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BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

PUCO

In the Matter of the Application of the Ohio :
Department of Development for an Order :
Approving Adjustments to the Universal : Case No. 05-717-EL-UNC
Service Fund Riders of Jurisdictional Ohio :
Electric Distribution Utilities. :

STIPULATION AND RECOMMENDATION

By its December 14, 2005 opinion and order in this docket, the Commission, pursuant to Section 4928.52(B) Revised Code, granted the amended application of the Ohio Department of Development ("ODOD") for an order approving adjustments to the Universal Service Fund ("USF") riders of all jurisdictional Ohio electric distribution utilities ("EDUs"). In accordance with the Commission's order, the new USF riders became effective on a bills-rendered basis with the EDU's January 2006 billing cycles. As a part of its order, the Commission also granted the motion filed herein by ODOD on December 8, 2005, whereby ODOD requested that the Commission allow this docket to remain open to permit ODOD to propose additional adjustments to the EDU's USF rider rates to reflect the impact of increases in EDU rates during the 2006 collection period on the USF rider revenue requirements. On May 12, 2006, ODOD filed a supplemental application requesting approval of such additional adjustments and the additional supplemental testimony of ODOD witness Donald A. Skaggs in support of the supplemental application.

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Pursuant to Rule 4901-1-30, Ohio Administrative Code, the undersigned parties (the “Signatory Parties”), which include all remaining parties to the case with the exception of the Office of the Ohio Consumers’ Counsel (“OCC”),¹ hereby stipulate, agree, and recommend that the supplemental application filed herein by ODOD on May 12, 2006 for an order approving adjustments to the Universal Service Fund (“USF”) riders of the jurisdictional Ohio electric distribution utilities (“EDUs”) be granted by the Commission in accordance with and subject to the following terms and conditions:

1. As explained in the supplemental application and the additional supplemental testimony of ODOD witness Donald A. Skaggs filed therewith, ODOD has determined the incremental increases to the respective annual EDU USF rider revenue requirements previously approved by the Commission in this case that are necessary to reflect the impact of the 2006 EDU rate increases to date. The Commission staff has reviewed the percentage increases in the cost of electricity delivered to PIPP customers identified by the various EDUs in the affidavits contained in Appendix 1 to the supplemental application, and has verified the percentage increases of all the EDU’s with the exception of The Dayton Power & Light Company (“DP&L”), whose affidavit assumed that the storm recovery rider proposed in Case No. 05-1090-EL-ATA would be in place prior to Commission action on the supplemental application. Because that case is still pending before the Commission, the Signatory Parties agree that the potential increase in the cost of electricity delivered to PIPP customers associated with this rider should

¹ Monongahela Power Company (“MonP”) was originally a party to this proceeding. However, with the Commission’s approval of the transfer of MonP’s Ohio service territory to Columbus Southern Power Company in Case No. 05-765-EL-UNC, MonP no longer has an interest in the subject matter of this case. Rule 4901-1-30, Ohio Administrative Code, provides that the Commission staff is considered to be a “party” for purposes of entering into stipulations. As explained *infra* (see fn. 2 at page 6), OCC has advised the Signatory Parties that, although it will not join in the stipulation, it will not contest adoption of the stipulation by the Commission.

not be considered at this time and that the increase of 7.70% originally proposed for DP&L should be reduced to 7.12% as shown in Attachment A hereto. The Commission staff has also reviewed and verified the reasonableness and accuracy of the adjustments to the previously approved test-period analyses proposed by ODOD in the supplemental application to reflect the impact of these known, measurable, and unavoidable cost changes. The Signatory Parties agree that the following increases in the previously approved USF rider revenue requirements as proposed in the supplemental application (*see* Supplemental Application, Exhibit B), as modified by Attachment A, are reasonable and should be approved by the Commission as the additional revenue targets the USF rider rates must be designed to generate during the remainder of the 2006 collection period as a result of the 2006 EDU rate increases to date.

