

**SECTION XV
RETAIL ENERGY IMBALANCE SERVICE**

15.1. General Description

Energy Imbalance service reconciles differences between a Certified Supplier's or its designated TSA's scheduled delivery of energy (with the Cinergy Control Area Operator-approved load Schedule changes) for serving its End-use Customers and the energy that was actually used by those End-use Customers.

15.2 Preliminary Energy Imbalance

The Company reserves the right to calculate and bill Energy Imbalance on a more frequent, preliminary basis, if prudent business practice dictates such action. In this scenario, actual weather and the Company system load will be used to Backcast the estimated load for each entity acting as TSA. The comparison of this Backcasted load to the energy scheduled to serve that load, as well as dollar calculations, will be performed in the same fashion as for final billing. The final Energy Imbalance calculation, performed after all meter reading data is collected, will then be used to make any necessary adjustments to the amounts billed using the preliminary numbers.

15.3. Meter Data Collection

Meter data collected by the Company shall be used to calculate the quantity of energy actually consumed by a Certified Supplier's End-use Customers for a particular period. Such collection shall occur at the time of an End-use Customer's monthly meter read. Thus, in order to measure the energy consumed by all End-use Customers on a particular day, at least one month is required for data collection.

15.4. Monthly-Metered End-use Customers

Data from Monthly-Metered End-use Customers is collected in subsets corresponding to End-use Customer Billing Cycles, which close on different days of the month. To reconcile Energy Imbalances on an hourly basis, the Company shall convert such meter data, including estimates, for End-use Customers to the equivalent hourly usage. Metered usage will be applied to customer segment load curves to derive an estimate for the hour-by-hour usage.

15.5. Interval-Metered End-use Customers

Data from Interval Metered End-use Customers will also be collected monthly by the Company on a Billing Cycle basis.

15.6. Calculation of Hourly Energy Imbalance

Energy Imbalance is described in the OATT. In any discrepancy that may arise between this tariff and the OATT, pursuant to R.C. 4928.11, this tariff applies to the extent that such authority is not preempted by Federal law. The following calculations will be used to determine the hourly Energy Imbalance quantities:

**SECTION XV
RETAIL ENERGY IMBALANCE SERVICE (Contd.)**

Step 1: Determine End-use Customer Hourly Profiles

Monthly-metered End-use Customers' billed usage (based on actual or estimated meter readings) will be distributed over each hour in the usage period based on each End-use Customer's representative hourly usage curve based on actual data for the usage period, the Company's system load, and data from the appropriate Load Research Meters. The Monthly-Metered End-use Customer's estimated usage by hour will be multiplied by the appropriate loss factor to determine the End-use Customer's gross usage by hour.

Each Interval-metered End-use Customer's hourly usage will be multiplied by a loss factor to determine the End-use Customer's gross usage by hour.

Step 2: Aggregate Profiles

The gross hourly usage quantity for Monthly-metered, and Interval-metered End-use Customers will be aggregated by the Company to arrive at a total gross End-use Customer usage quantity by hour for each Certified Supplier which is then aggregated to each entity acting as TSA.

Step 3: Allocate Unaccounted for Energy to Profiles

The gross hourly loads for the Certified Suppliers and the Company for Interval-metered and Monthly-metered End-use Customers will be provided to the Cinergy Control Area. The Cinergy Control Area will compare the aggregate of the Certified Suppliers' and Company's profiled loads to the Company's metered system load for each hour.

Any differences will be allocated to the Certified Suppliers' and Company's aggregate loads based on a ratio of each load to the total profiled load of the Certified Suppliers and the Company on an hourly basis. The Certified Supplier differences will then be aggregated up to the TSA level.

Step 4: Calculate Energy Imbalances

Hourly Energy Imbalances are calculated for each TSA's Scheduled energy delivery. For each entity acting as TSA, the aggregated hourly load calculated in Step 1 to Step 3 is subtracted from the TSA's respective energy Schedule(s) for the same hour. The resulting hourly differences are the Energy Imbalances.

15.7. Energy Imbalance Charges

- a) In each clock hour, the Company will compare the amount of power scheduled by all Transmission Scheduling Agents (TSA) purchasing OATT Schedule 4R Retail Energy Imbalance Ancillary Service from the Transmission Provider to the amount of power consumed by the Customers of those TSAs, to determine if the net imbalance is under-scheduled or over-scheduled.

