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FILE

BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of The East Ohio Gas Company d/b/a Dominion East Ohio for Authority to Increase Rates for its Gas Distribution Service.	)	Case No. 07-829-GA-AIR
In the Matter of the Application of The East Ohio Gas Company d/b/a Dominion East Ohio for Approval of an Alternative Rate Plan for its Gas Distribution Service.	)	Case No. 07-830-GA-ALT
In the Matter of the Application of The East Ohio Gas Company d/b/a Dominion East Ohio for Approval to Change Accounting Methods.	)	Case No. 07-831-GA-AAM
In the Matter of the Application of the East Ohio Gas Company d/b/a Dominion East Ohio for Approval of Tariffs to Recover Certain Costs Associated with a Pipeline Infrastructure Replacement Program Through an Automatic Adjustment Clause, And for Certain Accounting Treatment.	)	Case No. 08-169-GA-ALT
In the Matter of the Application of The East Ohio Gas Company d/b/a Dominion East Ohio for Approval of Tariffs to Recover Certain Costs Associated with Automated Meter Reading and for Certain Accounting Treatment.	)	Case No. 06-1453-GA-UNC

OBJECTIONS TO THE STAFF REPORT
OF INVESTIGATION
AND SUMMARY OF MAJOR ISSUES
BY
THE OFFICE OF THE OHIO CONSUMERS' COUNSEL

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I. INTRODUCTION

The Office of the Ohio Consumers' Counsel ("OCC"), a party to the above-captioned cases, hereby submits these objections[1] to the Staff Report of Investigation ("Staff Report") which was filed on May 23, 2008 concerning the Application of Dominion East Ohio ("DEO" or "the Company"), to increase its rates and charges for natural gas distribution service to Ohio customers.[2] OCC is the statutory representative of approximately 1.1 million DEO residential natural gas utility customers in this proceeding before the Public Utilities Commission of Ohio ("PUCO" or "Commission").

OCC submits that these objections meet the specificity requirement of Ohio Adm. Code 4901-1-28. OCC's objections point to matters in the Staff Report, or the Report of Conclusions and Recommendations on the Financial Audit of East Ohio Gas d/b/a Dominion East Ohio prepared by Blue Ridge Consulting Services ("Blue Ridge Report") where DEO's rates or service terms would exceed or contravene what is reasonable and lawful for residential consumers.

OCC reserves the right to amend and/or supplement its objections in the event that the PUCO Staff changes, modifies, or withdraws its position, at any time prior to the closing of the record, on any issue contained in the Staff Report or the Blue Ridge Report. Additionally, where PUCO Staff has indicated that its position on a particular issue is not known at the date of the Staff Report, OCC reserves the right to later supplement its objections once PUCO Staff's position is made known. OCC also reserves the right to file additional expert testimony, produce fact witnesses and introduce additional evidence.

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[1] The objections are filed pursuant to R.C. 4909.19 and Ohio Adm. Code 4901-1-28(B).

[2] DEO's application ("Application") in this proceeding was filed on August 30, 2007.

OCC also submits that the lack of an objection in this pleading to any aspect of the Staff Report does not preclude OCC from cross-examination or introduction of evidence or argument in regard to issues on which the PUCO Staff changes, modifies, newly raises or withdraws its position on any issue between the issuance of the Staff Report and the close of the record. Moreover, the OCC reserves the right to contest other aspects of DEO's Application not specifically addressed by the Staff Report.

Pursuant to R.C. 4903.083, OCC submits a "Summary of Major Issues" that outlines the major issues to be determined in this proceeding. OCC respectfully requests that these issues be included in the notices to be sent to customers to inform them of the local public hearings that will be scheduled in accordance with R.C. 4903.083.

II. OBJECTIONS TO THE STAFF REPORT

A. Revenue Requirements

OCC objects to the Staff recommended revenue requirement and resulting revenue increase on Schedule A-1 as it is excessive due to the use of inappropriate and incorrect rate base, operating income, and rate of return, as detailed below in the OCC's objections to Staff's determination of incorrect rate base, operating income, and rate of return.

