

FILE

RECEIVED - COMPTROLLER

01 NOV 20 20 12

PUCO

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 : Case No. 01-2411-EL-UNC
Service Fund Riders of Jurisdictional Ohio :
Electric Distribution Utilities. :

AMENDED APPLICATION
OF
THE OHIO DEPARTMENT OF DEVELOPMENT

By its application in this docket of September 14, 2001, the Ohio Department of Development ("ODOD"), pursuant to Section 4928.52(B), Revised Code, petitioned the Commission for an order approving adjustments to the Universal Service Fund ("USF") riders of all jurisdictional Ohio electric distribution utilities ("EDUs"). Pursuant to Rule 4901-1-16, Ohio Administrative Code, ODOD hereby moves to amend its application as set forth below. As more fully described in the supplemental testimony of ODOD witness Donald A. Skaggs submitted herewith, this amended application reflects updated information which was not available to ODOD at the time the original application was prepared and also reflects revisions resulting from corrections to information previously provided to ODOD by certain EDUs. In support of its amended application, ODOD states as follows:

1. On August 17, 2000, this Commission issued an entry in the electric transition plan proceedings of Ohio's jurisdictional electric utilities approving the USF riders proposed therein by

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
Technician 3 Date Processed 11/29/01

ODOD pursuant to Section 4928.52(A), Revised Code.¹ Under the legislative scheme embodied in Amended Substitute Senate Bill 3, these USF riders replaced the existing percentage of income payment plan ("PIPP") riders of each jurisdictional electric utility and, consistent with the legislation, were calculated so as to generate the same level of revenue as the PIPP rider they replaced [see Section 4928.52(A)(1), Revised Code], 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 [see Section 4928.52(A)(2), Revised Code], plus the additional 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 [see Section 4928.52(A)(3), Revised Code]. The USF riders, which are applied on a per/Kwh basis, became effective September 1, 2000, except for the DP&L rider which, pursuant to Commission order, became effective January 1, 2001.

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 fund. ODOD then makes disbursements from the USF fund to fund the low-income customer assistance programs

¹ The electric transition plan proceedings were initiated by applications filed by jurisdictional electric utilities pursuant to Amended Substitute Senate Bill 3, the legislation which restructured Ohio's electric industry. Specifically, the proceedings were Case Nos. 99-1212-EL-ETP, *et al.*, filed by FirstEnergy Corp. on behalf of its Ohio operating subsidiaries, Ohio Edison Company ("OE"), The Cleveland Electric Illuminating Company ("CEI"), and The Toledo Edison Company ("TE"); Case Nos. 99-1658-EL-ETP, *et al.*, filed by The Cincinnati Gas & Electric Company ("CG&E"); Case Nos. 99-1687-EL-ETP, *et al.*, filed by The Dayton Power and Light Company ("DP&L"); Case Nos. 99-1729-EL-ETP and 99-1730-EL-ETP filed, respectively, by AEP subsidiaries Columbus Southern Power Company ("CSP") and Ohio Power Company ("OP"); and Case No. 00-02-EL-ETP filed by Monongahela Power Company ("MonP").

(including PIPP and the low-income customer energy efficiency programs), the consumer education program, and payment of 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 Universal Service Fund, together with revenues from federal and other sources of funding, including the general revenue fund appropriations for the Ohio Energy Credit Program, 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 approval of an increase in the USF rider. 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. Based on its analysis of the revenue the current USF riders would generate based on expected sales, its projection of monthly USF fund balances which the current USF riders are projected to produce, and various other factors discussed below, ODOD has determined that, on an aggregated basis, the total annual revenues which will be generated by the current USF riders will fall short, by some \$13,744,677 of the annual revenues required to fulfill the objectives identified in Section 4928.52(A), Revised Code. However, while the current USF riders of CG&E, CSP, DP&L, MonP, OE, OP, and TE are projected to under-recover their respective USF revenue requirements, the CEI rider is projected to over-recover its USF revenue

responsibility. Accordingly, ODOD, having consulted with the PBAB, proposes that the USF riders be adjusted as set forth in the following table.

