

FILE

JOINT EXHIBIT 1 14

BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

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

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STIPULATION AND RECOMMENDATION

Pursuant to Rule 4901-1-30, Ohio Administrative Code, the undersigned parties to this proceeding (the "Signatory Parties") hereby stipulate, agree, and recommend that the amended application filed herein on November 26, 2008 by the Ohio Department of Development (ODOD) for an order approving adjustments to the Universal Service Fund ("USF") riders of the jurisdictional Ohio electric distribution utilities ("EDUs") be granted by the Public Utilities Commission of Ohio ("Commission") in accordance with the terms and conditions specified herein.

Although the Signatory Parties recognize that this Stipulation and Recommendation (the "Stipulation") is not binding upon the Commission, the Signatory Parties respectfully submit that this Stipulation, which is not opposed by any party to the proceeding, is supported by the record, represents a just and reasonable resolution of the issues involved, violates no regulatory principle or precedent, and is in the public interest. The Signatory Parties represent that this Stipulation is the product of serious negotiations among knowledgeable parties representing a broad range of interests and that the Stipulation is a compromise involving a balancing of those interests and does not necessarily reflect the position that any one of the Stipulating Parties would have adopted if this matter had been fully litigated. In joining in this Stipulation, the Signatory Parties

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recognize that it is not in the interest of the public or the parties hereto to delay necessary adjustments to the EDU USF riders by extended litigation when an acceptable outcome can be achieved through settlement negotiations. Thus, the Stipulating Parties further agree that this Stipulation shall not be relied upon as precedent for or against any party to this proceeding or the Commission, itself, in any subsequent proceeding, except as may be necessary to enforce the terms of the Stipulation.

If the Commission rejects or modifies all or any part of this Stipulation or imposes additional conditions or requirements upon the Stipulating Parties, a Signatory Party shall have the right, within 30 days of the Commission's order, to file an application for rehearing or to withdraw from the Stipulation by filing a notice with the Commission. If a Signatory Party seeks rehearing, said Signatory Party may withdraw from the Stipulation within 30 days of the Commission's ultimate disposition of its rehearing application. Upon notice of withdrawal by a Signatory Party pursuant to the foregoing provisions, the Stipulation shall immediately be deemed null and void and this matter shall proceed as if the Stipulation had not been submitted; provided, however, that a notice of withdrawal from the Stipulation by an EDU Signatory Party shall void the Stipulation only as to the proposed USF rider rate of that EDU.

Any party to this proceeding may become a Signatory Party to the Stipulation subsequent to its filing by submitting a letter to the Commission stating the party's intention to do so.

The Signatory Parties stipulate and agree as follows:

1. This matter is properly before the Commission pursuant to Section 4928.52(B), Revised Code. The Commission has jurisdiction to approve this Stipulation as submitted and to issue an order authorizing adjustments to the current EDU USF riders in the minimum

amount necessary to provide the revenues sufficient to cover the administrative costs of the low-income customer assistance programs and the consumer education program and provide adequate funding for those programs.

2. The amended application and supporting exhibits filed in this docket by ODOD on November 26, 2008, the testimony of ODOD witness Nick Sunday filed herein on October 31, 2008, the testimony of ODOD witness Donald A. Skaggs filed herein on October 31, 2007, and the supplemental testimony of ODOD witness Donald A. Skaggs filed herein on November 26, 2008 shall be admitted into evidence and made a part of the record in this case, subject to the corrections described in Paragraph 3 below.

3. If called to testify, ODOD witness Skaggs would state: (a) that the Columbus Southern Power Company (“CSP”) regulatory asset rider referred to at page 6, lines 5-6, of his supplemental testimony as having been removed effective January 2008, is actually scheduled to be removed effective January 2009; (b) that the basis for the adjustment for this rate change shown in Exhibit A.1.a of the amended application is to annualize the impact of this rate decrease so that the test-period cost of PIPP will reflect the annual revenue requirement that must be recovered through the cost of PIPP component of CSP USF rider rate during the 2009 collection period; (c) that, although the description of the basis for the adjustment set forth at page 6, lines 6-9, of his supplemental testimony is incorrect, the adjustment for this rate decrease shown in Exhibit A.1.a of the amended application is correctly calculated,¹ and (d) that the resulting reduction should have been carried forward to Exhibit A.1 as a 2009 EDU rate decrease rather than a 2008 EDU rate

¹ Notwithstanding the description at page 6, lines 6-9, of ODOD witness Skaggs’ supplemental testimony, the adjustment was made to the total cost of electricity delivered to PIPP customers during the test period.

decrease. Accordingly, corrected Exhibit A.1 attached hereto as Appendix A should be substituted for Exhibit A.1 to the amended application. Because the adjustment itself was correctly calculated, the substitution of corrected Exhibit A.1 for Exhibit A.1 to the amended application, has no impact on CSP's adjusted test-period cost of PIPP or any other element of the CSP USF rider revenue requirement.

