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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. 06-751-EL-UNC

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 22, 2006 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 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 determine the issues involved in this proceeding, including the reasonableness of the USF rider rates, 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 22, 2006, the testimony of ODOD witness Nick Sunday filed herein on October 31, 2006, the testimony of ODOD witness Donald A. Skaggs filed herein on October 31, 2006, and the supplemental testimony of Donald A. Skaggs filed herein on November 22, 2006 shall be admitted into evidence and made a part of the record in this case, subject to the corrections to the table at page 5 of the amended application and Exhibits DAS-Rev-39 and DAS-Rev-42 to Mr. Skaggs' supplemental testimony attached hereto as Appendix A.[1]

3. If called upon 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.

4. 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 pro forma revenue

[1] These corrections have no impact on the proposed revenue requirements or USF rider rates.

requirement for each EDU for the twelve-month period commencing January 1, 2007 shall be as follows:

The Cleveland Electric Illuminating Company ("CEI")	$	17,502,928
Columbus Southern Power Company ("CSP")		12,659,864
The Dayton Power & Light Company ("DP&L")		12,704,838
Duke Energy Ohio ("Duke")		17,089,619
Ohio Edison Company ("OE")		30,968,679
Ohio Power Company ("OPC")		11,483,050
The Toledo Edison Company ("TE")		9,397,851

5. The methodology for determining the respective USF rider revenue requirements is consistent with the methodology approved by the Commission in its September 6, 2006 opinion and order in the notice of intent phase of this proceeding, with the exception of the change in the manner by which the reserve component is calculated and the related elimination of the reserve deficiency component as described in the testimony of ODOD witness Donald A. Skaggs. No Signatory Party objects to these changes; provided, however, that no later than July 15, 2007, ODOD shall file a report in this docket indicating the USF reserve balance for each of the EDUs as of June 30, 2007.

6. The annual USF rider revenue requirements set forth in Paragraph 4 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. Thus, in those instances where the EDU's October 1999 PIPP charge exceeds the per Kwh rate which would apply if the EDU's annual USF rider were to be recovered through a single block per Kwh rate, the rate for both consumption blocks will be the same. The resulting USF riders for each EDU shall be as follows:

	First 833,000 Kwh	Above 833,000 Kwh
CEI	$ 0.0009950 / Kwh	$ 0.0005680 / Kwh
CSP	0.0007236 / Kwh	0.0001830 / Kwh
DP&L	0.0009297 / Kwh	0.0005700 / Kwh
Duke	0.0008951 / Kwh	0.0004690 / Kwh
OE	0.0012455 / Kwh	0.0010461 / Kwh
OP	0.0005735 / Kwh	0.0001681 / Kwh
TE	0.0011158 / Kwh	0.0005610 / Kwh

7. The stipulated USF rider rates for CEI, OE, and TE set forth in Paragraph 6 reflect the minimum increases necessary to produce the additional revenues the Signatory Parties agree are required for the annual period following Commission approval. The stipulated CSP, DP&L, Duke, and OP rider rates, which reflect decreases from the current USF rider rates of these EDUs as approved in Case No. 05-717-EL-UNC, have been set at the minimum level necessary to satisfy the USF rider revenue requirement for the annual period following Commission approval. ODOD hereby consents to and approves these USF rider rate decreases for CSP, DP&L, Duke, and OP pursuant to Section 4928.52(B), Revised Code.

8. The rate design methodology utilized in calculating the recommended USF rider rates set forth in Paragraph 6 is identical to the methodology approved by the Commission in its

September 6, 2006 opinion and order in the notice of intent 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.

9. 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.

10. Unlike the traditional ratemaking context, 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, 2007, 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. If ODOD fails to file such application on or before October 31, 2007, the Commission shall issue an order in this docket directing ODOD to show cause why no such application has been filed. The issuance of such an order 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.

11. 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, 2007 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, 2008 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 the Commission should again adopt the "notice of intent" process approved in Case Nos. 04-

[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.

