

FILE

BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

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2008 OCT 31 PM 4:36

In the Matter of the Application of the Ohio :
Department of Development for an Order :
Approving Adjustments to the Universal :
Service Fund Riders of Jurisdictional Ohio :
Electric Distribution Utilities. :

Case No. 08-658-EL-UNC

PUCO

APPLICATION

The Ohio Department of Development ("ODOD"), by its Director, Lee Fisher, hereby petitions the Commission, pursuant to Section 4928.52(B), Revised Code, for an order approving adjustments to the Universal Service Fund ("USF") riders of all jurisdictional Ohio electric distribution utilities ("EDUs"). In support of its application, ODOD states as follows:

1. Under the legislative scheme embodied in SB 3, the 1999 legislation that restructured Ohio's electric utility industry and transferred administration of the percentage of income payment plan ("PIPP") program to ODOD, the USF riders replaced the existing PIPP riders of each jurisdictional electric utility. The USF riders were to be calculated so as to generate the same level of revenue as the PIPP riders they replaced [see Section 4928.52(A)(1), Revised Code], plus an amount equal to the level of funding for low-income customer energy efficiency programs reflected in the electric rates in effect on the effective date of the statute [see Section 4928.52(A)(2), Revised Code]. In addition, the USF riders were also to be designed to recover the amount necessary to pay the administrative costs associated with the low-income customer assistance programs and the consumer education program created by Section 4928.56, Revised Code [see Section 4928.52(A)(3), Revised Code].

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2. Pursuant to Section 4928.51(A), Revised Code, all USF rider revenues collected by the EDUs are remitted to ODOD for deposit in the state treasury's USF. ODOD then makes disbursements from the USF to fund the low-income customer assistance programs (including PIPP and the low-income customer energy efficiency programs) and the consumer education program and to pay their related administrative costs.

3. Section 4928.52(B), Revised Code, provides that, if ODOD, after consultation with the Public Benefits Advisory Board ("PBAB"), determines that the revenues in the USF, together with revenues from federal and other sources of funding, including the general revenue fund appropriations for the Ohio Energy Credit Program,³ will be insufficient to cover the cost of the low-income customer assistance and consumer education programs and their related administrative costs, ODOD shall file a petition with the Commission for approval of an increase in the USF rider rates. The statute further provides that, after providing reasonable notice and opportunity for hearing, the Commission may adjust the USF rider by the minimum amount necessary to generate the additional revenues required; provided, however, that the Commission may not decrease a USF rider without the approval of the ODOD Director, after consultation, by the Director, with the PBAB.

4. Unlike traditional ratemaking, where the objective is merely to establish rates that will provide the applicant utility with a reasonable earnings opportunity, the USF riders must actually generate sufficient revenues to enable ODOD to meet its USF-related statutory and contractual obligations on an ongoing basis. In recognition of this fact, the stipulations adopted by the Commission in all prior USF rider rate adjustment proceedings have required that ODOD

³ The Ohio Energy Credit Program was discontinued as of July 1, 2003.

file a Section 4928.52(B), Revised Code, application with the Commission no later than October 31 of the following year, proposing such adjustments to the USF rider rates as may be necessary to assure, to the extent possible, that each EDU's rider will generate its associated revenue requirement – but not more than its associated revenue requirement – during the annual collection period following Commission approval of such adjustments. This is the eighth annual USF rider adjustment application filed by ODOD pursuant to this statute since the establishment of the initial USF riders in the electric transition plan proceedings initiated by applications filed by the EDUs pursuant to SB 3.

5. By its opinion and order of December 19, 2007 in Case No. 07-661-EL-UNC, this Commission granted ODOD's 2007 application for approval of adjustments to the USF riders of all Ohio EDUs based on its acceptance of a stipulation and recommendation submitted jointly by a majority of the parties to that proceeding. The new USF riders replaced the USF riders approved by the Commission in Case No. 06-751-EL-UNC, and became effective on a bills-rendered basis with the January 2008 EDU billing cycles.¹

6. The Commission's December 19, 2007 opinion and order in Case No. 07-661-EL-UNC provided for the continuation of the notice of intent ("NOI") process first approved by the Commission in Case No. 04-1616-EL-UNC. Under this process, ODOD is required to make a preliminary filing by May 31 setting out the methodology it will employ in developing the USF rider revenue requirements and rate design for its subsequent annual USF rider adjustment

¹ The USF riders of Columbus Southern Power Company ("CSP") and Ohio Power Company ("OP") were subsequently revised, effective with the June 2008 billing cycle, to correct certain errors in the original calculation of CSP and OP USF rider revenue requirements previously approved by the Commission in its December 19, 2007 opinion and order in Case No. 07-661-EL-UNC. See Case No. 07-661-EL-UNC, Finding and Order dated May 28, 2008.

application. The purpose of this procedure is to permit the Commission to resolve any issues relating to methodology prior to the preparation and filing of the application itself, so as to limit the issues in the second phase of the case and thereby permit the Commission to act on the application in time for the new USF rider rates to take effect on January 1 of the following year. ODOD filed its NOI in this case on June 2, 2008.² The Commission, consistent with the terms of a stipulation jointly submitted by a majority of the parties to the proceeding,³ approved the methodology proposed by ODOD in the NOI by its finding and order of September 10, 2008 (the “*NOI Order*”).