The Cleveland Electric Illuminating Company ("CEI")	\$ 743,120
The Cincinnati Gas & Electric Company ("CG&E")	4,389,416
Columbus Southern Power Company ("CSP")	3,109,728
The Dayton Power & Light Company ("DP&L")	1,164,977
Ohio Edison Company ("OE")	1,523,755
Ohio Power Company ("OP")	3,157,086
The Toledo Edison Company ("TE")	413,241

2. As explained in the supplemental application and the supporting additional supplemental testimony of ODOD witness Donald A. Skaggs, the new USF rider rates proposed in the supplemental application to recover the revised USF rider revenue requirements are consistent with the two-tier USF rider rate design previously approved by the Commission in this case. Subsequent to the filing of the supplemental application, ODOD identified an error in the calculation of the new CSP USF rider rate. The corrected calculation is attached hereto as Attachment B. The Commission staff has verified the accuracy of the calculations supporting the new USF rider rates proposed by ODOD in the supplemental application, as modified by the recalculation of the DP&L rider rate set forth in Attachment A, and subject to the correction of

the CSP USF rider rate as shown in Attachment B. Accordingly, the Signatory Parties agree that these proposed USF rider rates, which are set forth below, are reasonably calculated to recover their associated revised revenue requirements and should be approved by the Commission.

	<u>First 833,000 Kwh</u>	<u>Above 833,000 Kwh</u>
CEI	\$ 0.0008407 / Kwh	\$ 0.0005680 / Kwh
CG&E	0.0008982 / Kwh	0.0004690 / Kwh
CSP	0.0010459 / Kwh	0.0001830 / Kwh
DP&L	0.0009528 / Kwh	0.0005700 / Kwh
OE	0.0012214 / Kwh	0.0010461 / Kwh
OP	0.0008635 / Kwh	0.0001681 / Kwh
TE	0.0010652 / Kwh	0.0005610 / Kwh

3. Because there are no issues in dispute, the Signatory Parties stipulate and agree that no hearing is required upon the supplemental application and that the supplemental application, the additional supplemental testimony of ODOT witness Donald A. Skaggs filed therewith, and this stipulation should be made part of the record in this case.

4. The Signatory Parties stipulate, agree, and recommend that the Commission should, forthwith, issue an order:

- a. Finding that this matter is properly before the Commission pursuant to Section 4928.52(B), Revised Code;
- b. Finding that the increases in USF rider revenue requirements set forth in Paragraph 1 reasonably reflect the impact of the 2006 EDU rate increases to date;
- c. Finding that the adjustments to the current EDU USF riders proposed in the supplemental application, as modified by Attachments A and B to this stipulation,

represent the minimum adjustments necessary to generate the proforma revenues sufficient to recover the revised USF rider revenue requirements over the remaining months of the 2006 collection period;

d. Approving the new USF rider rates set forth in Paragraph 2;

e. Directing the EDUs to cancel and withdraw their current USF riders and to replace their current USF riders with USF riders containing the rates provided in paragraph 2 above, such riders to be filed immediately upon completion of the necessary billing system changes;

f. Finding that the new USF riders filed pursuant to Paragraph 4.e shall be effective upon filing with the Commission and shall apply on a bills-rendered basis; and

g. Directing the EDUs to notify their customers of the adjustments to the respective USF riders by means of the customer notice attached hereto as Attachment C.

5. Although the Signatory Parties recognize that this 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 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. In this connection, the Signatory Parties agree that, in stipulating to the rate design to be employed to recover the increased USF rider revenue requirement resulting from the 2006 EDU increases,

no Signatory Party waives its right to contest the continued use of this rate design in any future Section 4928.52(B), Revised Code, proceeding.²

6. If the Commission rejects or modifies all or any part of this stipulation or imposes additional conditions or requirements upon the Signatory 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.

WHEREFORE, the Signatory Parties respectfully request that the Commission issue an order adopting this stipulation and directing each EDU to file new USF riders, said riders to be effective as provided herein..


² By letter filed in this docket on December 7, 2005, OCC indicated that, although it would not contest the stipulation and recommendation submitted at the November 28, 2005 hearing in this case, it had not joined in that stipulation because, inter alia, it did not agree that the rate design methodology proposed therein complied with the Section 4298.52(C), Revised Code. OCC has advised the Signatory Parties that, because this stipulation, if adopted by the Commission, would continue the current USF rider rate design, it will not join in the stipulation. However, as indicated above, OCC has also advised the Signatory Parties that it will not contest adoption of the stipulation by the Commission.