B. Rate Base and Operating Income

1. Pension-Related Items in Rate Base (Schedules B-5 and B-6)

OCC objects to the portion of Staff's recommended ratemaking treatment of DEO's pension expense under which a rate base addition is made for DEO's $629 million pension asset. (Staff Report at 11-12 and Schedule B-6).

Staff's rate base addition of this pension asset is improper because: the pension asset is not a proper rate base component; the rate base addition allows the Company to earn a return on non-investor supplied funds; the rate base addition requires customers to pay a return on a pension asset that is the result of over funding of pension investments for which customers have previously paid for through rates; and the rate base addition requires customers to pay a return to provide monies to the Company that cover a substantial portion of an increased revenue requirement that was created by over funding of the pension plans.

The Company's rate base should be not be increased by the $629,243,511 in Staff's Other Rate Base Items on Schedule B-6.

Staff's proposed rate base addition of DEO's pension asset would result in customers paying higher rates for a large portion of an additional cash flow due to the Company's negative pension expense. Instead, as OCC Witness Hixon recommends, a return to the Company should only be allowed on the absolute amount of the negative expense, through an adjustment to reflect $0 as the pension expense in the calculation of the working capital allowance on Schedule B-5. (OCC Witness Hixon).

2. Restricted Stock Grant in Labor Expense (Schedule C-3.8a)

OCC objects to Staff's failure to exclude $279,860 in Restricted Stock Grant Expense from the calculation of the Salaries Labor Expense Adjustment on Schedule C-3.8a because this is an employee incentive tied to the profitability of the Company and is focused on benefiting investors and not ratepayers. (OCC Witness Hines).

3. Incentive Plan Expense (Schedule C-3.10)

OCC objects to Staff's failure to recommend an expense adjustment to recognize that the cost of DEO's Annual Incentive Plan ("Plan") should be shared between ratepayers and shareholders because the Plan is based, in part, on the achievement of the Company's financial goals. As explained by OCC Witness Tanner, two of the Plan's performance goals are related to achieving corporate earnings. Since the Company has failed to provide the percentage of the Plan's incentive compensation attributable to the achievement of corporate earnings, a 50/50 sharing of the incentive plan expense is a reasonable sharing of responsibility between ratepayers and shareholders. To reflect this sharing, 50% of Staff's recommended total Incentive Plan Expense on Schedule C.3.10 should be eliminated, resulting in a reduction to O&M expense of $1,542,607. (OCC Witness Tanner).

4. Lobbying Expense (Schedule C-3.18)

OCC objects to Staff's failure on Schedule C-3.18 to remove $80,404 in lobbying-related expenses associated with the Company's Columbus office. (OCC Witness Tanner).

5. Industry Dues (Schedule C-3.19)

OCC objects to Staff's failure to remove from test year expenses those Industry Dues that the Company specifically identified as "Excludable Expenses Allocated to Dominion East Ohio." The Company's combined workpaper WPC-3.6/WPC-3.19/WPC-3.21, lists $22,524 for "Industry Dues" compared to WPC-3.22 which only includes $1,248 for Industry Dues to be removed from test year expenses. Therefore, an additional $21,276 in Industry Dues should be excluded.

6. DSM Program and Weatherization Funding (Schedule C-3.21)

OCC objects to Staff's failure to recommend the Company increase its investment in cost-effective energy efficiency programs beyond the DSM budget increases proposed by the Company. As recommended by OCC Witness Gonzalez, DEO's DSM funding should be increased to average $15.6 million annually, with $10.7 million to be included in operating expenses in this rate case. The $10.7 million should be reflected on Schedule C-3.21 as the annualized test year DSM expense. (OCC Witness Gonzalez).

