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BEFORE THE PUBLIC UTILITIES COMMISSION OF OHIO

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IN THE MATTER OF THE APPLICATION OF THE CLEVELAND BOARD OF EDUCATION FOR THE CLEVELAND MUNICIPAL SCHOOL DISTRICT TO ESTABLISH A REASONABLE ARRANGEMENT WITH THE CLEVELAND ELECTRIC ILLUMINATING COMPANY FOR ELECTRICAL SERVICE

CASE NO. 08-1238-EL-AEC

DIRECT TESTIMONY OF NICHOLAS P. JACKSON

ON BEHALF OF THE CLEVELAND MUNICIPAL SCHOOL DISTRICT

April 30, 2009

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1		DIRECT TESTIMONY OF NICHOLAS P. JACKSON
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.3		I. INTRODUCTION AND QUALIFICATIONS
4	Q.	Please state your name and business address.
5	А.	My name is Nicholas P. Jackson. My business address is Cleveland Municipal
6	. 1	School District, 1380 East Sixth Street, Room 532, Cleveland, Ohio 44114.
7	Q.	By whom are you employed and in what capacity?
8	A.	I am employed the Cleveland Municipal School District ("CMSD") as Deputy
9		Chief of Business Operations.
10	Q.	Please describe your professional experience and educational background.
11	· A .	I have been employed by CMSD since December 2001. As Deputy Chief of
12		Business Operations I am responsible for overseeing various aspects of the daily
13		business operations of CMSD. My duties include procuring utility services
14	,	required by CMSD, including the procurement of electric service for all school
15		and administrative buildings operated by CMSD. During the 1985-2001 period, I
16		held various positions with the City of Cleveland, including Project Director in
17		connection with a \$100 million capital project, Assistant Director of Public
18	. •	Utilities, Director of Parks, Recreation and Properties, and culminating, in 2001,
19		with my appointment as Executive Assistant to then-Mayor Michael White. In
20	ν.	that capacity, I was responsible for several departments totaling over 4,000
21	·	employees and an annual operating and capital budget of \$500 million dollars.
22		I have associate degrees in Industrial Engineering, Industrial Management, and
23		Quality Assurance from the Applied Technology Institute.

1		II. <u>PURPOSE OF TESTIMONY</u>
2	Q.	On whose behalf are you testifying in this proceeding?
3	A.	I am testifying on behalf of CMSD, the applicant in this case.
4	Q.	What is the purpose of your testimony?
5	A,	The purpose of my testimony is to support the Second Amended Application to
6		Establish a Reasonable Arrangement filed by CMSD filed in this docket on April
7		29, 2009. I will present an overview of CMSD and a history of the relationship
8		between CMSD and The Cleveland Electric Illuminating Company ("CEP") to
9		assist the Commission in determining whether the proposed reasonable
10		arrangement between CMSD and CEI (the "Arrangement") should be approved.
11		I will also present information that responds to certain concerns raised in
12		comments filed by the Commission Staff in this case on March 2, 2009.
13		III. OVERVIEW OF CMSD
14	Q.	How was CMSD created?
15	A.	CMSD was created pursuant to Substitute House Bill 269, which was passed by
16		the Ohio legislature on July 22, 1997, signed by Governor Voinovich on August
17	· ,	13, 1997, and became effective November 12, 1997 as Sections 3311.71 through
18	,	3311.77, Revised Code. This legislation established a structure for the
19		governance of a "municipal school district," which is defined by Section
20		3311.7(A)(1), Revised Code, as a school district that is, or has ever been, under a
21		federal court order requiring supervision and operational, fiscal, and personnel
22	,	management of the district by the state superintendent of public instruction.
23		CMSD is the only school district in Ohio that fits this statutory definition.

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How did CMSD come under the statutory definition?

