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08-124-EL-ATA

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February 8, 2008

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Ms. Renee J. Jenkins
Director, Administration Department
Secretary to the Commission
Docketing Division
The Public Utilities Commission of Ohio
180 East Broad Street
Columbus, OH 43266-5073

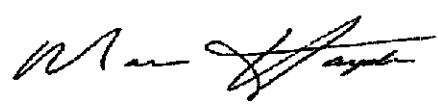
Re: Application on Remand to Establish Recovery
Mechanism for Deferred Fuel Costs
Case No. 08-~~124~~EL-ATA, Case No. 08-~~125~~EL-AAM

Dear Ms. Jenkins:

Pursuant to the Finding and Order of the Public Utilities Commission of Ohio (the "Commission") in Case No. 07-1003-EL-ATA issued on January 9, 2008, please file this letter, the Application and all of the attachments thereto as Ohio Edison Company's, The Cleveland Electric Illuminating Company's and The Toledo Edison Company's ("Companies") request to implement the recovery mechanism proposed herein to recover fuel costs deferred during the 2006-2007 time period, as previously approved in Case Nos. 03-2144-EL-ATA, et seq. and 05-1125-EL-ATA, et seq. The Companies request that the recovery mechanism commence no later than with the first January 2009 billing portion continuing through the date that would allow full recovery of the amounts to be recovered through the rider.

Thank you for your assistance in this matter. Please contact me if you have any questions concerning this matter.

Very truly yours,



Mark A. Hayden

Enc.

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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)	Case No. 08- _____ -EL-ATA
Modify Certain Accounting Practices)	Case No. 08- _____ -EL-AAM
and for Tariff Approvals.)	

**APPLICATION ON REMAND TO ESTABLISH RECOVERY MECHANISM FOR
DEFERRED FUEL COSTS**

Ohio Edison Company (hereinafter "OE"), The Cleveland Electric Illuminating Company (hereinafter "CEI"), and The Toledo Edison Company (hereinafter "TE", with OE, CEI and TE, collectively referred to as the "Companies"), each of which is an electric light company and a public utility pursuant to Sections 4905.02 and 4905.03 O.R.C., pursuant to the Finding and Order of the Public Utilities Commission of Ohio (the "Commission") in Case No. 07-1003-EL-ATA issued on January 9, 2008 hereby request to implement the recovery mechanism proposed herein to recover fuel costs deferred during the 2006-2007 time period as described below, as previously approved in Case Nos. 03-2144-EL-ATA, et seq. and 05-1125-EL-ATA, et seq. The Companies request that the recovery mechanism commence with the first June 2008 billing portion, and in no event later than the first January 2009 billing portion, continuing through the date that would allow full recovery of the amounts to be recovered through the rider.

This Application arises as a result of the Supreme Court of Ohio (the "Court") August 29, 2007 Opinion that remanded to the Commission for consideration of one aspect of the Rate Certainty Plan, which had been previously approved by the Commission in Case No. 05-1125-

EL-ATA, et seq. Following the issuance of the Court's Opinion, the Companies filed an Application on Remand in Case No. 07-1003-EL-ATA that proposed a recovery mechanism for deferred fuel costs and a mechanism for recovering eligible fuel costs that had not yet been deferred. In its Finding and Order issued on January 9, 2008, the Commission approved the recovery mechanism, as modified, to recover eligible fuel costs arising in 2008. The Commission, however, did not approve the proposed recovery mechanism for deferred fuel costs. Instead, the Commission directed the Companies to file the instant Application proposing an alternative recovery mechanism for deferred fuel costs and associated carrying costs. Finding and Order at p. 4. Such a proposal is set forth herein. This Application is limited to establishing a recovery mechanism for deferred fuel costs and carrying costs, as described herein, related to the provision of POLR service.

