

BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application)
of the Cincinnati Gas & Electric)
Company to Modify its Non-)
Residential Generation Rates to)
Provide for Market-Based)
Standard Service Offer Pricing)
and to Establish a Pilot)
Alternative Competitively-Bid)
Service Rate Option Subsequent)
to Market Development Period)

Case No. 03-93-EL-ATA

In the Matter of the Application of The)
Cincinnati Gas & Electric Company for)
Authority to Modify Current Accounting)
Procedures for Certain Costs Associated)
With The Midwest Independent)
Transmission System Operator)

Case No. 03-2079-EL-AAM

In the Matter of the Application of The)
Cincinnati Gas & Electric Company for)
Authority to Modify Current Accounting)
Procedures for Capital Investment in its)
Electric Transmission And Distribution)
System And to Establish a Capital)
Investment Reliability Rider to be)
Effective After the Market Development)
Period)

Case No. 03-2081-EL-AAM

Case No. 03-2080-EL-ATA

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REPLY OF INTEGRYS ENERGY SERVICES, INC.

On May 4, 2007, Integrys Energy Services, Inc. ("Integrys")¹ filed a Request for a Declaratory Ruling in these cases. Integrys requested that the Commission issue a declaratory ruling authorizing an alternative method of documentation for customers seeking to purchase energy from a CRES with a waiver of the Rate Stabilization Charge ("RSC"), the Annually Adjusted Component ("AAC") and System Reliability Tracker

¹ Integrys was formerly known as WPS Energy Services, Inc., an intervenor in Case No. 03-93-EL-ATA. Integrys is also a certified retail electric service provider ("CRES") and a member of the Ohio Marketers Group which has been an active participant in these consolidated proceedings.

This is to certify that the images appearing are an accurate and complete reproduction of a case file document delivered in the regular course of business.
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("SRT") riders. Pursuant to the Commission's Entry of February 9, 2005 in the above styled docket, a retail customer who wishes to waive the RSC, ACC and SRT riders must do so in writing. Integrys requested that customers who enroll telephonically for CRES energy be able to document the waiver telephonically using the Commission's Rule 4901:1-21-06 process of scripted questions, recorded responses and follow up letter. To accomplish the telephonic documentation of the RSC, AAC, and SRT riders, Integrys attached a proposed telephone protocol in Attachment A to its Request for a Declaratory Ruling and a proposed follow-up letter to Duke which was attached as Attachment B of the petition for a declaratory order.

On May 11, 2007, Duke Energy Ohio ("DE-Ohio") filed a Memorandum Contra and Comments in response to the May 4, 2007 Request for a Declaratory Ruling. DE-Ohio stated that it does not necessarily oppose permitting telephone waivers. However, it believed that Integrys' plan is inadequate, misleading and will lead to consumer confusion and dissatisfaction. DE-Ohio believes that the telephonic script must include a question that if the customer were to return to Duke Energy for generation service before January 1, 2009, Duke Energy could charge the customer a different rate than the standard offer rate. In addition, DE-Ohio alleges that the telephone script should also pose a question confirming the understanding that the request to avoid the riders will become effective within sixty to ninety days.

Integrys submits this Reply in response to the May 11, 2007 Memorandum of DE-Ohio.

II. Argument

A. Customers who switch back to DE-Ohio service prior to January 1, 2009 may pay a lower or higher rate than they currently pay under DE-Ohio's MBSSO.

In its Memorandum Contra, DE-Ohio argues that "Consumers must be made aware that their choice to switch means that if they return to DE-Ohio service prior to January 1, 2009, under certain circumstances they risk returning to DE-Ohio at a price that is different and potentially higher than the price they currently pay under DE-Ohio's MBSSO." DE-Ohio argues that its proposed modification of adding an additional question to the telephonic script will alert the consumer to the risk of becoming subject to a potentially higher-priced provision of DE-Ohio's MBSSO if the customer should return to DE-Ohio prior to the January 1, 2009 expiration of its CRES contract. DE-Ohio argues that the proposed change is needed to protect the consumer from unnecessary confusion as to the pricing terms under which the consumer could be subject to if its return to DE-Ohio is prior to January 1, 2009.

As a matter of policy, the Commission has not interposed itself in the purchasing of power by commercial and industrial customers, for to do so requires knowledge of both what the customers' future electric use will be and the commercial risk tolerance of the customer. Thus, for example, the Commission does not require that a utility, unless asked by the customer, inform commercial and industrial customers what is the lowest possible rate they qualify for [See In Re White Plastics v. Columbus Southern Ohio Electric Company, Case No. 83-650-EL-CSS, Opinion and Order, September 25, 1984 and Rule 4901:1-1-03 of the OAC]. That is not because the Commission wishes to see customers pay more than they have to for utility service in the short run, but in

recognition of the fact that selecting the optimal purchase program is a task that commercial and industrial customers must provide for on their own with only the promise of correct information being supplied on response.