7. GTI Program Funding (Schedule C-3.23)

a. Distribution of GTI Funding Expense

OCC objects to Staff's failure to recommend that DEO's proposed GTI Program Funding Expense of $600,000 should be evenly distributed between the Operational Technology Development ("OTD") Program and the Utilization Technology Development ("UTD") Program of the GTI. DEO proposed only to fund OTD programs which focus more on pipeline infrastructure matters and not on end use technology research (UTD research) that would more directly impact customers. Since DEO's residential customers will be paying a large share of the $600,000, and since these customers do not have the ability to select programs that would benefit them the most, the Staff should have recommended that half of the GTI Program Funding Expense go toward UTD programs. (OCC Witness Hines).

b. Process for Review of GTI Programs Funded

OCC objects to Staff's failure to recommend a process for ensuring that the $600,000 in GTI Program Funding Expense is provided evenly among OTD and UTD projects. OCC also objects that Staff failed to recommend a process that requires the Company to, within a year of the filing of the Opinion and Order in this case and every year thereafter, docket a report on the actual distribution of the GTI funds among OTD and UTD programs and an explanation as to how each program that was funded directly benefits residential customers. OCC objects to Staff's failure to recommend that the Commission take action if the GTI Program Funding Expense are not distributed equally between OTD and UTD projects, or if the UTD projects selected by DEO do not directly benefit residential customers. (OCC Witness Hines).

8. Demonstration and Selling Expense

OCC objects to Staff's failure to exclude $103,057 in Account 912, Demonstration and Selling Expenses, from the test year as such expenses are promotional in nature. (OCC Witness Hines)

9. Post-In-Service AFUDC (Staff Report page 17)

OCC objects to the Staff's failure to adopt the recommendation, and adjust date certain rate base for the impact of the recommendation, in the Blue Ridge Report, that:

> The Company's policy states that AFUDC will cease with the month during which the project or part thereof is placed in service or is available for service. A review of 42 sample work orders found 12 instances in which AFUDC was applied after the in-service dates. A total of $157,514.47 is recommended to be reversed from these projects, thereby reducing the project costs and plant in service.[3]

The Staff agreed with Blue Ridge that AFUDC should cease when the project is placed in service and recommended that DEO review its AFUDC policy, investigate its procedures and "respond to the Consultant's discovery." However, Staff failed to recommend an adjustment to plant in service for the AFUDC which Blue Ridge has identified to have been improperly added to project costs by DEO.

10. Service Company Charges (Staff Report at 17)

OCC objects to Staff's failure to propose an adjustment to reduce the Company's $59 million Account 923 test year expense to a reasonable and representative level, in light of the conclusions and recommendations in the Blue Ridge Report[4] that prove the test year level is inappropriate and has not been justified by DEO.

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[3] Blue Ridge Report at 111.

[4] Blue Ridge Report at 144 -150.

The Blue Ridge Report found that Dominion Resource Service ("DRS") charges to DEO in 2007 (i.e. the test year) that impacted Account 923 were significantly higher that in the previous five years.

As noted in the Staff Report, Blue Ridge identified four DRS service categories as the major areas where noticeable increases occurred specifically between 2006 and 2007. Blue Ridge found for one of those categories, "Executive/Administrative Compensation", DRS charges to DEO in 2007 represented a 48.9% increase over 2006 and a 71% increase over the five previous years, which Blue Ridge said "seemed excessive."[5] Through its review, discovery and analysis, Blue Ridge determined that "it appears that these increases to DRS executive billings for the year 2007 are items that may be unique to the year 2007 and would not occur in a typical year."[6]

Staff indicated that Blue Ridge "recommends that the Staff consider a regulatory adjustment to reduce test year Account 923 amount." PUCO Staff declined to adopt an adjustment and instead recommended "the Applicant respond to the Consultants' concern about test year Account 923, outside service costs." Staff's recommendation is inadequate given the audit review, findings, conclusions and recommendations of Blue Ridge. Blue Ridge identified the specific areas of Account 923 that cause the test year level to be unreasonable and unrepresentative for use in this rate case.