7. Based on its analysis of the annual pro forma revenue generated by applying the current USF rider rates to test-period sales volumes⁴ and the results of its application of the USF rider revenue requirements methodology approved in the *NOI Order* as described below, ODOD has determined that, on an aggregated basis, the total pro forma annual revenue generated by the current USF riders will fall short, by some \$8,412,820, of the annual revenue required to fulfill

² May 31, 2008 fell on a Saturday. Thus, under the Commission’s computation of time rule, the NOI was timely filed. See Rule 4901-1-07(A), Ohio Administrative Code.

³ Although not a signatory party, the Office of the Ohio Consumers’ Counsel (“OCC”) did not contest the stipulation (see OCC Letter dated August 4, 2008). Ohio Partners for Affordable Energy joined in the stipulation except for the provision regarding the proposed rate design methodology, but did not contest the issue.

⁴ As previously noted, the current CSP and OP USF riders took effect in June 2008. These riders were designed to recover the impact of the increases in the CSP and OP USF rider revenue requirements resulting from the correction of the errors identified by ODOD in its April 29, 2008 supplemental application in Case No. 07-661-EL-UNC over the final seven months of the 2008 collection period. Applying these seven-month rates to the twelve-month test-period sales volumes will not accurately portray the annual pro forma revenue for CSP and OP. Thus, as explained in the testimony of ODOD witness Donald A. Skaggs, the pro forma USF rider revenues for CSP and OP have been restated to reflect a twelve-month recovery of the corrected revenue requirements approved by the Commission in granting ODOD’s supplemental application in Case No. 07-661-EL-UNC.

the objectives identified in Section 4928.52(A), Revised Code, during the 2009 collection period. However, although the current USF riders of Dayton Power and Light Company ("DPL"), Ohio Edison Company ("OE"), and Toledo Edison Company ("TE") are projected to under-recover their respective USF rider revenue requirements during the collection period, ODOD's analysis indicates that the pro forma revenues generated by the USF rider rates of The Cleveland Electric Illuminating Company ("CEI"), Columbus Southern Power Company, Duke Energy Ohio ("Duke"), and Ohio Power Company ("OP"), will over-recover their associated revenue responsibility over 2009. Accordingly, ODOD, having consulted with the PBAB, proposes that the USF riders of each EDU be adjusted so as to generate the required annual revenue indicated below.

| Company | Adjusted Test-Period USF Rider Revenue | Required Annual USF Rider Revenue | USF Rider Revenue Surplus/Deficiency |
|----------------|---|--|---|
| CEI | \$ 17,163,616 | \$ 15,642,956 | \$ 1,520,660 |
| CSP | 25,305,409 | 24,565,726 | 739,683 |
| DPL | 12,217,390 | 19,131,760 | (6,914,370) |
| DUKE | 22,897,923 | 22,002,492 | 895,431 |
| OE | 35,272.663 | 44,539,462 | (9,266,799) |
| OP | 26,544,769 | 21,267,406 | 5,277,364 |
| TE | 13,821,956 | 14,486,745 | (664,789) |
| TOTALS | \$ 153,223,726 | \$ 161,636,546 | (\$ 8,412,820) |

8. As described in further detail in the written testimony of ODOD witness Donald A. Skaggs filed with this application, the revenue requirement which the proposed USF riders are designed to generate consists of the elements identified below. These elements have been determined in accordance with the methodology approved by the Commission in the *NOI Order*.

a. Cost of PIPP. The cost of PIPP component of the USF rider revenue requirement is intended to reflect the total cost of electricity consumed by the company's PIPP customers for the 12-month period January 2008 through December 2008 (the "test period"), plus pre-PIPP balances, less all payments made by or on behalf of PIPP customers, including agency payments, over the same period. Because actual data for September through December 2008 was not available at the time the application was prepared, information from the corresponding months of 2007 was combined with actual data from January through August of 2008 to determine the test-period cost of PIPP. The calculation of the test-period cost of PIPP is shown in attached Exhibit A. Certain elements of DPL's tariffed rates were adjusted during 2008 pursuant to orders of this Commission. In addition, certain other Commission-approved DPL rate changes will take effect January 1, 2009. As discussed in the testimony of ODOD witness Skaggs, the impact of these rate changes on the cost of PIPP must be recognized in establishing DPL's USF rider revenue requirement. The calculation of the adjustments, which are explained in Mr. Skaggs' testimony, are shown in attached Exhibits A.1.a through A.1.d to the application. The cumulative effect of these DPL adjustments are shown in the Adjusted Test-Period Cost of PIPP column in attached Exhibit A.1.

b. Electric Partnership Program and Consumer Education Program Costs. This element of the USF rider revenue requirement reflects the cost of the low-income customer energy efficiency programs and the consumer education program, now referred to collectively by ODOD as the "Electric Partnership Program" ("EPP"), and their associated administrative costs, which are recovered through the USF riders pursuant to

Section 4928.52(A)(2) and (3), Revised Code. ODOD's proposed allowance for these items of \$14,946,196, which is identical to the allowance accepted by the Commission in all previous USF riders rate adjustment proceedings, is supported by the analysis submitted by ODOD as Exhibit A to the NOI filed herein on June 5, 2008 and the testimony of ODOD witness Skaggs submitted in conjunction with the application. Consistent with the *NOI Order*, this component of the USF rider revenue requirement is allocated to the companies based on the ratio of their respective costs of PIPP to the total cost of PIPP. The results of the allocation are shown in attached Exhibit B.

