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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. 11-3223-EL-USF

APPLICATION

The Ohio Department of Development ("ODOD"), by its Director, Christiane Schmenk, hereby petitions the Commission, pursuant to Section 4928.52(B), Revised Code, for an order approving adjustments to the Universal Service Fund ("USF") riders of all jurisdictional Ohio electric distribution utilities ("EDUs"). In support of its application, ODOD states as follows:

1. Under the legislative scheme embodied in SB 3, the 1999 legislation that restructured Ohio's electric utility industry and transferred administration of the percentage of income payment plan ("PIPP") program to ODOD, the USF riders replaced the existing PIPP riders of each jurisdictional electric utility. The USF riders were to be calculated so as to generate the same level of revenue as the PIPP riders they replaced,¹ plus an amount equal to the level of funding for low-income customer energy efficiency programs reflected in the electric rates in effect on the effective date of the statute,² plus the amount necessary to pay the administrative costs associated with the low-income customer assistance programs and the consumer education program created by Section 4928.56, Revised Code.³

¹ See Section 4928.52(A)(1), Revised Code.

² See Section 4928.52(A)(2), Revised Code.

³ See Section 4928.52(A)(3), Revised Code.

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2. Pursuant to Section 4928.51(A), Revised Code, all USF rider revenues collected by the EDUs are remitted to ODOD for deposit in the state treasury's USF. ODOD then makes disbursements from the USF to fund the low-income customer assistance programs (including PIPP and the low-income customer energy efficiency programs) and the consumer education program, and to pay their related administrative costs.

3. Section 4928.52(B), Revised Code, provides that, if ODOD, after consultation with the Public Benefits Advisory Board ("PBAB"), determines that the revenues in the USF, together with revenues from federal and other sources of funding,⁴ will be insufficient to cover the cost of the low-income customer assistance and consumer education programs and their related administrative costs, ODOD shall file a petition with the Commission for an increase in the USF rider rates. The statute further provides that, after providing reasonable notice and opportunity for hearing, the Commission may adjust the USF rider by the minimum amount necessary to generate the additional revenues required; provided, however, that the Commission may not decrease a USF rider without the approval of the ODOD Director, after consultation by the Director with the PBAB.

4. Unlike traditional ratemaking, where the objective is to establish rates that will provide the applicant utility with a reasonable earnings opportunity, the USF riders must actually generate sufficient revenues to enable ODOD to meet its USF-related statutory and contractual obligations on an ongoing basis. In recognition of this fact, the stipulations adopted by the Commission in all prior USF rider rate adjustment proceedings have required that ODOD file a Section 4928.52(B), Revised Code, application with the Commission no later than October 31 of

⁴ Section 4928.52(B), Revised Code specifically identifies the Ohio Energy Credit Program as funding source; However, this program was discontinued as of July 1, 2003.

the following year, proposing such adjustments to the USF rider rates as may be necessary to assure, to the extent possible, that each EDU's 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. This is the eleventh annual USF rider adjustment application filed by ODOD pursuant to this statute since the establishment of the initial USF riders in the electric transition plan proceedings initiated by applications filed by the EDUs pursuant to SB 3.

5. By its opinion and order of December 15, 2010 in Case No. 10-725-EL-USF, this Commission granted ODOD's 2010 application for approval of adjustments to the USF riders of all Ohio EDUs based on its acceptance of a stipulation and recommendation submitted jointly by a majority of the parties to that proceeding. The new USF riders replaced the USF riders approved by the Commission in Case No. 09-463-EL-UNC, and became effective on a bills-rendered basis with the January 2011 EDU billing cycles.

6. The Commission's December 15, 2010 opinion and order in Case No. 10-725-EL-USF provided for the continuation of the notice of intent ("NOI") process first approved by the Commission in Case No. 04-1616-EL-UNC. Under this process, ODOD is required to make a preliminary filing by May 31 setting out the methodology it will employ in developing the USF rider revenue requirements and rate design for its subsequent annual USF rider adjustment application. The purpose of this procedure is to permit the Commission to resolve any issues relating to methodology prior to the preparation and filing of the application itself, so as to limit the number of potential issues in the second phase of the case and thereby permit the Commission to act on the application in time for the new USF rider rates to take effect on

January 1 of the following year. ODOD filed its NOI in this case on May 31, 2011. The Commission, consistent with the terms of a stipulation jointly submitted by a majority of the parties to the proceeding,⁵ approved the methodology proposed by ODOD in the NOI by its opinion and order of October 3, 2011 (the “*NOI Order*”).

