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BEFORE
THE PUBLIC UTILITIES 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 No. 07-551-EL-AIR Case No. 07-552-EL-ATA Case No. 07-553-EL-AAM Case No. 07-554-EL-UNC

OHIO SCHOOLS COUNCIL ("SCHOOLS")
OBJECTIONS TO THE PUCO STAFF REPORTS OF INVESTIGATION
AND
SUMMARY OF MAJOR ISSUES

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BEFORE
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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 No. 07-551-EL-AIR Case No. 07-552-EL-ATA Case No. 07-553-EL-AAW Case No. 07-554-EL-UNC

OHIO SCHOOLS COUNCIL ("SCHOOLS") OBJECTIONS TO THE PUCO STAFF REPORTS OF INVESTIGATION AND SUMMARY OF MAJOR ISSUES

The Schools hereby file their objections to the three Public Utilities Commission of Ohio ("PUCO" or "Commission") Staff Reports of Investigation ("SRI", collectively, "SRIs") for each of Ohio Edison Company ("OE"), The Cleveland Electric Illuminating Company ("CEI") and the Toledo Edison Company ("TE") (collectively, OE, CEI and TE are referred to as the "Companies"). These objections are made pursuant to O.R.C. Section 4909.19 and Ohio Adm. Code Section 4901-1-28, which require parties to register disagreement with the SRI(s) by formal objection. Many of the Schools' objections are also the subject of elaboration in the Schools' pre-filed testimony, to be filed on January 10, 2008, and are incorporated herein for such elaborative purposes.

The SRIs, filed December 4, 2007, represent the Staff's statutorily-required investigation of OE's, CEI's and TE's application. The Companies collectively serve approximately 4.5

million customers in northern Ohio, as well as all 249 public school districts that participate in OSC's electricity program.

The filing of objections activates a statutory requirement for a hearing. O.R.C. Section 4909.19. At the hearing, the burden of proof is on each Company. *Id.*

While we appreciate various parts of the Staff's investigation, the purpose of these objections is to identify areas of disagreement between the Schools and the Staff. The Schools object to the following findings, conclusions or recommendations, or lack thereof, in each of the three SRIs, which are unjust, discriminatory, unreasonable and unlawful.

1. The Staff erred in the SRI for TE by failing to find, conclude or recommend that the two TE special school rate schedules, the Small School (SR-1a) and Large School Rate Schedules (SR-2a), not be eliminated because:

(a) The school rate schedules have reflected the unique load and cost causation characteristics of the Schools which are more favorable than the general commercial class;

(b) The school rate schedules are fair, equitable and reasonable as they recognize the importance of Schools in TE's service territory and the excellent credit ratings and payment history of the Schools;

(c) The school rate schedules are well understood by the Schools and eliminating them will increase customer confusion, as schools served under the SR-1(a) small school rate schedule will be forced to Rate Schedule GS, and schools served under the SR-2(a) large school rate schedule will be forced to Rate Schedule GS or CP. The increases in the distribution rates from elimination of the school schedules could be as high as 208.5% for schools currently on the Small School Rate Schedule and as high as 219.6% for schools currently on the Large School Rate Schedule. These increases are further understated because of the Contract Demand provisions in TE's tariff proposal;

(d) The magnitude of the distribution rate increases to the Schools from elimination of the two TE school rate schedules is as much as 208.5% and 219.6%, for the Small and Large School Schedules respectively, not including the impact of converting to a Contract Demand basis under TE's proposed tariff. The magnitude of these increases creates a huge impact on the Schools, and violates the established rate principal of gradualism;

(e) There will be a lack of continuity in the pricing structures to the Schools, which have budgeted the historical amounts based on rates certain for purposes of State of Ohio and local funding, and will be severely impacted by this change; and

(f) There has been no demonstration by TE that it is not currently recovering its costs in connection with the two school rate schedules.

2. The Staff erred in the SRI for CEI by failing to find, conclude or recommend that the two CEI special school rate schedules not be eliminated because:

(a) The school rate schedules have reflected the unique load and cost causation characteristics of the Schools which are more favorable than the general commercial class;

(b) The school rate schedules are fair, equitable and reasonable as they recognize the importance of Schools in CEI's service territory and the excellent credit ratings and payment history of the Schools;

(c) The school rate schedules are well understood by the Schools and eliminating them will increase customer confusion, as schools served under the small school rate schedule will be forced to Rate Schedule GS, and schools served under the large school rate schedule will be forced to Rate Schedule GS or CP. The increases in the distribution rates from elimination of the school schedules could be as high as 30.9% for schools currently on the Small School Rate Schedule and as high as 6.3% for schools currently on the Large School Rate Schedule. These increases are further understated because of the Contract Demand provisions in CEI's tariff proposal;

(d) The magnitude of the distribution rate increases to the Schools from elimination of the two CEI school rate schedules is as much as 30.9% and 6.3%, for the Small and Large School Schedules respectively, not including the impact of converting to a Contract Demand basis. The magnitude of these increases creates a huge impact on the Schools, and violates the concept of gradualism;

(e) There will be a lack of continuity in the pricing structures to the Schools, which have budgeted the historical amounts based on rates certain for purposes of State of Ohio and local funding, and will be severely impacted by this change; and

(f) There has been no demonstration by CEI that it is not currently recovering its costs in connection with the two school rate schedules.

