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June 5, 2008

BY HAND DELIVERY

Renee J. Jenkins
Director of Administration
Docketing Division
Public Utilities Commission of Ohio
180 East Broad Street
Columbus, Ohio 43266-0573

Re: Ohio Department of Development
Case No. 08-658-EL-UNC

Dear Ms. Jenkins:

On June 2, 2008, The Ohio Department of Development ("ODOD") filed its notice of intent ("NOI") to submit its annual USF rider rate adjustment application in the above-referenced docket. The NOI indicated that ODOD would file the exhibit supporting its proposed allowance for the costs associated with the Electric Partnership Program under separate cover. Enclosed for filing are the original and fifteen copies of said exhibit, which has been designated as Exhibit A to the NOI.

Thank you for your attention to this matter.

Sincerely,



Barth E. Royer
Attorney for
The Ohio Department of Development

Enclosures

cc: All Counsel of Record
Case No. 07-661-EL-UNC

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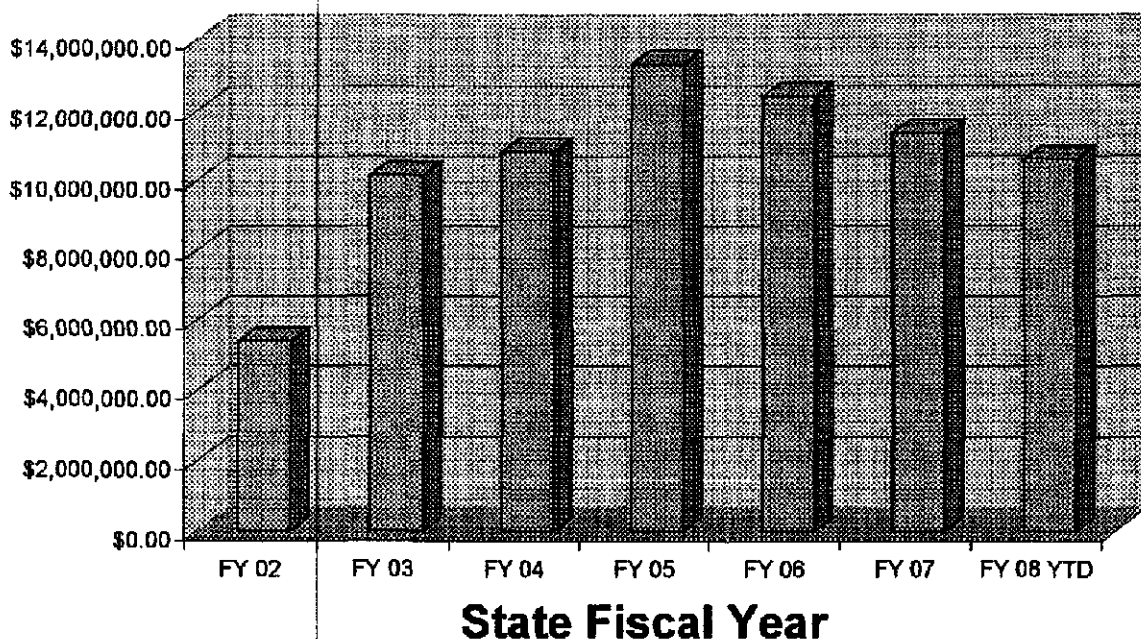
ELECTRIC PARTNERSHIP PROGRAM
Projected 2009 Costs

Based on its current projection of the cost of the Electric Partnership Program ("EPP") during the 2009 collection period, ODOD will again propose in its application in this case that an allowance of \$14,946,196 for EPP costs be included in the Universal Service Fund ("USF") rider revenue requirement. This is the same allowance for EPP costs approved by the Commission in all prior USF rider rate adjustment proceedings, and is consistent with the annual appropriation authorization for EPP sought by ODOD for inclusion in the state biennium budget for 2008-09.

Like other components of the USF rider revenue requirement, the allowance for EPP costs proposed in ODOD's USF rider rate adjustment applications is an annual allowance. However, to conform to the state's budgeting process, ODOD tracks EPP costs on a fiscal year basis (July 1 to June 30), and, thus, has used fiscal year data as a surrogate for calendar year data in presenting the annual costs supporting its proposed allowance for EPP.

As illustrated by the following graph, total EPP expenditures increased each year from the program's inception in FY 2002 through FY 2005 as the program ramped up, before falling off slightly in FY 2006 and again in FY 2007. For reasons explained in the EPP cost projection submitted with the notice of intent in Case No. 07-661-EL-UNC, the FY 2006 and FY 2007 experience was not representative of future annual EPP expenditures. Indeed, the level of actual year-to-date EPP expenditures for the ten months of FY 2008 for which information is currently available (July 2007 through April 2008) displayed in the graph suggests that total FY 2008 EPP expenditures will, in fact, be significantly higher than the annual totals for FY 2006 and FY 2007.