7. Based on its analysis of the annual pro forma revenue generated by applying the current USF rider rates to test-period sales volumes, and utilizing the USF rider revenue requirement methodology approved in the *NOI Order* as described below, ODOD has determined that, on an aggregated basis, the total pro forma annual revenue generated by the current USF riders will fall short, by some \$84,230,793, of the annual revenue required to fulfill the objectives identified in Section 4928.52(A), Revised Code, during the 2012 collection period. On an EDU-specific basis, ODOD’s analysis shows that the pro forma revenue that would be generated by the current USF riders of The Cleveland Electric Illuminating Company (“CEI”), Columbus Southern Power Company (“CSP”), the Dayton Power and Light Company (“DPL”), Dayton Power and Light Company (“DPL”), Ohio Edison Company (“OE”) and Toledo Edison Company (“TE”) will fall short of their indicated revenue targets, while the pro forma revenue that would be generated by the current Duke Energy Ohio (“Duke”) and Ohio Power Company (“OP”) USF riders will exceed their indicated revenue targets. Accordingly, ODOD, having consulted with the PBAB, proposes that the USF riders rates of CEI, CSP, DPL, OE, and TE be increased so as to generate the required annual revenue indicated in the following table, and that the Duke and OP USF rider rates be reduced so as to generate their respective indicated annual revenue targets.

⁵ Although not a signatory party, the Office of the Ohio Consumers’ Counsel (“OCC”) did not contest the stipulation. Ohio Partners for Affordable Energy joined in the stipulation except for the provision regarding the proposed rate design methodology, but did not contest the issue.

Company	Test-Period USF Rider Revenue	Required Annual USF Rider Revenue	USF Rider Revenue Surplus/Deficiency
CEI	\$36,452,005	\$51,800,751	(\$15,348,746)
CSP	\$37,532,170	\$43,774,999	(\$6,242,829)
DPL	\$38,665,335	\$56,80,109	(\$18,136,774)
DUKE	\$26,977,345	\$20,980,647	\$5,996,698
OE	\$37,962,667	\$79,353,640	(\$41,390,973)
OP	\$45,041,510	\$37,295,406	\$7,746,104
TE	\$17,267,498	\$34,121,772	(\$16,854,274)
TOTALS	\$239,898,530	\$324,129,324	(\$84,230,793)

8. As described in further detail in the written testimony of ODOD witness Donald A. Skaggs filed with this application, the revenue requirement which the proposed USF riders are designed to generate consists of the elements identified below. These elements have been determined in accordance with the methodology approved by the Commission in the *NOI Order*.

a. Cost of PIPP. The cost of PIPP component of the USF rider revenue requirement is intended to reflect the total cost of electricity consumed by the EDU's PIPP customers for the 12-month period January 2011 through December 2011 (the "test period"), plus pre-PIPP balances, less the monthly installment payments billed to PIPP customers, less payments made by or on behalf of PIPP customers, including agency payments, to the extent that these payments are applied to outstanding PIPP arrearages over the same period. Because actual data for September through December 2011 was not available at the time the application was prepared, information from the corresponding months of 2010 was combined with actual data from January through August of 2011 to determine the test-period cost of PIPP for each EDU as displayed in

Exhibit A hereto. As explained in ODOD witness Skaggs' written testimony, and consistent with the *NOI Order*, ODOD adjusted the test-period cost of PIPP to recognize the impact of Commission-approved EDU rate changes that will take effect January 1, 2012, and to annualize the impact of Commission-approved EDU rate changes that took effect during the 2011 test year. The calculation of these adjustments are shown in attached Exhibits A.1.a through A.1.d. In addition, as discussed in detail in Mr. Skaggs' testimony, ODOD normalized Duke's reported test-period PIPP customer payments for October 2010⁶ by eliminating the one-time impact of an accounting measure implemented by Duke in an attempt to remedy the prior misallocation of payments between the gas and electric components of PIPP customers' bills. The calculation of this adjustment is shown in attached Exhibit A.1.e. The net impact of the foregoing adjustments is shown in Exhibit A.1. As explained in Mr. Skaggs' testimony, and consistent with the *NOI Order*, the totals shown in Exhibit A.1 were then adjusted to reflect the projected increase in PIPP enrollments during the 2010 collection period. The projections are shown in attached Exhibit A.2. The cumulative effect of the foregoing adjustments is shown in the Total Adjusted Test-Period Cost of PIPP column (Column F) in Exhibit A.2.

b. Electric Partnership Program and Consumer Education Program Costs.

