

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of Ohio)	
Edison Company, The Cleveland Electric)	Case No. 07-551-EL-AIR
Illuminating Company, and The Toledo Edison)	Case No. 07-552-EL-ATA
Company for Authority to Increase Rates)	Case No. 07-553-EL-AAM
For Distribution Service, Modify Certain)	Case No. 07-554-EL-UNC
Accounting Practices and for Tariff Approval)	

OBJECTIONS TO THE STAFF REPORTS OF INVESTIGATION OF OHIO EDISON COMPANY, THE CLEVELAND ELECTRIC ILLUMINATING COMPANY AND THE TOLEDO EDISON COMPANY

Pursuant to Section 4909.19 of the Ohio Revised Code, Rule 4901-1-28(B) of the Ohio Administrative Code and the Attorney Examiner's Entry of December 21, 2007, Applicants, Ohio Edison Company ("OE"), The Cleveland Electric Illuminating Company ("CEI") and The Toledo Edison Company ("TE") (collectively, "Companies" or, individually, "Company" as appropriate in context), submit their objections to the Staff Reports of Investigation ("S.R.") filed in the above-styled proceeding on December 4, 2007 ("Staff Reports", "Staff Report" or "Report" as appropriate in context), specifically identifying areas of controversy with respect to certain findings, conclusions and/or recommendations set forth in the Report, or the failure of the Report to address certain matters. Except as otherwise noted, each objection pertains to all of the Companies. The Companies reserve the right to supplement or modify these Objections, or to contest through presentation of evidence and/or cross-examination, any additional findings, conclusions or recommendations of the Commission Staff, or any changes in

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original positions taken by Staff or the Ohio Supreme Court that occur between the issuance of the Staff Report and the closing of the record.

Following the formal statement of their Objections, the Companies have also included a list of Comments identifying particular mechanical items (e.g., computational errors), the effects of which tend to reduce revenue requirements from levels contained in the Staff Reports, and are noted by the Companies so as to enhance the accuracy of the record going forward in this proceeding.

OBJECTIONS

I. Rate Base

a. Plant In Service

1. The said Report unreasonably and unlawfully removes Transmission Land and Land Rights relating to sub-transmission property that had been properly allocated to the distribution function. (All Companies, S.R. Sched. B-2.2)
2. The said Report unreasonably fails to include within rate base the Company's allocated portion of FirstEnergy Service Company general plant that should have been classified as Company, rather than FirstEnergy Service Company, assets and unreasonably fails to provide an adequate basis or explanation regarding the Staff's findings related to the classification of all such assets. (All Companies, S.R. p. 5)

b. Working Capital

1. The said Report unreasonably and improperly calculates the cash working capital requirements as a result of including the effect of other miscalculated Staff adjustments to the C-3 Schedules. In addition there is a mathematical error in the calculation of the Weighted Dollar Days (Column D x Column E), and the mathematical error carries forward into the Cash Working Capital amounts (Column G). These mathematical errors impact Electric Revenues, Other Revenues and Employee Benefits. (All Companies, S.R. Sched. B-5.1)

2. The said Report unreasonably and improperly fails to adjust lead/lag days to reflect the modifications Staff makes to the calculation of Electric Revenues and Other Revenues. (All Companies, S.R. Sched. B-5.1)
3. The said Report, in calculating Payroll lead/lag days, unreasonably and improperly fails to use the service period midpoint in calculating accrued vacation and fails to properly include the C-3 Schedule adjustment. (All Companies, S.R. Sched. B-5.1)
4. The said Report unreasonably and improperly calculates the cash working capital requirement as a result of assigning lead/lag days to Interest on Long-Term Debt which is a rate of return item, not an expense for ratemaking. (All Companies, S.R. Sched. B-5.1)
5. The said Report's lead/lag study fails to recognize the increase to Operating Revenues along with associated expenses from the Staff's proforma adjustments. (All Companies, S.R. Sched. B-5.1)