Company	Current USF Rider	Current Revenue	Required Revenue	Proposed USF Rider
CEI	\$ 0.0004601	\$ 8,979,020	\$ 8,493,008	\$ 0.0004287
CG&E	\$ 0.0002442	4,945,373	8,039,648	\$ 0.0003903
CSP	\$ 0.0006240	10,693,873	10,822,883	\$ 0.0006297
DP&L	\$ 0.0005835	8,176,177	11,428,351	\$ 0.0007830
MonP	\$ 0.0000490	80,626	208,005	\$ 0.0001264
OE	\$ 0.0007249	17,636,906	18,688,487	\$ 0.0007603
OP	\$ 0.0002998	7,298,078	12,180,816	\$ 0.0004985
TE	\$ 0.0004086	4,110,705	5,804,238	\$ 0.0005657
TOTALS		\$ 61,920,759	\$ 75,665,436	

5. Consistent with Section 4928.52(B), Revised Code, the proposed USF riders for CG&E, CSP, DP&L, MonP, OE, OP, and TE set forth above reflect the minimum increases necessary to produce the additional revenues required. The proposed USF rider for CEI has also been set at the minimum level necessary to satisfy that company's USF revenue responsibility. If its application is granted, ODOD will, of course, consent to and approve the USF rider decrease for CEI as required by Section 4928.52(B), Revised Code.

6. As described in further detail in the written testimony of ODOD witness Donald A. Skaggs filed with the original application in this matter and the supplemental testimony of Mr. Skaggs filed with this amended application, the revenue requirement which the proposed USF riders are designed to generate consists of the following elements:

a. Cost of PIPP. The cost of PIPP component of the USF rider revenue requirement is based on the total cost of electricity consumed by the company's PIPP customers for the twelve-month period October 2000 through September 2001 (the "test period"), plus pre-PIPP balances, less all payments made by or on behalf of PIPP customers, including agency payments, over the same period. The calculation utilizes actual data for each month of the test period. A schedule showing the cost of PIPP calculation for each company is attached hereto as Exhibit A.

b. Targeted Energy Efficiency and Consumer Education Program Costs. The portion of the total USF rider revenue requirement associated with the cost of the low-income customer energy efficiency programs ("Targeted Energy Efficiency Programs" or "TEE") and the consumer education program ("CE") included in the USF rider calculation pursuant to Section 4928.56(A)(2) and (3), Revised Code, or \$14,946,196, is identical to the cost for these programs previously accepted by the Commission in approving the current USF riders. Of the total, \$7,050,000 represents the cost of the TEE programs, \$6,000,000 represents the cost of the CE program; and the remainder, or \$1,896,196, represents the estimate of the Office of Energy Efficiency administrative costs, including the cost of contractual services, which are associated with these programs. This portion of the USF rider revenue requirement is allocated to the companies based on the ratio of their respective cost of PIPP to the total cost of PIPP. The results of the allocation are shown on Exhibit B.

c. Administrative Costs. The amount for administrative costs associated with low-income customer assistance programs included in the USF rider revenue requirement

pursuant to Section 4928.52(A)(3), Revised Code, is based on the \$1,932,561 estimate for such costs accepted by the Commission in approving the current rider, plus an additional \$210,000, which ODOD estimates to be the cost of administering the Ohio Energy Credit Program as a part of ODOD's HEAP activities. This additional \$210,000 for Ohio Energy Credit Program administration has been included as a result of the loss of general fund dollars previously earmarked for this activity. The resulting total annual administrative cost of \$2,142,561 has been allocated to the companies based on the number of PIPP customer accounts as of March 2000, the month exhibiting the highest PIPP customer account totals. The results of the allocation are shown on Exhibit C.

d. November 30, 2001 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 practice, either over-recover or under-recover its associated revenue requirement. 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, there is a shortfall in the cash available to ODOD to make the PIPP reimbursement payment due the EDU. Thus, the amount of any existing positive PIPP USF account balance should be deducted in determining the annual target revenue level the adjusted USF rider is to generate, while the deficit represented by a negative PIPP USF account balance should be added to the associated annual revenue requirement. In this instance, ODOD is requesting that its proposed USF riders be implemented effective December 1, 2001. Accordingly, the USF

rider revenue requirement of each company has been adjusted by the amount of the company's projected November 30, 2001 PIPP account balance so as to synchronize the new riders with the EDU's PIPP USF account balance as of their effective date. The adjustment for each company is shown in Exhibit D. As indicated in this exhibit the combined net November 30, 2001 PIPP account balance is projected to be (\$1,505,514).