Background

On August 4, 2004, the Commission, as part of its approval of the Companies' Rate Stabilization Plan, Case No. 03-2144-EL-ATA et al.¹ (the "RSP"), approved a mechanism to allow the Companies to recover certain fuel costs as compared to comparable fuel costs incurred during the base line year of 2002. In that case the Commission also approved 2006-2008 as the recovery period, subject to reconciliation. As a first step toward implementing this provision of the RSP, the Companies instituted a proceeding with the Commission under Case No. 05-704-EL-ATA to recover such fuel costs through a rider mechanism (the "Initial Fuel Cost Recovery Proceeding"). Subsequently, on September 9, 2005, the Companies filed their Rate Certainty

¹ The Commission's approval of the RSP was affirmed in pertinent part by the Court in *Ohio Consumers' Counsel v. Pub. Util. Comm.* (2006), 109 Ohio St. 3d 328, 2006-Ohio-2110.

Plan, Case No. 05-1125-EL-ATA, et al. (together with the Stipulation and Recommendation, the "RCP") and included an alternative to the Initial Fuel Cost Recovery Proceeding, which was later consolidated with the RCP proceeding. Among other terms, the RCP, as approved by the Commission, established cash recovery of a portion of the eligible fuel costs incurred during the 2006-2008 period (the "Fuel Recovery Mechanism" or "FRM") and authorized the deferral for future recovery of the remaining eligible fuel costs, in the Companies' next distribution rate case, that exceed the 2002 base line cost level and that are not recovered through the FRM. Importantly, shopping credits were increased in part based upon the fuel deferrals as set forth in the approved RCP. The balance of the fuel deferrals with carrying charges was to be recovered over a 25 year period.

On August 29, 2007, the Court affirmed the RCP in all respects save one: it held that the Commission violated Section 4928.02(G) O.R.C. when it authorized the Companies to collect deferred fuel costs through future distribution rates. *Elyria Foundry Co. v. Pub. Util. Comm.*, 114 Ohio St.3d 305, 2007-Ohio-4164. The Court reversed the Commission's order on this sole issue and remanded the case to the Commission to comply with the Court's decision.

In response to the Court's decision, the Companies filed an application in Case No. 07-1003-EL-ATA that proposed two new fuel riders. One rider was designed to recover fuel costs that were authorized for recovery in previous cases, but that had not yet been deferred as permitted under the RCP case. On January 9, 2008, the Commission approved, as modified, this recovery mechanism for eligible fuel costs arising during 2008. In the same Finding and Order, the Commission rejected the proposed recovery mechanism to recover deferred fuel costs arising during 2006-2007, and directed the Companies to file a separate application proposing an alternative recovery mechanism.

With this Application, the Companies have complied with the Commission's directive and, consistent with the Court's Opinion, now seek Commission approval to implement the recovery mechanism proposed herein to permit the Companies to fully recover the deferred fuel costs and associated costs, as described herein, as a generation-related charge to recover costs incurred to provide POLR service to customers.

PROPOSED RECOVERY MECHANISM

The Companies propose a generation-related fuel cost recovery rider ("Deferred Fuel Cost Rider") applicable to retail customers of the Companies to collect actual fuel costs deferred in 2006 and 2007 incurred in the provision of POLR service to customers. Applicable retail customers include all tariff customers and those customers served on special contracts that permit recovery of such costs.

Specifically, the Companies request that the new Deferred Fuel Cost Rider be implemented on a bills-rendered basis commencing with the first June 2008 billing portion, and in no event later than the first January 2009 billing portion, and continuing for a period as initially designated by the Commission to allow full recovery of the deferred fuel costs and associated carrying costs and the applicable uncollectible expense and Commercial Activity Tax.

Description of the Proposed Deferred Fuel Cost Rider

The Companies propose a new Deferred Fuel Cost Rider containing a cents/kWh charge applicable to retail customers. The Deferred Fuel Cost Rider provides recovery of fuel costs deferred from the inception of the fuel deferral under the RCP through December 31, 2007, plus Commission-approved carrying costs on the unrecovered deferred cost balance and the

applicable uncollectible expense and Commercial Activity Tax.² The Deferred Fuel Cost Rider is described in more detail below.

Deferred Fuel Cost Rider

Under the RCP, the Companies have deferred for future recovery specified fuel costs in excess of the 2002 baseline amount and not recovered through the FRM. The estimated amount to be recovered through the Deferred Fuel Cost Rider for all three Companies is set forth in Attachment 1.³ No fuel costs incurred during 2008 will be included in the balance. The accrual of carrying charges on the December 31, 2007 balance causes an increase in the amount from December 31, 2007 to May 31, 2008.

