

**FILE**

**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. 12-1719-EL-USF

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**JOINT STIPULATION AND RECOMMENDATION**

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Pursuant to the stipulation accepted by the Commission in Case No. 11-3223-EL-USF, the Ohio Department of Development ("ODOD") opened this docket May 31, 2012 by filing its Notice of Intent ("NOI") setting forth the revenue requirement and rate design methodology it proposes to employ in connection with its 2012 Universal Service Fund ("USF") rider rate adjustment application. The purpose of the NOI process is to provide parties an opportunity to raise and pursue objections relating to the proposed methodology in advance of the filing of the application, so as to permit ODOD to incorporate the Commission's disposition of those issues in developing the USF rider rates to be proposed in the application. As required by the stipulation in Case No. 11-3223-EL-USF, the application is to be filed no later than October 31, 2012.

Consistent with the process contemplated by the stipulation in Case No. 11-3223-EL-USF, the Attorney Examiner's entry in this docket of July 5, 2012 established a procedural schedule for the NOI phase of this proceeding. The procedural schedule included, *inter alia*, the due date for the filing of objections and comments relating to the proposals contained in the NOI, replies thereto, and, if a party requested a hearing, the timetable for discovery and the filing of

testimony with respect to issues raised by the objections or comments in question. The entry also joined the state's jurisdictional electric distribution utilities as indispensable parties.

Motions to intervene were timely filed by Ohio Partners for Affordable Energy ("OPAE"), Industrial Energy Users – Ohio ("IEU-Ohio"), and the Office of the Ohio Consumers' Counsel ("OCC") on June 18, 2012, June 25, 2012, and July 25, 2012, respectively. Pursuant to the procedural schedule established by the Attorney Examiner's entry, on July 27, 2012, OPAE filed objections relating to the USF ride rate design methodology proposed in the NOI and to ODOD's failure to consider market-based alternatives to reduce the cost of PIPP, but did not request a hearing. No other parties filed objections or comments. IEU-Ohio filed a response to the OPAE objection on August 2, 2012. OPAE subsequently advised the parties that it does not intend to pursue its objections in this proceeding. Thus, there is no need for a prehearing conference in this matter.

Rule 4901-1-30, Ohio Administrative Code, provides that any two or more parties to a proceeding before the Commission may enter into a written stipulation resolving the issues presented in such proceeding. The purpose of this Joint Stipulation and Recommendation ("Stipulation") is to set forth the agreement of the signatories hereto ("Signatory Parties") as to the appropriate resolution of the issues presented by the NOI and to recommend that the Commission approve and adopt this Stipulation as its decision with respect to those issues.

This Stipulation represents a just and reasonable resolution of all issues presented, violates no regulatory principle, and is the product of serious discussions among knowledgeable and capable parties undertaken in a cooperative process in which all parties were provided the opportunity to participate. Although stipulations are not binding on the Commission, stipulations are entitled to careful consideration by the Commission, particularly where, as here, the

stipulation is sponsored by Signatory Parties representing a wide range of interests, and is not opposed by any party.<sup>1</sup> For purposes of resolving all issues presented by the NOI, the Signatory Parties stipulate, agree, and recommend that the Commission issue an order approving the USF rider revenue requirement and rate design methodology forth below.

**1. USF RIDER REVENUE REQUIREMENT METHODOLOGY**

The USF rider revenue requirement to be recovered by the USF rider rates of the state's EDUs to be effective during the 2013 collection period should include the following elements, each of which shall be determined in the manner set forth below. The methodology for determining these elements is consistent with the methodology utilized by ODOD and authorized by the Commission in prior USF rider rate adjustment proceedings. ODOD will document its proposed allowance for each of these elements as a part of its application and/or in the written supporting testimony filed in conjunction with the application.

**a. Cost of PIPP**

The cost of PIPP component of the USF rider revenue requirement shall be determined as proposed by ODOD at pages 3-4 of the NOI.

**b. Electric Partnership Program Costs**

The EPP cost component of the USF rider revenue requirement shall be determined as proposed by ODOD at pages 5-6 of the NOI and as supported by Exhibit A thereto. Consistent with its obligation to adjust the allowance for EPP costs of \$14,946,196 proposed in the NOI if updated projections suggest that this allowance is no longer appropriate, ODOD will perform any necessary

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<sup>1</sup> The Signatory Parties are authorized to represent that, although the Commission Staff ("Staff") is not a signatory, Staff does not oppose the Stipulation.

adjustments, and will document the basis for same in its application and/or supporting testimony to be filed in this case.

c. **Administrative Costs**

The allowance for administrative costs associated with low-income customer assistance programs to be included in the USF rider revenue requirement shall be determined as proposed by ODOD at page 6 of the NOI.

d. **December 31, 2012 PIPP Account Balances**

The December 31, 2012 PIPP account balances shall be reflected in the determination of the USF rider revenue requirement as proposed by ODOD at page 7 of the NOI. Consistent with the discussion of this element in the NOI, the USF riders shall be implemented on a bills-rendered basis effective with the EDUs' January 2013 billing cycles so as to synchronize the new USF riders with the December 31, 2012 PIPP balances as of their effective date.

e. **Reserve**

The reserve component of the USF revenue requirement shall be determined as proposed by ODOD at pages 7-9 of the NOI.

f. **Allowance for Undercollection**

The allowance for undercollection to be included in the USF rider revenue requirement shall be determined as proposed by ODOD at page 9 of the NOI.

g. **EDU Audit Costs**

Consistent with the discussion at page 9 of the NOI, no allowance for EDU audit costs will be included in the USF rider revenue requirement in this case, with the understanding that ODOD reserves the right to propose such an allowance if it

subsequently determines that an additional audit of the PIPP-related accounting and reporting of one or more EDUs should be conducted in 2013 as a result of the findings issued in connection with the 2012 audits.

