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BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application )  
of The Cincinnati Gas & Electric )  
Company for Approval of its Electric ) Case No. 99-1658-EL-ETP  
Transition Plan and for )  
Authorization to Collect Transition )  
Revenues )

In the Matter of the Application )  
of The Cincinnati Gas & Electric ) Case No. 99-1659-EL-ATA  
Company for Approval of Tariff )  
Changes Required to Implement )  
Retail Electric Competition )

In the Matter of the Application )  
of The Cincinnati Gas & Electric ) Case No. 99-1660-EL-ATA  
Company for Approval of its New )  
Tariffs )

In the Matter of the Application )  
of The Cincinnati Gas & Electric )  
Company for Authority to Modify )  
Current Accounting Procedures to ) Case No. 99-1661-EL-AAM  
Defer Costs Incurred )  
Arising From the Implementation )  
of its Electric Transition Plan )

In the Matter of the Application of )  
The Cincinnati Gas & Electric )  
Company for Authority to Modify )  
Current Accounting Procedures to ) Case No. 99-1662-EL-AAM  
Defer Transition Costs and )  
Continue to Defer the Unrecovered )  
Balance of Regulatory Assets )

In the Matter of the Application )  
of The Cincinnati Gas & Electric )  
Company for Approval to Transfer ) Case No. 99-1663-EL-UNC  
Its Generating Assets to an Exempt )  
Wholesale Generator )

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### **STIPULATION AND RECOMMENDATION**

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Rule 4901-1-30, Ohio Administrative Code (OAC) provides that any two or more parties to a proceeding may enter into a written stipulation covering the issues presented in such a proceeding. The purpose of this document is to set forth the understanding of the parties who have signed below (Parties) and to recommend that the Public Utilities Commission of Ohio (Commission) approve and adopt, as part of its Opinion and Order in these proceedings, this Stipulation resolving all of the issues in the above captioned proceedings. This Stipulation is supported by adequate data and information; represents a just and reasonable resolution of all issues in this proceeding; violates no regulatory principle or precedent; and is the product of lengthy, serious bargaining among knowledgeable and capable parties in a cooperative process, encouraged by this Commission and undertaken by the Parties to settle these cases. While this Stipulation is not binding on the Commission, it is entitled to careful consideration by the Commission, where, as here, it is sponsored by Parties representing a wide range of

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interests, including the Commission's Staff.<sup>1</sup> For purposes of resolving all issues raised by these proceedings, the Parties stipulate, agree and recommend as set forth below.

Except for enforcement purposes neither this Stipulation, nor the information and data contained therein or attached, shall be cited as precedent in any future proceeding for or against any Party, or the Commission itself, if the Commission approves the Stipulation and Recommendation. This Stipulation and Recommendation is a compromise involving a balancing of competing positions, and it does not necessarily reflect the position which one or more of the Parties would have taken if these issues had been fully litigated.

The 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 by the Commission. Should the Commission reject or modify all or any part of this Stipulation or impose additional conditions or requirements upon the Parties, the Parties shall have the right, within 30 days of issuance of the Commission's order, to either file an application for rehearing or terminate and withdraw from the Stipulation by filing a notice with the Commission. Upon the

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<sup>1</sup> Staff will be considered a party for the purpose of entering into this Stipulation by virtue of O.A.C. Rule 4901-1-10(c).

Commission's issuance of an Entry on Rehearing that does not adopt the Stipulation in its entirety without material modification, any Party may terminate and withdraw from the Stipulation by filing a notice with the Commission within 30 days of the Commission's order on rehearing. Upon notice of termination or withdrawal by any Party, pursuant to the above provisions, the Stipulation shall immediately become null and void. In such event, a hearing shall go forward and the Parties shall 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.

This Stipulation is entered into by and among The Cincinnati Gas and Electric Company (CG&E), and such other parties as are signatory hereto. All the Parties fully support this Stipulation and urge the Commission to accept and approve the terms hereof.