c. Administrative Costs. This USF rider revenue requirement element represents an allowance for the costs ODOD incurs in connection with its administration of the PIPP program and is included as a revenue requirement component pursuant to Section 4928.52(A)(3), Revised Code. As explained in the testimony of ODOD witness Nick Sunday filed with the application, the proposed allowance for administrative costs of \$2,021,589 has been determined in accordance with the methodology approved by the Commission in the *NOI Order*. The requested allowance for administrative costs has been allocated to the EDUs based on the number of PIPP customer accounts as of April 2008, the test-period month exhibiting the highest PIPP customer account totals. The results of the allocation are shown in attached Exhibit C.

d. December 31, 2008 PIPP Account Balances. Because the USF rider is based on historical sales and historical PIPP enrollment patterns, the cost of PIPP component of an EDU's USF rider will, in actual practice, either over-recover or under-recover its associated annual revenue requirement over the collection period. Over-

recovery creates a positive PIPP USF account balance for the company in question, thereby reducing the amount needed on a forward-going basis to satisfy the USF rider revenue requirement. Conversely, where under-recovery has created a negative PIPP USF account balance as of the effective date of the new riders, there will be a shortfall in the cash available to ODOD, which will impair its ability to make the PIPP reimbursement payments due the EDUs on a timely basis. Thus, the amount of any existing positive PIPP USF account balance must be deducted in determining the target revenue level the adjusted USF rider is to generate, while the deficit represented by a negative PIPP USF account balance must be added to the associated revenue requirement. In this case, ODOD is requesting that its proposed USF riders be implemented on a bills-rendered basis effective January 1, 2009. Accordingly, the USF rider revenue requirement of each company has been adjusted by the amount of the company's projected December 31, 2008 PIPP account balance so as to synchronize the new riders with the EDU's PIPP USF account balance as of their effective date. This conforms to the methodology approved by the Commission in the *NOI Order*. The adjustment for each EDU is shown in attached Exhibit D.

e. Reserve. ODOD has entered into agreements of understanding with each of the EDUs pursuant to Rule 122:12-2-01(A), Ohio Administrative Code. These agreements provide, *inter alia*, that ODOD will be assessed a carrying charge on all ODOD monthly payments reimbursing the EDU for the cost of electricity delivered to PIPP customers which are not received by the EDU by the specified due date. PIPP-related cash flows fluctuate significantly throughout the year, due, in large measure, to

the weather-sensitive nature of electricity sales and PIPP enrollment behavior. As shown on the test-period graph attached hereto as Exhibit E, these fluctuations will, from time-to-time, result in negative PIPP USF account balances, which means that ODOD would be unable to satisfy its payment obligation to the EDUs on a timely basis and, thus, would incur carrying charges in those months. To address this problem, ODOD has included an allowance to create a reserve as an element of the USF rider revenue requirement based on each EDU's highest monthly deficit during the test period. The Commission approved this methodology in its *NOI Order* in this case. The proposed reserve component for each EDU is set forth in attached Exhibit F. As explained in the testimony of ODOD witness Skaggs, the reserve components for CSP and OP have been adjusted to recognize that their actual April 2008 deficits – the highest test-period monthly deficits for both companies – overstate their reserve requirements due to the impact of the errors in the CSP and OP USF rider revenue requirements originally approved in Case No. 07-661-EL-UNC. See Case No. 07-661-EL-UNC, Finding and Order Dated May 28, 2008. The calculation of the adjustments for CSP and OP are shown in attached Exhibits F.1 and F.2, respectively.

f. Allowance for Interest. Although the methodology for calculating the reserve component is designed to fully fund the EDU reserves on a pro forma basis by the end of the 2009 collection period, because USF cash flows fluctuate considerably over the course of the year, ODOD projects that it will still incur some carrying charges for late PIPP reimbursement payments to the EDUs during 2009. Thus, ODOD has again included an allowance for these interest costs as a component of the USF rider revenue

requirement. This allowance was calculated based on a cash-flow analysis that projected the daily PIPP USF account balances the proposed USF riders would produce. ODOD then determined the number of late payment days these balances would represent and applied the daily interest charge specified in the agreements of understanding to determine the interest costs ODOD will incur. This methodology is consistent with that approved in the *NOI Order*. The proposed interest allowance to be built into the USF rider of each EDU is shown in attached Exhibit G.

h. Allowance for Undercollection. This component of the USF rider revenue requirement is an adjustment to recognize that, due to the difference between amounts billed through the USF rider and the amounts actually collected from EDU customers, the rider will not generate the target revenues. In accordance with the methodology approved by the Commission in the *NOI Order*, the allowance for undercollection for each company is based on the collection experience of that company. The allowance for undercollection for each EDU is shown in attached Exhibit H.

i. Allowance for Audit Costs. As discussed in the testimony of ODOD witness Skaggs, the USF Rider Working Group (the "Working Group")⁵ recommended that ODOD engage a qualified, independent third party to conduct audits of each EDUs' PIPP-related accounting and reporting. Consistent with the Working Group's recommendation, the audits are staggered, and DP&L and the FirstEnergy operating

⁵ The USF Rider Working Group was formed pursuant to the stipulation approved by the Commission in Case No. 03-2049-EL-UNC, and is charged with developing, reviewing and recommending measures to control the costs that ultimately must be recovered through the USF rider.