A separate rider will be established for each of the Companies. The annual revenue requirement associated with the level of each Company's deferred fuel cost, including carrying charges and an annual amortization expense based upon the recovery period designated by the Commission, will be divided by the projected eligible energy sales for the period identified in Attachments 2, 3, and 4 to this Application. The result will be adjusted for the applicable uncollectible expense and Commercial Activity Tax, to derive the Deferred Fuel Cost Rider charge. The carrying charge would be calculated based upon each Company's embedded cost of long-term debt. Revenues are proposed to be collected based upon the Deferred Fuel Cost Rider amount multiplied by the kWh sales of customers to which the Deferred Fuel Cost Rider applies. The Companies are not proposing which specific recovery period be approved by the

² The proposed Rider for each Company is included as Attachment 5 for Ohio Edison, Attachment 6 for CEI, and Attachment 7 for Toledo Edison.

³ Attachment 1 shows the derivation of the separate balances for each of the Companies.

Commission, but do recommend that the period be established between 5 years and 25 years and that the charges approved allow the Companies to fully recover the deferred fuel costs and all associated carrying charges, and the applicable uncollectible expense and Commercial Activity Tax. The Companies request approval to include the charge for the Recovery Period selected by the Commission, as set forth in the table below, into the proposed tariff sheets, Attachments 5, 6, and 7 to this Application. The charge will be computed as the accumulated balance projected as of May 31, 2008 amortized over the identified period, plus the carrying charges applied to that balance, as described on Attachments 2, 3, and 4 to this Application. The initial charge will continue to be applicable until and unless modified by the Commission, but only until the May 31, 2008 balance and associated carrying charges are fully recovered. The cents per kWh charge for each of the Companies based upon varying lengths of recovery period are as follows⁴:

Recovery Period (Yrs.)	Rate (Cents per KWH)		
	OE	CEI	TE
5	0.10760	0.10773	0.09269
10	0.06307	0.06332	0.05407
15	0.04823	0.04852	0.04119
20	0.04081	0.04112	0.03476
25	0.03636	0.03668	0.03089

Each of the Companies will track recovery of the balance on a monthly basis and discontinue the charge once the balance has been fully recovered. Tracking of the recovery of the balance will be based upon actual monthly revenues billed pursuant to the Rider. The associated uncollectible expenses, Commercial Activity Taxes, and carrying charges on the previous

⁴ Attachment 2, Attachment 3 and Attachment 4 shows calculations of the values displayed in the chart for Ohio Edison, CEI and Toledo Edison respectively.

month's unrecovered balance will be subtracted from these monthly revenues. The remaining monthly revenues will be applied toward recovery of the deferred fuel balance. Applicable uncollectible expenses are equal to the revenue times the uncollectible percent shown on Attachment 2 for OE, Attachment 3 for CE, and Attachment 4 for TE. Commercial Activity Taxes are equal to the Commercial Activity Tax Rate effective for a given month times the Rider revenues. The carrying charges are based upon each Company's embedded cost of long-term debt and are equal to the annual cost of debt for each Company as filed in Case No. 07-551-EL-AIR divided by 12, times the previous month's unrecovered balance.

If the Commission rejects the proposal for the Deferred Fuel Cost Rider as described above, the Companies request that they be permitted to collect the projected balance set forth above over the time period commencing with the first billing period in June 2008 through the last billing period in December 2008, subject to reconciliation in 2009. The estimated average per kWh charge under this scenario would be 0.8 cents/kWh for all customers subject to the charge.