WHEREAS, the State of Ohio enacted Am. Sub. S.B. No. 3, which provides for customer choice effective January 1, 2001;

WHEREAS, CG&E on December 28, 1999, filed a Transition Plan in the cases captioned above as required by Am. Sub. S.B. No. 3 and the Commission's rules adopted under the authority of Am. Sub. S.B. No. 3, and supplemented such plans through the date hereof (Filing);

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WHEREAS, the Parties have reviewed and discussed the Transition Plan Filing of CG&E in detail and are fully aware of its contents;

WHEREAS, the agreements herein represent a comprehensive solution to the issues raised in these proceedings and more importantly create an opportunity to bring real customer choice to Ohio;

WHEREAS, all of the issues and concerns raised by the Parties have been addressed in the substantive provisions of this Stipulation, and reflect as a result of such discussions compromises by the Parties to achieve an overall reasonable resolution of all such issues. This Stipulation is the product of the discussions and negotiations of the Parties, and is not intended to reflect the views or proposals which any individual party may have advanced acting unilaterally. Accordingly, this Stipulation represents an accommodation of the diverse interests represented by the Parties, and is entitled to careful consideration by the Commission;

WHEREAS, this Stipulation represents a serious compromise of complex issues and involves substantial benefits that would not otherwise have been achievable;

WHEREAS, the Parties believe that the agreements herein represent a fair and reasonable solution to the issues raised in these proceedings that is designed to facilitate customer choice consistent with

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state policy as set forth in Section 4928.02 of the Revised Code and in compliance with the determination of transition costs and revenues pursuant to Chapter 4928;

NOW, THEREFORE, the Parties stipulate, agree and recommend that the Commission make the following findings and issue its Opinion and Order in these proceedings in accordance with the following:

1. CG&E's Transition Plan Filing, as modified by this Stipulation, shall be approved. CG&E will not impose the GTC rate as filed.
2. Approval of this Stipulation shall be deemed to grant to CG&E accounting authority to create the necessary regulatory assets and defer costs and recover, through a Regulatory Transition Charge (RTC), the following regulatory assets, including but not limited to: existing regulatory asset balances on CG&E's books as of December 31, 2000, deferral of transition implementation costs, deferral of purchased power costs sufficient to maintain an adequate operating reserve margin as determined by CG&E, deferral of the litigation cost reimbursement in paragraph 17, deferral of the Ohio Excise Tax overlap, and deferral or adjustment to the amortization schedule to reflect the effects of any shopping incentive. CG&E will not seek rate recovery of any costs deferred pursuant to such accounting authority that are not recovered through the RTC. During the Market

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Development Period (MDP), for accounting purposes, there exists an implied residual RTC (unbundled generation charge less the shopping credit provided to customers). All regulatory assets are separately identified in the Filing or this Stipulation and the parties have had an opportunity for hearing in this proceeding. Therefore, all such regulatory assets created and recovered pursuant to this Stipulation are in compliance with the requirements of R. C. 4928.39 and 4928.40.

3. There will be no further netting or adjustments of any kind to CG&E's Transition Cost recovery, including but not limited to any adjustment of RTC rates, or shopping credits through 2010, related to the sale, lease or transfer by CG&E, or any of its affiliates, of any generating asset.
4. CG&E will not end the MDP for residential customers prior to December 31, 2005.
5. This Stipulation is approved as CG&E's application to end the MDP as follows: CG&E may end the MDP for non-residential customers upon reaching 20% load switching by class, as calculated under this Stipulation, and after filing notice with the Commission, so long as CG&E does not have an affiliate that is a Certified Supplier in the CG&E service territory; if CG&E does have an affiliate Certified

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Supplier in the CG&E certified territory, it may end the MDP only upon a Commission order pursuant to R. C. 4928.40. Customer switching shall be calculated on a kWh basis for residential customers, and on an average demand basis for all other customers. The switching amount will be determined by customer enrollment on a first-come, first-served basis; the percentage load switching by class (Residential, Commercial, Industrial, and Other Public Authorities) shall be calculated initially based upon 1999 actual sales, and beginning with calendar year 2001, shall be updated annually to reflect total actual retail sales in CG&E's service territory on a calendar year basis. At the end of the MDP for each non-residential rate schedule, the following will occur:

- (a) the rate freeze on non-switching customers will end;
- (b) the rate freeze for transmission, distribution, and ancillary service on switching customers will end;
- (c) the shopping credit established at the time of exercising choice for switching customers will continue as a credit on the bills of such switching customers through December 31, 2005, and will not be affected by the end of the MDP; and,
- (d) the RTC will be collected from all non-residential customers pursuant to this Stipulation through December 31, 2010.