e. Reserve. ODOD has entered into agreements of understanding with each of the EDUs pursuant to Rule 122:12-2-01(A), Ohio Administrative Code. These agreements provide, *inter alia*, that, effective December 31, 2001, ODOD will be assessed a carrying charge on all monthly payments reimbursing the EDU for the cost of electricity delivered to PIPP customers which are not received by the EDU by the specified due date. Due, in large measure, to the weather-sensitive nature of electricity sales and variations in PIPP enrollment behavior, PIPP-related cash flows fluctuate throughout the year. 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, in turn, means that ODOD will be unable to satisfy its monthly payment obligation to the EDU on a timely basis and will, therefore, incur carrying charges. To address this situation, ODOD proposes to include a component in the USF rider to establish a reserve which will serve as a cushion in those months where there is a deficiency in a given company's PIPP account balance. This reserve component has been calculated by taking two-thirds of the combined three highest monthly deficits and dividing by three, which has the effect of building the reserve over a three-year period. The calculation for each company is shown in Exhibit F. As indicated in this exhibit, the total annual allowance requested to establish the reserve is \$2,490,701.

f. Allowance for Interest. Because the reserve component described above will not be fully funded for three years, and because, based on the test-year experience, the use of only two-thirds of the total deficit for the three months of the greatest shortfall represents a conservative approach, ODOD will continue to incur carrying charges for late PIPP reimbursement payments to the EDUs, notwithstanding the creation of the reserve. Thus, ODOD has included an allowance for these interest costs as a component of the USF rider revenue requirement. This allowance was calculated based on a cash-flow analysis which projected the daily PIPP USF account balances which the proposed USF rider would produce. ODOD then determined the number of late payment days these balances would represent and applied the daily interest charge specified in the agreements of understanding to determine the interest costs ODOD will incur. The proposed interest allowance to be built into the USF rider of each company is shown in Exhibit G. As indicated in this exhibit, the total requested annual allowance for interest is \$593,782.

g. Allowance for Undercollection. The final 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 amounts actually collected, the rider will not generate the revenue target. The allowance for undercollection for each company is based on the collection experience of each company. The allowance for undercollection for each company is shown in Exhibit H. As indicated in this exhibit, the total requested annual allowance for undercollection is \$1,082,354.

7. A summary schedule showing the USF rider component costs by company is attached as Exhibit I. These revenue requirements were translated into the proposed USF riders

for each company by dividing the amounts by the annual Kwh sales for the test period as shown in Exhibit J.

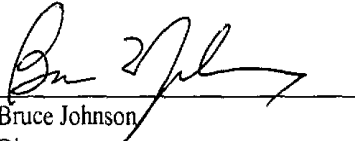
8. In calculating the USF rider revenue requirement, ODOD relied on the information reported by the EDUs. Although ODOD believes this information to be reliable, ODOD has not performed an audit to verify the accuracy of this information. Accordingly, ODOD has requested each EDU to file written testimony of an appropriate company representative attesting to the validity of the information supplied to ODOD and describing, where applicable, the basis for any significant differences between the information upon which its current USF rider was calculated and the information utilized by ODOD in developing the adjusted USF rider proposed in this proceeding. It is ODOD's understanding the each EDU will file such testimony in this docket.

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

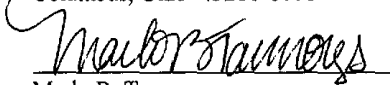
WHEREFORE, ODOD respectfully requests that the Commission, after providing such notice as it deems reasonable, affording interested parties the opportunity to heard, and conducting a hearing, if a hearing is deemed to be required, issue an order (1) finding that USF rider adjustments proposed in this amended application represent the minimum adjustments necessary to provide the revenues necessary to satisfy the USF rider revenue requirement; (2) granting the granting the amended application; and (3) directing the EDU's to incorporate the new

USF rider approved therein in their filed tariffs, to be effective December 1, 2001 on a bills rendered basis.