This element of the USF rider revenue requirement reflects the cost of the low-income customer energy efficiency programs and the consumer education program, referred to collectively by ODOD as the "Electric Partnership Program" ("EPP"), and their

⁶ As previously explained, because actual data is not yet available for October 2011, October 2010 is used as a surrogate for this month of the test year.

associated administrative costs, which are recovered through the USF riders pursuant to Section 4928.52(A)(2) and (3), Revised Code. ODOD's proposed \$14,946,196 allowance for these items is identical to the allowance accepted by the Commission in all previous USF riders rate adjustment proceedings, and is supported by the analysis submitted by ODOD as Exhibit A to the NOI. Consistent with the *NOI Order*, this component of the USF rider revenue requirement is allocated to the EDUs based on the ratio of their respective costs of PIPP to the total cost of PIPP. The results of the allocation are shown in attached Exhibit B.

c. Administrative Costs. This USF rider revenue requirement element represents an allowance for the costs ODOD incurs in connection with its administration of the PIPP program and is included as a revenue requirement component pursuant to Section 4928.52(A)(3), Revised Code. As explained in the testimony of ODOD witness Nick Sunday filed with the application, the proposed allowance for administrative costs of \$4,340,247 has been determined in accordance with the standard approved by the Commission in the *NOI Order*. The requested allowance for administrative costs has been allocated to the EDUs based on the number of PIPP customer accounts as of May 2011, the test-period month exhibiting the highest PIPP customer account totals. The results of the allocation are shown in attached Exhibit C.

d. December 31, 2011 PIPP Account Balances. Because the USF rider is based on historical sales and historical PIPP enrollment patterns, the cost of PIPP component of an EDU's USF rider will, in actual practice, either over-recover or under-recover its associated annual revenue requirement over the collection period. Over-

recovery creates a positive PIPP USF account balance for the company in question, thereby reducing the amount needed on a forward-going basis to satisfy the USF rider revenue requirement. Conversely, where under-recovery has created a negative PIPP USF account balance as of the effective date of the new riders, there will be a shortfall in the cash available to ODOD, which will impair its ability to make the PIPP reimbursement payments due the EDUs on a timely basis. Thus, the amount of any existing positive PIPP USF account balance must be deducted in determining the target revenue level the adjusted USF rider is to generate, while the deficit represented by a negative PIPP USF account balance must be added to the associated revenue requirement. In this case, ODOD is requesting that its proposed USF riders be implemented on a bills-rendered basis effective January 1, 2012. Accordingly, the USF rider revenue requirement of each company has been adjusted by the amount of the company's projected December 31, 2011 PIPP account balance so as to synchronize the new riders with the EDU's PIPP USF account balance as of their effective date. This conforms to the methodology approved by the Commission in the *NOI Order*. The adjustment for each EDU is shown in attached Exhibit D.

e. Reserve. PIPP-related cash flows fluctuate significantly throughout the year, due, in large measure, to the weather-sensitive nature of electricity sales and PIPP enrollment patterns. As shown on the test-period graph attached hereto as Exhibit E, these fluctuations will, from time-to-time, result in negative PIPP USF account balances, which means that, in those months, ODOD will have insufficient cash to satisfy its reimbursement obligations to the EDUs on a timely basis. To address this problem,

ODOD has included an allowance to create a cash reserve as an element of the USF rider revenue requirement, with the amount of the allowance determined based on the EDU's highest monthly deficit during the test period. The Commission approved this methodology in its *NOI Order* in this case. The proposed reserve component for each EDU is set forth in attached Exhibit F.

f. Allowance for EDU Audit Costs. As described in the NOI, during 2012, ODOD will engage a qualified auditor to perform an application of agreed-upon procedures to test each EDU's PIPP-related accounting and reporting to assure that the ODOD-EDU interface is functioning in accordance with ODOD's expectations and to the identify any systemic problems that could indicate that the cost of PIPP recovered from ratepayers through the USF riders of the respective EDUs had been overstated. Thus, consistent with the *NOI Order*, an allowance of \$40,000 has been included in the USF revenue requirement of each EDU to cover the cost of these audits.