companies (CEI, OE, and TE) scheduled to be audited in 2009. Accordingly, in the NOI in this case, ODOD proposed that an allowance for audit costs of \$40,000 be included as a component of the USF rider requirement of those EDUs to be audited in 2009, with any difference between the allowance and the actual cost of the audits to be trued up via the December 31, 2009 USF account balance element in next year's USF rider rate adjustment application. The Commission approved this proposal in its *NOI Order*, and the revenue requirements proposed herein for DPL and the FirstEnergy companies include this element.

j. Universal Service Fund Interest Offset. Section 4928.51(A), Revised Code, provides that interest on the USF shall be credited to the fund. Although the fund has, from time to time, generated interest income, ODOD, in the past, was routinely forced to utilize such income to cover shortfalls resulting from the amounts by which the actual cost of PIPP during the collection periods have exceeded the test-period cost of PIPP built into the USF rider rates. In the ODOD-OCC settlement agreement in the NOI phase of Case No. 05-717-EL-UNC, ODOD indicated that, in future cases, if it projected that there would be any accrued interest on the fund available at year-end, ODOD would offset this interest against the USF rider revenue requirement. However, the 2005 state budget bill for the 2006-2007 biennium authorized the Office of Budget and Management ("OBM"), through June 30, 2007, to transfer interest earned on various funds within the state treasury to the General Revenue Fund (*see* Section 312.06 of HB 66). OBM identified the Universal Service Fund ("USF") as one of the funds subject to such interest transfers, notwithstanding that SB 3 provided that interest on the USF would be credited

to the USF. Although ODOD opposed the use of USF interest for other purposes, OBM did not reverse its position on this issue. The 2007 state budget bill for fiscal years 2008 and 2009 continues to authorize this transfer of interest from the USF (*see* Section 512.03 of HB 119). Thus, there will be no USF interest available to ODOD as of December 31, 2008 to be used as an offset to the USF rider revenue requirement.

9. A summary schedule showing the USF rider component costs by company is attached as Exhibit I. ODOD proposes to recover the annual USF rider revenue requirement for each company through a USF rider which incorporates the same two-step declining block rate design approved by the Commission in all prior USF rider rate adjustment cases and the *NOI Order* in this proceeding. The first block of the rate applies to all monthly consumption up to and including 833,000 Kwh. The second rate block applies to all consumption above 833,000 Kwh per month. For each EDU, the rate per Kwh for the second block is set at the lower of the PIPP charge in effect in October 1999 or the per Kwh rate that would apply if the EDU's annual USF rider revenue requirement were to be recovered through a single block per Kwh rate. The rate for the first block rate is set at the level necessary to produce the remainder of the EDU's annual USF rider revenue requirement. Thus, if the EDU's October 1999 PIPP charge exceeds the per Kwh rate that would apply if the EDU's annual USF rider revenue requirement were to be recovered through a single block per Kwh rate, a calculation shown in Exhibit J, the rate for both consumption blocks would be the same. In this case, the October 1999 PIPP charge cap has been triggered for each of the EDUs, so all the new USF rider rates proposed herein have the declining block feature. The following table compares the resulting proposed USF riders for each EDU with the EDU's current USF rider.

| Company | Current USF Rider | | Proposed USF Rider | |
|---------|----------------------|----------------------|----------------------|----------------------|
| | First 833,000 Kwh | Above 833,000 Kwh | First 833,000 Kwh | Above 833,000 Kwh |
| CEI | \$0.0009629 | \$0.0005680 | \$0.0008634 | \$ 0.0005680 |
| CSP | \$0.0016196 | \$ 0.0001830 | \$0.0014082 | \$ 0.0001830 |
| DPL | \$0.0008796 | \$ 0.0005700 | \$0.0014596 | \$ 0.0005700 |
| DUKE | \$0.0012176 | \$ 0.0004690 | \$0.0011652 | \$ 0.0004690 |
| OE | \$0.0014760 | \$ 0.0010461 | \$0.0019592 | \$ 0.0010461 |
| OP | \$0.0015491 | \$ 0.0001681 | \$0.0011245 | \$ 0.0001681 |
| TE | \$0.0018007 | \$ 0.0005610 | \$0.0019049 | \$ 0.0005610 |

10. Consistent with Section 4928.52(B), Revised Code, the proposed USF rider rates set forth above for DPL, OE, and TE reflect the minimum increases necessary to produce the additional revenues required to satisfy the respective USF rider revenue responsibility of those companies. The proposed USF rider rate for CEI, CSP, Duke, and OP, which are lower than their current rider rates, have also been set at the minimum level necessary to satisfy their respective USF rider revenue responsibilities. If its application is granted, ODOD will, of course, consent to and approve the USF rider decreases for CEI, CSP, Duke, and OP as required by Section 4928.52(B), Revised Code.

11. In calculating the USF rider revenue requirement, ODOD has relied on certain information reported by the EDUs. Although ODOD believes this information to be reliable, ODOD has not performed an audit to verify the accuracy of this information. If any party questions or wishes to challenge the accuracy of this information, ODOD requests that the Commission require such party to direct its inquiries to the EDU in question, either informally, or through formal discovery.

12. The adjustments to the USF riders proposed in this application are based on the most recent information available to ODOD at the time the application was prepared. ODOD reserves the right to amend its application by updating its test-period calculations to incorporate additional actual data as it becomes available. In addition, ODOD reserves the right to amend its application as may be necessary to reflect the ultimate disposition of issues identified in the Supplement to the NOI addressing the reports of the results of the audits of the AEP companies (CSP and OP) and Duke now under consideration.