4. If called to testify, an appropriate representative of each EDU would verify that the Kwh sales data and other information supplied by the EDU to ODOD and upon which ODOD relied in developing the USF rider revenue requirement for each EDU as set out in the amended application is true and accurate to the best of that EDU's knowledge and belief.
5. As set forth in ODOD's amended application, and as further described in and supported by the testimony of ODOD witness Nick Sunday and the testimony and supplemental testimony of ODOD witness Donald A. Skaggs, the annual USF rider revenue requirement for each EDU shall be as follows:

The Cleveland Electric Illuminating Company ("CEI")	\$ 15,371,278
Columbus Southern Power Company ("CSP")	22,985,870
The Dayton Power & Light Company ("DP&L")	19,198,560
Duke Energy Ohio ("Duke")	20,386,647
Ohio Edison Company ("OE")	44,050,245
Ohio Power Company ("OPC")	20,263,229
The Toledo Edison Company ("TE")	14,323,628

6. The methodology for determining the respective USF rider revenue requirements is consistent with the methodology accepted by the Commission in its September 10, 2008 finding and order in the notice of intent ("NOI") phase of this proceeding.

7. The annual USF rider revenue requirements set forth in Paragraph 5 shall be collected by the respective EDUs through a USF rider which incorporates a declining block rate design consisting of two consumption blocks. The first block of the rate shall apply to all monthly consumption up to and including 833,000 Kwh. The second rate block shall apply to all consumption above 833,000 Kwh per month. For each EDU, the rate per Kwh for the second block shall be set at the lower of the Percentage of Income Payment Plan ("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 shall be set at the level necessary to produce the remainder of the EDU's annual USF rider revenue requirement. The USF riders for each EDU determined in accordance with this methodology shall be as follows:

	<u>First 833,000 Kwh</u>	<u>Above 833,000 Kwh</u>
CEI	\$ 0.0008495 / Kwh	\$ 0.0005680 / Kwh
CSP	0.0013130 / Kwh	0.0001830 / Kwh
DP&L	0.0014757 / Kwh	0.0005700 / Kwh
Duke	0.0010857 / Kwh	0.0004690 / Kwh
OE	0.0019474 / Kwh	0.0010461 / Kwh
OP	0.0010601 / Kwh	0.0001681 / Kwh
TE	0.0018964 / Kwh	0.0005610 / Kwh

The specific calculations supporting the stipulated USF rider rates are set forth in Exhibits DAS-Rev-36 through DAS-Rev-42 to the supplemental testimony of ODOD witness Skaggs.

8. The stipulated USF rider rates for DPL, OE, and TE set forth in Paragraph 7 reflect the minimum increases necessary to produce the additional revenues the Signatory Parties agree are sufficient to satisfy the respective annual USF rider revenue requirements set

forth in Paragraph 5. The stipulated CEI, CSP, Duke, and OP rider rates, which are lower than the current USF rider rates of these EDUs approved in Case No. 07-661-EL-UNC, are set at the minimum level sufficient to satisfy the CEI, CSP, Duke, and OP annual USF rider revenue requirements set forth in Paragraph 5. ODOD hereby consents to and approves these USF rider rate decreases as required by Section 4928.52(B), Revised Code.

9. The rate design methodology utilized in calculating the recommended USF rider rates set forth in Paragraph 6 is identical to the methodology accepted by the Commission in its September 10, 2008 finding and order in the NOI phase of this proceeding and in all prior USF rider rate adjustment proceedings. Any change in the existing relative customer class revenue responsibility resulting from the use of this rate design methodology is well within the range of estimation error inherent in any customer class cost-of-service analysis and does not violate the Section 4928.52(C), Revised Code, prohibition against shifting the costs of funding low-income customer assistance programs among customer classes. By stipulating to the use of the EDU's October 1999 PIPP charge as a cap on the second block of the rider for purposes of this case, no Signatory Party waives its right to contest the continued use of the October 1999 PIPP charge as a cap on the second block of the rider in any future Section 4928.52(B), Revised Code, proceeding.
10. The current USF rider of each EDU shall be withdrawn and cancelled and shall be replaced by USF riders containing the rates provided in Paragraph 6, such riders to be filed within seven days of the Commission order adopting the Stipulation. The new USF riders shall be effective upon filing with the Commission and shall apply on a bills-

rendered basis beginning with the first billing cycle of the month following their effective date. The EDUs shall notify customers of the adjustments to their respective USF riders by means of the customer notice attached hereto as Appendix B.

