when the cluster is outperforming national growth trends. An industry cluster may also increase in strength when a local cluster is capturing a larger share of new jobs in the U.S., suggesting an improvement in the region's attractiveness and competitiveness for the cluster. **The following chart illustrates industry growth and dislocation trends at a local and national level:**



The chart above points to the following trends occurring in Erie County:

- Despite declines in the area's manufacturing sector, many of the industries most heavily represented in Erie County have enjoyed both national and local growth over the past decade. Two of the strongest local clusters, Hotels & Entertainment and Eat/Drink Establishments, are flourishing locally and nationally. Unfortunately, these two industrial clusters typically do not offer a tremendous amount of high-wage employment opportunities.
- Fortunately, in the past decade Erie County has also witnessed significant growth in other clusters as well, most notably Business & Professional Services and Health Services. While these two industries are not currently highly concentrated, recent local growth trends suggest that Erie County might be well positioned to capture future growth in these employment areas.
- While Logistics & Distribution remains a locally strong cluster, the industry in Erie County has declined overall since 1998. Meanwhile, Erie County's two strongest clusters – Utilities and Chemicals & Plastics – have seen rapid declines at a national level in recent years.

STEP 3: COMPETITIVE ASSET INVENTORY

Erie County's existing assets and limitations will ultimately prove a key determinant in the identification of appropriate target industries. The evaluation of the region's core assets for industry recruitment and expansion consists of grouping the community's characteristics into two categories: **competitive assets** and **barriers**.

Competitive Assets

- **Labor Costs** – Erie County's labor costs are highly competitive, with average wages more than 20% below the national private sector average¹. Erie County's average wages are also more than 10% below the state average. For non-tech industries for which labor costs can be a critical consideration, Erie County possesses a key advantage.
- **Location** – Erie County's location remains one of its core strengths. Erie County is located within 200 miles of several major metropolitan areas, including Cleveland, Columbus, Pittsburgh, and Detroit. Several other metropolitan areas, including Chicago, Cincinnati, and Indianapolis, are located within 300 miles of Erie County. Erie County's proximity to several large markets is a vital characteristic for industries dependent on market access.
- **Skilled Manufacturing Workforce** – Unfortunately, the decline of domestic manufacturing over the past decade has greatly impacted Erie County. While Erie has lost a significant number of manufacturing jobs in recent years, many of these workers remain in the area, providing Erie County with a significant reservoir of individuals with manufacturing skills. Although traditional manufacturing in the U.S. is projected to suffer additional contractions, specific sectors of advanced manufacturing are expected to remain relatively healthy. Erie County's existing manufacturing workforce competitively positions the community to recruit firms in these advanced areas of manufacturing.

Barriers

- **Educational Attainment** – Erie County does not possess a highly educated workforce. Less than 18% of Erie County residents hold a bachelor's degree or higher, nearly 40% below the national average. With many of the fastest-growing industries in need of a skilled workforce, Erie County's current level of educational attainment is a significant obstacle.
- **Site Availability**: While Erie County features several industrial parks, none are located immediately adjacent to Interstate 90. For industries with stringent geographic requirements, availability of sites immediately suitable for their operations is often a primary concern in site selection considerations.
- **Absence of Young Professionals** – Erie County is currently aging at an alarming rate. The median age in the community is 41.6 years old and has jumped nearly 20% since 1990. The increase in the number of older residents has occurred simultaneously with the decline of residents between the ages of 25 and 45. Alarming, in Erie County this demographic has declined more than 25% since 1990.

¹ This does not apply for manufacturing jobs, where average wages are significantly above national thresholds

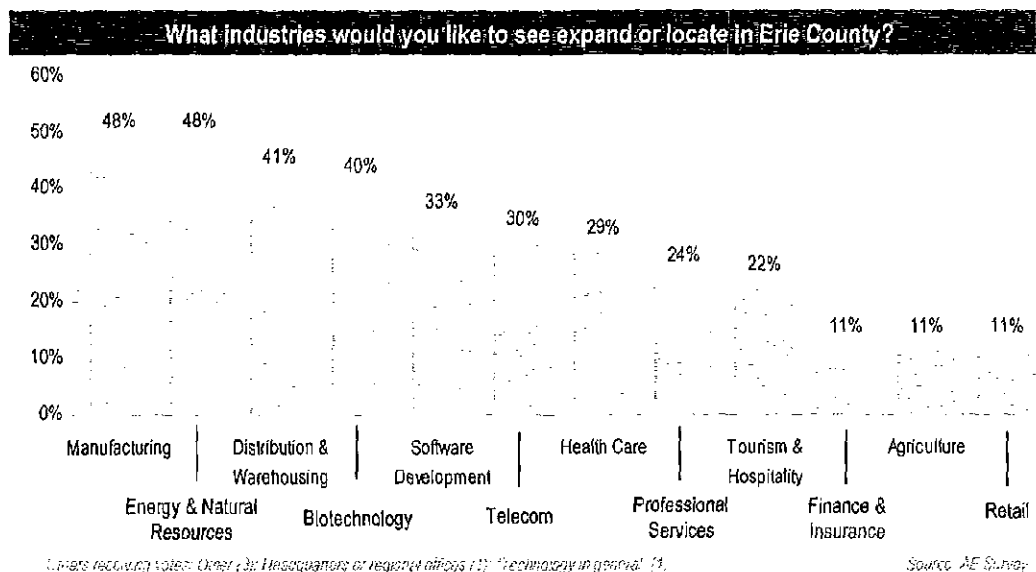
STEP 4: DO THESE TARGETS MEET THE GOALS OF THE COMMUNITY?

Public opinion and community input is as crucial to the industry cluster selection process as is data and asset analysis. The growth of industry clusters requires a community effort. Local government officials, economic developers, business leaders, and the public must be united in their vision and enthusiastic in their support to grow regional representation in industry clusters that are widely viewed as desirable. Widespread public support is particularly critical when a region lacks a strong local concentration in a targeted cluster; successfully grow the desired industry will require an especially focused effort.

In an effort to solicit public input into the target industry process, AngelouEconomics conducted an online survey from July 2007 to August 2007. The survey asked residents to identify general characteristics that they would like to see among targeted industries. The criteria most commonly cited by area residents included high wages, good benefits, and stable employment. Importantly, respondents recognized the need to recruit new economy industries that both appeal to younger individuals and require an educated workforce.

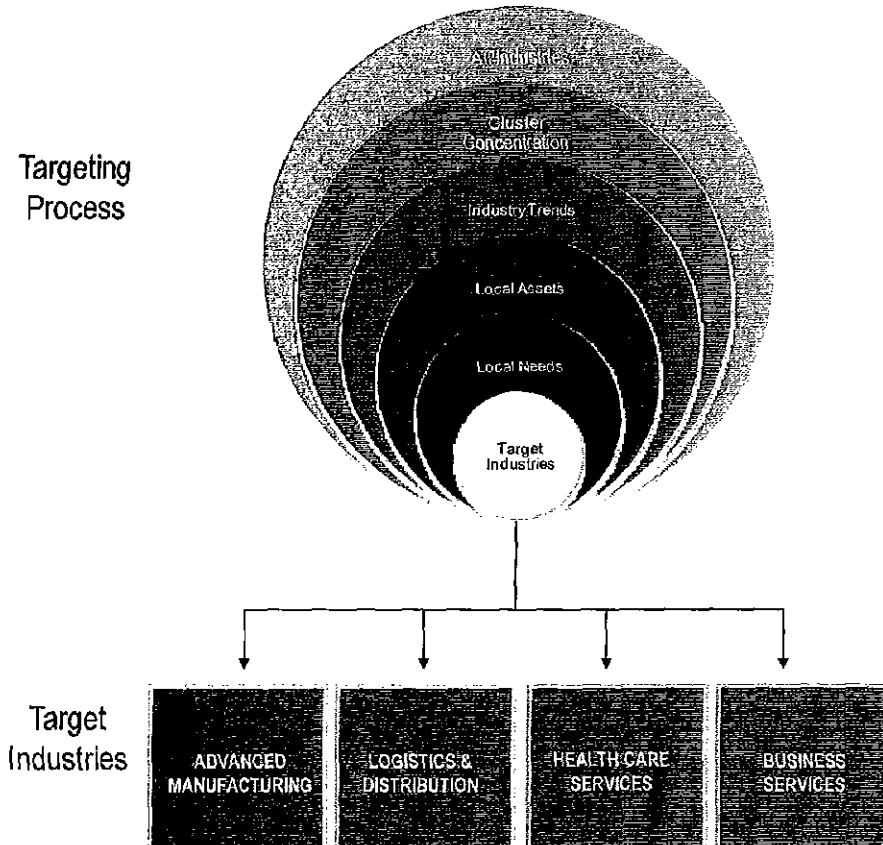
The implicit acknowledgement that Erie must provide greater opportunities for younger residents is all the more notable given the demographic characteristics of the respondents; nearly 90% of respondents were 35 years or over and almost three-quarters reported living in Erie County for a period of at least 15 years. While it is essential that any subsequent efforts to create economic prospects for the area's younger residents enjoy broad popular support, it is also crucial to secure the involvement of these younger residents directly.