g. Allowance for Undercollection. This component of the USF rider revenue requirement is an adjustment to recognize that, due to the difference between amounts billed through the USF rider and the amounts actually collected from EDU customers, the rider will not generate the target revenues. In accordance with the methodology approved by the Commission in the *NOI Order*, the allowance for undercollection for each company is based on the collection experience of that company. The allowance for undercollection for each EDU is shown in attached Exhibit G.

9. A summary schedule showing the USF rider component costs by company is attached as Exhibit H. ODOD proposes to recover the annual USF rider revenue requirement for each company through a USF rider which incorporates the same two-step declining block rate design approved by the Commission in all prior USF rider rate adjustment cases and the *NOI Order* in this proceeding. The first block of the rate applies to all monthly consumption up to and including 833,000 Kwh. The second rate block applies to all consumption above 833,000 Kwh per month. For each EDU, the rate per Kwh for the second block is set at the lower of the 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 is set at the level necessary to produce the remainder of the EDU's annual USF rider revenue requirement. Thus, if the EDU's October 1999 PIPP charge exceeds 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, a calculation shown in Exhibit J, the rate for both consumption blocks would be the same. In this case, the October 1999 PIPP charge cap has been triggered for each of the EDUs, so all the new USF rider rates proposed herein have the declining block feature. The following table compares the resulting proposed USF riders for each EDU with the EDU's current USF rider.

Company	Current USF Rider		Proposed USF Rider	
	First 833,000 Kwh	Above 833,000 Kwh	First 833,000 Kwh	Above 833,000 Kwh
CEI	\$0.0022667	\$0.0005680	\$0.0032840	\$ 0.0005680
CSP	\$0.0022828	\$ 0.0001830	\$0.0026726	\$ 0.0001830
DPL	\$0.0031756	\$ 0.0005700	\$0.0047240	\$ 0.0005700
DUKE	\$0.0015022	\$ 0.0004690	\$0.0011437	\$ 0.0004690
OE	\$0.0016964	\$ 0.0010461	\$0.0039112	\$ 0.0010461
OP	\$0.0025750	\$ 0.0001681	\$0.0021124	\$ 0.0001681
TE	\$0.0026327	\$ 0.0005610	\$0.0056955	\$ 0.0005610

10. Consistent with Section 4928.52(B), Revised Code, the proposed USF rider rates set forth above for CEI, CSP, DPL, OE, and TE reflect the minimum increases necessary to produce the additional revenues required to satisfy the respective USF rider revenue responsibility of those companies. The proposed USF rider rates for Duke and OP, which are lower than their current rider rates, also represent the minimum rate necessary to satisfy the respective Duke and OE USF rider revenue responsibilities. If its application is granted, ODOD will consent to the USF rider decreases for Duke and OE as required by Section 4928.52(B), Revised Code.

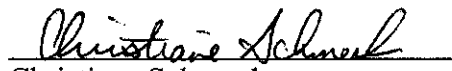
11. In calculating the USF rider revenue requirement, ODOD has relied on certain information reported by the EDUs. Although ODOD believes this information to be reliable, ODOD has not performed an audit to verify the accuracy of this information. If any party questions or wishes to challenge the accuracy of this information, ODOD requests that the Commission require such party to direct its inquiries to the EDU in question, either informally, or through formal discovery.

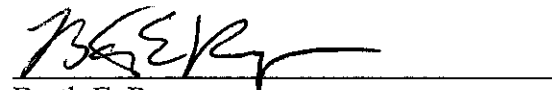
12. The adjustments to the USF riders proposed in this application are based on the most recent information available to ODOD at the time the application was prepared. ODOD reserves the right to amend its application by updating its test-period calculations to incorporate additional actual data as it becomes available.

13. ODOD requests that, as a part of its order in this proceeding, the Commission require that ODOD file its 2012 USF rider rate adjustment application no later than October 31, 2012 and provide that the NOI procedure again be used in connection with the 2012 application.