**i. Universal Service Fund Interest Offset**

For those reasons set forth at page 10 of the NOI, the projected end-of-test-period USF interest balances, if any, shall not be deducted in calculating the proposed USF rider revenue requirement.

**2. USF RIDER RATE DESIGN METHODOLOGY**

As proposed at pages 10-11 of the NOI, ODOD shall employ the rate design methodology previously approved by the Commission in all prior ODOD applications to recover the annual USF rider revenue requirements determined in this proceeding. This rate design is a two-step declining block rate design, the first block of which applies to all monthly consumption up to and including 833,000 kWh. The second block rate, which applies to all consumption over 833,000 kWh per month, will be set at the lower of the PIPP rider rate in effect in October 1999 or the per kWh rate that would apply if the EDU's annual USF rider rate was to be recovered through a single block volumetric rate. The first block rate will be set at the level necessary to produce the remainder of the EDU's annual rider revenue requirement. The Signatory Parties agree that this rate design methodology provides for a reasonable contribution by all customer classes to the USF revenue requirement. The Signatory Parties further agree that this rate design methodology does not violate the Section 4928.52(C), Revised Code, requirement that the USF rider "shall be set in such a manner so as not to shift among the customer classes of electric distribution utilities the costs of funding low-income customer assistance programs," and that any case-to-case changes in the resulting revenue distribution under the two-block USF rider rate

design are well within the range of estimation error inherent in any interclass cost-of-service study, particularly considering the impact changes in the industrial load has had on the USF rider rate revenue distribution since the USF riders were first implemented.<sup>2</sup>

### **3. COMMISSION APPROVAL**

Except for enforcement purposes, this Stipulation shall not be cited as a precedent in any future proceeding for or against any Signatory Party, or the Commission itself, if the Commission approves the Stipulation. This Stipulation represents a compromise involving a balancing of competing positions, and it does not necessarily reflect the position that one or more of the Signatory Parties would have taken if these issues had been fully litigated. The Signatory Parties believe that this Stipulation represents a reasonable compromise of varying interests. This Stipulation is expressly conditioned upon adoption in its entirety by the Commission without material modification. Should the Commission reject or materially modify all or any part of this Stipulation, a Signatory Party shall have the right, within thirty (30) days of the issuance of the Commission's order, to file an application for rehearing. Upon the Commission's issuance of an entry on rehearing that does not adopt the Stipulation in its entirety without material modification, any Signatory Party may terminate and withdraw from the Stipulation by filing a notice with the Commission within thirty (30) days of the Commission's entry on rehearing. Prior to any Signatory Party seeking rehearing or terminating and withdrawing from this Stipulation pursuant to this provision, the Signatory Parties agree to convene immediately to work in good faith to achieve an outcome that substantially satisfies the intent of the Commission or proposes a reasonable equivalent thereto to be submitted to the Commission for

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<sup>2</sup> Although a signatory to the Stipulation, OPAE does not join in this paragraph of the Stipulation.

its consideration. Upon notice of termination or withdrawal by any Signatory Party, pursuant to the above provisions, the Stipulation shall immediately become null and void. In such event, a hearing shall go forward and the Signatory Parties will be afforded the opportunity to present evidence through witnesses, to cross examine all witnesses, to present rebuttal testimony, and to brief all issues which shall be decided based upon the record and briefs as if this Stipulation had never been executed.

WHEREFORE, the Signatory Parties waive any right to a hearing they may have, and respectfully request that the Commission issue an order forthwith adopting this Stipulation as its resolution of all issues relating to the NOI as filed.

Respectfully submitted,

Ohio Department of Development

By: 

Duke Energy Ohio, Inc.

By: \_\_\_\_\_

Industrial Energy Users – Ohio

By: Frank P. Dan

BY: BER PER 8/31/12  
EMAIL AUTHORIZATION

The Dayton Power and Light Company

By: Judi L. Solbeck

BY: BER PER 8/29/12  
EMAIL AUTHORIZATION

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

By: Lance M. Dunn

BY: BER PER 8/30/12  
EMAIL AUTHORIZATION

Ohio Partners for Affordable Energy

By: Colleen Mooney

BY: BER PER 9/9/12  
EMAIL AUTHORIZATION  
[Ohio Partners for Affordable Energy does  
not join in Paragraph 2 of this Joint  
Stipulation and Recommendation.]

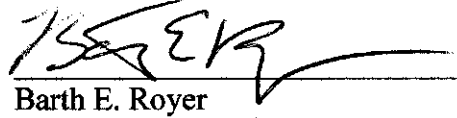
Ohio Power Company

By: Matthew Satterwhite

BY: BER PER 9/11/12  
EMAIL AUTHORIZATION

# CERTIFICATE OF SERVICE

I hereby certify that a true copy of the foregoing has been served upon the following parties by first class mail, postage prepaid, and/or by electronic mail this 4th day of September 2012.

  
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