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6. CG&E will make the RTC charge load factor sensitive for rate classes billed on demand/energy rates. The RTC rate design will include a declining block structure where the first kWh per kW of billing demand will recover the RTC charge to the maximum extent possible.
  7. The Parties agree with and adopt CG&E's Independent Transmission Plan Settlement, and CG&E's Employee Assistance Plan Settlement, separately docketed with the Commission in these proceedings.
  8. With respect to sales or other transfers of wholesale power to any of its affiliates (including but not limited to any future CG&E unregulated retail marketing affiliate) for resale at retail to CG&E electric distribution customers in the CG&E distribution service territory, CG&E's Exempt Wholesale Generator (EWG) shall not offer power or ancillary services incident to the delivery of power at prices and terms more favorable than those available to non-affiliated electric suppliers. Such information regarding the above sales or transfers of power and ancillary services by the EWG to an affiliate shall be simultaneously posted with the execution of any agreement for the sale or transfer on a publicly available electronic bulletin board. The foregoing provisions do not apply during the MDP to wholesale sales of power and ancillary services from the EWG to CG&E for CG&E standard offer customers under the Requirements

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Commodity Service Agreement (RCSA). CG&E shall seek no waivers of the PUCO rules respecting Code of Conduct without providing notice to the Parties to this Stipulation as to the specific waiver and the grounds therefor, and shall adhere to the Code of Conduct rules. The Parties agree that approval of this Stipulation constitutes the necessary statutory findings by the Commission with respect to transferring assets to the EWG, and the RCSA. Accordingly, by approval of this Stipulation the Commission makes the following findings:

(a) The Commission has sufficient regulatory authority, resources, and access to books and records of CG&E and any relevant affiliate company, to make the following determinations;

(b) The transaction under the RCSA:

- (1) will benefit consumers;
- (2) does not violate any State law;
- (3) would not provide the EWG any unfair competitive advantage by virtue of its affiliation with CG&E; and,
- (4) is in the public interest.

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(c) With respect to the transfer of CG&E generation assets to an EWG, allowing such generation assets to be an eligible facility for EWG ownership:

- (1) will benefit consumers;
- (2) is in the public interest; and,
- (3) does not violate State law.

9. The following rates and terms, which reflect a five percent (5%) reduction of CG&E's generation component, including RTC, shall be approved for the customers on Residential rate schedules:

- (a) The shopping credit on the bills of switching customers for the first 20% of the load per class for the calendar years 2001-2005 will be 5.0000¢/kWh.
- (b) The shopping credit on the bills of switching customers after 20% of the load per class switches for the calendar years 2001-2005 will be 3.9407¢/kWh.
- (c) For the calendar years 2006-2008 all residential customers will pay an RTC rider of 0.6114¢/kWh. Residential customers will pay no RTC after December 31, 2008.
- (d) The kWh associated with Percentage of Income Payment Program (PIPP) customers will not be included in the determination of the

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first 20% of the switching customers' load per class. CG&E's EWG will not bid to supply the CG&E PIPP customers if such customers are aggregated and bid out as a group.

10. The following rates and terms shall be approved for the Secondary Distribution Small and Secondary Distribution Large rate schedules:

(a) The shopping credit on the bills of switching customers for the first 20% of the load per class in calendar years 2001-2005 will be 5.3601¢/kWh for Secondary Distribution Small, and 4.8145¢/kWh for Secondary Distribution Large.

(b) The shopping credit on the bills of switching customers in calendar years 2001-2005 after 20% of the load per class switches will be 4.5438¢/kWh for Secondary Distribution Small, and 4.2460¢/kWh for Secondary Distribution Large.

(c) At the end of the MDP Secondary Distribution Small customers will pay an RTC rider that averages 0.9499¢/kWh, and Secondary Distribution Large customers will pay an RTC rider that averages 0.6719¢/kWh. Notwithstanding the foregoing, the shopping credits for customers established under sections 10(a) and 10(b) above will be in effect until December 31, 2005, with no additional explicit RTC, and after December 31, 2005,

the RTC established in this section will be in effect through December 31, 2010.