c. Other Rate Base

1. The said Report unlawfully and improperly includes customer deposits that relate to generation service in its determination of rate base. (All Companies, S.R. Sched. B-6)
2. The said Report unreasonably fails to recommend a mechanism through which customer deposits related to generation service are to be addressed for ratemaking purposes if not done in this proceeding. (All Companies, OE S.R. p. 9, CEI and TE S.R. pp. 8-9)
3. The said Report unreasonably fails to recommend that the Company is entitled to recover, in some proceeding and through some recovery mechanism, an amount equivalent to the fuel deferrals which Staff removed from this case on the authority of the Supreme Court's ruling in *Elyria Foundry v. Pub. Util. Comm.*, 114 Ohio St.3d 305, 2007-Ohio 4164. (All Companies, S.R. p. 8; Sched. B-6)
4. The said Report unlawfully and unreasonably includes the balance for the RCP Distribution Deferral at date certain rather than the balance at December 31, 2008. (All Companies, S.R. Sched. B-6)
5. The said Report unlawfully and unreasonably excludes December 31, 2008 balances (or, if December 31, 2008 balances are not used, at least using end of test year balances) for the RCP Fuel Deferral for determining rate base. (All Companies, S.R. Sched. B-6)

6. The said Report unlawfully and unreasonably calculates the line extension deferral by excluding from such calculation the Companies' net after tax capital cost on overall line extension expenditures. (All Companies, S.R. Sched. B-6)
7. The said Report unlawfully and unreasonably calculates The Cleveland Electric Illuminating Company's RCP Distribution Deferral by using an *incorrect application of the limit* to the maximum deferral allowed as part of the Stipulation and Order approving the deferral. (CEI S.R. Sched. B-6)

II. Net Operating Income

1. The said Report unlawfully and unreasonably excludes costs included by the Company in FERC Account No. 923, which costs have been incurred for advertising predominantly intended to educate and inform customers and/or encourage energy conservation and energy efficiency. (All Companies, S.R. Sched. C-3.3)
2. The said Report unlawfully and unreasonably fails to recommend a mechanism through which uncollectible expense related to generation revenues is to be addressed for ratemaking purposes if not done in this proceeding. (All Companies, OE S.R. p. 13, CEI and TE S.R., p. 12)
3. The said Report improperly calculates the revenue requirement as a result of the Staff's failure to include the Company's adjustment set forth on Company Schedule C-3.20, Other Operating Revenues Adjustment. (All Companies, S.R. Sched. C-3)
4. The said Report unreasonably and improperly misclassifies ATSI Ground Lease Revenues among OE, CEI and TE as a result of the Staff's use of balances included in a 1999 report rather than amounts applicable to the test year. (All Companies, S.R. Sched. C-3.15)
5. The said report unreasonably and improperly determines depreciation expense as a result of the Staff using an unreasonable estimated useful life for meters because it overstates the useful life and ignores the potential for premature retirement. (All companies, S.R. Sched. C-3.4)
6. The said report unreasonably fails to recommend that costs associated with the potential for premature retirement of meters should be included in the Staff's recommended AMI Rider. (All Companies, OE S.R. pp. 89-90, CEI and TE pp. 90-91)

7. The said report unreasonably and improperly determines depreciation expense as a result of the Staff using an unreasonable estimated useful life for equipment related to the Company's private outdoor lighting schedule. (All Companies, S.R. Sched. C-3.4)
8. The said Report unreasonably and improperly determines annualized labor expense as a result of the use of improper and unreasonable employee levels, improper adjustments to average hourly rates, improper average overtime percentages, and the failure to consider other incentive compensation expense. (All Companies, S.R. Sched. C-3.2)
9. The said Report unreasonably and improperly determines FICA tax expense as a result of Staff failing properly to calculate the Medicare portion of the FICA tax based on annualized O&M Labor Expense. (All Companies, S.R. Sched. C-3.10d)
10. The said Report unreasonably and improperly fails to use the most current, final data when calculating the SFAS 109 amortization adjustment. (All Companies, S.R. Sched. C-3.13)
11. The said Report improperly calculates the Company's real property tax expense by including the county valuation of Perry nuclear plant property in the real property assessed value and by including FERC Acct. No. 321 costs associated with Perry nuclear plant property in its determination of real property capitalized costs. (OE S.R. Sched. C-3.10a2)
12. The said Report unreasonably determines real property tax expense as a result of the Staff's unreasonable and improper exclusion from rate base of sub-transmission property related to the ATSI Ground Lease. (All Companies, S.R. Sched. C-3.10a2)
13. The said Report unreasonably and improperly calculates personal property tax as a result of the inclusion of 2007 property additions in the true value calculation at an average true value percentage instead of the first year true value percentage. (All Companies, S.R. Sched. C-3.10a1)
14. The said Report unreasonably and improperly calculates depreciation, amortization of limited term property, property tax expense and amortization expense on the Ohio Line Extension Deferral, Transition Tax Deferral and DSM Deferral as the result of using date certain, rather than end of test year, balances. (All Companies, S.R. Schedules C-3.4, C-3.5, C-3.10)