SECTION XV
RETAIL ENERGY IMBALANCE SERVICE (Contd.)

- b) If the net imbalance of TSAs purchasing Retail Energy Imbalance Service in a given hour is under-scheduled:
- i) TSAs that are under-scheduled in that hour will be assessed the sum of:
 - 1. 100% of the Transmission Provider's Incremental Cost during that hour, times the number of megawatts it was under-scheduled for megawatts within a bandwidth which is:
 - a. the greater of 15% or two megawatts for January through December, 2001,
 - b. the greater of 10% or two megawatts for January through December, 2002,
 - c. the greater of 6% or 1 megawatt thereafter; and
 - 2. 110% of the Transmission Provider's Incremental Cost during that hour, times the number of megawatts it was under-scheduled for megawatts outside the bandwidth.
 - ii) TSAs that are over-scheduled in that hour will be credited the sum of:
 - 1. 100% of the Transmission Provider's Incremental Cost during that hour times the number of megawatts it was over-scheduled for megawatts within the bandwidth; and
 - 2. 90% of the Transmission Provider's Incremental Cost during that hour times the number of megawatts it was over-scheduled for megawatts outside the bandwidth.
- c) If the net imbalance of TSAs purchasing Retail Energy Imbalance Service in a given hour is over-scheduled, energy imbalances will be cashed out by individual TSA depending on whether the TSA is under or over-scheduled in that hour.
- i) A TSA that is under-scheduled during that hour will be assessed the sum of:
 - 1. 100% of the Transmission Provider's Incremental Cost during that hour times the number of megawatts it was under-scheduled for megawatts within the bandwidth; and
 - 2. 110% of the Transmission Provider's Incremental Cost during that hour times the number of megawatts it was under-scheduled for megawatts outside the bandwidth.
 - ii) The Over Schedule Fund is made up of the following:
 - 1. 100% of Transmission Provider's Incremental Cost times the megawatts that were under-scheduled by TSAs during the hour, and
 - 2. 90% of avoided generation costs that the Company avoided to balance the system in that hour.
 - iii) A TSA that is over-scheduled during that hour will be credited with the sum of:
 - 1. 100% of the average rate of the Over Schedule Fund, times the number of megawatts it was over-scheduled within the bandwidth.
 - 2. 90% of the average rate of the Over Schedule Fund, times the number of megawatts it was over-scheduled outside the bandwidth.

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SECTION XV
RETAIL ENERGY IMBALANCE SERVICE (Contd.)

- d) If the net imbalance of TSAs purchasing Retail Energy Imbalance Service in a given hour is zero, energy imbalances will be cashed out by individual TSA depending on whether the TSA is under- or over-scheduled in that hour. A TSA that is under-scheduled during that hour will be assessed 100% of the Transmission Provider's Incremental Cost during that hour times the number of megawatts it was under-scheduled. A TSA that is over-scheduled during that hour will be credited 100% of the Transmission Provider's Incremental Cost during that hour times the number of megawatts it was over-scheduled.
- e) Transmission Provider's Incremental Cost shall mean out-of-pocket costs, measured in dollars per megawatt-hour, associated with producing the highest cost MWh of energy on the Transmission Provider's system in a given hour, whether that energy is produced by generation owned or under contract to the Transmission Provider, purchased from a third party or sold to a third party.
- f) Energy Imbalance Service is intended to be used by TSAs when a good faith attempt to schedule power to meet the requirements of the TSA's customers results in a difference between scheduled power and Customer load in any given hour. In no event is Energy Imbalance Service intended to provide TSAs with an alternative power supply option to meet the load of retail customers in the Company's control area. Any TSA found to be misusing Energy Imbalance Service (i.e., underscheduling or overscheduling power on a consistent basis) will be subject to the default provisions set forth in this tariff and may result in Commission revocation of the supplier's certification to provide competitive retail generation service in the State of Ohio.

15.8. Monthly Settlement

Energy Imbalances will be calculated and settled within sixty (60) days after the end of a calendar month, unless otherwise stated in accordance with the Company's OATT.

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