11. The following rates and terms shall be approved for the Primary Distribution, Transmission, and Lighting rate schedules:

- (a) The shopping credit on the bills of switching customers for the first 20% of the load per class in calendar years 2001-2005 will be 3.8877¢/kWh for Primary Distribution, 3.27¢/kWh for Transmission, and 3.0057¢/kWh for Lighting.
- (b) The shopping credit on the bills of switching customers in calendar years 2001-2005 after 20% of the load per class switches will be 3.5145¢/kWh for Primary Distribution, 3.0322¢/kWh for Transmission, and 2.8272¢/kWh for Lighting.
- (c) At the end of the MDP, Primary Distribution customers will pay an RTC rider that averages 0.4562¢/kWh, Transmission customers will pay an RTC rider that averages 0.3043¢/kWh, and Lighting customers will pay an RTC rider that averages 0.2290¢/kWh. Notwithstanding the foregoing, the shopping credits for customers established under sections 11(a) and 11(b) above will be in effect until December 31, 2005 with no additional explicit RTC, and after December 31, 2005, the RTC

established in this section will be in effect through December 31, 2010.

(d) Customers with contracts approved pursuant to Section 4905.31 of the Revised Code who would otherwise be on the Primary Distribution, Transmission, or Lighting rate schedules shall, with reasonable notice to CG&E, have a one-time right through December 31, 2001, to cancel any such contract without penalty, provided that the customer remains a distribution customer of CG&E.

12. In order to continue support for energy efficiency and weatherization (EE&W) services to low-income persons, CG&E will maintain certain of its existing contracts with providers of such EE&W services. CG&E will maintain said contracts at funding levels indicated on Stipulation Exhibit 1, except for the Learn and Earn Program, at least through December 31, 2005. However, beginning January 1, 2001 CG&E will enter a contract with the Cincinnati Hamilton County Community Action Agency (CHCCAA) for the \$70,900 currently designated for the Learn and Earn program and scheduled for discontinuation effective December 31, 2000. Such contract shall be agreed to by CG&E and CHCCAA no later than

December 31, 2000, and shall remain in effect until at least December 31, 2005. The contracts that CG&E will maintain are identified in Stipulation Exhibit No. 1 (attached hereto).

During the Residential MDP, if any funds shown on the Stipulation Exhibit No. 1 cease to be committed to an EE&W services contract, then CG&E will promptly commit such funds by contract(s) (pursuant to the Cinergy Community Energy Partnership Board process) to one or more nonprofit organizations for provision of EE&W services to low-income persons in CG&E's service territory during the time period set forth above in this paragraph.

13. The Universal Service Rider and the Energy Efficiency Revolving Loan Fund Rider will be determined by the Ohio Department of Development and approved by the Commission.
14. CG&E will agree to accept any resolution of issues agreed to by all Operational Support Plan working group participants and to incorporate any such changes in its transition plan.

If the Commission elects to resolve the issues unresolved by settlement arising in the technical and operational plans of the utilities through a generic hearing or other Commission process that results in a state-wide solution, then the result of such

hearing or process shall be incorporated herein, except for the following that is approved for CG&E:

- (a) During the MDP, a residential customer who takes generation service from CG&E for any part of the period May 15 through September 15 (the stay out period) must remain a standard offer customer through May 14 of the following year before such customer may elect to switch to another supplier, provided that: (1) customers may switch suppliers at any time if they have not previously switched; (2) following the stay out period through the following May 14, returning customers may switch to another supplier at any time for the remainder of the MDP; and (3) during the first year of the MDP, residential customers returning to CG&E's standard offer service will not be subject to a minimum stay.
- (b) CG&E will amend its Open Access Transmission Tariff (OATT) to add a new schedule for retail energy imbalance service. Stipulation Exhibit No. 2, attached, fully describes the retail energy imbalance service. In addition, CG&E will amend its OATT application procedures to allow a: "Description of purchased power designated as Network



Resource including source Control Area location, transmission arrangements and delivery point(s) to the Transmission Provider's Transmission System." CG&E will also amend its OATT to allow transmission customers to designate new resources on a day-ahead basis, provided that there exists available transfer capacity, that it is subject to the approval of the transmission provider, and that the transmission customer relinquishes network transmission rights to a designated resource once a new resource is designated.