Impact of the Deferred Fuel Cost Rider on Shopping Credits

The Court specifically affirmed the Commission's approval of shopping credits in the RCP, expressly recognizing how the deferred fuel amounts were added to the shopping credit. Because deferred fuel costs have already been added to the shopping credit, at least in part, thereby providing customers and third party suppliers the benefit of an increased shopping credit, the Deferred Fuel Cost Rider amount proposed in this proceeding, which reflects the same deferred fuel costs, will not be added to the shopping credit. The Deferred Fuel Cost Rider represents costs that already have been incurred and paid by the Companies in the past to permit the Companies to provide POLR service to customers. However, customers have not yet paid

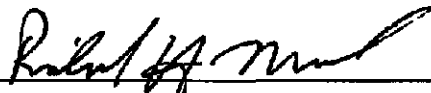
these costs even though they have benefited from the availability of and used the electricity that resulted from the deferred fuel costs. Because the fuel costs and other amounts to be recovered through the Deferred Fuel Cost Rider represent incurred costs that cannot be avoided by the Companies if customers shop in the future, and given the fact that the same costs previously were added to the shopping credit to the extent required by the RCP, it would be inappropriate to add the Deferred Fuel Cost Rider amount to the shopping credit or include it in an avoidable charge.

Procedural Schedule

No hearing is required under R.C. 4909.18 to establish the new Deferred Fuel Cost Rider unless the Commission finds the Application unjust and unreasonable. Therefore, the Companies propose that the Deferred Fuel Cost Rider be approved as proposed with the first June 2008 billing portion. The Companies further propose that interested parties be given an opportunity to provide comments and reply comments on the Companies' proposal. Initial Comments are proposed to be due 14 days following the filing of this proposal and Reply Comments 14 days following the date for filing of Initial Comments. Thereafter, the Commission may render its decision regarding the structure and the specific level of the Deferred Fuel Cost Rider. Upon Commission approval of this Application, the Companies will file revised tariff sheets reflecting the Deferred Fuel Cost Rider as approved.

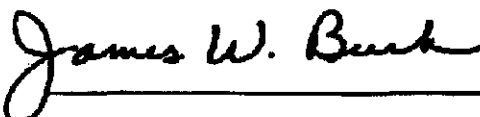
NOW, THEREFORE, the Companies urge the Commission to issue its Order that adopts and approves this Application which requests to implement the recovery mechanism described herein to fully recover certain fuel costs that were deferred during the 2006-2007 time period along with all associated carrying costs and the applicable uncollectible expenses and Commercial Activity Tax, and requests such approval in a timely fashion to allow the Companies to implement such mechanism no later than the first June 2008 billing portion. The Companies urge the Commission to approve this Application as filed and proposed herein without change.

Ohio Edison Company
The Cleveland Electric Illuminating Company
The Toledo Edison Company

By 
Senior Vice President

By 
Assistant Corporate Secretary

Attorneys for Applicants



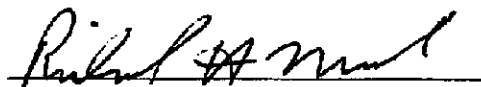
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On behalf of Ohio Edison Company,
The Cleveland Electric Illuminating Company,
and The Toledo Edison Company

VERIFICATION

STATE OF OHIO)
) ss.
COUNTY OF SUMMIT)

The undersigned, being first duly sworn, state that they have the authority to verify the foregoing Application of Ohio Edison Company, The Cleveland Electric Illuminating Company and The Toledo Edison Company (collectively, the "Companies") to implement a recovery mechanism to recover certain fuel costs that were deferred during the 2006 – 2007 time period. Also, they state that they have read said Application and are familiar with the contents in support; and that all of the statements contained in said filing made on behalf of the Companies are true and correct to the best of their knowledge and belief.



Richard H. Marsh
Senior Vice President & CFO

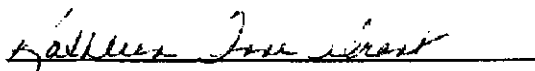
Ohio Edison Company
The Cleveland Electric Illuminating Co.
The Toledo Edison Company



Jacqueline S. Cooper
Assistant Corporate Secretary

Ohio Edison Company
The Cleveland Electric Illuminating Co.
The Toledo Edison Company

8th Sworn to and subscribed before me, a notary public, in and for said County and State, this
day of February, 2008.



Notary Public

Kathleen Anna Grant
Notary Public, State of Ohio
Resident of Summit County
My Commission Expires Nov. 8, 2009.