WHEREFORE, ODOD respectfully requests that the Commission, after providing such notice as it deems reasonable, affording interested parties the opportunity to be heard, and conducting a hearing, if a hearing is deemed to be required, issue an order (1) finding that USF rider rate adjustments proposed in the application represent the minimum adjustments necessary to provide the revenues necessary to satisfy the respective USF rider revenue requirements; (2) granting the application; and (3) directing the EDU's to incorporate the new USF rider rates approved herein in their filed tariffs, to be effective January 1, 2012 on a bills-rendered basis.

Respectfully submitted,


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Test-Period Cost of PIPP

	PIPP Customer Cost		PIPP Installments Billed C	Payments to PIPP Arrears D	Cost of PIPP (A+B)-C-D
	Electical Service A	Pre-PIPP B			
CSP	\$72,456,423	\$10,368,384	\$36,471,682	\$8,383,985	\$37,969,140
OP	\$81,491,679	\$10,121,345	\$44,331,630	\$10,604,820	\$36,676,574
DUKE	\$43,405,283	\$6,794,940	\$19,809,946	\$5,627,930	\$24,762,346
DPL	\$58,869,382	\$5,031,508	\$23,547,850	\$4,867,703	\$35,485,337
CEI	\$60,840,538	\$6,427,882	\$30,688,343	\$2,892,335	\$33,687,742
OE	\$95,104,515	\$7,391,563	\$50,315,878	\$5,109,773	\$47,070,426
TE	\$32,717,148	\$3,219,726	\$15,469,961	\$1,552,449	\$18,914,465
Total:	\$444,884,968	\$49,355,347	\$220,635,291	\$39,038,994	\$234,566,030

Adjusted Test-Period Cost of PIPP

	Test Period Cost of PIPP	2012 EDU Rate Increases	2011 EDU Rate Increases	2010 Adjustments	Adjusted Test-Period Cost of PIPP
CSP	\$37,969,140	\$0	\$0		\$37,969,140
OP	\$36,676,574	\$0	\$0		\$36,676,574
Duke ⁵	\$24,762,346	\$0	\$0	\$1,719,292	\$26,481,638
DPL ¹	\$35,485,337	\$493,553	\$0		\$35,978,890
CEI ²	\$33,687,742	\$1,049,549	(\$352,760)		\$34,384,532
OE ³	\$47,070,426	\$7,443,894	\$2,026,001		\$56,540,321
TE ⁴	\$18,914,465	\$2,929,224	\$777,210		\$22,620,899
	\$234,566,030	\$11,916,221	\$2,450,451	\$1,719,292	\$250,651,993

1- See Exhibit A.1.a.

5- See Exhibit A.1.e.

2- See Exhibit A.1.b.

3- See Exhibit A.1.c.

4- See Exhibit A.1.d.

Dayton Power and Light
2012 Rate Change Adjustment

Cost of Electricity

SEP10	\$4,219,525
OCT10	\$3,157,737
NOV10	\$3,339,763
DEC10	\$4,873,943
JAN11	\$6,672,165
FEB11	\$6,237,545
MAR11	\$5,597,252
APR11	\$4,826,539
MAY11	\$4,170,638
JUN11	\$4,738,329
JUL11	\$5,280,733
AUG11	\$6,163,357
	\$59,277,526

Rate Increase: 0.83%
1/1/2012
\$493,553

CEI

2011 Rate Change Adjustment

Cost of Electricity

SEP10	\$5,146,545.30
OCT10	\$3,827,358.79
NOV10	\$3,531,802.58
DEC10	\$5,132,290.52
	\$17,637,997.19

2011 Rate Adjustment: -2.00%
-\$352,760

CEI

2012 Rate Change Adjustment

Cost of Electricity

SEP10	\$5,146,545.30
OCT10	\$3,827,358.79
NOV10	\$3,531,802.58
DEC10	\$5,132,290.52
JAN11	\$6,659,459.76
FEB11	\$5,972,436.64
MAR11	\$5,279,413.14
APR11	\$4,923,066.88
MAY11	\$4,592,429.17
JUN11	\$4,765,157.12
JUL11	\$5,395,307.93
AUG11	\$6,512,919.24
	\$61,738,187.07