Total EPP Expenditures



The following table shows the detail of the EPP expenditures for FY 2006, FY 2007, and FY 2008 (to date), as well as the proposed EPP budget for FY 2009 submitted by ODOD in connection the state biennium budget process.

	Expenses			Budget FY 2009
	FY 2006	FY 2007	FY 2008 YTD	
PROGRAM SERVICES				
CONTRACT SERVICES	\$ 81,767.00	\$ 39,138.00	\$ 914.00	\$ 47,920.00
PROVIDER GRANTS	\$ 11,470,907.00	\$ 10,572,797.00	\$ 10,000,090.17	\$ 13,642,625.00
SUBTOTALS	\$ 11,552,674.00	\$ 10,611,935.00	\$ 10,001,004.17	\$ 13,690,545.00
ADMINISTRATIVE EXPENSES				
PAYROLL	\$ 597,787.00	\$ 529,243.00	\$ 401,589.26	\$ 538,046.09
SUPPLIES & MAINTENANCE	\$ 6,667.00	\$ 2,274.00	\$ -	\$ 11,500.00
TRAVEL	\$ 1,640.00	\$ 5,924.00	\$ 6,419.63	\$ 25,000.00
EQUIPMENT	\$ 21,126.00	\$ 2,697.00	\$ -	\$ 21,500.00
INDIRECT COST	\$ 199,097.00	\$ 173,567.00	\$ 154,736.71	\$ 616,080.00
SUBTOTALS	\$ 826,317.00	\$ 713,705.00	\$ 562,745.60	\$ 1,212,126.09
Admin as % of total	6.68%	6.30%	5.33%	8.13%
TOTALS	\$ 12,378,991.00	\$ 11,325,640.00	\$ 10,563,749.77	\$ 14,902,671.09

The FY 2009 EPP budget request was prepared in 2007, and, thus, the numbers shown in that column represent ODOD's best estimate at the time. However, there are several factors that lead ODOD to conclude that the FY 2009 estimate reasonably reflects the total EPP costs that will be incurred over that period, notwithstanding that certain of the FY 2009 budgeted expenditures exceed the historical numbers.

The EPP program operates through grants to local agencies, which are awarded through a request for proposals ("RFP") process. Awards are made for one year and extended for a second and third year if the provider has performed satisfactorily under the grant agreement. Under the state budgeting process, it is necessary to have cash on hand before the funds can be obligated. Thus, sufficient cash must be available, in advance, for a full program year to permit ODOD to meet its contractual obligations to the EPP providers. As a result of the RFP issued by ODOD for the program year beginning April 1, 2008, the number of local providers has increased from seven to ten. Thus, although the amount for program services included in the FY 2009 budget exceeds the historical annual expenditures for prior years, ODOD believes that, with more providers on board, more clients will be served, and that it is reasonable to anticipate that EPP expenditures will increase significantly.

In addition, as reported in the notice of intent in Case No. 07-661-EL-UNC, ODOD was exploring two measures designed to increase the client base served by the EPP providers. First, ODOD was engaged in discussions with the Home Weatherization Assistance Program ("HWAP") Policy Action Committee and existing EPP providers regarding the possibility of operating the HWAP and EPP programs in tandem. ODOD envisioned that this approach, which would take EPP services to a community-based level, would facilitate client identification, overcome client resistance, and result in more comprehensive services to clients of both programs. As a result of these discussions, beginning April 1, 2008, ODOD began making funds available to the HWAP provider network (there are thirty-five HWAP providers) to support services to low-use, low-income customers, a population that EPP providers, historically, had not reached because it was not cost-effective to do so. Second, although the statute permits the EPP

program to be made available to all income-eligible customers, EPP providers previously targeted only those customers currently enrolled in the PIPP program. As explained in the notice of intent in Case No. 07-661-EL-UNC, ODOD believed that opening the EPP program to all income-eligible customers would not only facilitate the tandem operation of the HWAP and EPP programs, but could serve to prevent additional customers from enrolling in PIPP, an outcome which would ultimately benefit all EDU ratepayers. This policy is now in place. As a result of these two measures, the number of clients served will increase, which lends additional support to the reasonableness of the FY 2009 budget estimate for program services.

The objective of the EPP program is, of course, to reduce the electrical consumption of the targeted low-income population, which, in turn, will reduce the burden the PIPP program imposes on all EDU ratepayers. ODOD evaluates the performance of the EPP program on a regular basis to assess the impact of the program on the customers served and to assure that the program is being operated in the most cost-effective manner possible. ODOD has recently engaged an outside consultant to assist it in these efforts. The expenditure for this project also supports the reasonableness of the use of the FY 2009 budget as a benchmark for the allowance for EPP costs that will be proposed in ODOD application in this case.

In view of the foregoing, ODOD believes that the continuation of the \$14,946,196 allowance for EPP costs is reasonable. As explained in the notice of intent, ODOD will reexamine these projections prior to filing its application, and, if the updated projections suggest that the \$14,946,196 allowance is no longer appropriate, ODOD will revise the requested allowance at that time.