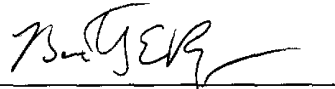
Respectfully submitted,



Bruce Johnson
Director
Ohio Department of Development
77 South High Street
P.O. Box. 1001
Columbus, Ohio 43216-1001



Marlo B. Tannous
Chief Legal Counsel
Ohio Department of Development
77 South High Street
P.O. Box 1001
Columbus, Ohio 43216-1001
(614) 644-9402
(614) 728-4920 (Fax)



Barth E. Royer
Bell, Royer & Sanders Co., LPA
33 South Grant Avenue
Columbus, Ohio 43215-3900
(614) 228-0704
(614) 228-0201 (Fax)

Attorney for
The Ohio Department of Development

CERTIFICATE OF SERVICE

I hereby certify that a true copy of the foregoing application has been served upon the following parties by first class mail, postage prepaid, this 29th day of November 2001.



Barth E. Royer

Marvin I. Resnik
AEP Service Corporation
1 Riverside Plaza
Columbus, Ohio 43215

Athan A. Vinolus
Associate Counsel
The Dayton Power & Light Company
MacGregor Park
1065 Woodman Avenue
Dayton, Ohio 45432

Paul Colbert
Cinergy Corp.
155 East Broad Street
Columbus, Ohio 43215

Gary A. Jack
Monongahela Power Company
d/b/a Allegheny Power
1310 Fairmont Avenue
Fairmont, West Virginia 26554

James W. Burk
FirstEnergy Corp.
76 South Main Street
Akron, Ohio 44308

Robert Tongren
Colleen L. Money
Ann M. Hotz
Ohio Consumers' Counsel
10 West Broad Street
Suite 1800
Columbus, Ohio 43215-3485

Samuel C. Randazzo
Gretchen J. Hummel
Kimberly Wile Mojko
McNees, Wallace & Nurick
Fifth Third Center
Suite 910
21 East State Street
Columbus, Ohio 43215

Sally W. Bloomfield
Elizabeth H. Watts
Amy Straker Bartemes
Bricker & Eckler LLP
100 South Third Street
Columbus, Ohio 43215

David C. Rinebolt, Esq.
Ohio Partners for Affordable Energy
PO Box 1793
Findlay, Ohio 45839-1793

EDU Cost of PIPP
Oct00-Sept01

	Reimbursement		Customer and	Cost of
	Electrical Service	Pre-PIPP	Agency Payments	PIPP
CEI	\$20,011,750	\$1,593,750	\$14,698,635	\$6,906,866
CGE	\$9,330,250	\$2,871,445	\$7,241,259	\$4,960,436
CSP	\$21,276,090	\$2,164,839	\$15,084,525	\$8,356,405
DPL	\$14,168,831	\$3,299,827	\$10,134,272	\$7,334,387
MonP	\$285,152	\$70,253	\$245,773	\$109,632
OE	\$38,812,378	\$2,940,733	\$27,638,164	\$14,114,947
OP	\$24,222,979	\$1,778,901	\$18,716,945	\$7,284,935
TE	\$9,770,550	\$930,498	\$6,864,326	\$3,836,722
Total:	\$137,877,981	\$15,650,247	\$100,623,899	\$52,904,329

Exhibit B

**Allocation of
Targeted Energy Efficiency and Consumer
Education Costs**

	Cost of PIPP	Percent Cost of PIPP¹	Total TEE/CE	Allocated TEE/CE
CEI	\$6,906,866	0.1306	\$14,946,196	\$1,951,284
CGE	\$4,960,436	0.0938	\$14,946,196	\$1,401,391
CSP	\$8,356,405	0.1580	\$14,946,196	\$2,360,799
DPL	\$7,334,387	0.1386	\$14,946,196	\$2,072,064
MonP	\$109,632	0.0021	\$14,946,196	\$30,973
OE	\$14,114,947	0.2668	\$14,946,196	\$3,987,665
OP	\$7,284,935	0.1377	\$14,946,196	\$2,058,094
TE	\$3,836,722	0.0725	\$14,946,196	\$1,083,926
	\$52,904,329			\$14,946,196

1- Company Cost of PIPP divided by Total Cost of PIPP of \$52,904,329.