In its February 9, 2005 Entry in this very proceeding the Commission approved a one page form of notice for the written authorization to waive the same surcharges. That approved notice for commercial and industrial customers did not include the requested statement that a returning customer could be asked to pay a different rate than it was currently paying. There is simply no reason why the telephonic script designed to supplant the written notice should be treated any differently.

The Commission has taken a different approach for residential customers where the level of commercial sophistication may be lower than in the business community. Even for residential customers the requested dialogue seems of dubious value. DE-Ohio requests a question be added to the script that indicates that a customer returning to DE-Ohio may be paying a price that is different than what the customer currently pays under DE-Ohio's MBSSO. Presented with such a statement virtually every customer is going to ask – does different mean higher or lower? Today, the only correct answer would be that the rate could be either *higher or lower* – but probably not very different.

Under the ACC and RSC riders the first 25% of eligible residential load will be able to avoid the AAC and the RSC. Further, should those customers return to standard service, unlike the commercial and industrial customers, they will return to the standard service rate – not the higher of the standard service rate or the market rate. That leaves only the System Reliability Tracker (“SRT”) charge. Currently, the SRT is not a charge but a credit. In other words, if a residential customer came back to MBSSO today after a

year with the commercial retail electric supplier, the MBSSO charge would actually be less than what they paid before. Further, when the SRT charge was a cost and not a credit it was in the mil(s) per kWh range – an insignificant amount. Thus, until the 25% threshold is passed, no one knows if the rate that a returning residential customer will pay will be greater or lesser than when the customer left, and if it is greater the amount actually paid or credited will be de minimis, thus there seems little purpose mandating a question to assure that the customer knows that should they return to the MBSSO that rate could be “different”.

B. DE-Ohio’s proposed question regarding notice is neither justified nor correct.

DE-Ohio also argues that consumers must be informed that their choice to bypass certain DE-Ohio charges is not immediate upon enrollment. That statement will probably be accurate as to commercial and industrial customers, but inaccurate as to residential customers. The AAC and RSC riders call for a 60 day minimum notice period before the waiver of the AAC and RSC charges will be accepted. Enrollment, on the other hand, will take place on the next meter reading following the electronic notice if sent in by the CRES twelve days or more prior to the reading metering, otherwise the following month. Thus, for some number of days commercial and industrial customers are likely to be charged AAC and RSC, before the waiver is processed. Since the statement is accurate, Integrys would not oppose adding the question whether the customer is aware that Duke will delay the implementation of the AAC and RSC waiver for “non-residential” customers. A Copy of the AAC and RSC riders are attached as Exhibit A. As noted by the highlighting the minimum 60 days to process the waiver applies only to “non-

residential” customers. There is no similar provision for residential customers. Thus, the AAC and RSC waiver should take place on enrollment for residential customers.

With respect to residential customers, DE-Ohio’s tariff provides for no delay and thus the proposed question is improper, misleading and should not be included.

III. Conclusion

The Commission should approve the telephonic script (Attachment A) and the follow-up letter (Attachment B) to its May 4, 2007 request for a declaratory ruling.

Respectfully submitted,



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CERTIFICATE OF SERVICE

I certify that a copy of the foregoing Reply of Integrys Energy Services, Inc. for Declaratory Filing has been electronically delivered to the parties in the above captioned proceedings this 18th day of May, 2007.


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Duke Energy Ohio
139 East Fourth Street
Cincinnati, Ohio 45202**RIDER AAC****ANNUALLY ADJUSTED COMPONENT RIDER****APPLICABILITY**

Applicable to all jurisdictional retail customers in the Company's electric service area.

CHARGE

The Annually Adjusted Component Rider Charges detailed below are applicable after the end of the Market Development Period, except that they will not apply to those customers that receive a shopping credit or are eligible to avoid the Annually Adjusted Component charge as described below in the AVOIDANCE OF CHARGE section. All applicable kWh are subject to the Annually Adjusted Component Rider Charge. See Section VI, Item 7 of the Electric Service Regulations for the definition of the term "Market Development Period."

The following rates are effective for non-residential customers (including residential service of a commercial or public character) January 1, 2006.