13. ODOD requests that, as a part of its order in this proceeding, the Commission require that ODOD file its 2009 USF rider rate adjustment application no later than October 31, 2009, provide that the NOI procedure again be used in connection with the 2009 application, and authorize the continuation of the Working Group. ODOD recognizes that the EDUs currently have ESP cases pending before the Commission and that these cases are likely to result in increases in the EDU rates and charges for electric service delivered to PIPP customers effective January 1, 2009 or thereafter. To the extent these increases are not known in time for their impact on the cost of PIPP to be reflected in the new USF rider rates to be implemented with the EDU's January 2009 billing cycles, ODOD requests that the Commission allow this docket to remain open to permit ODOD to file a supplemental application for approval of necessary adjustments of the USF rider rates approved herein.

WHEREFORE, ODOD respectfully requests that the Commission, after providing such notice as it deems reasonable, affording interested parties the opportunity to be heard, and conducting a hearing, if a hearing is deemed to be required, issue an order (1) finding that USF rider rate adjustments proposed in the application represent the minimum adjustments necessary to provide the revenues necessary to satisfy the respective USF rider revenue requirements; (2) granting the application; and (3) directing the EDU's to incorporate the new USF rider rates approved herein in their filed tariffs, to be effective January 1, 2009 on a bills-rendered basis.

Respectfully submitted,



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Test-Period Cost of PIPP

| | Reimbursement | | Customer and Agency Payments | Cost of PIPP |
|--------|-------------------|--------------|---------------------------------|-----------------|
| | Electical Service | Pre-PIPP | | |
| CSP | \$46,758,059 | \$3,423,247 | \$32,146,280 | \$18,035,026 |
| OP | \$47,801,300 | \$3,179,260 | \$34,176,501 | \$16,804,059 |
| DUKE | \$25,294,341 | \$5,213,561 | \$13,152,648 | \$17,355,253 |
| DPL | \$26,448,963 | \$3,081,241 | \$17,286,015 | \$12,244,189 |
| CEI | \$37,592,863 | \$3,029,593 | \$26,052,780 | \$14,569,676 |
| OE | \$71,660,126 | \$6,065,893 | \$45,572,373 | \$32,153,646 |
| TE | \$20,643,362 | \$2,565,677 | \$12,731,689 | \$10,477,349 |
| Total: | \$276,199,014 | \$26,558,471 | \$181,118,286 | \$121,639,199 |

Adjusted Test-Period Cost of PIPP

| | Test Period Cost of PIPP | 2006 ¹ EDU Rate Increases | 2008 ² EDU Rate Increases | 2009 ³ EDU Rate Increases | 2009 ⁴ EDU Rate Increases | Adjusted Test-Period Cost of PIPP |
|------|-----------------------------|--|--|--|--|---|
| CSP | \$18,035,026 | \$0 | \$0 | \$0 | \$0 | \$18,035,026 |
| OP | \$16,804,059 | \$0 | \$0 | \$0 | \$0 | \$16,804,059 |
| Duke | \$17,355,253 | \$0 | \$0 | \$0 | \$0 | \$17,355,253 |
| DPL | \$12,244,189 | \$9,192 | (\$156,647) | \$744,277 | \$1,033,719 | \$13,874,731 |
| CEI | \$14,569,676 | \$0 | \$0 | \$0 | \$0 | \$14,569,676 |
| OE | \$32,153,646 | \$0 | \$0 | \$0 | \$0 | \$32,153,646 |
| TE | \$10,477,349 | \$0 | \$0 | \$0 | \$0 | \$10,477,349 |
| | \$121,639,199 | \$9,192 | (\$156,647) | \$744,277 | \$1,033,719 | \$123,269,741 |

1- See Exhibit A.1.a.

2- See Exhibit A.1.b.

3- See Exhibit A.1.c.

3- See Exhibit A.1.d.

Exhibit A.1.a

**DPL
2008 Rate Adjustment
PJM Admin Fee Increase
Implemented 5/1/08**

| Month | Transmission Service |
|-----------|----------------------|
| SEP07 | \$55,596.64 |
| OCT07 | \$44,128.18 |
| NOV07 | \$47,103.58 |
| DEC07 | \$60,652.85 |
| JAN08 | \$79,280.33 |
| FEB08 | \$77,488.30 |
| MAR08 | \$81,642.01 |
| APR08 | \$64,795.06 |
| | \$510,686.95 |
| Increase: | 1.80% |
| | \$9,192.37 |

Exhibit A.1.b

**DPL
2008 Rate Adjustment
Storm Recovery Rider Withdrawn
Implemented 7/25/08**

| Month | Distribution Service |
|-------|----------------------|
| SEP07 | \$552,183.31 |
| OCT07 | \$456,831.31 |
| NOV07 | \$484,148.78 |
| DEC07 | \$601,018.78 |
| JAN08 | \$761,963.46 |
| FEB08 | \$751,065.66 |
| MAR08 | \$790,237.15 |
| APR08 | \$650,672.72 |
| MAY08 | \$505,253.53 |
| JUN08 | \$554,071.80 |
| JUL08 | \$644,570.06 |