15. The said Report unlawfully and unreasonably amortizes the RCP Distribution Deferral on date certain balances instead of using December 31, 2008 balances (or, if December 31, 2008 balances are not used, at least using end of test year balances). (All Companies, S.R. Sched. C-3.5)
16. The said Report unlawfully and unreasonably includes no amortization of the RCP Fuel Deferral balances. (All Companies, S.R. Sched. C-3.5)
17. The said Report unreasonably removes the total current amortization expense on the Schedule C-3.5 for the FAS 109 item (Customer Receivables for Future Income Tax), as recovery of that regulatory asset continues beyond the end of the test period. (All Companies, S.R. Sched. C-3.5)
18. The said Report unreasonably removes the total current amortization expense on the Schedule C-3.5 (improperly shown as "FAS 109 Amortization" line item) for the FAS 106 costs (T&D Postretirement Benefits), as recovery of that regulatory asset continues beyond the end of the test period. (CEI and TE, S.R. Sched. C-3.5)
19. The said Report unreasonably amortizes Ohio Edison Company's Municipal Tax Rider Deferral based on date certain balance, failing to recognize that the Municipal Tax Rate is adjusted annually based on the amount of this deferral and the estimated tax liability, resulting in no need to amortize the balance in this proceeding. In any event, the said Report inconsistently applies this methodology by amortizing the balance for Ohio Edison but not for Toledo Edison and Cleveland Electric Illuminating. (OE S.R. Sched. C-3.5)
20. The said Report improperly and unreasonably calculates jurisdictional income tax expense by adjusting the FAS 109 reconciling item to the amount of the C-3.13 adjustment instead of summing that adjustment with the current balance of the FAS 109 reconciling item. (All Companies, S.R. Sched. C-4)
21. The said Report unreasonably uses an improper Federal tax rate when calculating Federal deferred taxes, as that rate should have been modified to correspond to the Staff's change in the effective current local and PA income tax rates. (All Companies, S.R. Sched. C-4)
22. The said Report unlawfully and improperly includes interest expense on customer deposits that relate to generation service. (All Companies, S.R. Sched. C-3.16)

23. The said Report unreasonably fails to recommend a mechanism through which interest expense on customer deposits related to generation service is to be addressed for ratemaking purposes if not done in this proceeding. (All Companies, OE S.R. p. 14, CEI and TE S.R. p. 13)
24. The said Report improperly and unreasonably amortizes rate case expense over a three year period, as opposed to a one year period. (All Companies, OE and TE S.R. Sched. C-3.18, CEI Sched. C-3.17)
25. The said Report unreasonably and improperly calculates deferred income taxes by using Staff's improper amortization of rate case expense. (All Companies, S.R. Sched. C-4)
26. The said Report unlawfully and unreasonably excludes costs associated with the maintenance and security of retired steam plants owned by Ohio Edison Company. (OE S.R. Sched. C-3.3)
27. The said Report unreasonably and improperly calculates the reclassification of the test year PUCO and OCC assessments by using the 2006 assessment as opposed to the test year expense. (CEI S.R. Sched. C-3.10g)