Rate Adjustment: 1.70%
10/1/2011
\$1,049,549

Ohio Edison

2011 Rate Change Adjustment

Cost of Electricity

SEP10	\$7,753,065.65
OCT10	\$5,671,929.22
NOV10	\$5,221,706.98
DEC10	\$7,664,995.17
	\$26,311,697.02

2011 Rate Adjustment: 7.70%
\$2,026,001

Ohio Edison

2012 Rate Change Adjustment

Cost of Electricity

SEP10	\$7,753,065.65
OCT10	\$5,671,929.22
NOV10	\$5,221,706.98
DEC10	\$7,664,995.17
JAN11	\$10,228,327.85
FEB11	\$9,836,936.80
MAR11	\$7,988,417.54
APR11	\$7,975,137.15
MAY11	\$6,969,694.95
JUN11	\$7,777,189.48
JUL11	\$8,941,386.48
AUG11	\$10,645,161.14
	\$96,673,948.41

Rate Adjustment: 7.70%
10/1/2011
\$7,443,894

Toledo Edison

2011 Rate Change Adjustment

Cost of Electricity

SEP10	\$2,637,606.17
OCT10	\$1,894,202.73
NOV10	\$1,790,029.33
DEC10	\$2,715,486.52
	\$9,037,325

2011 Rate Adjustment: 8.60%
\$777,210

Toledo Edison

2012 Rate Change Adjustment

Cost of Electricity

SEP10	\$2,637,606.17
OCT10	\$1,894,202.73
NOV10	\$1,790,029.33
DEC10	\$2,715,486.52
JAN11	\$3,448,125.54
FEB11	\$3,374,103.06
MAR11	\$2,788,251.15
APR11	\$2,559,757.51
MAY11	\$2,405,202.02
JUN11	\$2,602,944.66
JUL11	\$3,153,585.92
AUG11	\$3,917,342.03
	\$33,286,636.64

Rate Adjustment: 8.80%
10/1/2011
\$2,929,224

Exhibit A.1.e.

Duke Energy Ohio
Normalization Adjustment for 2010 Accounting Shift

Month	Total 2010 PIPP Gas/Electric Payments A	2010 Electric Payments B	2009 Electric Payments C	Normalized 2010 Electric Payments (B-C)
Oct 10	\$3,787,695	\$3,430,128	\$1,710,836	\$1,719,292

Cost of PIPP Adjustment for Projected Enrollment Increase

	A	B	C	D	E	F
	Average Test Period Enrollment	Adjusted Test Period Cost of PIPP	Average Test Period Cost of PIPP (B/A)	Projected Annual Enrollment	Projected Additional Cost of PIPP (D-A)*C	Total Adjusted Cost of PIPP (B+E)
CSP	51,301	\$37,969,140	\$740	54,072	\$2,050,553	\$40,019,692
OP	54,468	\$36,676,574	\$673	56,286	\$1,224,399	\$37,900,973
Duke	26,539	\$26,481,638	\$998	27,270	\$729,204	\$27,210,842
DPL	35,262	\$35,978,890	\$1,020	39,299	\$4,118,980	\$40,097,870
CEI	56,196	\$34,384,532	\$612	59,942	\$2,292,328	\$36,676,859
OhEd	82,196	\$56,540,321	\$688	87,787	\$3,845,789	\$60,386,110
ToEd	26,709	\$22,620,899	\$847	29,382	\$2,263,530	\$24,884,428
	332,671	\$250,651,993		354,037	\$16,524,781	\$267,176,775

Projected Average Annual PIPP Enrollment

	CSP	OP	Duke	DPL	CEI	OhEd	ToEd
2007	30,512	32,228	19,658	18,773	40,123	57,177	15,727
2008	34,282	35,224	19,641	22,761	42,483	62,332	18,949
2009	37,846	38,348	21,712	26,561	46,393	68,353	21,290
2010	42,189	42,912	23,047	31,125	52,009	74,927	23,884
2011	51,301	54,468	26,539	35,262	56,196	82,196	26,709
2012	54,072	56,286	27,270	39,299	59,942	87,787	29,382

1- The projected average annual enrollment was derived from the application of the Excel Trend function to the last five years' average annual enrollment for each EDU.

