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. 22-556-EL-USF

JOINT STIPULATION AND RECOMMENDATION

Pursuant to the stipulation accepted by the Commission in Case No. 21-659-EL-USF, the Ohio Department of Development ("Development") opened this docket on May 27, 2022, by filing its Notice of Intent ("NOI") setting forth the revenue requirement and rate design methodology it proposes to employ in connection with its 2022 Universal Service Fund ("USF") rider rate adjustment application. The purpose of the NOI process is to provide parties an opportunity to raise and pursue objections relating to the proposed methodology in advance of the filing of the application, so as to permit Development to incorporate the Public Utilities Commission of Ohio's ("Commission") disposition of those issues in developing the USF rider rates to be proposed in the application. As required by the stipulation in Case No. 21-659-EL-USF, the application is to be filed no later than October 31, 2022.

Consistent with the process contemplated by the stipulation in Case No. 21-659-EL-USF, the Attorney Examiner's entry in this docket of June 6, 2022, established a procedural schedule for the NOI phase of this proceeding. The procedural schedule included, among other things, the due date for the filing of objections and comments relating to the proposals contained in the NOI, replies thereto, and the timetable for discovery and the filing of testimony with respect to issues raised by the objections or comments in question. The entry also joined the state's jurisdictional electric distribution utilities ("EDUs") as indispensable parties.[1]

Unopposed motions to intervene were filed by the Office of the Ohio Consumers' Counsel ("OCC"), Industrial Energy Users-Ohio ("IEU-Ohio"), and Ohio Energy Group ("OEG"). The FirstEnergy EDUs and OCC filed comments and objections to the NOI on July 6, 2022. All parties were invited to engage in joint settlement discussions held on July 26, 2022, to attempt to resolve the issues raised by the comments and objections. By entry of July 29, 2022, the procedural schedule was extended by a period of one week to afford additional time to negotiate a settlement.

Rule 4901-1-30, Ohio Administrative Code, provides that any two or more parties to a proceeding before the Commission may enter into a written stipulation resolving the issues presented in such proceeding. The purpose of this Joint Stipulation and Recommendation ("Stipulation") is to set forth the agreement of the signatories hereto ("Signatory Parties")[2] as to the appropriate resolution of the issues presented by the NOI and to recommend that the Commission approve and adopt this Stipulation as its decision with respect to those issues.

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

[1] The EDUs are Duke Energy Ohio, Inc. ("Duke"), Dayton Power & Light Company d/b/a AES Ohio ("AES Ohio"), Ohio Power Company ("AEP Ohio"), and The Cleveland Electric Illuminating Company ("CEI"), The Toledo Edison Company ("TE"), and Ohio Edison Company ("OE") (collectively, the "FirstEnergy EDUs").

[2] The Signatory Parties include Development, AEP Ohio, Duke, AES Ohio, IEU-Ohio, and OEG. The Signatory Parties are authorized to represent that Commission Staff and the FirstEnergy EDUs neither support nor oppose the Stipulation.

presented by the NOI, the Signatory Parties stipulate, agree, and recommend that the Commission issue an order approving the USF rider revenue requirement and rate design methodology set forth below.

1. USF RIDER REVENUE REQUIREMENT METHODOLOGY

The USF rider revenue requirement to be recovered by the USF rider rates of the state's EDUs to be effective during the 2023 collection period should include the following elements, each of which shall be determined in the manner set forth below. The methodology for determining nearly all of these elements is consistent with the methodology utilized by Development and authorized by the Commission in prior USF rider rate adjustment proceedings. Development will document its proposed allowance for each of these elements as a part of its application and/or in the written supporting testimony filed in conjunction with the application.

a. Cost of PIPP

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

b. Electric Partnership Program Costs

The EPP cost component of the USF rider revenue requirement shall be determined as proposed by Development at pages 4-5 of the NOI and as supported by Exhibit A thereto. Consistent with its obligation to adjust the allowance for EPP costs of $14,946,196 proposed in the NOI if updated projections suggest that this allowance is no longer appropriate, Development will perform any necessary adjustments, and will document the basis for same in its application and/or supporting testimony to be filed in this case.