III. Rate of Return

1. The said Report unlawfully and unreasonably uses the consolidated FirstEnergy Corp. capital structure rather than that reflecting the capital structure of FirstEnergy's Ohio electric distribution utilities in determining the fair rate of return. (All Companies, S.R. p. 15)
2. The said Report unlawfully and unreasonably uses a capital structure which does not support the Companies' overall investments because such capital structure, when applied to non-RCP deferral rate base levels, reflects an improperly high leverage since it does not take into consideration that 100% of the RCP related deferrals earn only a debt return. (All Companies, S.R. Schedules A-1 and D-1)
3. The said Report unlawfully and unreasonably uses the embedded cost of long term debt of FirstEnergy Corp. rather than a cost which properly reflects the embedded cost of debt of FirstEnergy's Ohio electric distribution utilities in determining the fair rate of return. (All Companies, S.R. p. 15)
4. The said Report unlawfully and unreasonably uses a cost of debt that includes costs associated with Pollution Control Revenue Bonds

rather than excluding these costs which are not related to the distribution business. In any event, it is improper to include the costs of certain of these Bonds which have been retired and are no longer on the Companies' books. (All Companies, S.R. Sched. D-1)

5. The said Report unreasonably uses a group of so-called "comparable" companies in determining the cost of equity capital, which companies do not possess risk characteristics corresponding to those of the Company as an Ohio electric distribution utility, including that said group is comprised of companies that operate either wholly or partially in a different industry or different regulatory environment and that said group improperly excludes companies having beta factors exceeding unity. (All Companies, S.R. pp. 15-16)
6. The said Report unlawfully and unreasonably fails to consider any "additional risk factors relating to the provision of electric generation service" which risk factors contribute to the Company's cost of equity capital and are not alleviated by the "proposed auction plan" referred to in said Report, which proposed plan has not been approved by the Commission and is pending before the Commission without a procedural schedule for further proceedings. (All Companies, S.R. p. 16)
7. The said Report unlawfully and unreasonably fails properly to take into consideration financial risk factors related to the debt/equity ratio of the Company's capital structure as compared with that of the comparable group of companies used to determine the cost of equity capital, as explained in Exhibit 8, Appendix E to the Application (Direct Testimony of Dr. Michael J. Vilbert). (All Companies, S.R. p. 16)
8. The said Report unreasonably and incorrectly applies the Capital Asset Pricing Model (CAPM) in its determination of the cost of equity capital, including : 1) calculating an average of Value Line betas prior to adding the product of such average and the "spread" (between large Company stocks and the risk free return) to the risk free return, thus failing to consider variations in business and financial risk among the companies whose betas are used to drive such average, 2) failing to consider short term as well as long term securities in determining the risk free rate, and 3) failing to compensate for recognized shortcomings of the CAPM methodology by consideration of the ECAPM (Empirical Capital Asset Pricing Model) refinement of the CAPM methodology. (All Companies, S.R. pp. 16-17)

9. The said Report unreasonably and incorrectly applies the Discounted Cash Flow methodologies in its determination of the cost of equity capital, including that: 1) using an unreasonably long historic period to measure stock prices of the comparable companies, 2) understanding the forecast dividend in the multi-stage DCF model by using the sum of four historic quarterly dividends instead of the most recent dividend, and 3) failing to consider that dividends are paid quarterly. (All Companies, S.R. p. 17)
10. The said Report unlawfully and unreasonably fails to take into consideration recent and current developments in both state and federal regulatory law and practice and the impact of the same on the investors' perception of risk and the Ohio regulatory climate, including the uncertainty associated with ongoing Ohio legislative activity dealing with the structure and future regulation of electric utilities and electric generation in the state together with the impact of the remainder of the Staff's recommendations in this and in other proceedings, thus producing an end result which is unreasonable, unlawful, and an unconstitutional confiscation of the Company's property without due process of law. (All Companies, S.R. pp. 15 - 17)
11. The said Report unlawfully and unreasonably fails to recommend the adoption by the Commission of the high end of the recommended rate of return range. (All Companies, S.R. pp. 15 - 17)
12. The said Report unlawfully and unreasonably recommends a rate of return range which produces an end result that unconstitutionally confiscates the Company's property. (All Companies, S.R. pp. 15 - 17)

IV. Overall Revenue Requirement

1. The said Report improperly and unreasonably calculates the Gross Revenue Conversion Factor by failing to recognize annual assessments for the PUCO and OCC, which assessments are impacted by the Companies' level of revenue. (All Companies, S.R. Sched. A 1.1.)