Blue Ridge recommended "that the Commission may wish to consider a more rigorous audit evaluation focusing on the Executive/Administrative Compensation package to determine the justification for the 71% increase over the 5-year historic

[5] Blue Ridge Report at 150.

[6] Blue Ridge Report at 148.

average."[7] Given that Blue Ridge believes a further audit evaluation is needed for "justification," it is clear the Company has not met its burden of proving this test year expense to be reasonable. Therefore Staff should have adopted one of the recommended options presented by Blue Ridge,[8] all of which adjust Account 923 to a reasonable and representative level for this rate case:

A. Adjust to the 2006 level of $52 million, a $7 million reduction;

B. Adjust to reflect the annual historical trend in growth, for a level of $53 million, a $5 million reduction;

C. Adjust to the five year percent change average, for a level of $52 million, a $7 million reduction; or

D. Adjust to the five year average, for a level of $50 million, an $8 million reduction.

11. Deferred Weatherization Expenses (Staff Report at 18)

In its explanation for rejecting the Company's proposed amortization of deferred weatherization expenses, Staff did not recognize that a portion of the expense DEO proposed for recovery are amounts previously disallowed by the Commission. In response to OCC Interrogatory No. 214, the Company indicated that the "prior to December 1990" carrying charges disallowed by the PUCO were not removed from the deferred weatherization carrying charges on DEO's books and that the amount of that disallowance would be $174,194.

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[7] Blue Ridge Report at 150.

[8] The four options are explained in the Blue Ridge Report at 150.

a. Plant Related to On-System Storage

OCC objects to Staff's failure to recommend a mechanism to adjust DEO's rates for any future sales or lease of plant, facilities and land related to on-system storage prior to the Company's next rate case. Since the last case, the Company's storage plant balance has increased from $81.9 million to $114.7 million. Since DEO is in the process of exiting the merchant function, if it were to sell off or lease its storage-related plant, land and facilities, customers would still be paying a return on upwards of $114.7 million in storage plant that the Company would no longer own until the end of the next rate case. For example, although the Company no longer owns the Columbiana Storage Pool, the value is still in rate base because the sale took place five months after the date certain in this case.

12. Objections to Cover Flow-Through Calculations from OCC's Other Revenue Requirement Objections

A. OCC objects to the Staff's calculation of rate base on Schedule B-1, to the extent that other objections have an impact on this calculation.

B. OCC objects to the Staff's calculation of working capital allowance on Schedule B-5, to the extent that other objections have an impact on this calculation.

C. OCC objects to the Staff's calculation of operating revenues and operating expenses on Schedule C-2, to the extent that other objections have an impact on this calculation.

D. OCC objects to the Staff's calculation of taxes other than income on Schedule C-3.27, to the extent that other objections have an impact on this calculation.

E. OCC objects to the Staff's calculation of federal income taxes on Schedule C-4, to the extent that other objections have an impact on this calculation.

C. Rate of Return

The OCC objects to the Staff Report's recommendation for a cost of capital in the range of 8.22% to 8.75%,[9] which is unreasonably high. The OCC objects to the Staff Report's calculated capital structure, common equity cost rate, and overall rate of return on the following bases:

1. Group of Comparable Utilities

The OCC objects to the Staff Report's use of a group of only five companies in its group of "comparable utilities" that served as a basis of its capital structure and cost of capital analysis. Furthermore, this group of five companies includes National Fuel Gas Corporation ("NFG"), a company which is considered to be an integrated natural gas company and not a natural gas distribution company. (OCC witness Woolridge).

2. Capital Structure and Debt Cost Rate

The OCC objects to the Staff Report's use of a hypothetical capital structure which is the average book value capital structure of the five companies in the Staff's comparable group. This is not the capitalization used by the Company to attract and raise capital. This error in the selection of a capital structure is further exacerbated by the Staff's adoption of the

[9] Staff Report at 20.