When asked to name industries that should be targeted for recruitment and expansion within Erie County, several employment sectors received wide support. Manufacturing, Energy & Natural Resources, Distribution & Warehousing, and Biotechnology were all identified by at least 40% of respondents as important potential target industries. Interestingly, several industries that have experienced significant growth over the past decade were cited by far fewer respondents as desirable target industries. Health Care, Professional Services, and Tourism & Hospitality garnered the support of less than 30% of respondents. For more detailed information on the public survey, please refer to the technical addendum at the end of the document.



RECOMMENDED TARGET INDUSTRIES

The following diagram depicts the selection process and the resulting list of target industries for Erie County.



After considering all industries and filtering them based on Erie County's industry cluster concentration, national and local growth trends, community assets, and local needs, 4 target industries were identified. Through focused, targeted effort, Erie County can leverage existing assets to recruit specialized segments within each industry.

The following Target Industry Profile includes a survey of the economic realities facing each industry. Each analysis also includes an examination of Erie County's current ability to recruit businesses in each industry. A brief consideration of potential niche sectors also accompanies each industry profile.

TARGET 1: ADVANCED MANUFACTURING

INDUSTRY DEFINITION

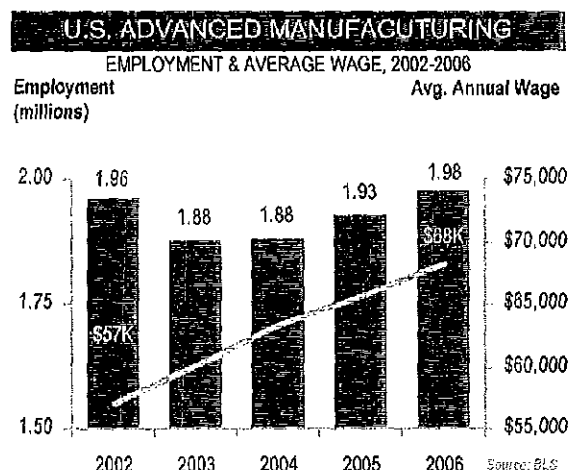
Advanced manufacturing includes those industries within the manufacturing sector that use high levels of R&D inputs in their manufacturing processes. Specifically, advanced manufacturing includes establishments with twice the ratio of R&D employees as the U.S. private sector average. Examples of advanced manufacturing products include pharmaceuticals, computers and electronics, aerospace products, transportation equipment, and medical devices. Fabricated metal products, textiles, paper, steel, and other more traditional and often heavy manufacturing operations do not fall within the advanced manufacturing sector

Advanced Manufacturing	
Industry Definition	
The manufacture of products focusing on the use of innovation and large investments in research and development.	
NAICS Employment Sectors	
3254	Pharmaceuticals
3331	Agriculture, Construction, and Mining Machinery
3332	Industrial Machinery
3336	Engine, Turbine, and Power Transmission Equipment
3339	Other General Purpose Machinery
3364	Aerospace Product and Parts
3391	Medical Equipment and Supplies
33599	All Other Electrical Equipment and Components
334511	Navigation, Guidance, Aeronautical, & Nautical Instruments
U.S. Industry Employment	Average Annual Wage
1,975,538	\$68,272

NATIONAL GROWTH TRENDS

Historically, manufacturing has been the primary driver of economic development in America. Propelled by the prospect of high paying jobs and the subsequent spin-off of jobs to suppliers and services, cities across the country competed fiercely with one another to attract manufacturing firms.

In recent years, however, advances in technology have unleashed the twin forces of increased domestic productivity and foreign competition. As a result, while U.S. manufacturing output has consistently increased in value over the last half-century, the number of manufacturing jobs has steadily declined. Such losses have not been experienced in the advanced manufacturing sector, however, where employment has actually increased since 2002. In addition, increased productivity has helped fuel significant wage increases in advanced manufacturing; since 1995, average wages in Advanced Manufacturing have risen by 55%.



Importantly, the current challenges facing the domestic industrial market do not signal the end of U.S. manufacturing. Instead, American manufacturing is undergoing a profound transformation as the industry adapts to the current realities of the global marketplace. Specifically, domestic manufacturers are increasingly relying on significant investments in research and development to maintain their competitive advantage against foreign competitors.

As the country's economy becomes increasingly knowledge-based, formerly clear divisions between industries have been replaced by mutually reinforcing interconnections. Pure production can no longer be divorced from pure research; manufacturing firms currently fund 60% of private sector research and development in the U.S. each year.

Employment growth for the advanced manufacturing industry varies for each segment of the industry. Pharmaceutical and medical manufacturing is projected to increase 26% over the next 10 years. Non-aerospace transportation equipment manufacturing and medical equipment and supplies manufacturing are expected to experience more modest employment growth of 4% and 3% respectively. Both machinery manufacturing and computer and electronic product manufacturing are projected to post negative job growth through 2014, as these sectors continue their movement to other parts of the world.

INDUSTRY REQUIREMENTS

Structural Assets

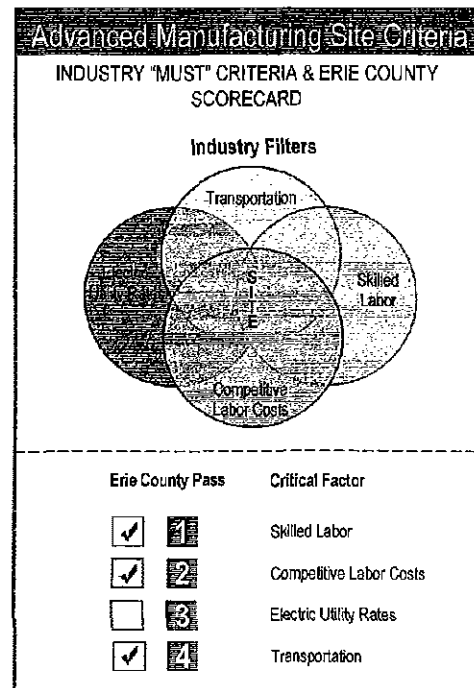
Structural assets vital to advanced manufacturing firms include utilities, highways, airports, telecommunications, and site availability. Regions with low electricity costs can often lure power-hungry manufacturers such as automotive producers away from areas with high energy costs. Large tracts of available land, excellent transportation infrastructure, plentiful water, below-capacity wastewater systems, and EPA air-quality attainment certification are all potential requirements of advanced manufacturers.

Costs of Doing Business

In addition to labor costs, manufacturers pay close attention to overall cost of doing business in a specific locale; tax environments and the cost of capital can significantly lower already thin profit margins. Although each industry has different cost structures and subsequent site selection priorities, taxes can be a dominant factor in the site selection process for manufacturers. Manufacturers whose business requires massive capital investments and large tracts of land are primarily attracted to areas featuring low property taxes. Consumer electronics firms with high sales volume, however, prefer a combination of low property and local sales tax rates. In recent years, states without a sales tax have proven particularly successful in attracting high-profile consumer goods projects.

Economic Conditions

Economic requirements include the overall characteristics of regions that support the business model of an industry, including location, size, demographics, and lifestyle. Major relocations often occur so a company can be closer to customers or positioned in a high growth area with the right image and demographics for its business.



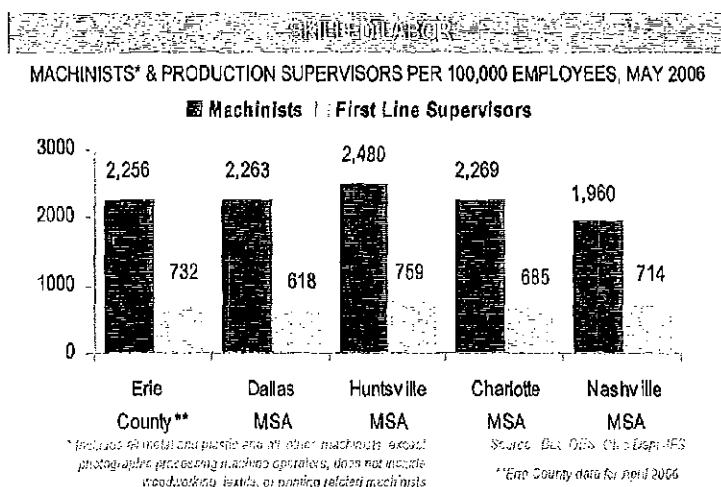
Workforce

Workforce needs vary among industries and companies. Manufacturers relying on low-skilled labor often operate in rural areas where they can find affordable workers and generous incentives. Manufacturers requiring large amounts of skilled workers often experience difficulty attracting and retaining qualified talent. Many of these jobs require formal education and specialized skills and experience. Companies have to compete for talent and are willing to pay higher wages for these workers. Local workforce development groups play an important role in helping companies find and develop the skilled workers they require. Availability of a skilled workforce is often the number one site selection criterion.

KEY ASSETS

Erie County possesses the following key selling points that may increase the odds of attracting advanced manufacturing firms:

- 1. Skilled Labor –** Erie County's workforce has a long history of skilled manufacturing. Lay-offs and plant closures have forced many former manufacturing workers to find employment in other industries, but many of these skilled workers have remained in Erie County. For advanced manufacturing firms looking for a large labor pool of manufacturing workers, Erie County is an attractive community.