<u>Tariff Sheet</u>	<u>AAC Charge</u> (per kWh/kW)
Rate DS, Service at Secondary Distribution Voltage	
First 1000 kW	\$0.612600
Additional kW	\$0.484600
Billing Demand Times 300	\$0.001566
Additional kWh	\$0.001301
Rate GS-FL, Optional Unmetered For Small Fixed Loads	
kWh Greater Than or Equal to 540 Hours	\$0.005203
kWh Less Than 540 Hours	\$0.005981
Rate CUR, Common Use Residential Service	
Summer, First 1000 kWh	\$0.003534
Summer, Additional kWh	\$0.004478
Winter, First 1000 kWh	\$0.003534
Winter, Additional kWh	\$0.001334
Rate EH, Optional Rate For Electric Space Heating	
All kWh	\$0.002135
Rate DM, Secondary Distribution Service, Small	
Summer, First 2800 kWh	\$0.004685
Summer, Next 3200 kWh	\$0.001196
Summer, Additional kWh	\$0.000522
Winter, First 2800 kWh	\$0.003718
Winter, Next 3200 kWh	\$0.001198
Winter, Additional kWh	\$0.000495

Filed pursuant to an Order dated December 20, 2006 in Case No. 06-1085-EL-UNC before the Public Utilities Commission of Ohio.

Issued: December 21, 2006

Effective: January 2, 2007

Issued by Sandra P. Meyer, President

CHARGES (Contd.)

Tariff Sheet

	<u>AAC Charge</u> (per kWh/kW)
Rate DP, Service at Primary Distribution Voltage	
First 1000 kW	\$0.553200
Additional kW	\$0.436400
Billing Demand Times 300	\$0.001764
Additional kWh	\$0.001415
Rate TS, Service at Transmission Voltage	
First 50,000 Kva	\$0.670600
Additional kVA	\$0.483400
Billing Demand Times 300	\$0.001152
Additional kWh	\$0.001310
Rate SL, Street Lighting Service	
All kWh	\$0.002304
Rate TL, Traffic Lighting Service	
All kWh	\$0.001349
Rate OL, Outdoor Lighting Service	
All kWh	\$0.002304
Rate NSU, Street Lighting Service for Non-Standard Units	
All kWh	\$0.002304
Rate NSP, Private Outdoor Lighting for Non-Standard Units	
All kWh	\$0.002304
Rate SC, Street Lighting Service - Customer Owned	
All kWh	\$0.002304
Energy only - all kWh	\$0.000917
Rate SE, Street Lighting Service - Overhead Equivalent	
All kWh	\$0.002304
Rate UOLS, Unmetered Outdoor Lighting Electric Service	
All kWh	\$0.000949

Filed pursuant to an Order dated December 20, 2006 in Case No. 06-1085-EL-UNC before the Public Utilities Commission of Ohio.

Issued: December 21, 2006

Effective: January 2, 2007

Issued by Sandra P. Meyer, President

CHARGES (Contd.)

The following rates apply to residential customers beginning January 1, 2006.

<u>Tariff Sheet</u>	<u>AAC Charge</u> (per kWh/kW)
Rate RS, Residential Service	
Summer, First 1000 kWh	\$0.002651
Summer, Additional kWh	\$0.003359
Winter, First 1000 kWh	\$0.002651
Winter, Additional kWh	\$0.001000
Rate ORH, Optional Residential Service With Electric Space Heating	
Summer, First 1000 kWh	\$0.002367
Summer, Additional kWh	\$0.002836
Winter, First 1000 kWh	\$0.002366
Winter, Additional kWh	\$0.001225
Winter, kWh greater than 150 times demand	\$0.000766
Rate TD, Optional Time-of-Day Rate	
Summer, On-Peak kWh	\$0.005405
Summer, Off-Peak kWh	\$0.000789
Winter, On-Peak kWh	\$0.004249
Winter, Off-Peak kWh	\$0.000790

AVOIDANCE OF ANNUALLY ADJUSTED COMPONENT RIDER CHARGE

The first 25% of eligible residential load and the first 50% of eligible non-residential load, by customer rate class, to switch to a certified supplier shall not pay the AAC. All remaining 75% of residential load or 50% of non-residential load, by customer rate class, shall pay the AAC. The Company shall calculate the switched load by customer class in the same manner as it calculates switched load pursuant to its transition plan stipulation approved by the Commission in Case No 99-1658-EL-ETP.

The Company shall establish and maintain a queue of switched load, effective January 1, 2005, such that as the load of one customer returns to the Company's market-based standard service offer (MBSSO) market price, the applicable load of the next customer in the queue shall move into the percent of switched load permitted to avoid the AAC in the applicable customer class, in order, until the applicable switched percentage of load has been achieved.