**Allocation of
Electric Partnership Program and Consumer
Education Costs**

	Cost of PIPP Plus	Percent Cost of PIPP¹	Total EPP/CE	Allocated EPP/CE
CSP	\$40,019,692	0.1498	\$14,946,196	\$2,238,751
OP	\$37,900,973	0.1419	\$14,946,196	\$2,120,227
Duke	\$27,210,842	0.1018	\$14,946,196	\$1,522,208
DPL	\$40,097,870	0.1501	\$14,946,196	\$2,243,124
CEI	\$36,676,859	0.1373	\$14,946,196	\$2,051,748
OE	\$60,386,110	0.2260	\$14,946,196	\$3,378,073
TE	\$24,884,428	0.0931	\$14,946,196	\$1,392,065
	\$267,176,775			\$14,946,196

1- Company Cost of PIPP Plus divided by Total Cost of PIPP Plus of 267,176,775

**Allocation of
Administrative Costs¹**

Company	Customers May/2011	ADM Costs per Customer ²	Administrative Costs
CSP	57,438	\$12.05	\$692,272
OP	62,147	\$12.05	\$749,027
DUKE	29,848	\$12.05	\$359,743
DPL	38,846	\$12.05	\$468,192
CEI	58,719	\$12.05	\$707,711
OE	85,181	\$12.05	\$1,026,645
TE	27,920	\$12.05	\$336,506
	360,099		\$4,340,097

1- Data source: USF Monthly Remittance Reports

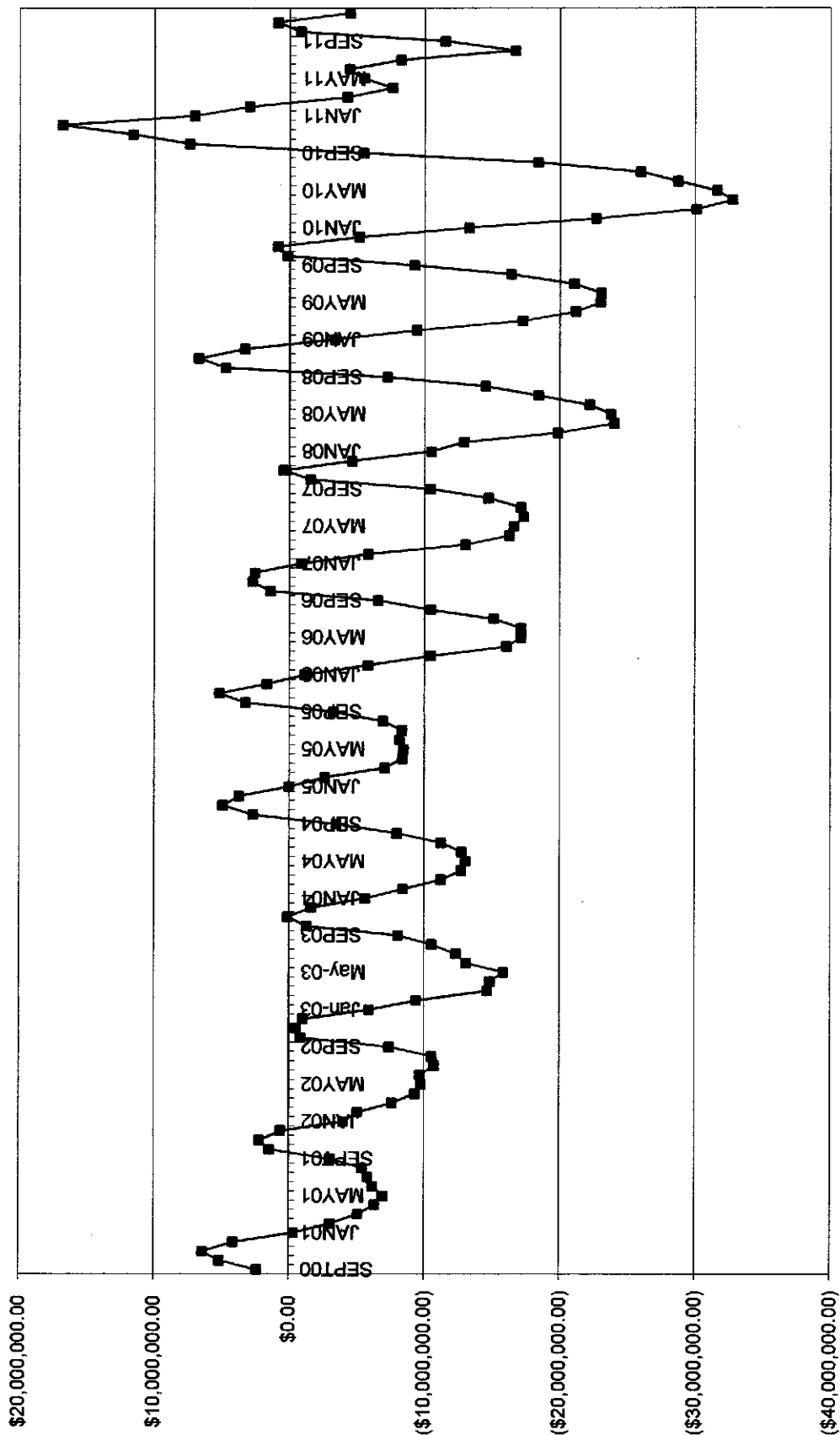
2- Cost per Customer equals total Adm Costs/total Customers.