- 2. Competitive Labor Costs –** Although the average manufacturing wage in Erie County is higher than the state and national average, it remains below the average of advanced manufacturing firms. Due to the skilled nature of the work, the average annual wage of advanced manufacturing jobs is \$68,000 nationally. In Ohio, workers in advanced manufacturing earn \$57,000. With the average wage of a manufacturing worker in Erie County just \$55,000, the community offers a competitively priced labor force.
- 3. Transportation Infrastructure –** With immediate access to an interstate highway, Erie County is competitively positioned to recruit advanced manufacturing firms that require access to specific consumer or industrial clients. Erie County provides convenient access to a large number of diverse market types.

CURRENT OBSTACLES

The following factors may inhibit specific advanced manufacturing firms from locating in Erie County:

1. **Electric Utility Rates** - Industrial utility rates in Erie County are very high relative to other parts of the country. For power-hungry manufacturers with heavy average and peak loads, these rates represent a significant added cost that could dissuade a manufacturer from operating in Erie County.

2. **Image as a "non-right-to-work state"**

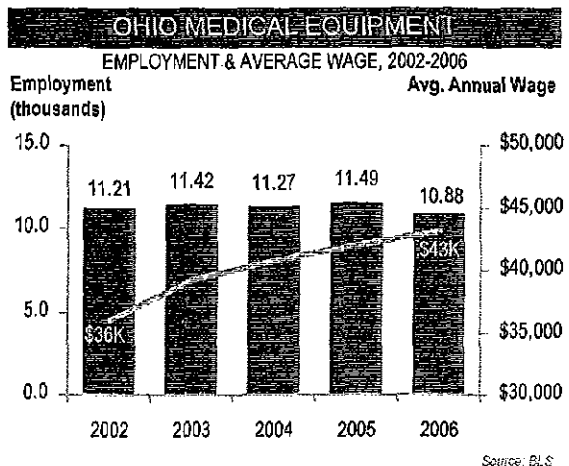
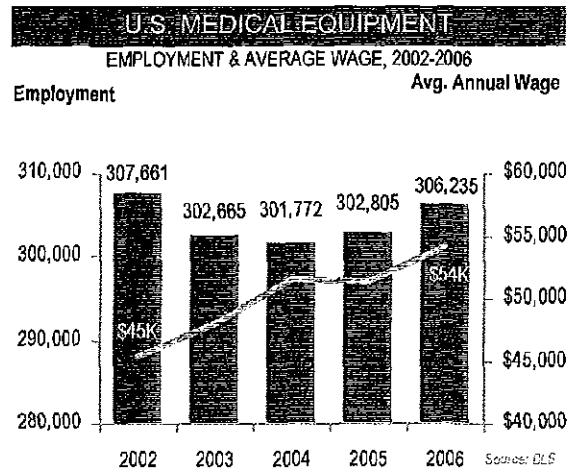
The perception of Erie County and northern Ohio as a hotbed of union activity is a serious negative factor in the eyes of many advanced manufacturers. The perceived risk of protracted labor struggles is sufficient in the minds of some to disqualify certain regions *a priori* – before even examining other site selection criteria. As long as this issue exists, Erie County will be automatically disqualified from the site location decisions of certain advanced manufacturing operations, regardless of what other assets may exist in the community.

NICHE SECTORS

Medical Equipment and Supplies

The Medical Equipment and Supplies manufacturing sector engages in the application of advanced techniques toward the manufacture and production of biomedical instruments and other medical products used in surgery, patient care, and laboratories. The industry produces a wide range of products, including orthopedic devices, prostheses, dental instruments, bioimaging equipment, defibrillators, laser eye surgery instruments, and implantable devices. Due to its close relationship with biotechnology and biological science, the Medical Equipment and Supplies industry is often considered to be part of the Life Sciences, generally defined. This connection is strengthened by recent advances leading toward increased integration of device design and manufacturing with biological processes.

Medical Supplies and Equipment employment grew modestly in Ohio from 2002-2005, before dipping in preliminary figures for 2006. However, the industry in the U.S. as a whole continues to rebound from the economic recession of 2001, with solid growth of more than 3,000 jobs occurring between 2005 and 2006. Erie County's position as a traditional manufacturing center and an emerging health care hub makes it a logical choice to capture a share of this national industry growth.

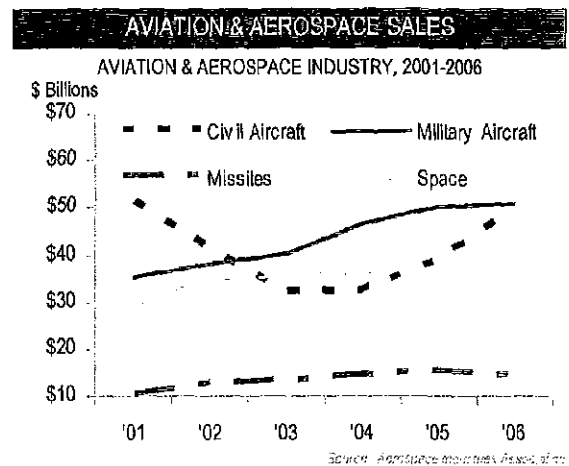
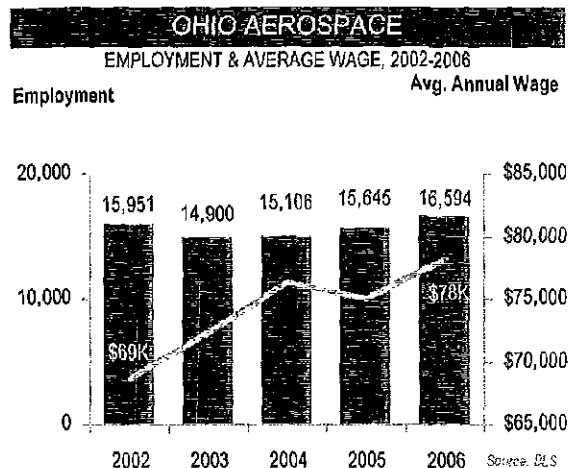


Aerospace

The aerospace sector consists of civilian and military aircraft, space vehicles, and missiles. Additionally, aircraft suppliers provide parts and machinery for aircraft assembly and maintenance. These parts include engines, interior components, avionics, and aircraft hardware such as landing gear. Suppliers are important for both the assembly and maintenance of aircraft. The industry's customers include the military, commercial airlines, and general aviation.

Nationally, the aerospace industry witnessed declining employment during the late 1990s. Although the industry has suffered in recent years due to falling orders for new aircraft, growth returned in 2005 and is expected to continue. In Ohio, the industry has rebounded since 2003, adding approximately 1,700 jobs over 3 years. In addition, already impressive average wages for the industry in Ohio have increased more than 13% since 2002, from about \$69,000 per year in 2002 to approximately \$78,000 per year in 2006.

Likewise, sales experienced a healthy rebound in 2005, increasing 9% to close the year at \$170 billion, according to the Aerospace Industries Association (AIA). The government is the largest customer segment of the aviation and aerospace industry (about 60% of all sales), and increased sales to the Pentagon are offsetting declines in the commercial aircraft market. Although the demand for civil aircraft sales has recently rebounded since its post-September 11, 2001 decline, military aircraft remains the most consistently growing segment in terms of sales.



LOCAL NASA PRESENCE

NASA's Plum Brook Station is a 6,400 acre testing installation situated in Erie County outside Sandusky. A satellite of Glenn Research Center in Cleveland, Plum Brook possesses four unique testing facilities: the Space Power Facility, home to the world's largest simulation chamber for testing equipment; the Spacecraft Propulsion Research Facility, the only facility in the world with the capacity to test launch vehicles and rocket engines at high-altitude conditions; the Hypersonic Tunnel Facility, the largest clean-air wind tunnel in the U.S.; and the Cryogenic Test Complex, a state-of-the-art complex dedicated to cryogenic research. Taken together, these facilities constitute a tremendous capital investment in world class infrastructure and represent a tremendous opportunity for economic development in Erie County. Other NASA installations such as Michoud in Louisiana and Stennis in Mississippi have been successfully leveraged to promote economic development in communities undergoing transition and restructuring. If capitalized upon properly, Plum Brook Station can stimulate private sector investment and facilitate the growth of an aerospace cluster in Erie County that will in turn support the growth of high-tech industries generally.



CASE STUDY: GULF COAST NASA INSTALLATIONS

In the wake of Hurricane Katrina and its devastating human and economic impacts, the presence of NASA has served as a crucial stabilizing influence on the Gulf Coast. The Michoud Assembly Facility in New Orleans and Stennis Space Center in Western Mississippi have continued their commitment to the region after the storm, bringing much-needed aerospace-related jobs and investment, and serving as testament to the economic power of NASA installations to impact the local communities in which they operate.

Located on approximately 14,000 acres just across the Louisiana border in Mississippi, Stennis Space Center has become an economic driver and a city unto its own, with 80 public organizations, 15 private contractors, and 50 tech companies situated on the premises. In addition to NASA's rocket propulsion testing ground, other major tenants include the National Data Buoy Center, the Naval Oceanographic Office, the Louisiana Technology Transfer Office, the University of Southern Mississippi's Department of Marine Science, Lockheed Martin, and Pratt & Whitney Rocketdyne. In total, these organizations house over 4,500 employees, including more than 1,600 civil servants and 2,500 private contractors. With an average salary exceeding \$70,000 and a highly educated workforce that includes 1,700 scientists and engineers, the impact of Stennis on the area economy is vast, and critical to the health of the economically distressed region. In 2006, Stennis expenditures reached \$690 million, for a total economic impact of 19,526 jobs, \$811 million in wages and income, and \$88 million in tax revenue. The importance of the Center as an engine of economic growth will continue to increase in the future, with Stennis committed to maintaining and expanding its presence. Among other projects, plans are currently underway for a new test stand for NASA's new Ares rocket engines, upgrades to the Naval Oceanographic Office, a new Rolls Royce facility, and significant new urbanist housing development to accommodate Stennis employees.