Filed pursuant to an Order dated December 20, 2006 in Case No. 06-1085-EL-UNC before the Public Utilities Commission of Ohio.

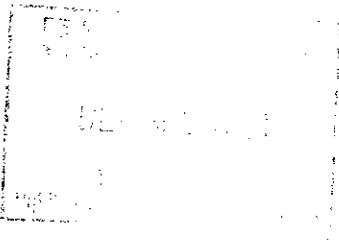
Issued: December 21, 2006

Effective: January 2, 2007

Issued by Sandra P. Meyer, President

AVOIDANCE OF ANNUALLY ADJUSTED COMPONENT RIDER CHARGE (Contd.)

To qualify to bypass the AAC, a non-residential customer must enter into a contract with a creditworthy CRES provider to provide firm generation service through December 31, 2008, or a non-residential customer may sign a contract with the Company assuring that it will purchase competitive retail electric generation service from a competitive retail electric service provider through December 31, 2008. Such contract or agreement must satisfy the full capacity, energy, and transmission requirements associated with the customer. The applicable non-residential customer must provide a minimum of 60-days notice to the Company of the effective date of the contract, and may provide notice to the Company beginning November 23, 2004. All loads of customers seeking to avoid the AAC must be in the applicable percentage of switched load of the applicable customer class necessary to avoid the AAC at the time that contract notice is given to the Company. All customers, including those already switched, may give such notice and shall be placed in the queue for avoidance of the AAC at the time notice is given. To calculate the applicable percentage of switched load by customer class the Company shall count all switched customers receiving shopping credits and customers having given the required notice and with the required contract. Switched non-residential customers who return to the Company's generation service will be charged the highest hourly generation cost that the Company incurs for that hour. None of the restrictions or requirements set forth above shall apply to residential customers prior to January 1, 2006. At the end of their market development period at January 1, 2006, residential customers may bypass the RSC if they are in the first 25% of residential load as determined by order and receipt by the Company of a proper Direct Access Service Request as of January 1, 2006. Residential customers returning to the Company due to the default of their contracting competitive retail electric service provider or upon expiration of their contract shall be served at the Company's then existing MBSSO market price calculated as if the consumer had never purchased competitive retail electric service from a certified supplier.



Filed pursuant to an Order dated December 20, 2006 in Case No. 06-1085-EL-UNC before the Public Utilities Commission of Ohio.

Issued: December 21, 2006

Effective: January 2, 2007

Issued by Sandra P. Meyer, President

RIDER RSC

RATE STABILIZATION CHARGE RIDER

APPLICABILITY

Applicable to all jurisdictional retail customers in the Company's electric service area.

CHARGE

The Rate Stabilization Charges detailed below are applicable after the end of the Market Development Period, except that they will not apply to those customers that receive a shopping credit or are eligible to avoid the Rate Stabilization charge as described below in the AVOIDANCE OF CHARGE section. All applicable kWh are subject to the Rate Stabilization Charge. See Section VI, Item 7 of the Electric Service Regulations for the definition of the term "Market Development Period."

The following rates are effective on January 1, 2005 for non-residential customers (including residential service of a commercial or public character). These rates are effective on January 1, 2006 for residential customers. For all customers, these rates are effective through December 31, 2008.

<u>Tariff Sheet</u>	<u>RSC Charge</u> (per kWh/kW)
Rate RS, Residential Service	
Summer, First 1000 kWh	\$0.006627
Summer, Additional kWh	\$0.008397
Winter, First 1000 kWh	\$0.006627
Winter, Additional kWh	\$0.002500
Rate ORH, Optional Residential Service With Electric Space Heating	
Summer, First 1000 kWh	\$0.005916
Summer, Additional kWh	\$0.007090
Winter, First 1000 kWh	\$0.005916
Winter, Additional kWh	\$0.003063
Winter, kWh greater than 150 times demand	\$0.001916
Rate TD, Optional Time-of-Day Rate	
Summer, On-Peak kWh	\$0.013512
Summer, Off-Peak kWh	\$0.001973
Winter, On-Peak kWh	\$0.010622
Winter, Off-Peak kWh	\$0.001974
Rate CUR, Common Use Residential Service	
Summer, First 1000 kWh	\$0.006627
Summer, Additional kWh	\$0.008397
Winter, First 1000 kWh	\$0.006627
Winter, Additional kWh	\$0.002500

Filed pursuant to an Order dated March 29, 2006 in Case No. 06-407-GE-ATA before the Public Utilities Commission of Ohio.

