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April 17, 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 REPLY BRIEF OF THE OHIO ENERGY GROUP filed in the above-referenced matter.

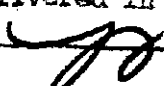
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Respectfully Yours,



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Encl.

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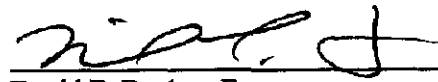
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**BEFORE THE
PUBLIC UTILITY COMMISSION OF OHIO**

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

REPLY BRIEF OF THE OHIO ENERGY GROUP

I. INTRODUCTION

On June 7, 2007, Ohio Edison Company, The Toledo Edison Company and The Cleveland Electric Illuminating Company (the Companies) filed an Application pursuant to R.C. §4909.18 and related sections of the Ohio Revised Code for authority to make changes and increases in electric distribution rates applicable to customers within the Companies' respective service territories. On February 11, 2008 the Companies, the Office of the Ohio Consumer Counsel, Ohio Partners for Affordable Energy, the Ohio Energy Group, IEU-Ohio, and The Kroger Company signed and filed a Stipulation and Recommendation representing an agreement between these parties on several rate allocation and rate design issues. The Stipulation establishes rates that reflect the cost of providing electric distribution service.

The Ohio Schools Council ("OSC" or the "Schools") opposes the rate structure contained in the Stipulation primarily on the basis that OSC believes that the "usage pattern" and "lower cost-of-service" of the Schools justifies lower School rates.¹ OEG submits this Brief in Reply to the Schools.

¹ Post Hearing Brief Of The Ohio Schools Counsel, p. 8.

II. ARGUMENT

1. **A Separate, Lower School Rate Is Not Justified By The Cost-Of-Service Evidence But OEG Does Not Object To The School Proposal Provided The Revenue Shortfall Stays In The General Service Class.**

Historically, a special School *generation* rate may have been warranted on a cost of service basis because Schools were either not operating, or had lower demands during the peak summer months. The Schools' responsibility for generation capacity, which must be obtained to meet system peak demands, was likely lower on average, than for other general service customers. However, the costs at issue in this proceeding are only local *distribution costs*. Whether or not the Schools operate in the summer, the Companies must provide distribution facilities to the Schools. These "wire" costs are not reduced or eliminated because the Schools have a lower level of usage during the *summer peak months*. Though the Schools might justify a lower generation charge because of their characteristics, generation costs are not at issue in this proceeding.

The Schools contend that they have a lower "distribution" cost of service and that the Companies' rate structure change, which groups Schools into the general service class like all other similarly situated customers, is "*unjust, unfair, unreasonable and unlawful.*"² The Schools are incorrect. Rates by their nature group customers based on generally similar load characteristics and cannot be designed to exactly reflect the costs associated with an individual customer. In theory, the Companies could design a separate rate for each of its millions of customers. In practice, this would be administratively impossible.

The School's argument would only be valid if there was a material difference in their cost of service that is not reflected in the rate design itself. In other words, even if the Schools had different distribution costs, on average, from all other general service customers, these cost differences may be accommodated through the application of the School's billing determinants (kW demands, kWh energy) to the general service rates. Only in the event that these "material" cost differences could not be reflected in the overall charges produced by applying the School's billing determinants to the general service rate elements, would there be a justification for considering a separate rate for the Schools. However, the evidence does not support the conclusion that there are, in fact, "material" cost of service differences between the Schools and other general service customers.

² Post Hearing Brief Of The Ohio Schools Counsel, p. 8.

The OSC presented testimony that asserts that the cost of serving the Schools distribution service is lower than the average general service customer and therefore the special School rates should be maintained.³ However, as Companies' witness Gregory Hussing explains in his Rebuttal Testimony, the analyses relied on by the OSC to support its "lower cost of service" claims are not reliable and should not be accepted.

First, Mr. Hussing discussed the fact that OSC's school sample used by its witness, Mr. Solganick, could not be relied on as being representative. The sample was developed by OSC, not Mr. Solganick and he could not independently support that it was a representative and random sample. Such a sample cannot be relied upon to draw inferences about the total population of OSC Schools. Mr. Hussing states:

*"In the Companies' cross examination of his testimony he stated that the sample was randomly selected not by him but by the OSC. But Mr. Solganick's request of OSC that those school accounts should include small, medium, and large accounts suggests that the sample was not randomly selected at all. Mr. Solganick provides no additional information in his testimony to support the notion that the sample was randomly selected. When reviewing his work papers, only 26 school districts out of 249 were used to represent the entire school population, with almost half of the sample data coming from only four districts. In addition, he includes six school accounts that take service on electric space conditioning tariffs, which are available exclusively for electric heating commercial customers. Such accounts are not representative of the population of schools on the whole or typical school usage. Finally, his sample does not include any accounts taking service on the Small School rate in Toledo Edison."*⁴

Second, Mr. Hussing's comparison of the relative demands of the Schools in summer and non-summer months shows that the demands established by the Schools in *"both summer and non-summer months are not appreciably different."*⁵ There is thus no valid evidentiary basis to support the OSC assertion that there is a lower cost of distribution service for the Schools than for general service customers as a whole.

³ Direct Testimony of Howard Solganick, p. 23.

⁴ Rebuttal Testimony of Gregory Hussing p. 3 lines 5-17.

⁵ Id. p. 8.

Finally, no party in this case, including the OSC, presented a valid cost of service study for the Schools that would provide a basis to establish a separate rate for these customers. The Companies' did not have the load research data for the Schools that would be necessary to develop a cost of service study to actually "test" the OSC theories and the Schools did not provide one. Put simply, there is no evidence to support the OSC opposition to the Companies' proposed rate restructuring and the Stipulation entered by various parties in this case on the distribution of the approved revenue increase to rate schedules.

III. CONCLUSION

The Schools have not presented any evidence establishing that a separate and lower School Rate is justified on a cost-of-service basis. Nevertheless, OEG does not oppose the implementation of a separate School rate for each of the Companies provided that any adjustment to other rate schedules to accommodate this change is limited to the General Service Secondary rate class and the General Service Primary rate class (assuming that there are Schools on the GP rate). In no event should the creation of a separate School rate result in a change (from the agreed upon percentages in the Stipulation) in the allocation of the authorized revenue increase to the GSUB (General Service Sub-transmission) and GT (General Service Transmission) rate classes of each Company.

Respectfully submitted,



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April 17, 2008

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