Case No. 08- -EL-ATA
Attachment 1

(A) Company	(B) Year	(C) Deferral	(D) CC	(E) Total	(F) ADIT	(G) Tax Rate
OE	2006	\$55,996,471	\$1,630,322	\$57,626,793		
	2007	\$48,718,062	\$4,951,104	\$53,669,167	\$39,647,964	35.62%
	2008	\$0	\$3,032,882	\$3,032,882	\$1,080,431	
		<u>\$104,714,533</u>	<u>\$9,614,308</u>	<u>\$114,328,841</u>	<u>\$40,728,395</u>	
CEI	2006	\$37,513,547	\$1,321,529	\$38,835,076		
	2007	\$33,889,397	\$3,681,782	\$37,571,179	\$27,459,008	35.94%
	2008	\$0	\$2,140,685	\$2,140,685	\$769,323	
		<u>\$71,402,945</u>	<u>\$7,143,996</u>	<u>\$78,546,940</u>	<u>\$28,228,331</u>	
TE	2006	\$16,238,207	\$551,889	\$16,790,096		
	2007	\$14,267,951	\$1,484,656	\$15,752,607	\$11,756,360	36.13%
	2008	\$0	\$857,725	\$857,725	\$309,861	
		<u>\$30,506,158</u>	<u>\$2,894,270</u>	<u>\$33,400,428</u>	<u>\$12,066,221</u>	
OH	2006	\$109,748,225	\$3,503,740	\$113,251,965		
	2007	\$96,875,411	\$10,117,542	\$106,992,953	\$78,863,332	35.81%
	2008	\$0	\$6,031,292	\$6,031,292	\$2,159,615	
		<u>\$206,623,636</u>	<u>\$19,652,574</u>	<u>\$226,276,210</u>	<u>\$81,022,947</u>	

(C) Actual annual deferral activity for 2006 and 2007.

(D) Actual annual carrying charges for 2006 and 2007. Projected 2008 carrying charges are based on the compounded annual cost of debt for each of the operating companies used in Case No. 07-551-EL-AIR applied to the respective deferral balances as of 12/31/2007.

(E) Calculation: C + D.

(F) 2007 amount represents the actual Accumulated Deferred Income Tax (ADIT) associated with actual fuel deferral balances as of 12/31/2007. 2008 ADIT is based on applying the tax rate to the projected 2008 carrying charges. Calculation for 2008 ADIT: Tax Rate x Projected Carrying Charges for 2008.

(G) Calculation: 12/31/2007 ADIT Balance / (Actual 2006 Deferral Activity + Actual 2007 Deferral Activity).

	Recovery Period				
	5 Year	10 Year	15 Year	20 Year	25 Year
(1) Deferral Balance as of 5/31/2008	\$114,328,841	\$114,328,841	\$114,328,841	\$114,328,841	\$114,328,841
(2) ADIT Balance as of 5/31/2008	\$40,728,395	\$40,728,395	\$40,728,395	\$40,728,395	\$40,728,395
(3) Rate Base as of 5/31/2008	\$73,600,446	\$73,600,446	\$73,600,446	\$73,600,446	\$73,600,446
(4) Return on Unamortized Rate Base	\$4,761,949	\$4,761,949	\$4,761,949	\$4,761,949	\$4,761,949
(5) Straight-Line Amortization Expense	\$22,865,768	\$11,432,884	\$7,621,923	\$5,716,442	\$4,573,154
(6) Revenue Requirement	\$27,627,717	\$16,194,833	\$12,383,872	\$10,478,391	\$9,335,103
(7) Forecasted MWH Sales - Twelve Months Ended 5/31/09	25,937,134	25,937,134	25,937,134	25,937,134	25,937,134
(8) Uncollectible Accounts	0.743628%	0.743628%	0.743628%	0.743628%	0.743628%
(9) Commercial Activity Tax Rate	0.260000%	0.260000%	0.260000%	0.260000%	0.260000%
(10)	1.003628%	1.003628%	1.003628%	1.003628%	1.003628%
(11) Deferred Fuel Cost Rider Charge (\$ / KWH)	0.10760	0.06307	0.04823	0.04081	0.03636