\$6,752,016.56

2.32%

Reduction: \$156,646.78

DPL
2009 Rate Adjustment
Environmental Investment Rider Increase
Effective 1/1/09

| Month | Generation Service |
|-------|--------------------|
| SEP07 | \$1,076,656.55 |
| OCT07 | \$872,791.59 |
| NOV07 | \$908,664.03 |
| DEC07 | \$1,092,758.66 |
| JAN08 | \$1,377,503.53 |
| FEB08 | \$1,341,005.71 |
| MAR08 | \$1,415,981.97 |
| APR08 | \$1,179,348.79 |
| MAY08 | \$921,490.21 |
| JUN08 | \$1,045,297.68 |
| JUL08 | \$1,252,896.93 |
| AUG08 | \$1,298,521.00 |

\$13,782,916.65

Increase: 5.40%

\$744,277.50

DPL
2009 Rate Adjustment
Residential Discount Expires
Effective 1/1/09

| Month | Generation Service |
|-------|--------------------|
| SEP07 | \$1,076,656.55 |
| OCT07 | \$872,791.59 |
| NOV07 | \$908,664.03 |
| DEC07 | \$1,092,758.66 |
| JAN08 | \$1,377,503.53 |
| FEB08 | \$1,341,005.71 |
| MAR08 | \$1,415,981.97 |
| APR08 | \$1,179,348.79 |
| MAY08 | \$921,490.21 |
| JUN08 | \$1,045,297.68 |
| JUL08 | \$1,252,896.93 |
| AUG08 | \$1,298,521.00 |

\$13,782,916.65

Increase: 7.50%

\$1,033,718.75

**Allocation of
Electric Partnership Program and Consumer
Education Costs**

| | Cost of PIPP | Percent Cost of PIPP¹ | Total EPP/CE | Allocated EPP/CE |
|------|----------------------|---|-------------------------|-----------------------------|
| CSP | \$18,035,026 | 0.1463 | \$14,946,196 | \$2,186,709 |
| OP | \$16,804,059 | 0.1363 | \$14,946,196 | \$2,037,457 |
| Duke | \$17,355,253 | 0.1408 | \$14,946,196 | \$2,104,288 |
| DPL | \$13,874,731 | 0.1126 | \$14,946,196 | \$1,682,282 |
| CEI | \$14,569,676 | 0.1182 | \$14,946,196 | \$1,766,543 |
| OE | \$32,153,646 | 0.2608 | \$14,946,196 | \$3,898,562 |
| TE | \$10,477,349 | 0.0850 | \$14,946,196 | \$1,270,357 |
| | \$123,269,741 | | | \$14,946,196 |

1- Company Cost of PIPP divided by Total Cost of PIPP of \$123,269,741

**Allocation of
Administrative Costs¹**

| Company | Customers April-08 | ADM Costs per Customer ² | Administrative Costs ³ |
|---------|-----------------------|--|--------------------------------------|
| CSP | 37,431 | \$7.90 | \$295,740 |
| OP | 38,489 | \$7.90 | \$304,099 |
| DUKE | 21,257 | \$7.90 | \$167,950 |
| DPL | 24,058 | \$7.90 | \$190,081 |
| CEI | 46,417 | \$7.90 | \$366,738 |
| OE | 67,652 | \$7.90 | \$534,514 |
| TE | 20,563 | \$7.90 | \$162,467 |
| | 255,867 | | \$2,021,589 |

1- Data source: USF Monthly Remittance Reports

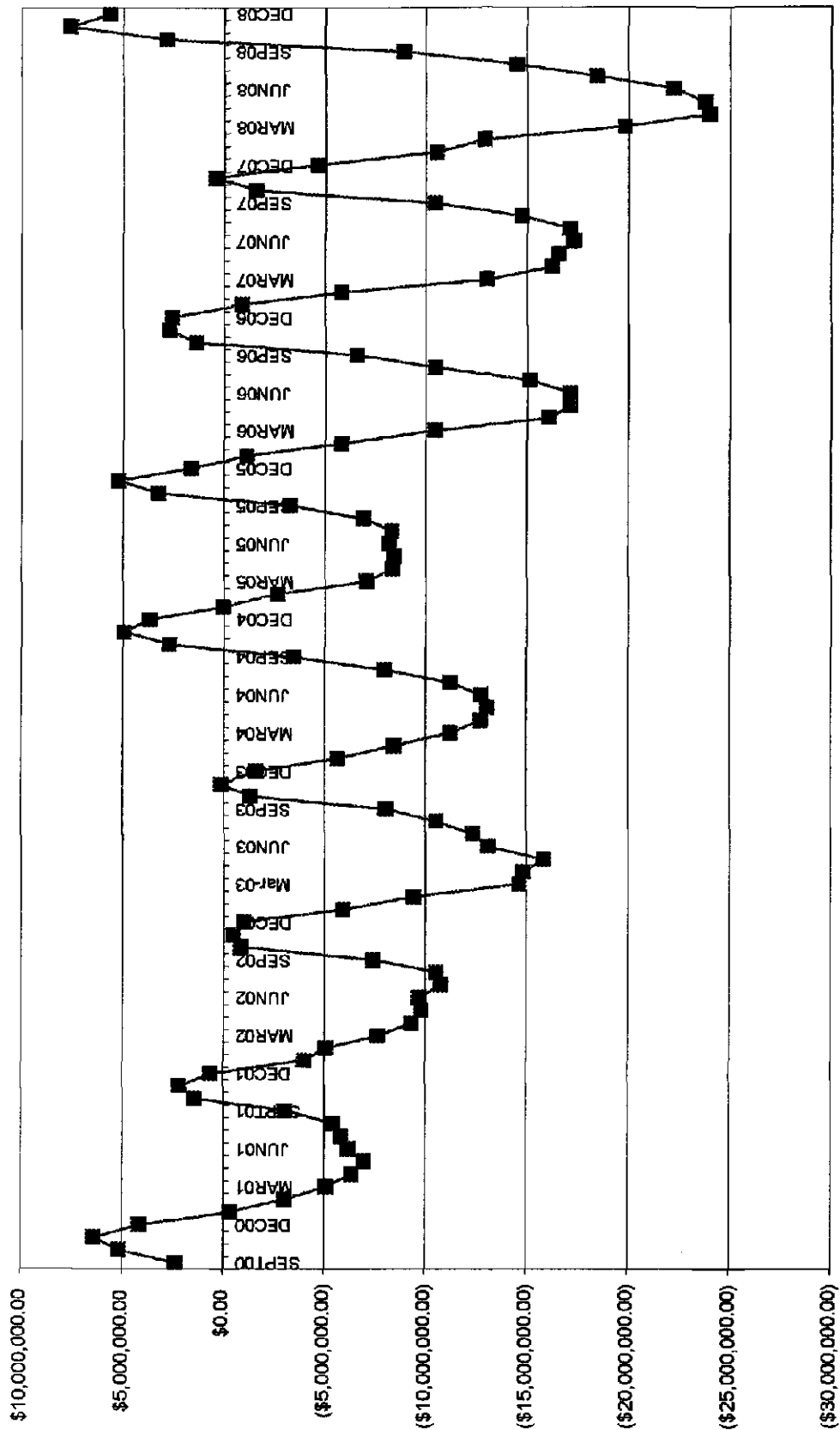
2- Cost per Customer equals total Adm Costs/total Customers.