The Michoud Assembly Facility in eastern New Orleans is the primary facility for the manufacture of NASA's external tanks, and will serve as the production point for large portions of the new Ares I and Ares V programs. One of the largest manufacturing operations in the world, Michoud also serves as home to the National Center for Advanced Manufacturing and the National Finance Center. Altogether, the facility employs over 4,300, including 2,700 employees from Lockheed Martin alone. With future NASA investment in Ares committed for Michoud, an additional 700 private contractor jobs are anticipated for the near future, providing further boon to the area economy. The impact of these prime contractors will be leveraged through efforts targeted at bringing suppliers and subcontractors to the area as well, while many of Lockheed's suppliers currently operate out of communities across the U.S., a paradigm shift is underway at NASA that is attempting to bring contractors and subcontractors in close proximity to each other. In addition to substantial new NASA investment, the U.S. Coast Guard's planned construction of a facility on 19 acres at Michoud will significant new jobs, further benefiting the area economy.



TARGET 2: LOGISTICS & DISTRIBUTION

INDUSTRY OVERVIEW

The distribution and warehousing industry is a crucial part of the supply chain, ensuring the efficient flow of goods and services from producer to consumer. The industry includes freight carriers (air, water, rail, road, and intermodal), support industries for the respective carriers (loading and maintenance services), and warehousing operations. Speed, reliability, and the development of efficiencies that lead to cost reductions, such as advanced just-in-time delivery systems that reduce retail inventory costs, are critical to the distribution industry. Increasingly, the warehousing and coordination of flow materials is being outsourced by manufacturers and retailers to third party distributors with greater capacity for innovation in the efficient management of the supply chain.

As virtually every product sold in America moves through distribution channels, the industry is responsible for transporting a third of the nation's GDP. The movement of these goods, a \$300 billion industry, is increasingly coordinated by high-tech means such as global positioning satellites, real-time internet tracking, and just-in-time inventory systems.

The maturation of the industry has produced two complementary fields. On the one hand, distribution will continue to be serviced by "low-tech" suppliers, including trucks, airplanes, and ships. Logistical coordination, on the other hand, is a high value-added service that will drive industry growth in coming years. Technical workers dominate employment in this field. It is composed of advanced just-in-time coordination and the electronic devices involved, often called "track and trace." Federal Express pioneered the service side of distribution, and more established companies have been racing to catch up, including the United Parcel Service.

Logistics & Distribution

Industry Definition

The facilitation of the efficient flow of goods in the supply chain from producer to consumer.

NAICS Employment Sectors

481	Air Transportation*
482	Rail Transportation
483	Water Transportation*
484	Truck Transportation*
488	Support Activities for Transportation*
493	Warehousing & Storage

*Not All Subsectors Included

U.S. Industry Employment

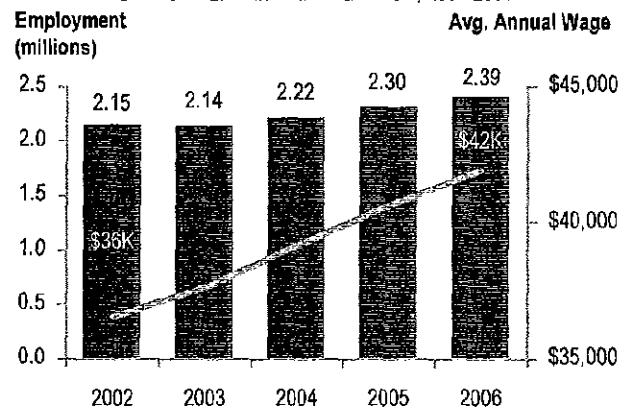
2,146,527

Average Annual Wage

\$41,951

U.S. LOGISTICS & DISTRIBUTION

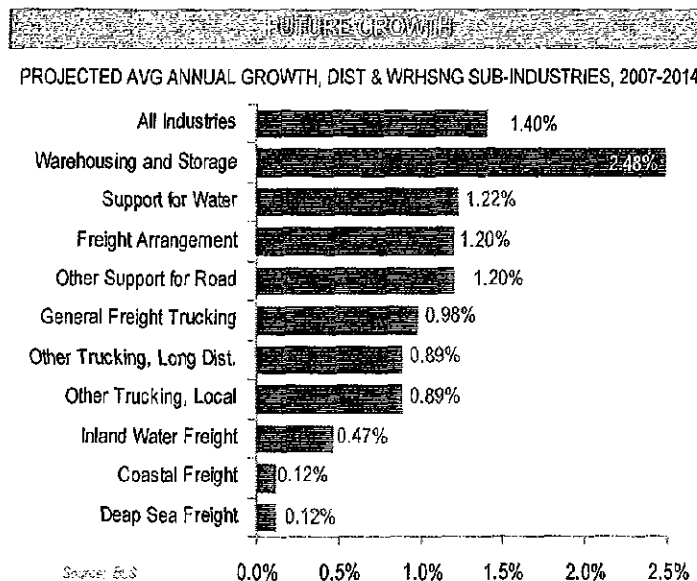
EMPLOYMENT & AVERAGE WAGE, 2002-2006



Source: BLS

NATIONAL GROWTH TRENDS

The national economic slowdown in 2001 resulted in fewer goods being shipped throughout the country and produced a decline in demand for distribution services. Although industry revenues and profits fell during this period, growth returned in 2004 and has continued ever since. National distribution and logistics employment has seen an aggressive period of growth since 2002, with over 200,000 jobs added to the sector. As U.S. advanced manufacturers increase production, and consumer expenditures pick up, the distribution and warehousing industry is expected to experience modest near-term growth.



Despite the industry's recent performance, distribution and warehousing faces potential long-term hurdles. Specifically, traditional high-volume users of logistics and distribution are declining in importance relative to the U.S. economy. Manufacturing, which uses almost a quarter of all transportation services, increased its valued output by a mere 8.8 percent between 1999 and 2004. During this same period, the national GDP increased by 26.4 percent. The decline of domestic manufacturing has coincided with the remarkable growth of the services sector, which uses relatively little transportation services. As the U.S. becomes more service-oriented, these structural trends are expected to continue. Increasingly, most goods are warehoused and shipped from their point of production or near the final destination. Sustaining a successful local distribution sector will be highly dependent on the overall health of local manufacturing and the accessibility to nearby markets.

Employment in the distribution and warehousing industry is projected to grow at an overall rate of 13.5% between 2004 and 2014. Among industry subsectors, warehousing and storage is expected to lead the way during this period at 25% growth. Employment in support activities for transportation is expected to grow by 12%, as is employment in freight transportation arrangement. General freight trucking will grow at a rate of nearly 10%, while growth in deep sea freight (1.2%), coastal freight (1.2%), and inland water transportation (4.7%) is expected to be much more modest.

INDUSTRY REQUIREMENTS

Structural Assets

Highway infrastructure is extremely important to distribution firms. Distribution firms require well-maintained, un-congested roads, and often rail access. In addition, interstate proximity is frequently a requirement. Airport and port facilities further support this industry. Overnight carrier hub proximity is viewed favorably. There should also be ample transportation capacity, both short-term and long-term. Distribution centers will seek out areas with forward thinking transportation planning. As industries increasingly shift to just-in-time manufacturing, more distribution operations will be required within close proximity of regional manufacturing operations and large metropolitan markets.

Advanced logistics companies also demand excellent highway access. Affordable land suitable for large warehouses, a large and accessible market, and the absence of inventory taxes are also important. Regional economic growth is important as well. Distributors' revenue comes largely from area firms and regional consumer needs. In either case, distributors desire a growing regional economy that expands their potential client base. Large distribution firms typically locate near mid-size to large metros with a strong airport.

Costs of Doing Business

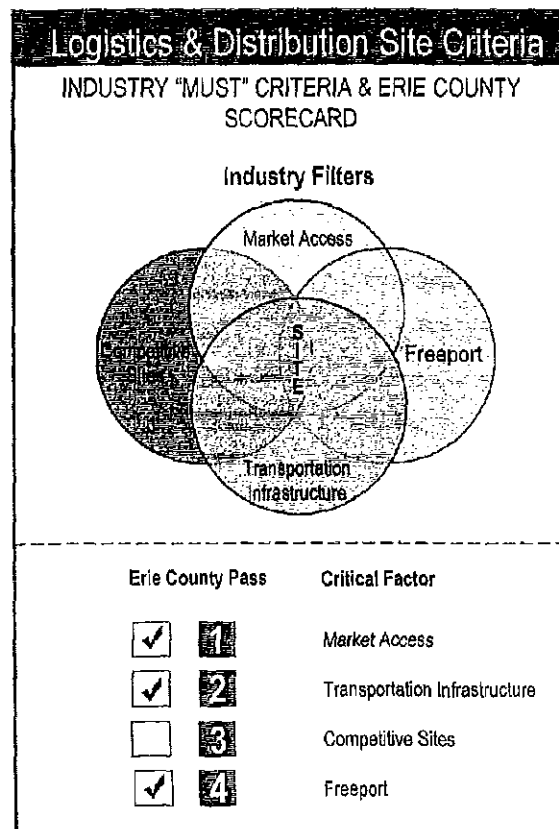
Advanced logistics companies invest primarily in warehouses, trucks, equipment, and IT infrastructure. Inventory taxes are avoided at all costs, and many distributors look for special incentives such as reduced taxes on fuels. Those large operations require massive land tracts at low prices and generally make minimal building improvements. Recent expansions have received tax abatements, tax credits, infrastructure improvements, and industrial revenue bonds.

