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Via Overnight Mail

January 2, 2008

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

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

Dear Sir/Madam:

Please find enclosed an original and twenty (20) copies of the SUMMARY OF ISSUES OF THE OHIO ENERGY GROUP filed in the above-referenced matter.

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

Respectfully Yours,

KBoehm

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Mlkkew
Encl.

CERTIFICATE OF SERVICE

I hereby certify that true copy of the foregoing was served by regular mail, unless otherwise noted, this 2nd day of January, 2008 to the following::

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BEFORE THE
PUBLIC UTILITY COMMISSION OF OHIO

In The Matter Of The Application Of Ohio Edison Company, The Cleveland Electric Illuminating Company And The Toledo Edison Company For Authority To Increase Rates For Distribution Service, Modify Certain Accounting Practices And For Tariff Approvals.	:	**Case Nos.**	**07-551-EL-AIR** **07-552-EL-ATA** **07-553-EL-AAM** **07-554-EL-UNC**

SUMMARY OF ISSUES OF THE OHIO ENERGY GROUP

Rate Base

1. RCP Distribution Deferrals. Staff and the Companies failed to annuitize the date certain rate base effect over 25 year amortization period.

2. Ohio State Excess Deferred Income Taxes. Staff and the Companies failed to include the Ohio state excess deferred income taxes or to reduce the transition tax deferral or otherwise reduce rate base for the amount of the Ohio state excess deferred income taxes resulting from the phase-out of the Ohio state corporate income tax.

3. Energy for Education Regulatory Liability. Staff and the Companies improperly set this amount to $0 based on the argument that the prepayment by the public schools was reflected in the cash working capital revenue lag.

4. Working Capital. Staff and Companies improperly set this amount to $0, despite the fact that both the computed CWC and the broader quantification of working capital were negative.

5. Other Rate Base (Various). Staff and Companies improperly included numerous account 190 and 283 ADIT amounts in Other Rate Base items and improperly excluded the numerous account 190 and 283 ADIT amounts from Other Rate Base items.

Operating Income

1. Pension Expense. Staff and Companies improperly increased pension expense "to remove the effects of financing and other costs" and to reflect only the service cost component of the SFAS 87 expense accrual.

2. Other Postretirement Benefit Expense. Staff and Companies improperly increased other postretirement benefit expense "to remove the effects of financing and other costs" and to reflect only the service cost component of the SFAS 106 expense accrual.

3. Long-Term Incentive Compensation. Staff and Companies improperly included the costs of the FE long-term incentive compensation plan.

4. Ohio State Excess Deferred Income Taxes Amortization. The Staff and Companies failed to amortize the Ohio state excess deferred income taxes resulting from the phase-out of the state corporate income tax.

Rate of Return

1. Capital Structure. The Staff failed to set the capital structure at 60% debt and 40% common equity to reflect the lower risk profile required for a distribution company.

2. Return on Common Equity.

    a. The Staff utility group contains several utilities that derive only a minority of their revenues from regulated utility operations. A reasonable screening factor for the Staff group would be to eliminate companies that derive less than 50% of revenues from regulated operations.

    b. The Staff failed to consider geometric mean returns in its CAPM formulation.

    c. The 0.85 beta value upon which Staff relied in its CAPM analysis likely overstates the expected beta for First Energy's regulated electric operations. This could lead to an overstatement of Staff's CAPM results.

    d. The Staff's non-constant growth rate mistakenly assumes that dividend growth and earnings growth are the same.

    e. The Staff used a "generic issuance cost factor" of 3.5% in its final calculation of its recommended cost of equity range. This issuance cost factor is inappropriate and should be disallowed by the Commission.

    f. The Staff provided no basis for its 100 basis point "range of uncertainty". This range should be rejected by the Commission.

Cost of Service, Rate Design and Revenue Apportionment of Increase to Rates

1. The Staff, for all three Companies, adopted FE's cost of service study, as filed. Though the Companies' studies are reasonable from the standpoint of functionalization, classification and allocation, all of the cost of service studies reflect the inclusion of deferred RCP fuel amortization expense and a return on the unamortized balance of deferred RCP fuel, which the Ohio Supreme Court found to be improper. The Companies' cost of service studies need to be revised to remove the improper deferred fuel costs (amortization and return). This will then provide a reasonable measure of test year relative rates of return by rate class and a basis to determine an appropriate revenue increase for each rate class.

2. The Companies' cost of service results do not reflect the interest only return on non-RCP rate base (as required by the Commission) in the presentation of rate of return and relative rates of return.

3. The Staff recommends larger, relative increases for Ohio Edison Rate Schedules GP, GSUB and GT than the Company is recommending in its filing. These increases are before the impact of the deferred RCP fuel cost removal and also assume that OE receives its full requested revenue increase in this case. The Staff's recommendation does not reflect the results of a revised cost of service study.

4. The Staff recommends revenue distribution factors for each Company that would be applied to any Commission authorized increase in these cases. These revenue distribution factors are designed to adjust the Staff's recommended increases to each Rate Schedule (which are based on the full revenue increases requested by each Company) to reflect the final Commission approved overall increases. The revenue distribution factors recommended by the Staff for each Company generally reflect the relative increases to each Rate Schedules at the full increase level. However, the Staff proposed revenue distribution factors include a provision for rate decreases for some Rate Schedules that results in a smaller rate decrease to such a schedule in the event (which is likely) that the Commission authorizes a lower overall revenue increase to a Company. This is not reasonable.

Respectfully submitted,

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January 2, 2007