Company's proposed long-term debt cost rate of 6.50 percent. There must be synchronization between the adopted capital structure and the cost of debt capital. By using the capital structure for the proxy companies and DEO's debt cost rate, the Staff's capital structure and debt cost rate are not synchronized. (OCC Witness Woolridge).

3. Capital Asset Pricing Model ("CAPM")

The OCC objects to the Staff Report's inappropriate risk premium of 6.5% in the CAPM.[10] The risk premium stated in the Staff Report was based on the spread of the arithmetic mean of historical total returns between large stocks for large companies and long-term government bonds between 1926 and 2007. This approach is subject to a myriad of empirical errors which make these historical returns poor measures of expected returns. The use of historical return to estimate an expected risk premium can be erroneous because (1) ex post returns are not the same as ex ante expectations, (2) market risk premiums can change over time, increasing when investors become more risk-averse, and decreasing when investors become less risk-averse, and (3) market conditions can change such that ex post historical returns are poor estimates of ex ante expectations. This approach is outdated, ignores twenty years of academic and professional research on the equity risk premium, and is out of touch with the real world of finance. The research and surveys of investment banks, consulting firms, and Chief Financial Officers, who use the equity risk premium concept every day in making financing, investment, and valuation decisions, indicates an equity risk premium in the 4 percent range is appropriate. (OCC Witness Woolridge).

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[10] Staff Report at 14.

4. Discounted Cash Flow ("DCF") Analysis

The OCC objects to the Staff Report's use of a multistage DCF model which includes a growth rate that is a combination (1) the average of projected EPS growth from Wall Street analysts (as collected and compiled by Reuters, Yahoo!, and MSN) and *Value Line* and (2) a long-term growth rate equal to the projected GNP growth rate. It is well known that the EPS growth rate projections of Wall Street analysts are upwardly biased and produce an overstated DCF equity cost rate. Furthermore, the Staff had provided no theoretical or empirical support to justify using the projected GNP growth rate as the expected long-term DCF growth rate. (OCC Witness Woolridge).

5. Flotation Costs

The OCC objects to the Staff Reports' incorporation of an excessive flotation cost adjustment to the cost of equity.[11] This adjustment is erroneous for several reasons. The Staff has not identified any actual flotation costs for the Company, and the Company has not requested a flotation cost adjustment. Therefore, the Staff is recommending that the Company receives annual revenues in the form of a higher return on equity for flotation costs that have not been identified by either the Staff or the Company. (OCC Witness Woolridge).

6. Rate of Return Adjustment for Alternative Regulation

The OCC objects to the Staff Report's failure to make an adjustment to reduce the recommended rate for common equity in recognition of the reduced risks that the Company will face with respect to revenues and cost recovery if the Commission approves any of the risk-reducing mechanisms proposed by the Company. Although the Staff

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[11] Staff Report at 22.

Report acknowledged that these mechanisms would reduce the risk faced by the Company, the Staff failed to make any corresponding reductions to the rate of return to reflect these reduced risks. (OCC witness Woolridge).

E. Rates and Tariffs

1. Straight Fixed Variable Rate Design

OCC objects to the PUCO Staff's recommendation of a rate structure primarily based on a fixed distribution service charge, or Straight Fixed Variable ("SFV").[12] The Staff unreasonably strayed from the traditional, and more appropriate, rate structure of a minimal customer charge (presently \$5.70 per month for East Ohio[13] and \$4.38 for West Ohio,[14] or alternatively reduced for purposes of conservation) and a volumetric rate or blocks of rates.

The Staff's recommendation also rejected the Company's proposed Sales Reconciliation Rider ("SRR") in favor of the SFV rate design.[15] The Company's SRR proposal with a customer charge maintaining the current customer charge for East Ohio and River Gas customers, while increasing the charge for West Ohio customers (from \$4.38 to \$5.70), or further reduced for purposes of conservation, with sufficient consumer safeguards, is preferable to the Staff's SFV recommendation.