- (c) CG&E will use its best efforts in taking the actions necessary to implement purchasing of supplier accounts receivable by a target date of June 1, 2001, to implement consolidated bill ready billing by a target date of January 1, 2002, and to implement supplier consolidated billing by a target date of June 1, 2002, it being understood that such best efforts shall not require CG&E to take any action that would hinder or delay the implementation of the competitive framework necessary to facilitate customer choice in its service territory. It is also understood that the implementation of these billing functions shall not be

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contingent upon the Commission making a determination under Section 4928.04 of the Revised Code with respect to the unbundling of the billing function, but shall proceed independent of any supplier compensation or CG&E credit for such billing service; nothing herein precludes the Commission's determination, or subsequent settlement, of this issue.

(d) The following collateral calculation applies to Certified Suppliers who serve retail customers in CG&E's service territory and is intended to cover CG&E's risk as the default supplier. If the Certified Supplier also purchases wholesale power from CG&E's affiliate and/or is also a Transmission Scheduling Agent purchasing energy imbalance service and/or other transmission services under CG&E's applicable OATT, additional credit will be required and those additional credit requirements would be handled separately from this collateral calculation.

(1) If a Certified Supplier defaults, an end-use customer has a one billing cycle time period in which to select another Certified Supplier. If the end-use customer fails to select another Certified Supplier by the end of one billing cycle,

the end-use customer will remain on CG&E's Standard Service Offer and be subject to any applicable minimum stay requirement. If the time period that an end-use customer has to select another Certified Supplier is different than the above one billing cycle in the final pro-forma tariff, the number of days, 45, in the calculation in section 14(d)(2) of this Stipulation will be modified accordingly, provided that CG&E consults with affected certified suppliers prior to implementing the change.

(2) CG&E will calculate the amount of collateral to cover its risk as the default supplier by multiplying 45 days of CG&E's estimate of the summer usage of the Certified Supplier's customers by a price set at the highest monthly average megawatt hour price for CG&E off-system purchased power from the prior summer less the average shopping credit that CG&E will receive due to the defaulting Certified Supplier's customers returning to CG&E's standard service offer.

(e) Other than in the event of a Certified Supplier default, Large Commercial and Industrial Customers are required to provide a minimum of 90-days prior notice to CG&E before returning

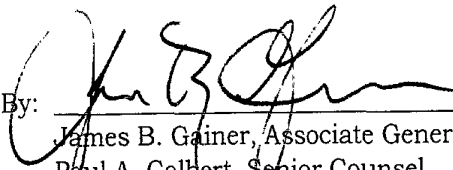
to CG&E's Standard Service Offer between May 1 and October 31 of each calendar year. However, between November 1 and April 30 of each calendar year such customers shall give a minimum of 60 days notice. Large Commercial and Industrial Customers returning without 90 days prior notice will be assessed a charge of \$10/kW, based on peak kW demand during the three billing periods subsequent to their return unless such customers return to a market price based rate.

15. CG&E shall waive the switching fee for the first 20% of Residential customers that switch to a Certified Supplier during the MDP.
16. CG&E will establish a technical task force to include representatives from CG&E, the Commission, the OCC, marketers and customers which will address and attempt to resolve technical and operational issues involving CG&E that may arise following the beginning of customer choice. The task force will be in place for at least two years and may be continued if all participants agree to do so.
17. The Parties agree that this Stipulation will provide substantial benefits to the public. The Parties further recognize that certain intervenors have expended significant funds for legal and consulting services and that for these intervenors to receive the

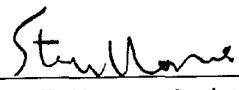
same proportional benefit as the average customer such funds must be reimbursed. Therefore, CG&E shall pay \$1.5 million in litigation reimbursement to be shared , and agreed upon, by and among the active intervenor signatory Parties. Of this sum OCC shall receive \$250,000 to be used for consumer education of residential customers. Within seven days of Commission approval the active intervenor signatory Parties will provide CG&E with a schedule of funds disbursement. The active intervenor signatory Parties and their voting rights are: IEU one and a half, Enron one and one half, OMA one, OCRM one, Kroger one, City of Cleveland/Amp Ohio one, Ohio Hospital Association one half, OPAE/Scope/PWC one half, Midwest Marketer Association one. Agreement of 75% of the active intervenor signatory Parties shall constitute agreement regarding the litigation reimbursement under this paragraph.