2 A. When Substitute House Bill was enacted into law in 1997, the Cleveland City 3 School District ("CSSD") was under state control pursuant to the March 3, 1995 order of the United States District Court for the Northern District of Ohio issued 4 5 by Judge Robert B. Krupansky. Thus, when the CSSD was released from state control by Federal District Judge George W. White's order of March 27, 1998, it 6 7 came under the requirements of Sections 3311.71 through 3311.77, Revised Code. 8 In accordance with the statutory scheme, management and control of the district ·9 was immediately assumed by a nine-member board of education selected by the 10 former Cleveland Mayor Michael R. White from a slate prepared by a nominating 11 panel. Cleveland voters subsequently approved the continuation of the appointed 12 board of education at a referendum election mandated by Section 3311.73, 13 Revised Code. The rights, duties, and authority of the board and officers of 14 municipal school district are spelled out by statute. 15 0. Does Substitute House Bill 296 establish prerequisites for municipal school 16 district board members?

17 Α. Yes. In addition to being nominated by the nominating panel, board members 18 must be a resident of the school district, cannot hold another public office, and 19 must file a disclosure statement with the Ohio Ethics Commission. In addition, 20 the legislation mandates that the board be composed in specific way. Four of the 21 nine appointed board members must have significant expertise in education, finance, or business management, and one must be a resident of the CMSD 22 23territory, but not a resident of the City of Cleveland. Board members serve four-24 year terms.

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Q. What is the role of the Mayor of the City of Cleveland with respect to CMSD?

A. In addition to selecting the board members from the slate recommended by the
nominating panel, the Mayor has authority to remove board members for cause,
and has what is, in effect, a veto power over the board's the selection of the Chief
Executive Officer and a board decision to remove on the Chief Executive Officer.
Q. Other than the role played by the Mayor, is there any other structural
connection between the City of Cleveland and the CMSD?

9 A. No. It is important to understand that CMSD has no rights, title, or interest in the
funds or property of the City of Cleveland, and, likewise, the City of Cleveland
has no rights, title, or interest in the funds of CMSD. Additionally, the funds of
12 CMSD and the City of Cleveland cannot be commingled, and all funds of CMSD
13 and the City of Cleveland must be maintained and accounted for totally
independent of any funds of the other.

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Please describe CMSD?

.16 As I previously indicated, CMSD is the only "municipal school district" in Ohio. A. 17 CMSD is the largest school district in the service territories of the FirstEnergy 18 operating companies. It serves approximately 50,000 students, 85% of whom are 19 classified as racial and ethnic minorities. CMSD students come from 20 approximately seventy different countries. CMSD operates approximately 120 21 separate administrative and school buildings, which are the most buildings of any 22 school district in CEI's service area. It is my understanding that the CMSD also 23 has the most meters of any school district in the CEI service area, as well as the 24 highest demand and consumption of any school district in the CEI service area.

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1	н 1	IV. HISTORY OF THE CMSD-CEI RELATIONSHIP
2	Q.	Historically, has CMSD been a tariff customer of CEI?
3	A.	No. In 2002, CMSD and CEI entered into an Electric Service Agreement ("2002
4	,	ESA") which provided CMSD with a reduction from the electric rates contained
5		in the CEI rate schedules that would have otherwise applied. (A copy of the 2002
6		ESA was filed under seal on November 19, 2008 in connection with the original
7		application in this case.) The 2002 ESA had a three-year term. In 2005, the
8		CMSD sought and obtained an extension of the 2002 ESA through December 31,
9		2008.
10	Q.	Was the 2002 ESA or the 2005 extension filed with and approved by this
11		Commission as a special contract?
12	A .	No. CEI determined that no such approval was required.
13	Q.	Did CMSD attempt to extend the 2002 ESA beyond December 31, 2008?
14	A .	Yes. Because of the certain and substantial negative impact on the educational
15		opportunities provided to CMSD students that would result if CMSD were to
16	·	become subject to CEI's tariffed rates, CMSD initiated efforts in the fall of 2007
17		to secure another extension of the 2002 ESA. However, CMSD's discussions
18		with CEI were hampered by the uncertainties associated with anticipated
19		legislation that would significantly alter the way Ohio electric utilities priced their
20		service. After this legislation (Senate Bill 221) was enacted in 2008, the
21		FirstEnergy companies filed MRO and ESP applications under its provisions, and
22		CEI declined to discuss a further extension of the 2002 ESA or a new agreement
23		that would provide some measure of relief to CMSD from the rates that might
24		ultimately result from these cases. Based on information developed by its