V. Rates and Tariffs

a. Electric Service Regulations and Miscellaneous Charges

1. The said Report unreasonably recommends the Company's tariffs identify all locations and sources where such tariffs are made

available to the public but at which the Company cannot assure the accuracy and currency of same. (All Companies, S.R. p. 19)

2. The said Report unlawfully and unreasonably recommends removal of language which limits the Company's liability for refunds based upon an incorrect and overreaching interpretation of *White Plastics v Columbus Southern Power*, Case No. 83-0650-EL-CSS, which Staff interpretation implies that a Company may have liability for customer refunds prior to the point it receives notice from the customer of an issue. (All Companies, S.R. p. 20)
3. The said Report unreasonably recommends that the tariff retain language that would permit customers to avoid payment of bills while escaping approved termination of service procedures. (All Companies, S.R. p. 20)
4. The said Report unreasonably recommends that tariff language reference specific dates (with respect to meter reads), which dates would be inaccurate after the first year such tariffs are effective. (All Companies, S.R. p. 20)
5. The said Report unreasonably recommends that tariff provisions related to parallel interconnection be consistent with provisions relating to net metering (which is a different service). (All Companies, S.R. p. 21)
6. The said Report unreasonably and improperly recommends the Company require agents of the Company who are not FirstEnergy employees to provide identification which indicates or verifies that they are employees of FirstEnergy. (All Companies, S.R. p. 22)
7. The said Report unreasonably recommends the term "judicial redress" be changed to "court order" but fails to recognize the Company may reasonably incur costs which it is entitled to recover in pursuit of legal proceedings that do not end with a formal court order. (All Companies, S.R. p. 22)
8. The said Report unreasonably recommends that, in the context of proceedings brought to gain access to premises, the Company be allowed to add court costs and attorney fees to a customer or landlord's bill only upon the issuance of a court order and only when a judicial officer awards the Company such costs or fees. (All Companies, S.R. p. 22)
9. The said Report unreasonably recommends limiting the imposition of the field collection charge thus denying recovery of reasonably

incurred costs. (All Companies, OE and CEI S.R. p 23, TE S.R. pp. 22-23)

10. The said Report unreasonably recommends that the Company's tariff restate terms already set out in the Ohio Administrative Code (relating to the frequency of meter testing without charge), thus creating the possibility of confusion and conflict between the language in the Company's tariffs and in the Code should there be revisions to the latter. (All Companies, OE S.R. pp. 21-22 & pp. 34-35, CEI S.R. pp. 22 & pp. 33-34, and TE S.R. p. 21)
11. The said Report unreasonably recommends that the Company's tariff restate terms already set out in the Ohio Administrative Code, thus creating the possibility of confusion and conflict between the language in Company's tariffs and in the Code. (All Companies, OE and TE S.R. p 34, CEI S.R. p. 33)
12. The said Report unreasonably recommends rejection of the proposed annual escalator adjustment for miscellaneous charges. (All Companies, OE S.R. p. 35, CEI and TE S.R. p. 34)
13. The said Report erroneously and unreasonably recommends language modifications (in Section IX(A)) which modifications are already included in the Company's proposed language. (CEI and TE S.R. p. 21)

b. Line Extension

1. The said Report unlawfully and unreasonably reduced the Companies proposed up-front line extension charges without explanation or support such that the Companies would not adequately recover their incremental line extension costs. (All Companies, S.R. p. 21)

c. Revenue Distribution

1. The said Report unreasonably allocates the effect of the revenue increase over the proposed residential rate schedule for Toledo Edison, as opposed to accepting the allocations proposed in the Company's filings. (TE S.R. p. 27-30)

d. Rate Design

1. The said Report unreasonably rejects the inverted energy block structure proposed by the Company for Residential Rate RS without recognizing the need for such structure to help minimize customer

bill impacts. (All Companies, OE and TE S.R. pp. 32-33, CEI S.R. p. 32)