3. The Staff erred in the SRI for OE by failing to find, conclude or recommend that OE should offer two special school rate schedules, a small school and a large school rate schedule because:

(a) The Schools have unique load and cost causation characteristics which are more favorable than the general commercial class;

(b) Special school rate schedules are fair, equitable and reasonable as such schedules recognize the importance of Schools in OE's service territory and the excellent credit rating and payment history of the Schools; and

(c) The magnitude of the distribution rate increases to Schools in OE's service territory in this case range up to 103.6% for GS and 150.6% for CP. The magnitude of this increase is further understated because it does not reflect the Contract Demand provisions in OE's application.

4. The Staff erred by failing to find, conclude or recommend that each of the three (3) Companies' cost of service studies as related to data for the Small School and Large School Rate Schedule for CEI and TE, and for the GS and CP schedules for OE, are inaccurate as applied to the Schools because:

(a) The average school facility has a distinct drop in demand during the summer peak months, with the average peak demand ratio in July being 59% for OE, 53% for CEI and 61% for TE and, in August, being 62% for OE, 63% for CEI and 70% for TE;

(b) Such school average peak demand ratios in the Companies' peak summer months are substantially more favorable than the General Service class;

(c) The Companies did not perform a separate cost-of-service study for the Schools in this case; and

(d) The fixed costs allocated to the Schools are greatly overstated.

5. The Staff erred by failing to find, conclude or recommend that the Companies be required to conduct a separate school cost-of-service study which would further demonstrate that the Schools have lower peak demand and diversity than the average General Service Class.

6. The Staff erred by failing to find, conclude or recommend that the Contract Demand in each of the Companies' tariffs should not apply to the Schools during the months of June, July and August and that the initial Contract Demand for the Schools should not be set using data that precedes the date of the Commission's Order in this case as each of the Schools will not have the benefit of knowing that its individual Contract Demands will almost exclusively set its new monthly distribution rates.

7. The Staff erred by failing to find, conclude, or recommend that the Companies each should receive at most the low end of the Staff's rate of return range from 7.90% to 8.35%, but in any event, a rate of at least 50 basis points below the Staff's low end to reflect among other reasons:

(a) The Companies propose to require general service customers to execute one or two year contracts that include a Contract Demand component based on expected peak load (regardless of seasonality or coincidence to the Companies' peak demand), creating a revenue floor for distribution service;

(b) The establishment of a revenue floor results in more stable revenue, thus reducing the Companies' business risk;

(c) In Maryland, when the electric utility PEPCO asked for a rate design that decoupled revenue from usage, regulators reduced the return on common equity for electric distribution by 50 basis points to reflect the resulting benefit of increased revenue stability;

(d) The Companies' rates are today the highest of any other electric utility in the State; and

(e) The Companies' parent corporation, First Energy Corp., has increased dividend payments to shareholders that should have been in the past and should now be redirected to payment of the Companies' long term debt to improve the Companies' financial condition and rating, and thus, its cost of capital.

SUMMARY OF MAJOR ISSUES

The Schools submit this Summary of Major Issues, pursuant to O.R.C. Section 4903.083. That section requires the Commission to provide notice to the public of an opportunity to testify at local public hearings regarding the case.

In the notice, the Commission must "list a brief summary of the then known major issues . . ." of the parties. The Schools' major issues are as follows:

1. The Toledo Edison Company's ("TE") Small and Large School Rate Schedules should not be eliminated. The proposed rates are designed in a way which allocates too much of TE's costs to the Schools.

2. The Cleveland Electric Illuminating Company's ("CEI") Small and Large School Rate Schedules should not be eliminated. The proposed rates are designed in a way which allocates too much of CEI's costs to the Schools.

3. Ohio Edison Company ("OE") should offer schools two special school rate schedules, a small school rate schedule and a large school rate schedule. The proposed rates are designed in a way which allocates too much of OE's costs to the Schools.

4. The schools should not be subject to a Contract Demand for the months of June, July and August because their usage is more favorable than other commercial customers of TE, CEI and OE.

5. TE, CEI, OE and the Staff have proposed that the Companies be allowed a higher level of profit than what is reasonable.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that the foregoing Objections to the Public Utilities Commission of Ohio's Staff Reports of Investigation and Summary of Major Issues of the Ohio Schools Council being served by fax, first class mail, electronic mail or personal delivery, as shown below, this 3rd day of January 2008.

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