- (1) Projected fuel deferral balance as of 5/31/2008 is based on actual balance, including carrying charges, as of 12/31/2007, plus estimated carrying charges for Jan - May 2008.
- (2) Projected Accumulated Deferred Income Tax (ADIT) balances associated with projected fuel deferral balances as of 5/31/2008 based on actual ADIT balance as of 12/31/2007, plus amounts associated with estimated carrying charges on the fuel deferral balances in 2008.
- (3) Projected net Rate Base associated with the fuel deferral balance as of 5/31/2008 upon which the projected cost of debt will be earned. Calculation: Line 1 - Line 2.
- (4) Projected return on the net Rate Base based on the different recovery periods, where the return is earned at the cost of debt as included in Case No. 07-551-EL-AIR. Calculation: 6.47% x Line 3.
- (5) Projected straight-line amortization expense based on the different recovery periods. Calculation: Line 1 / Number of Years in Recovery Period.
- (6) Projected revenue requirement based on the different recovery periods. Calculation: Line 4 + Line 5.
- (7) Forecasted applicable MWH sales (Twelve months ended 5/31/09).
- (8) Estimated rate for uncollectible expense.
- (9) Commercial Activity Tax rate to be effective 4/1/09.
- (10) Calculation: Line 8 + Line 9.
- (11) Deferred Fuel Cost Rider charge beginning June 2008 based on different recovery periods. Calculation: ((Line 6 / Line 7) / 10) / (1 - Line 10).

	Recovery Period				
	5 Year	10 Year	15 Year	20 Year	25 Year
(1) Deferral Balance as of 5/31/2008	\$78,546,940	\$78,546,940	\$78,546,940	\$78,546,940	\$78,546,940
(2) ADIT Balance as of 5/31/2008	\$28,228,331	\$28,228,331	\$28,228,331	\$28,228,331	\$28,228,331
(3) Rate Base as of 5/31/2008	\$50,318,609	\$50,318,609	\$50,318,609	\$50,318,609	\$50,318,609
(4) Return on Unamortized Rate Base	\$3,346,187	\$3,346,187	\$3,346,187	\$3,346,187	\$3,346,187
(5) Straight-Line Amortization Expense	\$15,709,388	\$7,854,694	\$5,236,463	\$3,927,347	\$3,141,878
(6) Revenue Requirement	\$19,055,575	\$11,200,881	\$8,582,650	\$7,273,534	\$6,488,065
(7) Forecasted MWH Sales - Twelve Months Ended 5/31/09	17,840,404	17,840,404	17,840,404	17,840,404	17,840,404
(8) Uncollectible Accounts	0.593743%	0.593743%	0.593743%	0.593743%	0.593743%
(9) Commercial Activity Tax Rate	0.260000%	0.260000%	0.260000%	0.260000%	0.260000%
(10)	0.853743%	0.853743%	0.853743%	0.853743%	0.853743%
(11) Deferred Fuel Cost Rider Charge (\$ / KWH)	0.10773	0.06332	0.04852	0.04112	0.03668

- (1) Projected fuel deferral balance as of 5/31/2008 is based on actual balance, including carrying charges, as of 12/31/2007, plus estimated carrying charges for Jan - May 2008.
- (2) Projected Accumulated Deferred Income Tax (ADIT) balances associated with projected fuel deferral balances as of 5/31/2008 based on actual ADIT balance as of 12/31/2007, plus amounts associated with estimated carrying charges on the fuel deferral balances in 2008.
- (3) Projected net Rate Base associated with the fuel deferral balance as of 5/31/2008 upon which the projected cost of debt will be earned.
Calculation: Line 1 - Line 2.
- (4) Projected return on the net Rate Base based on the different recovery periods, where the return is earned at the cost of debt as included in Case No. 07-551-EL-AIR. Calculation: 6.65% x Line 3.
- (5) Projected straight-line amortization expense based on the different recovery periods. Calculation: Line 1 / Number of Years in Recovery Period.
- (6) Projected revenue requirement based on the different recovery periods. Calculation: Line 4 + Line 5.
- (7) Forecasted applicable MWH sales (Twelve months ended 5/31/09).
- (8) Estimated rate for uncollectible expense.
- (9) Commercial Activity Tax rate to be effective 4/1/09.
- (10) Calculation: Line 8 + Line 9.
- (11) Deferred Fuel Cost Rider charge beginning June 2008 based on different recovery periods.
Calculation: {(Line 6 / Line 7) / 10} / (1 - Line 10).