3- Cost per company equals number of customers times cost per customer.

**Projected
USF Account Balances
December 31, 2008**

| Company | Balance 12/31/08 |
|---------|---------------------|
| CSP | \$430,367 |
| OP | \$2,934,460 |
| Duke | \$729,154 |
| DPL | (\$466,160) |
| CEI | \$2,126,948 |
| OE | (\$430,234) |
| TE | \$331,099 |
| Total: | |
| | \$5,655,634 |

Projection of Consolidated USF Account Balance



Calculation of Annual Reserve Component

| Company | Largest Monthly Cash Deficit ¹ | |
|---------|---|----------------|
| | Month | Deficit |
| CSP | APR08 | (\$4,216,838) |
| OP | APR08 | (\$4,837,692) |
| DUKE | SEP07 | (\$2,860,870) |
| DPL | JUN08 | (\$2,315,151) |
| CEI | MAY08 | (\$820,192) |
| OE | JUN08 | (\$6,853,298) |
| TE | APR08 | (\$2,519,061) |
| Totals: | | (\$24,423,102) |

1- The Reserve was set at the largest deficit during the test year.

Exhibit F.1

**Columbus Southern Power
Calculation of Reserve Adjustment**

Original Rider

| | < 833,333 | > 833,333 | Block 1 | Block 2 | Projected Collection | Actual Collection |
|-----|---------------|-------------|----------------|--------------|----------------------|-------------------|
| Jan | 1,591,747,235 | 321,635,773 | \$1,931,818.91 | \$58,859.35 | \$1,990,678.25 | \$1,978,745.81 |
| Feb | 1,466,919,407 | 453,205,109 | \$1,780,322.01 | \$82,936.53 | \$1,863,258.55 | \$1,856,218.55 |
| Mar | 1,433,097,430 | 639,134,559 | \$1,739,274.08 | \$116,961.62 | \$1,856,235.70 | \$1,854,157.17 |
| | | | | | \$5,710,172.50 | \$5,689,121.53 |

Original Rider Adjusted

| | < 833,333 | > 833,333 | Block 1 | Block 2 | Projected Collection |
|-----|---------------|-------------|----------------|--------------|--------------------------------------|
| Jan | 1,591,747,235 | 321,635,773 | \$2,312,015.83 | \$58,859.35 | \$2,370,875.17 |
| Feb | 1,466,919,407 | 453,205,109 | \$2,130,703.17 | \$82,936.53 | \$2,213,639.71 |
| Mar | 1,433,097,430 | 639,134,559 | \$2,081,576.69 | \$116,961.62 | \$2,198,538.31 |
| | | | | | Projected Collection: \$6,783,053.19 |

Projected Collection times Uncollectable: \$6,715,222.66

Actual Collections Jan-Mar: \$5,689,121.53

Estimated Increase USF Rider Collection: \$1,026,101.13

Uncollectable: 0.99

Original Reserve: \$5,242,939.35

Adjusted Reserve: \$4,216,838.21

| | Block 1 | Block 2 |
|---------------------------------|-------------|-------------|
| Original 2008 Rider: | \$0.0012136 | \$0.0001830 |
| Original 2008 Rider (Adjusted): | \$0.0014525 | \$0.0001830 |

Exhibit F.2

**Ohio Power
Calculation of Reserve Adjustment**

Original Rider

| | Kwh | | \$\$ | | Projected Collection | Actual Collection |
|-----|---------------|-------------|----------------|--------------|-------------------------|----------------------|
| | Block 1 | Block 2 | Block 1 | Block 2 | | |
| Jan | 1,701,424,527 | 906,636,253 | \$2,155,488.03 | \$152,405.55 | \$2,307,893.58 | \$2,302,391.82 |
| Feb | 1,586,213,840 | 824,315,844 | \$2,009,530.77 | \$138,567.49 | \$2,148,098.27 | \$2,146,326.83 |
| Mar | 1,538,250,560 | 805,941,045 | \$1,948,767.41 | \$135,478.69 | \$2,084,246.10 | \$2,082,530.46 |
| | | | \$6,113,786.21 | \$426,451.74 | \$6,540,237.95 | \$6,531,249.11 |