c. Administrative Costs

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

d. December 31, 2022 PIPP Account Balances

The projected December 31, 2022 PIPP account balances shall be reflected in the determination of the USF rider revenue requirement as proposed by Development at pages 6-7 of the NOI. Consistent with the discussion of this element in the NOI, the USF riders shall be implemented on a bills-rendered basis effective with the EDUs' January 2023 billing cycles so as to synchronize the new USF riders with the December 31, 2022 PIPP balances as of their effective date.

e. Reserve

The reserve component of the USF revenue requirement shall be determined as proposed by Development at pages 7-9 of the NOI. Development will provide to the parties preliminary data supporting the application by October 1, 2022, or as soon as possible thereafter. The parties may informally provide input to Development staff regarding calculation of the reserve component upon Development's submission of the data and throughout th**is** proceeding. Development will acknowledge receipt of the parties' input.

f. Allowance for Undercollection

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

g. EDU Audit Costs

Consistent with the discussion at page 9 of the NOI, an undetermined but estimated allowance of $99,000 is requested to perform audits and/or analyses of three EDUs in 2023. Development reserves the right to update the estimated cost of the audit and/or analyses.

h. Universal Service Fund Interest Offset

For those reasons set forth at page 10 of the NOI, to the extent interest is available at year end to be used as an offset in determining the USF rider revenue requirement, Development will include an interest offset to the USF revenue requirement in its application in this case.

i. Aggregation of PIPP Plus Customers

The cost of the aggregation process for PIPP Plus customers shall be determined as proposed by Development at page 10-11 of the NOI.

2. USF RIDER RATE DESIGN METHODOLOGY

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

3. COMMISSION APPROVAL

Except for enforcement purposes, this Stipulation shall not be cited as a precedent in any future proceeding for or against any Signatory Party, or the Commission itself, if the Commission approves the Stipulation. This Stipulation represents a compromise involving a balancing of competing positions, and it does not necessarily reflect the position that one or more of the Signatory Parties would have taken if these issues had been fully litigated. The Signatory Parties believe that this Stipulation represents a reasonable compromise of varying interests. This Stipulation is expressly conditioned upon adoption in its entirety by the Commission without material modification. Should the Commission reject or materially modify all or any part of this Stipulation, a Signatory Party shall have the right, within thirty (30) days of the issuance of the Commission's order, to file an application for rehearing. Upon the Commission's issuance of an entry on rehearing that does not adopt the Stipulation in its entirety without material modification, any Signatory Party may terminate and withdraw from the Stipulation by filing a notice with the Commission within thirty (30) days of the Commission's entry on rehearing. Prior to any Signatory Party seeking rehearing or terminating and withdrawing from this Stipulation pursuant to this provision, the Signatory Parties agree to convene immediately to work in good faith to achieve an outcome that substantially satisfies the intent of the Commission or proposes a reasonable equivalent thereto to be submitted to the Commission for its consideration. Upon notice of termination or withdrawal by any Signatory Party, pursuant to the above provisions, the Stipulation shall immediately become null and void. In such event, a hearing shall go forward and the Signatory Parties will be afforded the opportunity to present evidence through witnesses, to cross examine all witnesses, to present rebuttal testimony, and to brief all issues which shall be decided based upon the record and briefs as if this Stipulation had never been executed.

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

Respectfully submitted,

Ohio Department of Development

By: *\/s/ Dane Stinson*

AES Ohio

By: *\/s/ Christopher C. Hollon*
(by DS, per email authorization)

Industrial Energy Users – Ohio

By: *\/s/ Bryce A. McKenney*
(by DS, per email authorization)

Ohio Power Company

By: *\/s/ Michael J. Schuler*
(by DS, per email authorization)

Ohio Energy Group

By: *\/s/ Jody Kyler Cohn*
(by DS, per email authorization)

Duke Energy Ohio, Inc.

By: *\/s/ Elyse H. Akhbari*
(by DS, per email authorization)

CERTIFICATE OF SERVICE

I hereby certify that a true copy of the foregoing *Stipulation and Recommendation was* served upon the following parties by first class mail, postage prepaid, and/or electronic mail this 5th day of August 2022.

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