The Staff's SFV design sends an improper price signal to the consumer, fails to encourage conservation, and adversely affects the Company's and its customers' energy efficiency efforts. In addition, PUCO Staff recognizes that the biggest negative impact

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[12] Staff Report at 34-36.

[13] Staff Report at 35.

[14] Staff Report at 35.

[15] Staff Report at 34.

being that the change from a primarily volume based rate to a primarily fixed charge rate often results in larger price increases to low use customers (or, if the fixed charge is "blocked," to the lower use customers in the block). A secondary disadvantage is that the fixed charge structure reduces the incentive on the part of the customer to reduce its usage. Finally, Staff admits that the current rate schedules are designed as "general sales service" (primarily residential) and "large volume general sales service." Large volume general service customers are much less homogeneous than residential customers and a simple fixed charge *may not be the appropriate cost recovery mechanism.*[16] (OCC witness Radigan).

2. Decoupling Mechanism

OCC objects to the Staff's move toward a rate design for residential customers that are primarily based on a fixed customer charge with little emphasis upon a variable commodity rate. The PUCO Staff's proposal is contrary to the State policy of conservation as noted in R.C.4929.02 and R.C. 4905.70.[17] OCC objects to the Staff's recommendation to reject the Company's SRR. In the alternative to the present rate design, the Staff should consider the Company's proposed SRR, but only if it is implemented with a customer charge at its present level (or further reduced for purposes of conservation), with sufficient consumer safeguards and with an accurate weather normalization calculation. (OCC Witness Radigan).

3. Cost of Service

OCC objects to the Staff's finding that the Company's cost of service methodology is reasonable. The Staff failed to require DEO to segregate the current GSS class into

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[16] Staff Report at 34 (emphasis added).

[17] See also Executive Order 2007-02S.

residential and non-residential customers. Non-residential large volume general service customers are much less homogeneous than residential customers and thus the cost to serve these customers should be separately developed for rate-making purposes. (OCC Witness Radigan).

E. Customer Service

The Staff completed a customer service audit in August 2007, OCC objects to the Staff's findings "that overall, the Company was in compliance with the rules and regulations set forth by the Public Utilities Commission of Ohio."[18] As recommended by the testimony of OCC Witness Williams the Staff failed to address customer service issues in which the PUCO and Company had received numerous complaints. The following customer service related areas should be addressed by the Commission:

1. Back Bill Issue

Staff failed to address back bill issues in the Company service territory by ensuring that residential customer meters are being accurately read on a timely basis and that customer bills are accurate. (OCC Witness Williams).

2. Extended Payment Plans

Staff failed to address serious limitations in the current extended payment plans that the Company is offering to residential customers. (OCC Witness Williams).

3. Adjust Bill Due Dates

Staff failed to consider other billing options that can help customers better manage utility bills including adjusted bill due dates. (OCC Witness Williams).

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[18] Staff Report at 47.

4. Payment Posting

Staff failed to explore options for ensuring that payments post to accounts on the same day in which the payments are made and may subject residential customers unnecessarily to disconnection for non-payment. (OCC Witness Williams).

5. Social Security Number Requirements

Staff failed to assess reasons why the Company is requesting social security numbers when they are not needed to obtain service. (OCC Witness Williams).

6. Long Bill Cycles

Staff failed to address situations where customers have billing periods that are longer than one month and that result in unaffordable utility services. (OCC Witness Williams).

7. Cost to Pay Gas Bills

Staff failed to consider the impact that extra fees and charges, for customers to pay their bills, have on residential customers' ability to pay bills. (OCC Witness Williams).

8. Installment Payments for Security Deposits

Staff failed to assess the impact that billing a security deposit in a single payment, instead of installments, has on residential customers' abilities to secure service. (OCC Witness Williams).

9. Customer Service Policies

Staff failed to evaluate other alternatives that can result in the Company obtaining more public input in their Customer Service policies and procedures. (OCC Witness Williams).