1616-EL-UNC and 05-717-EL-UNC. Specifically, this process shall be as follows: On or before May 31, 2007, ODOD shall file with the Commission a notice of its intent to submit its annual USF rider adjustment application, and shall serve the notice of intent on all parties to this proceeding. The notice of intent shall specify the methodology ODOD intends to employ in calculating the USF rider revenue requirement and in designing the USF rider rates, and may also include such other matters as ODOD deems appropriate. Upon the filing of the notice of intent, the Commission will open the 2007 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 the issues raised not later than September 30, 2007. ODOD will conform its 2007 USF rider adjustment application to any directives set forth in the Commission's order, or, if the order is not issued sufficiently in advance of the October 31, 2007 filing deadline to permit ODOD to incorporate such directives, ODOD will file an amended application conforming to the Commission's directives.

12. 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.

13. Consistent with the cost-control objective described in Paragraph 12, 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.

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 2007 billing cycle on a bills-rendered basis.

Respectfully submitted,

Ohio Department of Development

By: _____

Staff of the Public Utilities Commission of Ohio

By: _____

Industrial Energy Users – Ohio

By: _____

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

By: _____
BY BER PER EMAIL AUTHORIZATION
11/29/06

Columbus Southern Power Company and Ohio Power Company

By: _____

Duke Energy Ohio

By: _____
BY BER PER TELEPHONE AUTHORIZATION
11/30/06

The Dayton Power and Light Company

By: _____

Ohio Partners for Affordable Energy

By: _____
BY BER PER TELEPHONE AUTHORIZATION
12/1/06

APPENDIX A

Amended Application
Page 6 Table
Corrected

Company	Adjusted Test-Period USF Rider Revenue	Required Annual USF Rider Revenue	USF Rider Revenue Surplus/Deficiency
CEI	$ 15,163,644	$ 17,502,928	$ (2,339,285)
CSP	17,639,028	12,659,864	4,979,164
DPL	13,457,419	12,704,997	752,422
DUKE	17,149,585	17,089,619	59,966
OE	30,107,097	30,968,679	(861,582)
OP	16,407,539	11,483,050	4,924,488
TE	9,083,998	9,397,851	(313,853)
TOTALS	$ 119,008,309	$ 111,806,989	$ 7,201,320

DAS-Rev-39
Corrected

OE

Calculation of Allowance for Undercollection

	KWH	KWh sales X USF rider = Expected Revenue	Rider Collection	Expected Revenue/ Rider Collection	Average Collection
Jan-06	2,198,665,185	$2,374,765	$2,357,133	99.26%	98.66%
Feb-06	2,187,029,542	$2,361,451	$2,358,718	99.88%	
Mar-06	2,149,746,504	$2,318,759	$2,275,064	98.12%	
Apr-06	2,000,606,983	$2,158,207	$2,162,439	100.20%	
May-06	1,898,727,394	$2,045,905	$2,010,778	98.28%	
Jun-06	2,057,741,176	$2,411,602	$2,250,293	93.31%	
Jul-06	2,224,073,383	$2,617,714	$2,613,507	99.84%	
Aug-06	2,439,753,989	$2,882,889	$2,855,820	99.06%	
Sep-05	2,233,599,964	$2,628,150	$2,636,754	100.33%	
Oct-05	2,053,597,764	$2,371,063	$2,345,666	98.93%	
Nov-05	1,946,485,237	$2,260,471	$2,216,454	98.05%	
Dec-05	2,186,776,931	$2,533,191	$2,499,331	98.66%	
	25,576,804,052	$28,964,166	$28,581,957		

Target Revenue:	$30,553,708.07
Total Cost:(Target Revenue / .9866)	30,968,679.15
Allowance:(Total Cost - Total Revenue)	414,971.08

DAS-Rev-42
Corrected

OP
KWH Sales

	Past 12 months KWh	Pro forma[1] KWH
Jan-06	2,523,260,446	2,540,887,446
Feb-06	2,075,146,339	2,121,160,339
Mar-06	2,239,316,349	2,333,588,349
Apr-06	1,955,207,709	2,088,469,709
May-06	1,873,246,251	2,053,198,251
Jun-06	2,113,145,689	2,298,545,689
Jul-06	2,119,831,681	2,311,411,681
Aug-06	2,346,938,654	2,538,518,654
Sep-05	2,180,240,897	2,365,640,897
Oct-05	1,888,459,081	2,080,039,081
Nov-05	2,027,244,003	2,212,644,003
Dec-05	2,180,553,027	2,372,133,027
	25,522,590,126	27,316,237,126

1- Proforma KWH was adjusted due to expected increase in Industrial sales.

APPENDIX B

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