1		consultant, CMSD believed that, if the 2002 ESA were not extended, it was
2	·	looking at an increase in its electric costs in the range of \$2.8 million per year.
3	Q.	What would be the impact on CMSD of an increase in electric costs of this
4		magnitude?
5	А.	An increase of this magnitude would have a substantial negative impact on
6	·	CMSD's ability to provide quality educational opportunities to the children of
7		Cleveland.
8	Q.	Please explain.
9	Α,	The only funding sources available to CMSD are tax levies and state grants. In
10		view of well-documented current economic climate in Cleveland and CMSD's
11		poor history of passing tax levies, there was no prospect that CMSD could obtain
12		the additional funds necessary to pay these higher electric costs in the near term
13		after the 2002 ESA expired. Thus, notwithstanding that CMSD already faces a
14		significant budget deficit for the next school year that will require drastic cuts in
-15		expenditures, the only way CMSD can address this additional \$2 million burden
16		is to make further cuts, all of which will negatively impact the quality of the
17		educational experience CMSD provides to its students.
18	Q.	Did CMSD consider a specific strategy for addressing this potential annual
19		\$2.8 million increase in electric costs?
20	A.	CMSD believed that the only way it could "keep the lights on" in the face of an
21		immediate \$2.8 million increase in the cost of electrical service would be to
22		implement a hiring freeze, reduce consultant costs by 25%, and close
23		approximately 53 buildings two hours early on a daily basis. Although closing
24		buildings early would reduce custodial and security costs, such a measure would
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1		deprive students of after-school programs, including tutoring and extracurricular
2		activities. It would also prevent the community at large from using these
3		buildings for community activities. In addition to reducing custodial, security,
4		and teaching staff, because of the anticipated increase in electric costs, CMSD
5		would be forced to reduce lighting in all buildings by 50% and to turn off the heat
6		and cooling equipment (in buildings that have cooling) in all buildings one hour
7		before school lets out for the day.
8		V. <u>HISTORY OF THIS PROCEEDING</u>
9	Q.	What actions did CMSD take when it determined CEI would not agree to
10		extend the 2002 ESA?
11	А.	In an effort to prevent the harm to CMSD students that would result from the
12		expiration of the 2002 ESA and the anticipated increase in rates under the
13		FirstEnergy applications pending before the Commission, on November 19, 2008,
14		CMSD filed three cases with the Commission. In Case No. 08-1236-EL-CSS,
15		CMSD sought a declaration that the 49% increase in electric costs would
.16		experience if new rates were established January 1, 2009 as anticipated was unjust
17		and unreasonable. In Case No. 08-1237-EL-AEC, CMSD sought an order from
18		the Commission preventing the imposition of the anticipated January 1, 2009 rate
19		increase. Finally, by its original application in this proceeding, Case No. 08-
20		1238-EL-ABC, CMSD sought approval of a proposed reasonable arrangement
21 [.]		under Section 4905.31, Revised Code, that provided for gradual, but reasonable,
22		stepped increases from the rates CMSD was paying under the 2002 ESA.