Exhibit C

**Allocation of
Administrative Costs**

Company	Customers 3/1/2000 ¹	ADM\$\$ per Customer ²	Administrative Costs ³
CEI	25,507	\$15.42	\$393,286
CGE	9,836	\$15.42	\$151,659
CSP	19,100	\$15.42	\$294,498
DPL	12,693	\$15.42	\$195,710
MonP	332	\$15.42	\$5,119
OE	40,566	\$15.42	\$625,478
OP	21,343	\$15.42	\$329,083
TE	9,581	\$15.42	\$147,727
	138,958		\$1,932,561
		OEC Adm	<u>\$210,000</u>
			\$2,142,561

1- Date source: Ohio Statistics for Customer Accounts Receivable (OSCAR)

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

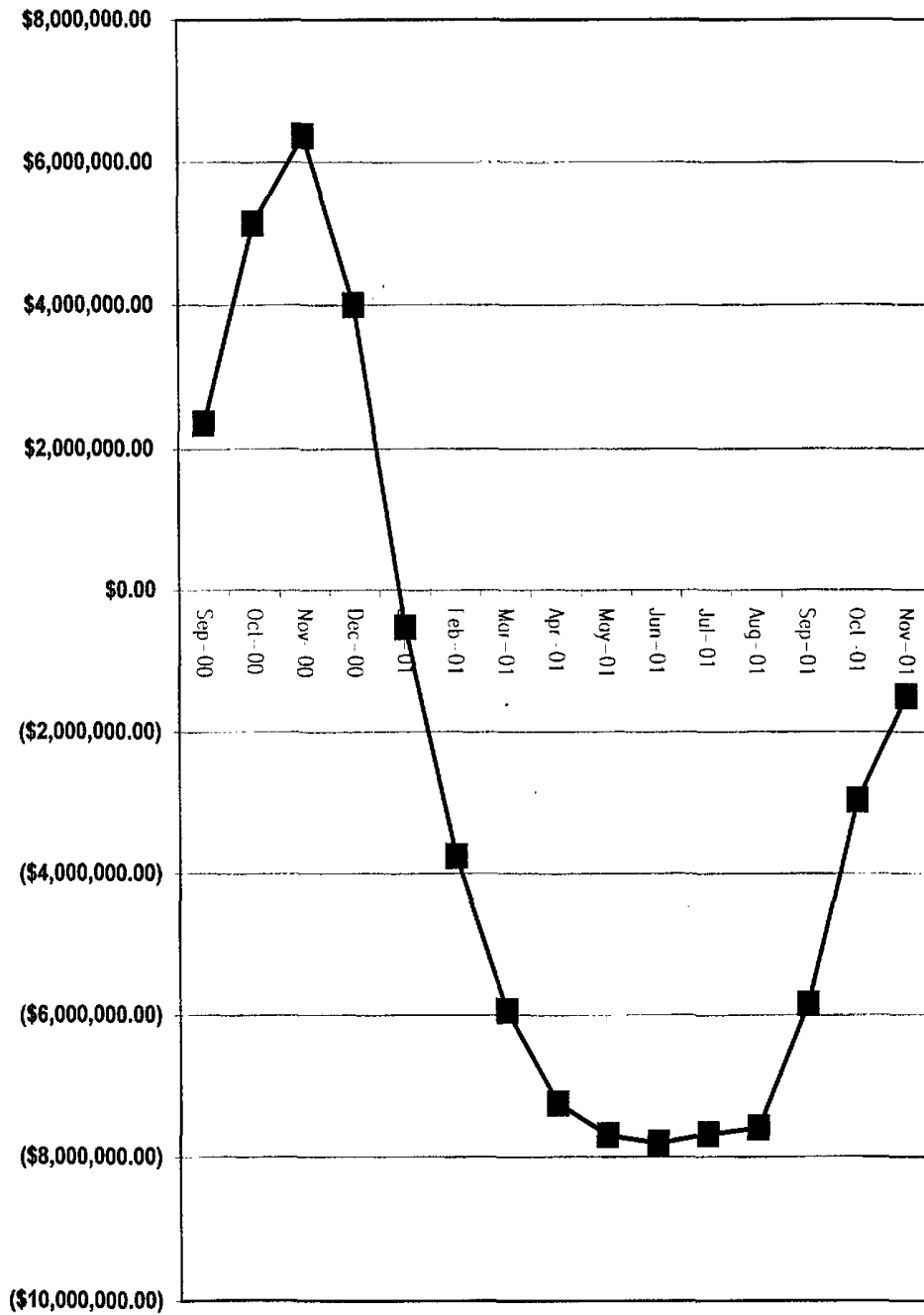
3- Cost per company equals number of customers times cost per customer.