11. Unlike traditional ratemaking, where the objective is to establish rates which will provide the applicant utility with a reasonable earnings opportunity, the USF riders must actually generate sufficient revenues to enable ODOD to meet its specific USF-related statutory and contractual obligations on an ongoing basis. To this end, ODOD shall file, not later than October 31, 2009, an application with the Commission for such adjustments to the USF riders as may be necessary to assure, to the extent possible, that each EDU's USF 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. ODOD shall serve copies of such application upon all other parties to this proceeding. In the event ODOD fails to file such application on or before October 31, 2009, ODOD shall notify the Signatory Parties in writing of its intentions with respect to an application for adjustments to the USF riders, including its anticipated filing date. Such notice shall not affect the right of any Signatory Party to pursue such legal recourse against ODOD as may be available for failure to comply with the Stipulation, if any.
12. The Signatory Parties recognize that the EDU USF rider rates proposed in ODOD's annual USF rider adjustment applications are predicated on the assumption that the new USF riders authorized by the Commission will be effective on a bills-rendered basis during the January billing cycle of the following year. Although the October 31, 2009 filing deadline established in Paragraph 10 of this Stipulation for the filing of next year's

application will provide adequate time for the Commission to act upon the application prior to January 1, 2010 if the application is not contested, the Signatory Parties recognize that this two-month interval may not be sufficient in the event that a party to the proceeding objects to the application and wishes to litigate the issue(s) raised in its objection(s).² To address this concern, the Signatory Parties propose and agree that ODOD should again follow the NOI process adopted in Case Nos. 04-1616-EL-UNC, 05-717-EL-UNC, 06-751-EL-UNC, and 07-661-EL-UNC. Specifically, this process shall be as follows: On or before May 31, 2009, ODOD shall file with the Commission a notice of its intent to submit its annual USF rider adjustment application, and shall serve the NOI on all parties to this proceeding. The NOI shall set forth the methodology ODOD intends to employ in calculating the USF rider revenue requirement and in designing the USF rider rates in preparing its 2009 USF rider rate adjustment application, and may also include such other matters as ODOD deems appropriate. Upon the filing of the notice of intent, the Commission will open the 2009 USF rider adjustment application docket and will establish a schedule for the filing of objections or comments, responses to the objections or comments, and, if a hearing is requested, a schedule for discovery, the filing of testimony, and the commencement of the hearing. The Commission will use its best efforts to issue its decision with respect to any objections raised not later than September 30, 2009. ODOD will conform its 2009 USF rider adjustment application to any directives set forth in the Commission's decision. If the order is not issued sufficiently in advance of the October 31, 2009 filing deadline to permit ODOD to incorporate such

² In so stating, the Signatory Parties are referring to an objection relating to something other than the mathematical accuracy of ODOD's calculations, as such an objection can almost certainly be resolved informally in a timely manner under the current process.

directives, ODOD will file an amended application conforming to the Commission's directives as soon as practicable after the order is issued.

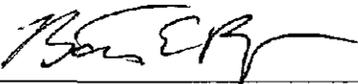
13. The Signatory Parties support initiatives intended to control the costs that ultimately must be recovered through the USF rider. In furtherance of this objective, the Signatory Parties agree to the continuation of the USF Rider Working Group (the "Working Group") formed pursuant to the stipulation approved by the Commission in Case No. 03-2049-EL-UNC, which is charged with developing, reviewing, and recommending such cost-control measures. Although recommendations made by the Working Group shall not be binding upon any Signatory Party, the Signatory Parties shall give due consideration to such recommendations and shall not unreasonably oppose the implementation of such recommendations.
14. Consistent with the cost-control objective described in Paragraph 13, the signatory EDUs will continue to honor the term of the stipulation in Case No. 03-2049-EL-UNC that provides that no security deposit will be required from a reconnecting PIPP customer.
15. The Signatory Parties recognize that the EDUs currently have cases pending before the Commission that may result in rate increases during the 2009 collection period. Accordingly, the Signatory Parties recommend that the Commission allow this docket to remain open to permit ODOD to file supplemental applications for approval of such additional USF rider rate adjustments as may be necessary to reflect the impact of changes to the USF rider revenue requirements of the respective EDUs during the 2009 collection period.