The undersigned hereby stipulate and agree and each represents  
that it is authorized to enter into this Stipulation and Recommendation  
this 8th day of May, 2000.

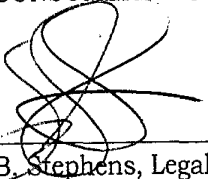
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THE OHIO COUNCIL OF RETAIL  
MERCHANTS

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OHIO PARTNERS FOR AFFORDABLE  
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David C. Rinebolt  
Its Attorney



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WPS ENERGY  
ENRON ENERGY  
DYNEGY, INC.

By: 

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Its Attorney

OHIO RURAL ELECTRIC COOPERATIVES,  
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By: \_\_\_\_\_

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Its Attorney

CINCINNATI/HAMILTON COUNTY  
COMMUNITY ACTION AGENCY,  
SUPPORTING COUNCIL OF PREVENTIVE  
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By: *Ellis Jacobs*  
Ellis Jacobs  
Their Attorney

THE OHIO HOSPITAL ASSOCIATION

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CITY OF CLEVELAND

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John W. Bentine  
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COLUMBIA ENERGY SERVICES CORP.  
COLUMBIA ENERGY POWER MARKETING CORP.  
EXELON ENERGY  
STRATEGIC ENERGY, LLC  
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INTERNATIONAL BROTHERHOOD OF  
ELECTRICAL WORKERS, AFL-CIO  
LOCAL UNION 1347

By: \_\_\_\_\_  
Gary A. Snyder  
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ENRON ENERGY SERVICES, INC.

By: \_\_\_\_\_  
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OHIO DEPARTMENT OF DEVELOPMENT

By: Jodi M. Elsass-Locker *by phone attestation*  
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PEOPLE WORKING COOPERATIVELY, INC.

By: Bruce J. Weston  
Bruce J. Weston  
Its Attorney

**STIPULATION EXHIBIT No. 1**  
**(Energy Efficiency and Weatherization Services Contracts)**

Program Name	Current Contracts and Expected Annual Expenditures	
	Contractor (1)	Annual \$
Electric Weatherization (2) General Use (PiggyBack)	PWC	\$400,000
	WIN	\$50,000
	None	None
Learn and Earn (4)	CHC	\$6,000
	WIN	\$21,700
	PWC	\$43,200
PIPP Orientation	None	None
Efficient New Home Refrigerators	CD	\$26,000
Efficient Refrigerator Replacement	PWC	\$200,000
Energy Maintenance Service (3)	ABC	\$22,000
	PWC	\$94,400
	CCCS	\$22,000
<b>Total</b>		<b>\$885,300</b>

(1) Programs are currently delivered through contracts with not-for-profit organizations. Custom Distributors, which provides efficient refrigerators, is the only for-profit provider under contract for the subject programs.

ABC - Adams-Brown County      CHC - Cincinnati Hamilton County  
CD - Custom Distributors      PWC - People Working Cooperatively  
CCCS - Clermont County Community Service      WIN - Working In Neighborhoods

(2) Income qualification level for this program is 200% poverty.

(3) Income qualification level for this program is 175% poverty.

(4) Learn and Earn program ends on 12/31/00. Upon expiration of the Learn & Earn program, the Learn and Earn funding amounts will be committed by CG&E to contracts for other energy efficiency and weatherization programs.