2. The said Report unreasonably asserts that only a particular model or methodology may be used to provide the basis for the substantive terms and conditions of Rider AMI/Modern Grid when other reasonable alternatives may exist, concludes that certain benefits and other terms and conditions must be reflected in Rider AMI/Modern Grid, attempts to resolve issues related to Rider AMI/Modern Grid in this proceeding when such issues are to be determined in Case No. 07-646-EL-COI, which is dedicated to that purpose for all electric utilities and is currently pending before the Commission, and fails to provide adequate specificity or detail relating to its recommended adoption of Rider AMI/Modern Grid including an adequate mechanism to recover the costs associated with such recommendation. (All Companies, OE S.R. pp. 89-90, CEI and TE S.R. pp. 90-91)
3. The said Report unreasonably recommends that the Company implement an additional notice procedure with respect to customers affected by the proposed changes related to Multi-Family Dwellings for Residential Rate RS thus creating an unreasonable administrative burden. In response to this recommendation the Companies will remove the Multi-Family provisions from the residential tariffs of OE, CEI, and TE. (All Companies, CEI and TE S.R. p. 31)

VI. Service Monitoring and Enforcement Department Findings and Recommendations

1. The said Report unlawfully and unreasonably finds that the Companies did not perform any QC oversight practices to ensure certain quality control of line reclosers or line capacitors when in fact the Companies' inspection and maintenance practices do contain preventative oversight practices. (All Companies, OE S.R. p. 63, CEI S.R. p. 65, TE S.R. p. 67)
2. The said Report unreasonably recommends that the Companies immediately initiate additional QC measures for line reclosers and line capacitors because the Companies' current practices provide adequate preventative oversight, and the Staff fails to recommend that there be a mechanism to recover the costs associated with such recommendation. (All Companies, OE S.R. pp. 63-64, CEI S.R. p. 65, TE S.R. p. 68)
3. The said Report unreasonably recommends that the Manager of Engineering Services, the Directors of Operations Services &

Support Services and the Region President verify to ensure compliance in that it fails to recognize that such employee may not be most appropriately suited to perform those tasks. (All Companies, OE S.R. p. 64, CEI S.R. p. 66, TE S.R. p. 68)

4. The said Report unlawfully and unreasonably sets forth right of way and vegetation control findings and a recommendation for Section 4901:1-10-27(E)(1)(f) that are inaccurate because the Companies did in fact provide data sufficient to comply with Section 4901:1-10-27(E)(1)(f). (All Companies, OE S.R. pp. 65-66, CEI S.R. pp. 67-68, TE S.R. pp. 70-71)
5. The said Report unlawfully and unreasonably interprets 4901:1-10-03 for the first time in its Report to require specific start and stop dates and, as such, unreasonably retroactively recommends that the Companies maintain tree trimming start and end dates. (All Companies, OE S.R. p. 67, CEI S.R. p. 68, TE S.R. p. 71)
6. The said Report unreasonably recommends that the Company maintain records which reflect data for an excessive time period and fails to recommend that there be a mechanism to recover the costs associated with such recommendation. (All Companies, OE S.R. p. 67, CEI S.R. p. 69, TE S.R. p. 71)
7. The said Report unreasonably recommends that the Company utilize more computer database records for substation ITM practices because the Company's current record keeping process enables the Company to maintain compliance without incurring the additional expense associated with the Staff recommendation. Moreover, Staff fails to recommend that there be a mechanism to recover the costs associated with such recommendation. (All Companies, OE S.R. p. 68, CEI S.R. p. 70, TE S.R. p. 72)
8. The said Report unreasonably recommends that the Companies assert rights with respect to equipment that does not belong to the Companies and fails to recommend that there be a mechanism to recover the costs associated with such recommendation. (All Companies, OE S.R. p. 72, CEI S.R. p. 74, TE S.R. 77)
9. The said Report incorrectly cites OAC Sections 4901:1-10-27(E)(1)(e) and (f) in referring to, respectively, line reclosers and line capacitors rather than the correct citation to 4901:1-10-27(E)(1)(d) and (e). (OE S.R. p. 62)