Research & Development

Local research institutions do not significantly affect the location of distribution firms. Although distribution firms utilize inventory tracking and logistics software, the development of these technologies are not location sensitive.

Market/Geography

Distributors demand central locations with access to multiple large end-user markets or locations along major water arterials that facilitate the rapid flow of goods. Firms also desire to be close to clients to create transportation efficiencies.



Workforce

Distribution firms need a blue-collar workforce, and manufacturing workers have proven to be excellent fits for the industry. Relatively few occupations in this industry require a bachelor's degree. Recruitment for this industry should prove to be relatively easy as the highest growth occupations are labor-intensive.

Occupations in advanced logistics use varied skill sets. Entry-level positions are available as laborers and materials handlers. Truck drivers are also vital to the industry. For logistics management firms, IT professionals are needed to support supply chain companies as well. The industry has high turnover so potential sites need to have a sizable available workforce. Many distribution facilities employ college students part-time, making a young population a key concern.

KEY ASSETS

Erie County possesses the following key assets that will support the recruitment of the logistics & distribution industry:

1. **Market Access** – Erie County lies within 200 miles of the most recently computed (Census 2000) median center of population in the U.S. (Southern Indiana). In addition, nearly 1 in 10 Americans – 27 million – lives within 200 miles of Erie County. An additional 100 million people live within 500 miles of Erie County. Importantly, Erie County is easily accessible to several large markets, including both consumer and industrial markets.
2. **Transportation Infrastructure** – Erie County enjoys the advantage of immediate interstate access. Interstate 80/90 directly connects Erie County to such cities as New York, Boston, Seattle, and San Francisco. One hour west, Interstate 75 provides access to Cincinnati, Chattanooga, and Atlanta. The combination of solid transportation access and geographic proximity to a large proportion of America's population makes Erie County a potentially compelling community for logistics & distribution firms.
3. **Freeport** – The presence of an inventory tax within a community can seriously hinder the development of a vibrant logistics & distribution industrial sector. Thankfully, Ohio has phased out taxation on tangible personal property, including machinery, equipment, inventories, furniture, fixtures, and other business related property.

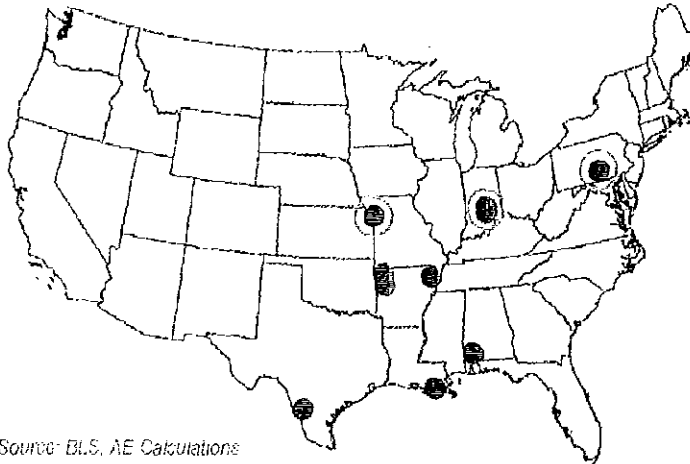
CURRENT OBSTACLES

1. **Competitive Sites** – Erie County currently lacks logistics & distribution facilities that are located immediately adjacent to the interstate system. In preparation for the repeal of the state's tax on personal property, Erie County should explore the development of sites appropriate for logistics & distribution firms.

LOGISTICS & DISTRIBUTION GEOGRAPHY

TOP LOGISTICS & DISTRIBUTION COUNTIES BY CONCENTRATION (LQ)

● Top County ○ Recruitment Target



Source: BLS, AE Calculations

Note: Only counties with industry employment of at least 500 included in the analysis

County	LQ
Conecuh, AL	13.8
Crawford, AR	11.1
Crittenden, AR	9.9
Webb, TX	9.4
Lafoursche, LA	7.3
Cumberland, PA	6.8
Hendricks, IN	6.7
Benton, AR	6.6
Wyandotte, KS	6.6
Jackson, IN	6.1

NICHE TARGET

Retail Distribution

Retail distribution centers utilize advanced technology to manage the flow of materials in the retail supply chain. Using high-speed conveyors, laser scanners, computerized databases and other technologies, the industry seeks to create efficiencies via just-in-time inventories and "shelf-ready" goods. The retail industry is increasingly shifting toward the use of such centers and away from traditional warehousing inventories. Distribution centers are relatively large facilities and tend to locate either on the fringes of major metropolitan areas or outside of these areas. Erie County's proximity to large consumer markets such as Detroit, Cleveland, and Cincinnati is a tremendous asset in targeting the retail distribution niche sector.

TARGET 3: HEALTH CARE SERVICES

INDUSTRY DEFINITION

Health care services has consistently been one of the fastest growing industries in the United States for the past decade. One of the primary drivers behind the growth of health care services has been a growing population of individuals age 65 and older. From 1994 to 2004, the number of Americans 65 and older jumped by more than 3 million, an increase of nearly 10 percent. Presently, the U.S. health care market totals more than \$1.3 trillion annually and employs over 12 million workers.

With America's elderly population projected to grow much faster than the overall population over the next forty years, the demand for health care services will undoubtedly sustain prolonged periods of expansion over the coming decades. Currently, individuals age 65 and older represent just over 12 percent of the country's total population. The size of this cohort has a profound impact on the demand for health care services, as more than half of an individual's lifetime expenditures on health care occur after the age of 65. By 2050, this group will total more than 20 percent of America's population, signaling an explosion in the demand for health care services. Home health care, private practice, and personal care will likely experience the greatest level of growth.

NATIONAL GROWTH TRENDS

Health care services employment is expected to grow by nearly 30 percent between 2004 and 2014. Specific sectors will see even higher rates of growth; the home-based health care sub-market is forecasted to grow by more than 69 percent by 2014. The residential care facilities market will grow by nearly 50 percent during this period. Due to the nature of its business, the health care services industry is relatively immune to market fluctuations.

Industry Definition

Health care services include traditional industry segments involved in primary healthcare—doctors and dentist offices, assisted living centers, medical and diagnostic laboratories and hospitals. Health care services also covers home health care services, outpatient care centers, blood and organ banks, and ambulance services.

NAICS Employment Sectors

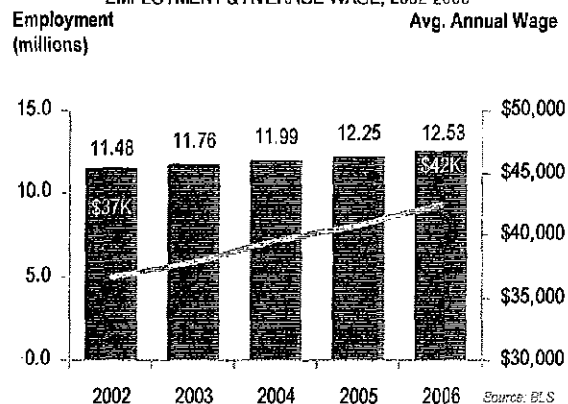
- 621 Ambulatory Health Care Services
- 622 Hospitals
- 623 Nursing & Residential Care Services

U.S. Industry Employment 12,531,322

Average Annual Wage \$42,481

U.S. HEALTH CARE SERVICES

EMPLOYMENT & AVERAGE WAGE, 2002-2006



HEALTH CARE SERVICES PROSPECTS

NAICS Code	NAICS Description	2004 Employment (1,000)	2014 Employment (1,000)	04-14 Growth	2005 Average Wage
621	Ambulatory Health Care Services	4,946	7,031	42%	45,114
622	Hospitals	4,294	4,982	16%	43,401
623	Nursing and Residential Care Facilities	2,815	3,597	28%	23,538

Source: BLS

INDUSTRY REQUIREMENTS

Structural Assets

Adequate infrastructure is one of the most critical requirements for health service firms. Traffic congestion should not impede emergency service personnel, a major airport should be nearby for reduced transport time, and telecommunications and energy infrastructure must be adequate.

Site Availability

Although health care services must locate in every major market, affordable office space for medical specialists is usually desired.