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**Stipulation Exhibit No. 2**

**Retail Energy Imbalance Service**

- I. In each clock hour, the Company will compare the amount of power scheduled by all Transmission Scheduling Agents (TSA) purchasing OATT Schedule 4 Retail Energy Imbalance Ancillary Service from the Transmission Provider to the amount of power consumed by the Customers of those TSAs, to determine if the net imbalance is under-scheduled or over-scheduled.
- II. If the net imbalance of TSAs purchasing Retail Energy Imbalance Service in a given hour is under-scheduled:
  - A. TSAs that are under-scheduled in that hour will be assessed the sum of:
    1. 100% of the Transmission Provider's Incremental Cost during that hour, times the number of megawatts it was under-scheduled for megawatts within a bandwidth which is:
      - a. the greater of 15% or two megawatts for January through December, 2001,
      - b. the greater of 10% or two megawatts for January through December, 2002,
      - c. the greater of 6% or 1 megawatt thereafter; and

2. 110% of the Transmission Provider's Incremental Cost during that hour, times the number of megawatts it was under-scheduled for megawatts outside the bandwidth.

B. TSAs that are over-scheduled in that hour will be paid the sum of:

1. 100% of the Transmission Provider's Incremental Cost during that hour times the number of megawatts it was over-scheduled for megawatts within the bandwidth; and
2. 90% of the Transmission Provider's Incremental Cost during that hour times the number of megawatts it was over-scheduled for megawatts outside the bandwidth.

III. If the net imbalance of TSAs purchasing Retail Energy Imbalance Service in a given hour is over-scheduled, energy imbalances will be cashed out by individual TSA depending on whether the TSA is under or over-scheduled in that hour.

A. A TSA that is under-scheduled during that hour will be assessed the sum of:

1. 100% of the Transmission Provider's Incremental Cost during that hour times the number of megawatts it

was under-scheduled for megawatts within the bandwidth; and

2. 110% of the Transmission Provider's Incremental Cost during that hour times the number of megawatts it was under-scheduled for megawatts outside the bandwidth.

B) A TSA that is over-scheduled during that hour will receive its pro rata share of the Over Schedule Fund that is made up of the following:

1. 100% of Transmission Provider's Incremental Cost times the megawatts that were under-scheduled by TSAs during the hour, and
2. 90% of avoided generation costs that the Company avoided to balance the system in that hour.

IV. A TSA that is over-scheduled during that hour will be credited with the sum of: a) 100% of the average rate of the Over Schedule Fund, times the number of megawatts it was over-scheduled within the bandwidth, and b) 90% of the average rate of the Over Schedule Fund, times the number of megawatts it was over-scheduled outside the bandwidth.

- V. If the net imbalance of TSAs purchasing Retail Energy Imbalance Service in a given hour is balanced, energy imbalances will be cashed out by individual TSA depending on whether the TSA is under- or over-scheduled in that hour. A TSA that is under-scheduled during that hour will be assessed 100% of the Transmission Provider's Incremental Cost during that hour times the number of megawatts it was under-scheduled. A TSA that is over-scheduled during that hour will be paid 100% of the Transmission Provider's Incremental Cost during that hour times the number of megawatts it was over-scheduled.
- VI. Transmission Provider's Incremental Cost shall mean out-of-pocket costs, measured in dollars per megawatt-hour, associated with producing the highest cost MWh of energy on the Transmission Provider's system in a given hour, whether that energy is produced by generation owned or under contract to the Transmission Provider, purchased from a third party or sold to a third party.
- VII. Energy Imbalance Service is intended to be used by TSAs when a good faith attempt to schedule power to meet the requirements of the TSA's customers results in a difference between scheduled power and Customer load in any given hour. In no event is Energy Imbalance Service intended to provide TSAs with an alternative power supply option to meet the load of retail customers in the



Company's control area. Any TSA found to be misusing Energy Imbalance Service (i.e., underscheduling or overscheduling power on a consistent basis) will be subject to the default provisions set forth in this tariff and may result in Commission revocation of the supplier's certification to provide competitive retail generation service in the State of Ohio.

CERTIFICATE OF SERVICE

The undersigned hereby certifies that a copy of the foregoing was served by first class U.S. mail, postage prepaid, upon the following, this 8<sup>th</sup> day of May, 2000.

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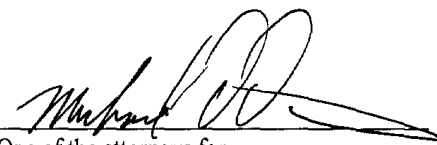
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