Issued: March 31, 2006

Issued by Sandra P. Meyer, President

Effective: April 3, 2006

CHARGES (Contd.)

Tariff Sheet	<u>RSC Charge</u> (Per kWh/ kW)
Rate DS, Service at Secondary Distribution Voltage	
First 1000 kW	\$1.148600
Additional kW	\$0.908600
Billing Demand Times 300	\$0.002936
Additional kWh	\$0.002440
Rate GS-FL, Optional Unmetered For Small Fixed Loads	
kWh Greater Than or Equal to 540 Hours	\$0.009756
kWh Less Than 540 Hours	\$0.011215
Rate EH, Optional Rate For Electric Space Heating	
All kWh	\$0.004003
Rate DM, Secondary Distribution Service, Small	
Summer, First 2800 kWh	\$0.008784
Summer, Next 3200 kWh	\$0.002243
Summer, Additional kWh	\$0.000978
Winter, First 2800 kWh	\$0.006972
Winter, Next 3200 kWh	\$0.002245
Winter, Additional kWh	\$0.000929
Rate DP, Service at Primary Distribution Voltage	
First 1000 kW	\$1.037300
Additional kW	\$0.818300
Billing Demand Times 300	\$0.003307
Additional kWh	\$0.002652
Rate TS, Service at Transmission Voltage	
First 50,000 kVA	\$1.257500
Additional kVA	\$0.906500
Billing Demand Times 300	\$0.002161
Additional kWh	\$0.002457
Rate SL, Street Lighting Service	
All kWh	\$0.004321
Rate TL, Traffic Lighting Service	
All kWh	\$0.002529
Rate OL, Outdoor Lighting Service	
All kWh	\$0.004321
Rate NSU, Street Lighting Service for Non-Standard Units	
All kWh	\$0.004321
Rate NSP, Private Outdoor Lighting for Non-Standard Units	
All kWh	\$0.004321
Rate SC, Street Lighting Service - Customer Owned	
All kWh	\$0.004321
Energy only -All kWh	\$0.001719
Rate SE, Street Lighting Service - Overhead Equivalent	
All kWh	\$0.004321
Rate UOLS, Unmetered Outdoor Lighting Electric Service	
All kWh	\$0.001779

Filed pursuant to an Order dated March 29, 2006 in Case No. 06-407-GE-ATA before the Public Utilities Commission of Ohio.

AVOIDANCE OF RATE STABILIZATION CHARGE

The first 25% of eligible residential load and 50% of eligible non-residential load, by customer rate class, to switch to a certified supplier shall not pay the Rate Stabilization Charge (RSC). All remaining 75% of residential load or 50% of non-residential load, by customer rate class, shall pay the RSC. The Company shall calculate the switched load by customer class in the same manner as it calculates switched load pursuant to its transition plan stipulation approved by the Commission in Case No 99-1658-EL-ETP.

The Company shall establish and maintain a queue of switched load, effective January 1, 2005, such that as the load of one customer returns to the Company's market-based standard service offer (MBSSO) market price, the applicable load of the next consumer in the queue shall move into the percent of switched load permitted to avoid the RSC in the applicable customer class, in order, until the applicable switched percentage of load has been achieved.

To qualify to bypass the RSC, a non-residential consumer must enter a contract with a creditworthy CRES provider to provide firm generation service through December 31, 2008, or a non-residential customer may sign a contract with the Company assuring that it will purchase competitive retail electric generation service from a certified supplier through December 31, 2008. Such contract or agreement must satisfy the full capacity, energy, and transmission requirements associated with the customer. The applicable non-residential customer must provide a minimum of 60-days notice to the Company of the effective date of the contract, and may provide notice to the Company beginning November 23, 2004. All loads of customers seeking to avoid the RSC must be in the applicable percentage of switched load of the applicable customer class necessary to avoid the RSC at the time that contract notice is given to the Company. All customers, including those already switched, may give such notice and shall be placed in the queue for avoidance of the RSC at the time notice is given. To calculate the applicable percentage of switched load by customer class the Company shall count all switched customers receiving shopping credits and customers having given the required notice and with the required contract. Switched non-residential customers who return to the Company's generation service will be charged the highest hourly generation cost that the Company incurs for that hour.

None of the restrictions or requirements set forth in the above shall apply to residential customers prior to January 1, 2006. At the end of their market development period at January 1, 2006, residential customers may bypass the RSC if they are in the first 25% of residential load as determined by order and receipt by the Company of a proper Direct Access Service Request as of January 1, 2006.