Research and Development

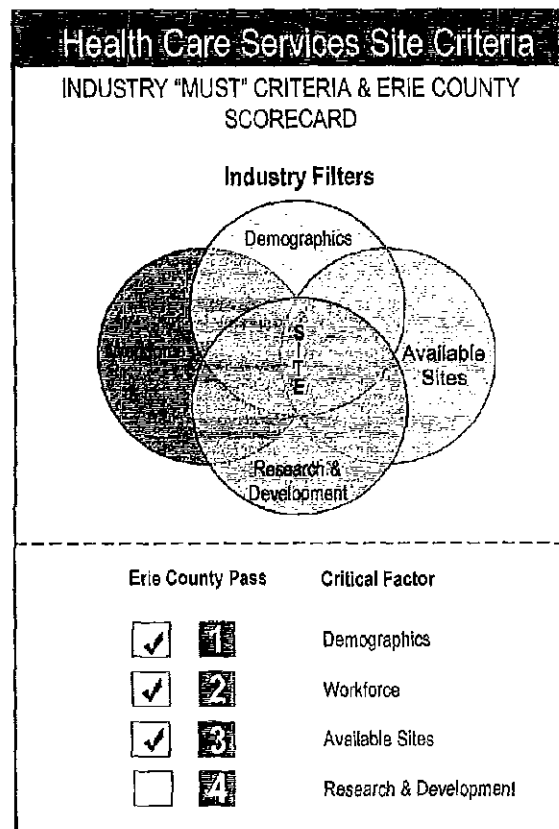
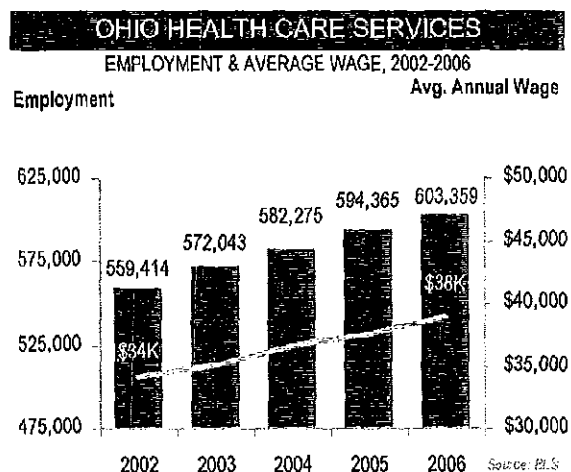
Health care is heavily reliant on research and development for the discovery of new medicines and treatment regimens. However, the fastest growing sectors of health care services, including home health care, do not depend on high levels of research and development funding.

Demographic Conditions

Health service companies are necessary in most communities. However, markets with a rapidly aging population or other special needs are particularly attractive to health care related businesses seeking an operating location. Economic realities have also forced many hospitals to consider area income levels in their site selection decisions.

Workforce

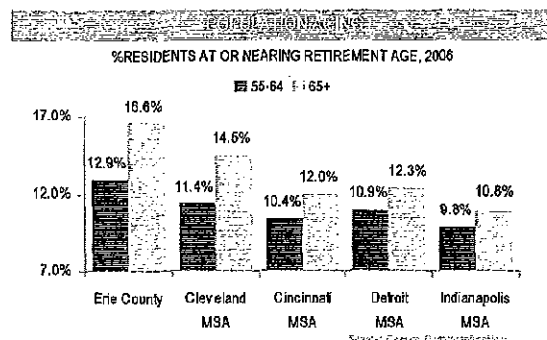
Health services companies rely on a variety of trained employees. Medical schools supply doctors, therapists, and pharmacists. Local workforce training programs through community colleges can train skilled nurses and technicians. However, the industry also provides many job opportunities for people without specialized training. According to the Bureau of Labor Statistics, more than fifty percent of all workers in nursing and residential care facilities have only attained a high school diploma.



KEY ASSETS

Erie County possesses the following key assets that will support the recruitment of the health care industry:

1. **Demographics:** Although Erie County's rapidly aging population may be a liability in efforts to recruit certain industries, the region's demographics are tremendously compelling to health care services firms. While many communities throughout the country are increasingly home to large populations of older residents, such demographic trends have been



- especially pronounced in Erie County; since 1990, the median age of Erie County residents has increased at nearly twice the national rate. As Erie County is home to a relatively small number of individuals between the ages of 24 and 44 years old, the area will likely experience continued jumps in the median age. Consequently, the demand for health care services is also expected to increase.
2. **Workforce** – Many of the fastest growing employment sectors of health care services do not require advanced levels of educational attainment. Other areas of health care services, such as nursing, require specialized training. Importantly, Erie County's workforce can satisfy both areas of employment need. While workforce shortages remain an acute issue for hospitals in the U.S., Ohio is less affected by such problems. Nationally, vacancy rates for registered nurses in 2006 stood at 8.1%, while in some parts of the country, such as Texas, vacancies exceed 10%. In Ohio vacancies have declined since 2002, reaching 5.1% in 2006. Erie County's workforce prospects are buoyed by institutions such as EHOVE that provide readily accessible nursing programs and consistently produce workers with the skills necessary to find employment in the health care industry.
 3. **Available Sites** – Doctors and other medical specialists require affordable space for their practices. The infrastructure needs of such facilities are usually modest. Erie County has the necessary inventory of affordable office space to meet the demands of most health care service providers.

CURRENT OBSTACLES

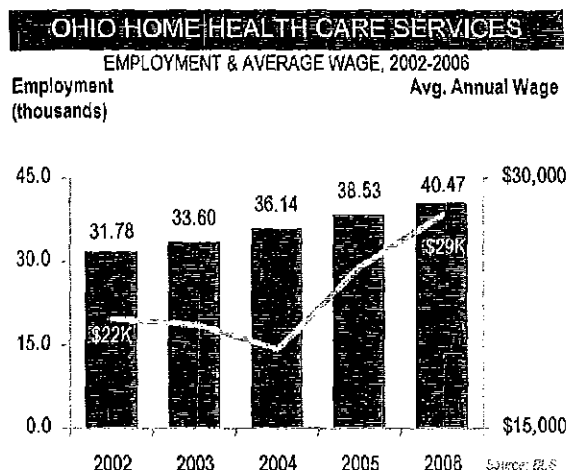
The absence of the following support characteristic will not preclude the successful development of a health care services industry in Erie County. In some specific industry segments, however, Erie County will not be competitive.

1. **Research and Development** – Most of the advanced medicines and techniques used in everyday medical practice have their roots in massive, sustained research expenditures. Such expenditures are typically undertaken by private corporations, universities, and the federal government. Without an existing research university or federal research institution, it is unlikely that Erie County can provide the necessary financial and personnel support for medical research and development.

HEALTH CARE SERVICES NICHE SECTORS

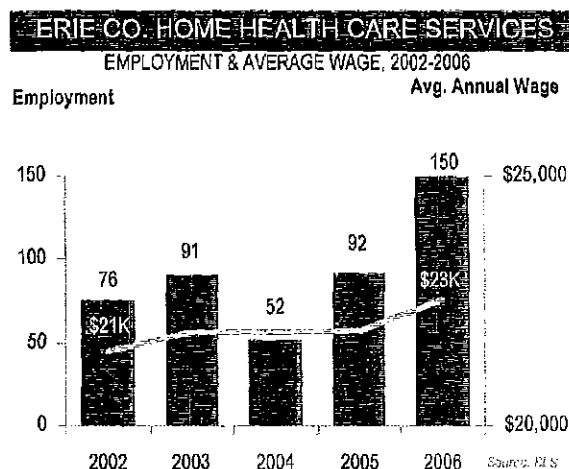
Home Health Care

The BLS estimates that home health care employment will jump by 69% between 2004 and 2014. Home health programs help elderly, convalescent, or disabled persons live in their own homes instead of in a health facility. Under the direction of nursing or medical staff, home health aides provide health-related services, such as administering oral medications. They may check patients' pulse rates, temperatures, and respiration rates; help with simple prescribed exercises; keep patients' rooms neat; and help patients move from bed, bathe, dress, and groom. Experienced aides also may assist with medical equipment such as ventilators, which help patients breathe.



Regional Medical Centers

Regional medical centers provide inpatient and outpatient hospital services for multi-county areas extending beyond the bounds of their particular community. A subset of hospitals, these facilities offer comprehensive medical care including diagnostics, surgery, and ongoing nursing care, and typically have a presence in virtually every type of medicine. In addition, regional medical centers often have specializations in multiple areas, from cancer care, to women's health, to cardiovascular, to pediatrics, to neuroscience. Because of their acute care focus, medical centers utilize the most advanced technologies in treatment and diagnostics in their service provision. Though hospitals represent only 2% of total health care



establishments, they account for approximately 40% of total health care employment, and will continue to create jobs consistent with the wider health services industry. Much of this growth will occur in outpatient services as centers seek to contain costs and diversify their operations.

Rehabilitation

Rehabilitation centers cater to the health and recovery of individuals whose functioning has been impaired through injury, congenital illness, drug and alcohol use, or other condition. The industry includes both medical rehabilitation services, and services for the treatment of drug and alcohol addiction. Rehabilitation centers utilize physical, occupational, and speech therapy to return patients to productive activity at home or work. Services are offered in both inpatient and outpatient environments, including hospital settings, divisions of hospitals, nursing facilities, ambulatory centers, and others. Medical rehab programs address such conditions as stroke, surgical recovery, orthopedic care, sleep disorders, spinal cord injury, and numerous other ailments. The rehabilitation industry promises to experience continued growth with the aging of the population and nearing retirement of the baby-boomers.