16. The stipulation adopted by the Commission in its September 10, 2008 finding and order in the NOI phase of this proceeding contemplated that ODOD would file a supplement to the NOI (“Supplement”) including the reports by Schneider Downs of the results of its application of agreed-upon procedures designed to test the accuracy and timeliness of the PIPP-related accounting and reporting of Duke and the AEP operating companies (CSP and OP), and ODOD’s conclusions regarding the Schneider Downs’ findings. Although Schneider Downs has issued its reports and the Working Group has conducted an exit interview of Schneider Downs’ personnel responsible for the reports, ODOD has not yet filed the Supplement. Under these circumstances, the Signatory Parties recommend that the Supplement remain on a separate procedural track and agree to submit a proposed procedural schedule for addressing any unresolved issues once the Supplement has been filed. In the event that it is ultimately determined that any identified PIPP-related accounting or reporting deficiencies resulted in overpayments to the subject EDUs, the Signatory Parties recommend that proposed adjustments to credit EDU customers for such overpayments be raised through a separate supplemental application filed by ODOD in this docket or in conjunction with a supplemental application filed pursuant to Paragraph 15 above.

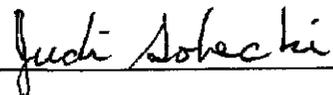
WHEREFORE, the Signatory Parties respectfully request that the Commission issue an order adopting this Stipulation and directing each EDU to file new USF riders in accordance therewith, said riders to be effective with the January 2009 billing cycle on a bills-rendered basis.

Respectfully submitted,

Ohio Department of Development

By: 

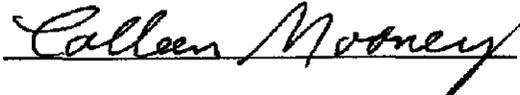
The Dayton Power and Light Company

By:  BY: BEN PER 12/5/08
EMAIL AUTHORIZATION

Staff of the Public Utilities Commission of Ohio

By:  BY: BEN 12/8/08
EMAIL AUTHORIZATION

Ohio Partners for Affordable Energy

By: 

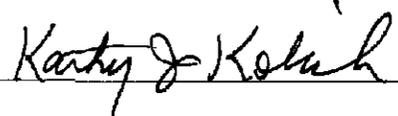
Industrial Energy Users - Ohio

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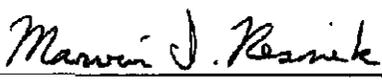
The Office of the Ohio Consumers' Counsel

By: _____

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

By: 

Columbus Southern Power Company and Ohio Power Company

By:  BY: BEN 12/8/08
EMAIL AUTHORIZATION

Duke Energy Ohio

By: _____

APPENDIX A

Adjusted Test-Period Cost of PIPP

	Test Period Cost of PIPP	2008 EDU		2009 EDU		Adjusted Test-Period Cost of PIPP
		Rate Increases	Rate Decreases	Rate Increases	Rate Decreases	
CSP ¹	\$18,031,000	\$132,422	\$0	\$0	(\$1,532,691)	\$16,630,730
OP ²	\$16,556,819	\$31,877	(\$389,343)	\$0	\$0	\$16,199,353
Duke	\$16,873,384	\$0	\$0	\$0	\$0	\$16,873,384
DPL ³	\$12,221,965	\$9,192	(\$156,647)	\$1,777,996	\$0	\$13,852,506
CEI ⁴	\$14,355,716	\$95,496	\$0	\$0	\$0	\$14,451,213
OE ⁵	\$31,555,093	\$637,130	\$0	\$0	\$0	\$32,192,223
TE ⁶	\$10,278,004	\$161,898	\$0	\$0	\$0	\$10,439,902
	\$119,871,981	\$1,068,015	(\$545,990)	\$1,777,996	(\$1,532,691)	\$120,639,312

1- See Exhibit A.1.a
2- See Exhibit A.1.b
3- See Exhibit A.1.c
4- See Exhibit A.1.d

5- See Exhibit A.1.e
6- See Exhibit A.1.f

APPENDIX B

Pursuant to state law, the Universal Service Fund rider rate has been adjusted effective with this bill.