**Projected
USF Account Balances
November 30, 2001**

Company	Account Balances
CEI	\$1,104,935
CGE	(\$1,072,890)
CSP	\$559,445
DPL	(\$928,117)
MonP	(\$48,831)
OE	\$981,697
OP	(\$1,708,107)
TE	(\$393,645)
Total:	(\$1,505,514)

Exhibit E

PROJECTED CONSOLIDATED
USF ACCOUNT BALANCE



Calculation of Annual Reserve

Company	Total Three-Months Largest Shortfall	Calculated Two-Months Largest Shortfall ¹	Annual Reserve ²
CEI	\$915,990	\$610,691	\$203,543
CGE	\$1,121,057	\$747,409	\$249,111
CSP	\$1,309,823	\$873,259	\$291,057
DPL	\$1,498,847	\$999,281	\$333,060
MonP	\$46,076	\$30,719	\$10,239
OE	\$2,880,821	\$1,920,643	\$640,150
OP	\$2,616,405	\$1,744,357	\$581,394
TE	\$819,694	\$546,490	\$182,145
Totals:	\$11,208,713	\$7,472,849	\$2,490,701

1- Based on Two-Thirds of the Three-Month Reserve Amount

2- Based on One-Third of the Two-Month Reserve Amount

Projected Interest Requirements

Company	Interest Payments
CEI	\$24,343
CGE	\$69,549
CSP	\$49,121
DPL	\$107,729
MonP	\$3,092
OE	\$115,058
OP	\$172,262
TE	\$52,628
Total:	\$593,782

Allowance for Undercollection

Company	Estimated Undercollection
CEI	\$118,621
CGE	\$134,612
CSP	\$30,448
DPL	\$457,283
MonP	\$119
OE	\$186,885
OP	\$46,941
TE	\$107,445
Total:	\$1,082,354

Exhibit I

**USF Component Costs
by EDU**

	CEI	CGE	CSP	MonP
Cost of PIPP	\$6,906,866	\$4,960,436	\$8,356,405	\$109,632
TEE/CE	\$1,951,284	\$1,401,391	\$2,360,799	\$30,973
Administration	\$393,286	\$151,659	\$294,498	\$5,119
Account Balance 11/30	(\$1,104,935)	\$1,072,890	(\$559,445)	\$48,831
Reserve	\$203,543	\$249,111	\$291,057	\$10,239
Interest	\$24,343	\$69,549	\$49,121	\$3,092
Adjustment for Undercollection	\$118,621	\$134,612	\$30,448	\$119
	\$8,493,008	\$8,039,648	\$10,822,883	\$208,005

	DPL	OE	OP	TE
Cost of PIPP	\$7,334,387	\$14,114,947	\$7,284,935	\$3,836,722
TEE/CE	\$2,072,064	\$3,987,665	\$2,058,094	\$1,083,926
Administration	\$195,710	\$625,478	\$329,083	\$147,727
Account Balance 11/30	\$928,117	(\$981,697)	\$1,708,107	\$393,645
Reserve	\$333,060	\$640,150	\$581,394	\$182,145
Interest	\$107,729	\$115,058	\$172,262	\$52,628
Adjustment for Undercollection	\$457,283	\$186,885	\$46,941	\$107,445
	\$11,428,351	\$18,688,487	\$12,180,816	\$5,804,238

Calculation of USF Riders

Company	KWH Sales ¹	Required Revenue	Proposed USF Rider ²
CEI	19,813,328,874	\$8,493,008	\$0.0004287
CGE	20,600,260,211	\$8,039,648	\$0.0003903
CSP	17,187,484,942	\$10,822,883	\$0.0006297
DPL	14,596,146,355	\$11,428,351	\$0.0007830
MonP	1,645,431,337	\$208,005	\$0.0001264
OE	24,579,057,037	\$18,688,487	\$0.0007603
OP	24,434,482,893	\$12,180,816	\$0.0004985
TE	10,260,436,306	\$5,804,238	\$0.0005657
Total:	133,116,627,955	\$75,665,436	

1- Sales were sales reported for the test period Oct/2000 through Sept/2001.

2- New USF Rider is based on Required Revenue/KWH Sales.