TARGET 4: BUSINESS SERVICES

INDUSTRY OVERVIEW

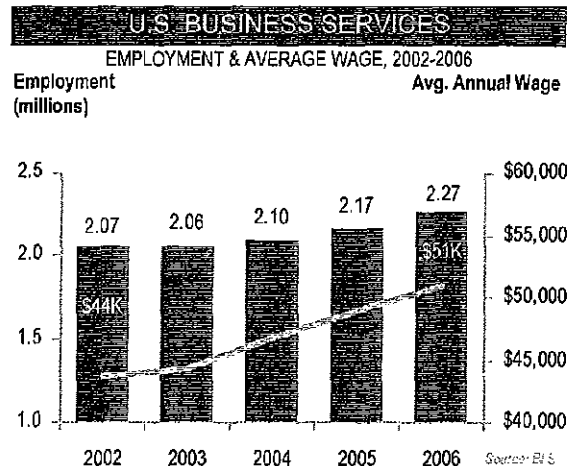
The business and professional services industry is comprised of back-office support operations including customer support and telemarketing call centers, accounting and payroll services, processing facilities, and administrative support. These operations provide services to handle the routine, day-to-day activities of other companies and exist both as subsidiary operations for parent firms, as well as outsourced third-party service providers. Back office operations, which interact primarily via electronic communication, often integrate a variety of functions under one roof, including customer relations, centralized accounting, and administrative services.

NATIONAL GROWTH TRENDS

Because of its strong ties to health care and relative independence from the movement in the tech economy, the business services industry was resistant to many of the effects of the dot-com bust. Though industry employment dipped slightly, previous declines began to reverse in 2003, with an additional 170,000 jobs created over the next two years. In the coming years, demand for business services is anticipated to remain strong, as the growing financial services and health care industries will require increasing levels of back office support. Both industries will continue to move these support functions off site or even outsource the operations to third party vendors.

Although the domestic call center industry continues to struggle today, financial services call centers have been a bright spot. Many call centers have closed as companies outsource or merge their call center services. Companies increasingly are outsourcing their call center services to offshore entities in countries with large English-speaking populations. India is the most popular destination for call center outsourcing. Strong competition for call centers also comes from Canada, South Africa, Costa Rica, and the Philippines. The recent creation of the National Do Not Call List is a clear threat to the outbound call center industry, as fewer sales calls can be placed from within the United States. Financial service call centers have been less affected by these changes than the overall call center industry. They offer higher value-added services and have been more hesitant to move operations overseas.

Business Services	
Industry Definition	
The provision of services to handle the routine, back-office functions of other businesses.	
NAICS Employment Sectors	
52232	Financial Transactions Processing
5611	Office Administrative Services
5612	Facilities Support Services
5614	Business Support Services
5412	Accounting, Tax Preparation, & Bookkeeping
U.S. Industry Employment	2,265,485
Average Annual Wage	\$50,891



INDUSTRY REQUIREMENTS

Economic Conditions

Industry firms desire locations where competition for labor is low, and large campus tracts are available. Stability is a key goal throughout relocation decisions. Major expenses for the industry include employee training and establishing communications infrastructure. Turnover is common among industry support staff. Because the cost of telecom is high, it is also important that real estate costs are competitive.

Market/Geography

Business support organizations often look to non-metro and suburban communities when relocating. Although not necessary, a central time zone location will allow inbound service from both coasts and short flights to the entire U.S.

Structural Assets

Business services and back office operations serve as hubs for many other vital functions. Therefore, it is essential that power, telecom, and other ISP services be reliable and affordable. These operations are light users of utilities, with the exception of power. Airport access is also vital for managers and executives in back office operations.

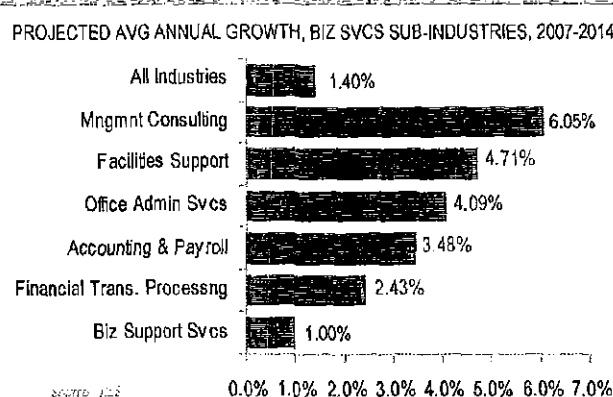
Research and Development

Universities serve the industry by providing a trained workforce. Some local software research can help firms stay competitive.

Workforce

Business services requires a wide range of worker demographics. Financial service support centers require workers with high school diplomas and employees with some specialized accounting knowledge, while other occupations require higher educational attainment. Many mutual funds and brokerage call centers require college degrees and specific industry certifications. Many companies seeking to lower their costs through back office services and business support services look to areas with high underemployment rates among younger demographics. Competitive wage rates are also very important.

PROJECTED AVG ANNUAL GROWTH, BIZ SVCS SUB-INDUSTRIES, 2007-2014



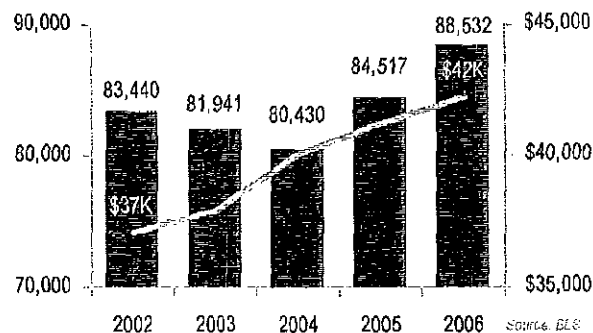
SOURCE: BLS

OHIO BUSINESS SERVICES

EMPLOYMENT & AVERAGE WAGE, 2002-2006

Employment

Avg. Annual Wage

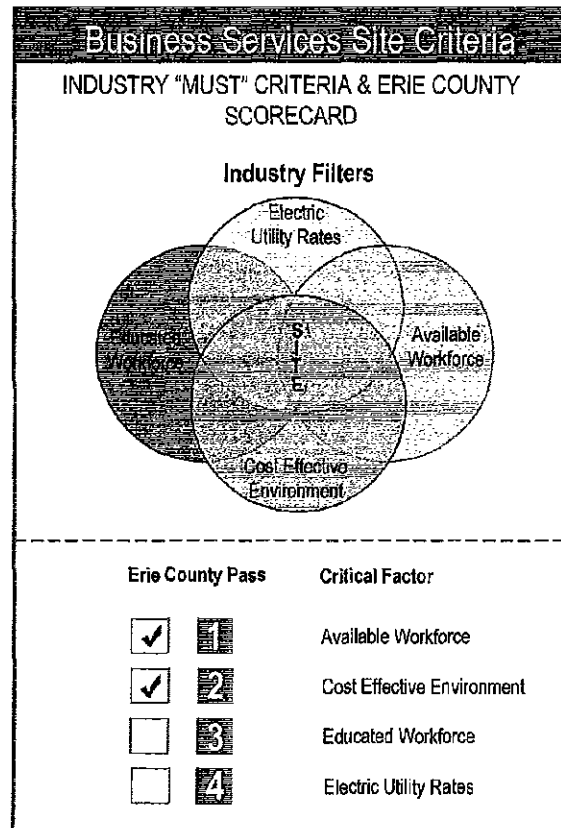


SOURCE: BLS

KEY ASSETS

Erie County possesses the following key selling points that may increase the odds of attracting business services industries:

1. **Available Workforce** – Erie County is best positioned to recruit back office firms that do not require high levels of educational attainment among their employees. If educational trends within the community continue, Erie County will be home to an increasing number of young individuals with a high school diploma—the ideal workforce for many back office companies. Although Erie County can immediately court many back office firms that do not require high levels of educational attainment, over the long term the community will have to raise education levels if it is to successfully recruit certain firms in the business services sector.
2. **Cost Effective Environment** – Erie County offers a highly competitive labor cost environment. The average wage in Erie County is nearly 20% below the national private sector wage average. Erie County's average wages are also well below the state average. The combination of proximity to major markets and relatively low labor costs are a significant advantage for Erie County.



CURRENT OBSTACLES

Erie County lacks the following elements that may prevent the area from attracting specific business services industries:

1. **Educated Workforce** – While Erie County can successfully recruit back office operations that do not require a highly skilled workforce, much of the future growth in domestic call centers will require high levels of educational attainment. A sustainable strategy of economic development that focuses on back office facilities must include a long-term commitment to ensuring an educated workforce.
2. **Electric Utility Rates** – For back office facilities that consume significant amounts of power, such as data centers, competitively priced electric utility rates are a necessity. Unfortunately Erie County's current average industrial and commercial retail price for electricity is relatively high.

INDUSTRY GEOGRAPHY AND RECRUITMENT

The business services industry is dispersed throughout the U.S., with particularly strong concentrations in the Southwest. The industry tends to prefer lower cost locations in proximity to major metropolitan areas and has seen significant movement in recent years toward these lower cost locales. The fact that some back office operations still exist in the high cost areas such as New York and Phoenix illustrates the potential for lower-cost communities to recruit these facilities.