Respectfully submitted,

Ohio Department of Development

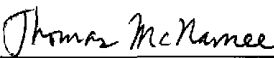
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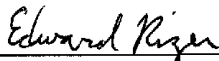
The Cincinnati Gas & Electric Company,
d/b/a Duke Energy Ohio

By: 
BY BER PER TELEPHONE AUTHORIZATION

Staff of the Public Utilities Commission of
Ohio

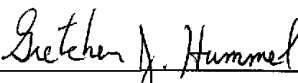
The Dayton Power and Light Company


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By: 
BY BER PER EMAIL AUTHORIZATION

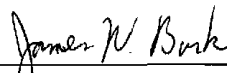
Industrial Energy Users – Ohio

Ohio Partners for Affordable Energy

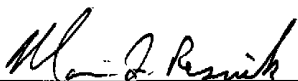
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Ohio Edison Company, The Cleveland
Electric Illuminating Company, and
The Toledo Edison Company

By: 
BY BER PER EMAIL AUTHORIZATION

Columbus Southern Power Company and
Ohio Power Company

By: 

ATTACHMENT A

Dayton Power and Light

Cost of Electrical Service

PIPP Customers		Total	Block1
Month	Electricity	Kwh	Kwh
JAN05	\$1,565,267		
FEB05	\$1,489,790		
MAR05	\$1,449,690		
APR05	\$1,263,722		
MAY05	\$1,107,933		
JUN05	\$1,266,883	1,191,506,592	
JUL05	\$1,646,760	1,420,822,002	
AUG05	\$1,701,031	1,449,161,318	
SEP05	\$1,507,216	1,404,216,856	
OCT04	\$1,048,259	1,131,154,551	
NOV04	\$1,019,388	1,096,870,068	% Block 1 of
DEC04	\$1,257,058	1,198,824,592	total Kwh: 72 %
	\$16,322,997	8,892,555,979	6,402,640,305
Less Adjusted Payments	\$152,036		
Less Late Penalties Paid	\$382,022		
	<u>\$15,788,939</u>		

Rate Increase: 7.12%	\$1,124,172
Allowance for Interest	<u>\$7,253</u>
	\$1,131,426
Uncollectible 2.88%:	<u>\$33,551</u>
Additional USF Revenue Requirement:	\$1,164,977

Additional Revenue Requirement/Block 1 Kwh:	\$0.0001820
Current Block 1 Rider:	\$0.0007708
New Block 1 Rider:	\$0.0009528

DAS-Supp-4

Dayton Power and Light
Additional Allowance for Interest Expense

Test Period	Cost of PIPP	Interest	Ratio Interest/ Cost of PIPP
2005	\$7,144,492.65	\$103,306.71	0.0145
2004	\$5,397,810.08	\$0.00	0.0000
2003	\$6,270,281.24	\$19,513.08	0.0031
2002	\$5,969,091.14	\$0.00	0.0000
2001	\$7,334,386.68	\$107,728.80	0.0147

Average Interest Ratio: 0.0065

Cost of PIPP Increase: \$1,124,172.46

Interest Increase: \$7,253.12

ATTACHMENT B

Columbus Southern Power

Cost of Electrical Service

	PIPP Customers	Total	Block 1
Month	Electricity	Kwh	Kwh
JAN05	\$2,766,816		
FEB05	\$2,698,693		
MAR05	\$2,679,133		
APR05	\$2,394,644		
MAY05	\$2,063,989		
JUN05	\$2,450,842	1,600,359,647	1,284,523,258
JUL05	\$3,093,145	1,860,997,345	1,534,719,912
AUG05	\$3,303,151	1,960,713,062	1,635,189,228
SEP05	\$2,890,389	1,829,389,362	1,504,731,781
OCT04	\$1,961,978	1,512,128,889	1,214,756,302
NOV04	\$1,894,580	1,401,443,259	1,126,934,279
DEC04	\$2,391,934	1,616,059,718	1,324,745,756
	\$30,589,294	11,781,091,282	9,625,600,516

Rate Increase: 10% \$3,058,929

Allowance for Interest: \$19,701

\$3,078,631

Uncollectible 1%: \$31,097

Additional USF Revenue Requirement: \$3,109,728

Additional Revenue Requirement/Block 1 Kwh \$0.0003231

Current Block 1 Rider: \$0.0007228

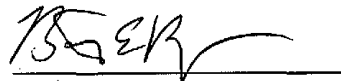
New Block 1 Rider: \$0.0010459

ATTACHMENT C

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

CERTIFICATE OF SERVICE

I hereby certify that a true copy of the foregoing stipulation and recommendation has been served upon the following parties by first class mail, postage prepaid, this 24th day of May 2006.


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