10. Freezing Gas Pipelines

Staff failed to address issues related to moisture in customer service lines that can result in pipes freezing and the ensuing loss of service in dangerously cold weather. (OCC Witness Williams).

F. Energy Efficiency and Demand Side Management

The OCC objects to the Staff's failure, regarding the Company's proposed DSM program, to increase the energy efficiency/demand-side management investments required of DEO to obtain a verified energy usage reduction of one percent of its retail sales cumulative over the next 3 years starting in 2009 (or approximately $15.6 million per year) as part of a comprehensive program that should consider a large list of energy efficiency programs. Such investments can deliver many benefits to customers and should not be limited to Company's proposed energy efficiency program budget levels. (OCC Witness Gonzalez).

G. Automatic Meter Reading Devices

OCC objects to the Staff's finding that "* * * AMR technology is a cost effective way to achieve more frequent actual meter readings and avoid inconveniencing these customers."[19] The Staff Report is void of any analysis that supports a finding that a five-year,[20] $110 million,[21] deployment of AMR technology throughout DEO's service territory is cost effective. As demonstrated by OCC Witness Roycroft, DEO's own business case analysis shows that the full deployment is at best a marginally cost effective alternative, and DEO's business case analysis clearly shows that a partial deployment of

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[19] Staff Report at 42.

[20] Staff Report at 42.

[21] Staff Report at 41.

the AMR technology, focusing on inside meters, is a superior alternative. Based on OCC's recommendation, the Commission should disallow from rate base $45 million in investment associated with DEO's AMR proposal.

OCC also objects to the following Staff finding regarding savings to be achieved from AMR deployment:

> Staff therefore recommends that for the purposes of adjusting the regulatory asset each year, meter-reading O&M savings should be calculated using a 2007 baseline year.[22]

Consistent with the recommendations of OCC witness Roycroft, the resulting regulatory asset should be further reduced by: O&M savings to call center operations; savings from a reduction in theft of service and fraud; and any other quantifiable O&M savings that can be attributed to the installation of AMR devices. (OCC Witness Roycroft).

III. STATEMENT OF MAJOR ISSUES

R.C. 4903.083 requires that, with regard to the scheduling of local public hearings, the Commission must list in the notice to customers "a brief summary of the then known major issues in contention..." by the parties. For this notice the Commission should include the major issues in a form that is understandable and accurate for customers. To accomplish the General Assembly's objective to notify customers of their opportunity to participate in hearings, the Commission should include the following in the notice, with reference as well to the differing positions of parties:

[22] Staff Report at 43.

1. The amount of additional revenue that DEO may be authorized to collect through increasing its rates charged to consumers;

2. The inclusion of certain adjustments to the Company's test year rate base and operating income;

3. The appropriate profit DEO will have an opportunity to earn from the charges for distribution service to consumers, as well as the overall authorized rate of return;

4. For any revenue increase the Commission grants to DEO, the fair and equitable amount of that increase that residential customers should pay;

5. The rate design that DEO will be authorized to implement, including that the rate design should recognize the basic rate design criteria of fairness and equity and be appropriately structured such that it sends consumers the proper price signal, encourages conservation, and removes any disincentive for the Company to undertake energy efficiency programs;

6. The level of the monthly customer charge that consumers may pay to DEO;

7. The gradual rate of any increase to the fixed portion of the customer charge is an SFV rate design is implemented;

8. Whether the Commission in the alternative to the present rate design, should consider the Company's proposal for a decoupling mechanism with recommended safeguards;

9. The extent to which DEO should deploy AMR devices in its service territory; and

10. A number of customer service issues to address complaints from customers.

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CERTIFICATE OF SERVICE

I hereby certify that copies of the *Objections to the Staff Report and Summary of Major Issues by the Office of the Ohio Consumers' Counsel's* have been served by first class mail, postage prepaid to the following parties of record this 23rd day of June, 2008.

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