NICHE SECTORS

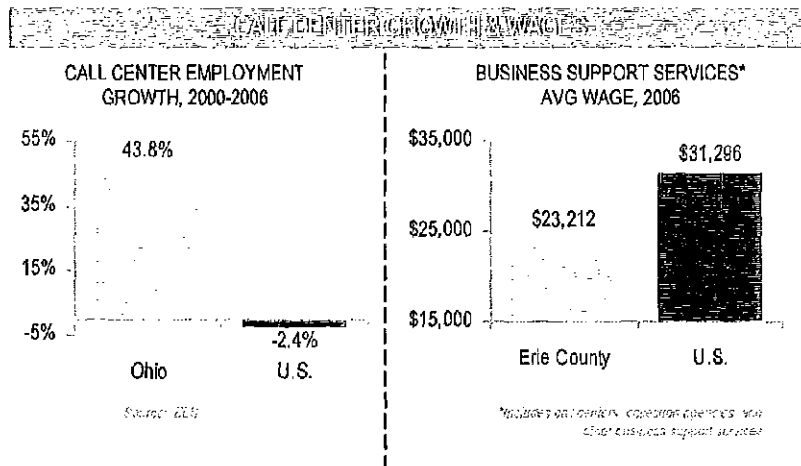
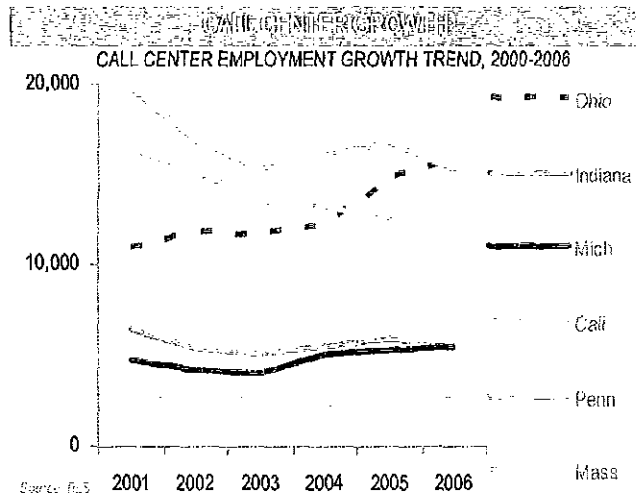
Call Centers

While strong competition from offshore locales has affected the domestic call center industry, call centers focused on customer relationship management (CRM), advanced technical support, or high dollar value sales are less affected by these changes and continue to locate new facilities in the U.S. These facilities are not subject to the same level of competitive pressure as low value-added call center operations. CRM is considered vital for high margin clients, and companies are concerned about potentially upsetting profitable relationships to save money. These operations are typically staffed by college-educated staff, many with further levels of certification. Cost savings realized from off shoring are inadequate given potential risks involved.

As wages and real estate can make up 70% of the geographical differences in costs for call centers, Erie County's advantages in these categories make it an attractive location for the higher value added call center industry. At \$23,212,

Erie County's average

wage in business support services (which includes call centers) remains more than 25% lower than the national average. In addition, Ohio has experienced substantial growth (43.8%) in call centers in recent years – despite declines in many competitor states – opening the door for Erie County to share in this upward trend.

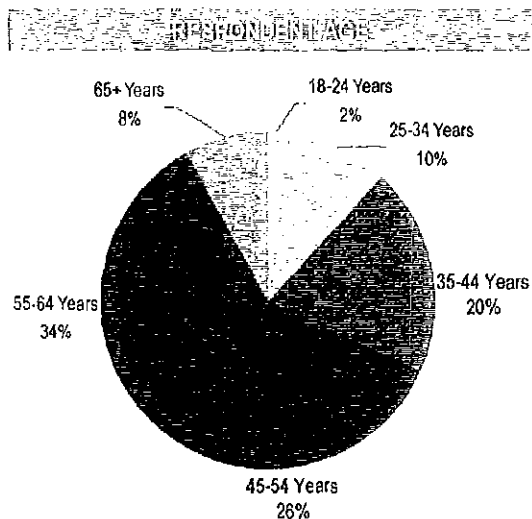


Back Office Financial Services

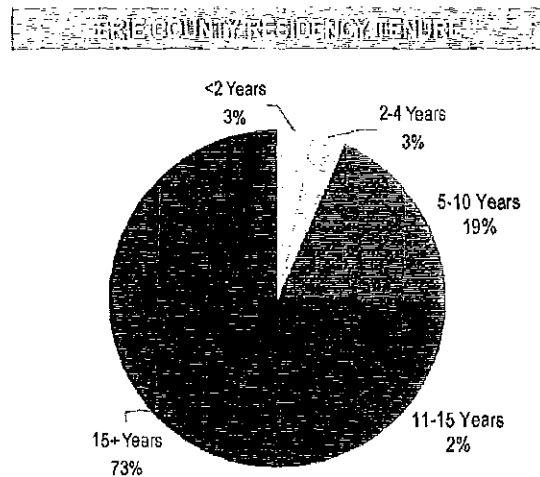
Support staff for back office financial services performs a variety of record-keeping duties. They track revenues coming into and leaving organizations as well as provide customer support. They provide payroll, procurement, and auditing services for their clients. The growing financial services industry will require increasing levels of back office support and will continue to move these support functions off-site or even outsource the operations to third party vendors.

ADDENDUM: SURVEY RESULTS

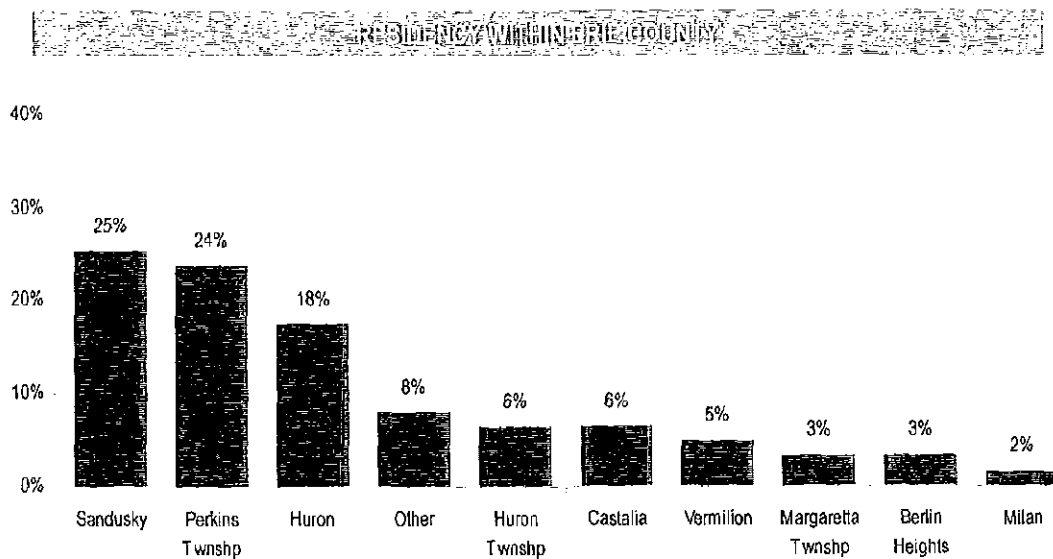
In July 2007, AngelouEconomics conducted a Target Industry Survey to gather community input into the types of industries desired by Erie County residents and stakeholders. A press release was issued announcing the opening of the survey, and 63 individuals responded to the survey, which was open for 3 weeks. The following survey charts provide detailed information on the opinions and insights of the survey respondents.



Source: AE Survey

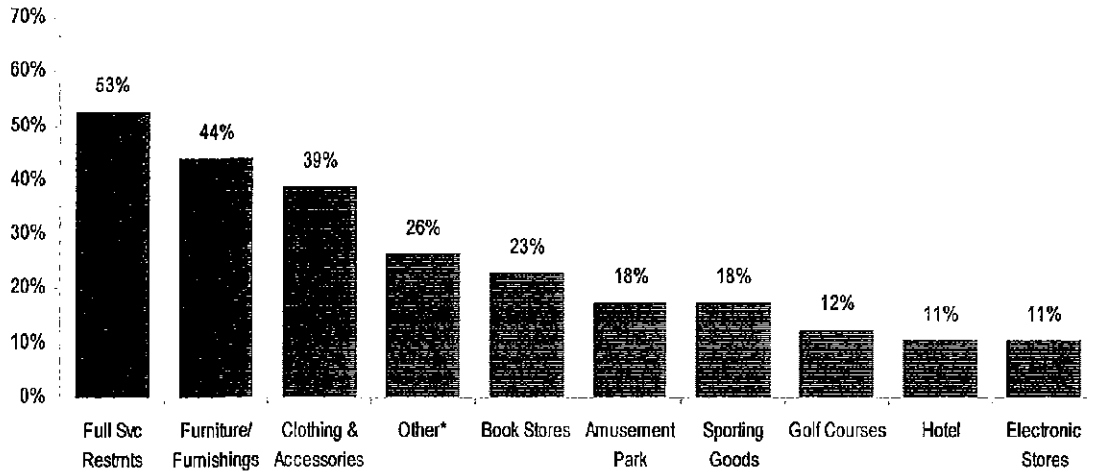


Source: AE Survey



Source: AE Survey

DESIRED RETAIL, TOURISM, ENTERTAINMENT ESTABLISHMENTS



* Includes the following responses: Casinos; Independent Gift/Accessory Shops; Non-Amusement Park Entertainment; Concert Venue; Family Fun Center; Natural Resource-Based Tourism

Source: AE Survey

PRIORITY INDUSTRY CHARACTERISTICS

Respondents were asked to name those characteristics that they would most like to see in industries opening or expanding in Erie County. The top responses are listed below.

- High Wages
- Environmentally Friendly
- Requiring an Educated Workforce
- Attractive to Erie County's younger population
- Stable & Sustainable
- High-tech & Creative
- Good Benefits

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