10. The said Report incorrectly cites OAC Section 4901:1-10-27(E)(1)(g) in referring to right-of-way vegetation control rather than the correct citation to 4901:1-10-27(E)(1)(f). (OE S.R. p. 64)
11. The said Report unlawfully and unreasonably refers to several groups of alleged past NESC violations, without detail sufficient to identify specific items, and unreasonably fails to include a Recommendation section which addresses which, if any, of the issues associated with such alleged violations were not resolved and/or timely corrected. In addition, the Companies object to the Staff's inappropriate use of the 2002 edition of the NESC for certain equipment and facilities which should have properly been inspected using the edition in effect when the equipment or facility was added. (OE S.R. p. 70)
12. The said Report unreasonably fails to clearly state specific findings and recommendations relating to the Company's reliability performance and instead asserts broad generalized characterizations of same. (OE S.R. p. 72-80)
13. The said Report unreasonably recommends the implementation of practices, including documentation and reporting procedures, relating to the use of the "unknown" code in tracking the causes of outages which practices will not enhance reliability, and unreasonably fails to recommend a mechanism to recover the costs associated with such recommendations. (OE S.R. p. 76)
14. The said Report unreasonably recommends enhanced vegetation clearance practices which practices will not enhance reliability, and fails to recommend that there be a mechanism to recover the costs associated with such recommendation. (OE S.R. p. 77)
15. The said Report unreasonably recommends that OE install animal guarding on all overhead line equipment and substation equipment because it fails to recognize that all overhead line equipment and substation equipment does not need animal guarding, and Staff fails to recommend that there be a mechanism to recover the costs associated with such recommendation. (OE S.R. p. 78)
16. The said Report unreasonably makes reference to alleged non compliance of other FirstEnergy operating companies in the Staff Report of CEI. (CEI S.R. p. 65)
17. The said Report unreasonably refers to several groups of alleged past NESC violations, which alleged violations were timely resolved and/or corrected. In addition, CEI object to the Staff's inappropriate

use of the 2002 edition of the NESC for certain equipment and facilities which should have properly been inspected using the edition in effect when the equipment or facility was added. (CEI S.R. p. 72, TE S.R. p. 75)

18. The said Report unreasonably recommends that CEI seriously consider implementing three additional "low cost benefit" recommendations which are not necessary, nor cost effective, and fails to recommend that there be a mechanism to recover the costs associated with such recommendation. (CEI S.R. p. 78, Low cost benefit items 1, 2 and 5)

COMMENTS

1. The said Report's lead/lag study improperly reversed the Jurisdictional Amount (Column B) and Adjustment Amount (Column C) to the Interest on Long-Term Debt. Since CEI is recommending 0 lead/lag days, there would be no adjustment to Cash Working Capital. (CEI S.R. Sched. B-5.1)
2. The said Report improperly determines depreciation expense as a result of an erroneous comparison between the unadjusted depreciation expense balance proposed by the Company and an adjusted balance that includes both depreciation and amortization. (All Companies, S.R. Sched. C-3.4)
3. The said Report improperly fails to exclude personal property tax expense by failing to recognize the Company's use of the "arms length acquisition" accounting methodology at the time of the merger of Ohio Edison and Centerior. (CEI and TE S.R. Sched. C-3.10a1)
4. The said Report improperly excludes "Other" operating revenue when determining the "Uncollectible Rate". (All Companies, S.R. Sched. C-3.12)

5. The said Report unreasonably and improperly calculates the interest deduction related to the RCP deferral for purposes of determining income taxes as a result of failing to recognize that such deferral is 100% supported by debt. (All Companies, S.R. Sched. C-4)

Respectfully submitted,

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**Case No. 07-551-EL-AIR, et al.
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