3- Cost per company equals number of customers times cost per customer.

**Projected
USF Account Balances
December 31, 2011**

Company	Balance 12/31/11
CSP	\$1,994,034
OP	\$5,824,549
Duke	\$8,361,953
DPL	(\$3,691,216)
CEI	(\$5,220,368)
OE	(\$8,352,763)
TE	(\$3,427,530)
Total:	(\$4,511,340)

Projection of Consolidated USF Account Balance



Calculation of Annual Reserve Component

Company	Largest Monthly Cash Deficit	
	Month	Deficit
CSP	SEP10	(\$2,340,568)
OP	SEP10	(\$1,936,774)
DUKE	N/A	\$0
DPL	AUG11	(\$7,951,569)
CEI	MAR11	(\$6,586,057)
OE	AUG11	(\$5,376,513)
TE	AUG11	(\$3,700,024)
Totals:		(\$27,891,505)

1- The Reserve was set at the largest deficit during the test year.

Allowance for Undercollection

Company	Estimated Undercollection
CSP	\$437,750
OP	\$372,954
Duke	\$209,806
DPL	\$2,310,138
CEI	\$518,008
OE	\$793,536
TE	\$341,218
Total:	\$4,983,411

USF Cost Components

	CSP	OP	Duke	DPL
Cost of PIPP	\$40,019,692	\$37,900,973	\$27,210,842	\$40,097,870
EPP/CE	\$2,238,751	\$2,120,227	\$1,522,208	\$2,243,124
Administration	\$692,272	\$749,027	\$359,743	\$468,192
Account Balance 12/31	\$40,000	\$40,000	\$40,000	\$40,000
Reserve	(\$1,994,034)	(\$5,824,549)	(\$8,361,953)	\$3,691,216
Audit	\$2,340,568	\$1,936,774	\$0	\$7,951,569
Adjustment for Undercollection	\$437,750	\$372,954	\$209,806	\$2,310,138
	\$43,774,999	\$37,295,406	\$20,980,647	\$56,802,109

	CEI	OE	TE
Cost of PIPP	\$36,676,859	\$60,386,110	\$24,884,428
EPP/CE	\$2,051,748	\$3,378,073	\$1,392,065
Administration	\$707,711	\$1,026,645	\$336,506
Account Balance 12/31	\$40,000	\$40,000	\$40,000
Reserve	\$5,220,368	\$8,352,763	\$3,427,530
Audit	\$6,586,057	\$5,376,513	\$3,700,024
Adjustment for Undercollection	\$518,008	\$793,536	\$341,218
	\$51,800,751	\$79,353,640	\$34,121,772

Calculation of USF Costs/Kwh

Company	KWH Sales ¹	Required Revenue	Indicated Costs/KWH
CSP	21,347,961,885	\$43,774,999	\$0.0020505
OP	26,940,243,968	\$37,295,406	\$0.0013844
Duke	20,670,496,970	\$20,980,647	\$0.0010150
DPL	14,290,575,984	\$56,802,109	\$0.0039748
CEI	19,055,449,036	\$51,800,751	\$0.0027184
OE	24,672,084,144	\$79,353,640	\$0.0032163
TE	10,458,422,599	\$34,121,772	\$0.0032626
Total:	137,435,234,586	\$324,129,324	

1- KWH Sales were sales reported for the last twelve months (Sep10-Aug11).

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 electronic mail this 31st day of October 2011.


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