	Recovery Period				
	5 Year	10 Year	15 Year	20 Year	25 Year
(1) Deferral Balance as of 5/31/2008	\$33,400,428	\$33,400,428	\$33,400,428	\$33,400,428	\$33,400,428
(2) ADIT Balance as of 5/31/2008	\$12,066,221	\$12,066,221	\$12,066,221	\$12,066,221	\$12,066,221
(3) Rate Base as of 5/31/2008	\$21,334,207	\$21,334,207	\$21,334,207	\$21,334,207	\$21,334,207
(4) Return on Unamortized Rate Base	\$1,335,521	\$1,335,521	\$1,335,521	\$1,335,521	\$1,335,521
(5) Straight-Line Amortization Expense	\$6,680,086	\$3,340,043	\$2,226,695	\$1,670,021	\$1,336,017
(6) Revenue Requirement	\$8,015,607	\$4,675,564	\$3,562,216	\$3,005,542	\$2,671,538
(7) Forecasted MWH Sales - Twelve Months Ended 5/31/09	8,739,223	8,739,223	8,739,223	8,739,223	8,739,223
(8) Uncollectible Accounts	0.791695%	0.791695%	0.791695%	0.791695%	0.791695%
(9) Commercial Activity Tax Rate	0.260000%	0.260000%	0.260000%	0.260000%	0.260000%
(10)	1.051695%	1.051695%	1.051695%	1.051695%	1.051695%
(11) Deferred Fuel Cost Rider Charge (# / KWH)	0.09269	0.05407	0.04119	0.03476	0.03089

- (1) Projected fuel deferral balance as of 5/31/2008 is based on actual balance, including carrying charges, as of 12/31/2007, plus estimated carrying charges for Jan - May 2008.
- (2) Projected Accumulated Deferred Income Tax (ADIT) balances associated with projected fuel deferral balances as of 5/31/2008 based on actual ADIT balance as of 12/31/2007, plus amounts associated with estimated carrying charges on the fuel deferral balances in 2008.
- (3) Projected net Rate Base associated with the fuel deferral balance as of 5/31/2008 upon which the projected cost of debt will be earned. Calculation: Line 1 - Line 2.
- (4) Projected return on the net Rate Base based on the different recovery periods, where the return is earned at the cost of debt as included in Case No. 07-551-EL-AIR. Calculation: 6.26% x Line 3.
- (5) Projected straight-line amortization expense based on the different recovery periods. Calculation: Line 1 / Number of Years in Recovery Period.
- (6) Projected revenue requirement based on the different recovery periods. Calculation: Line 4 + Line 5.
- (7) Forecasted applicable MWH sales (Twelve months ended 5/31/09).
- (8) Estimated rate for uncollectible expense.
- (9) Commercial Activity Tax rate to be effective 4/1/09.
- (10) Calculation: Line 8 + Line 9.
- (11) Deferred Fuel Cost Rider charge beginning June 2008 based on different recovery periods. Calculation: {(Line 6 / Line 7) / 10} / (1 - Line 10).

DEFERRED FUEL COST RIDER

This Deferred Fuel Cost Rider is effective for bills rendered beginning on the first billing portion of June 2008 and applies to all customers on tariffs and to all contracts that permit the inclusion of this Rider.

The amount of this Rider reflects eligible fuel costs deferred from January 2006 through December 2007, plus the associated Commission-approved carrying costs on the unrecovered deferred cost balance, in accordance with Case 05-1125-EL-ATA, et al. The Rider also includes carrying charges incurred after 2007 based on the annual embedded cost of long-term debt at 6.47%, applicable uncollectible expenses, and Commercial Activity Tax (CAT).

The Deferred Fuel Cost Rider Charge shall equal X.XXXXXX ¢ per kWh.

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