Original Rider Adjusted

| | Kwh | | \$\$ | | Projected Collection |
|-----|---------------|-------------|----------------|--------------|-------------------------|
| | Block 1 | Block 2 | Block 1 | Block 2 | |
| Jan | 1,701,424,527 | 906,636,253 | \$2,432,399.74 | \$152,405.55 | \$2,584,805.30 |
| Feb | 1,586,213,840 | 824,315,844 | \$2,267,691.62 | \$138,567.49 | \$2,406,259.11 |
| Mar | 1,538,250,560 | 805,941,045 | \$2,199,122.09 | \$135,478.69 | \$2,334,600.78 |
| | | | \$6,899,213.45 | \$426,451.74 | \$7,325,665.18 |

Projected Collection times Uncollectable: \$7,252,408.53
 Actual Collections Jan-Mar: \$6,531,249.11
 Estimated Increase USF Rider Collection: \$721,159.42

Uncollectable: 0.99

Original Reserve: \$ 5,558,851.73
 Adjusted Reserve: \$ 4,837,692.31

| | Block 1 | Block 2 |
|---------------------------------|-------------|-------------|
| Original 2008 Rider: | \$0.0012669 | \$0.0001681 |
| Original 2008 Rider (Adjusted): | \$0.0014296 | \$0.0001681 |

Projected Interest Requirements

| Company | Interest Payments |
|---------|----------------------|
| CSP | \$16,123 |
| OP | \$5,885 |
| Duke | \$0 |
| DPL | \$58,252 |
| CEI | \$50,326 |
| OE | \$183,813 |
| TE | \$18,611 |
| Total: | \$333,010 |

Allowance for Undercollection

| Company | Estimated Undercollection |
|---------|---------------------------|
| CSP | \$245,657 |
| OP | \$212,674 |
| Duke | \$243,284 |
| DPL | \$505,104 |
| CEI | \$156,430 |
| OE | \$445,395 |
| TE | \$329,998 |
| Total: | \$2,138,542 |

Exhibit I

USF Component Costs

| | CEI | Duke | CSP | DPL |
|--------------------------------|---------------|--------------|--------------|--------------|
| Cost of PIPP | \$14,569,676 | \$17,355,253 | \$18,035,026 | \$13,874,731 |
| EPP/CE | \$1,766,543 | \$2,104,288 | \$2,186,709 | \$1,682,282 |
| Administration | \$366,738 | \$167,950 | \$295,740 | \$190,081 |
| Audit | \$40,000 | \$0 | \$0 | \$40,000 |
| Account Balance 12/31 | (\$2,126,948) | (\$729,154) | (\$430,367) | \$466,160 |
| Reserve | \$820,192 | \$2,860,870 | \$4,216,838 | \$2,315,151 |
| Interest | \$50,326 | \$0 | \$16,123 | \$58,252 |
| Adjustment for Undercollection | \$156,430 | \$243,284 | \$245,657 | \$505,104 |
| | \$15,642,956 | \$22,002,492 | \$24,565,726 | \$19,131,760 |

| | OE | OP | TE |
|--------------------------------|--------------|---------------|--------------|
| Cost of PIPP | \$32,153,646 | \$16,804,059 | \$10,477,349 |
| EPP/CE | \$3,898,562 | \$2,037,457 | \$1,270,357 |
| Administration | \$534,514 | \$304,099 | \$162,467 |
| Audit | \$40,000 | \$0 | \$40,000 |
| Account Balance 12/31 | \$430,234 | (\$2,934,460) | (\$331,099) |
| Reserve | \$6,853,298 | \$4,837,692 | \$2,519,061 |
| Interest | \$183,813 | \$5,885 | \$18,611 |
| Adjustment for Undercollection | \$445,395 | \$212,674 | \$329,998 |
| | \$44,539,462 | \$21,267,406 | \$14,486,745 |

Exhibit J

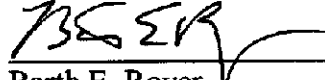
Calculation of USF Costs/Kwh

| Company | KWH Sales ¹ | Required Revenue | Indicated Costs/KWH |
|---------|------------------------|------------------|---------------------|
| CSP | 22,419,035,340 | \$24,565,726 | \$0.0010958 |
| OP | 28,117,150,235 | \$21,267,406 | \$0.0007564 |
| Duke | 21,545,991,694 | \$22,002,492 | \$0.0010212 |
| DPL | 14,982,289,425 | \$19,131,760 | \$0.0012770 |
| CEI | 19,596,832,126 | \$15,642,956 | \$0.0007982 |
| OE | 25,835,578,439 | \$44,539,462 | \$0.0017240 |
| TE | 10,541,711,780 | \$14,486,745 | \$0.0013742 |
| Total: | 143,038,589,039 | \$161,636,546 | |

1- KWH Sales were sales reported for the last twelve months (Sep07-Aug08).

CERTIFICATE OF SERVICE

I hereby certify that a true copy of the foregoing application has been served upon the following parties by first class mail, postage prepaid, this 31st day of October 2008.


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