1	Q.	Did CMSD take any other actions in attempt to protect students from the
2		negative impact of the expiration of the 2002 ESA and the anticipated
3		increase under FirstEnergy's Senate Bill 221 applications?
4	A.	Yes. On December 29, 2008, CMSD sought a temporary restraining order in the
5		Cuyahoga County Court of Common Pleas to extend the 2002 ESA until the
б		Commission ruled on one or more of CMSD's filings. Judge Shirley Strickland
7		Saffold considered CMSD's motion and advised the parties to negotiate a
8		settlement of the dispute.
9	Q.	Did CMSD and CEI subsequently enter into an agreement intended to assist
10		CMSD in addressing the looming funding shortfall?
11	А.	Yes. CMSD and CEI negotiated and executed a bilateral agreement that, among
12		other things, provided for stepped increases in the base rates CMSD would pay
13		for distribution, transmission, and generation service. On January 27, 2009,
14		CMSD filed an Amended Application to Establish a Reasonable Arrangement in
15		this docket seeking approval of this electric service arrangement.
16	Q.	Did CMSD and CEI representatives subsequently meet with Commission
17		Staff to discuss the amended application?
18	Α.	Yes. CMSD counsel and I, along with CEI representatives, met with key
19	· · ·	Commission Staff members on February 3, 2009 to explain the proposed
20		arrangement.
21	Q.	What occurred at that meeting?
22	A.	After we explained the proposed arrangement, Staff posed a number of questions,
23		all of which were thoroughly addressed. Staff pointed out that the Commission's
24		order in FirstEnergy's recent distribution case had approved a discount for school

1		districts and questioned why a discount applicable to other school districts would
2		not be sufficient for CMSD. After I explained the unique financial circumstances
3		confronting CMSD, the Staff member that posed the question indicated that he
4		was satisfied with my answer. Because the arrangement was contingent on CEI
5	. ·	receiving full recovery of the associated delta revenue, Staff strongly urged that
6		CMSD consult with the Office of the Ohio Consumers' Counsel ("OCC") to
7		determine what OCC's position would be with respect to this feature of the
8		arrangement. However, Staff did not request any additional information, nor did
9		Staff indicate that it saw any impediments to the Commission approving the
10		application.
11	Q.	Did CMSD representatives subsequently meet with OCC as Staff had
12		suggested?
13	A.	Yes.
13 14	А. Q.	Yes. When did that meeting occur?
-14	Q.	When did that meeting occur?
14 15	Q.	When did that meeting occur? On February 10, 2009, CMSD counsel, CMSD's consultant, and I met with OCC
14 15 16	Q.	When did that meeting occur? On February 10, 2009, CMSD counsel, CMSD's consultant, and I met with OCC representatives in Columbus. At that meeting, the CMSD and OCC discussed a
14 15 16 17	Q.	When did that meeting occur? On February 10, 2009, CMSD counsel, CMSD's consultant, and I met with OCC representatives in Columbus. At that meeting, the CMSD and OCC discussed a number of topics, including the impact the above-noted 49% increase in electric
14 15 16 17 18	Q.	When did that meeting occur? On February 10, 2009, CMSD counsel, CMSD's consultant, and I met with OCC representatives in Columbus. At that meeting, the CMSD and OCC discussed a number of topics, including the impact the above-noted 49% increase in electric costs would have on the CMSD, why the reasonable arrangement was necessary
14 15 16 17 18 19	Q.	When did that meeting occur? On February 10, 2009, CMSD counsel, CMSD's consultant, and I met with OCC representatives in Columbus. At that meeting, the CMSD and OCC discussed a number of topics, including the impact the above-noted 49% increase in electric costs would have on the CMSD, why the reasonable arrangement was necessary to enable the CMSD to provide students with quality educational opportunities,
14 15 16 17 18 19 20	Q.	When did that meeting occur? On February 10, 2009, CMSD counsel, CMSD's consultant, and I met with OCC representatives in Columbus. At that meeting, the CMSD and OCC discussed a number of topics, including the impact the above-noted 49% increase in electric costs would have on the CMSD, why the reasonable arrangement was necessary to enable the CMSD to provide students with quality educational opportunities, the benefits that the reasonable arrangement provided to the state, and whether the
14 15 16 17 18 19 20 21	Q.	When did that meeting occur? On February 10, 2009, CMSD counsel, CMSD's consultant, and I met with OCC representatives in Columbus. At that meeting, the CMSD and OCC discussed a number of topics, including the impact the above-noted 49% increase in electric costs would have on the CMSD, why the reasonable arrangement was necessary to enable the CMSD to provide students with quality educational opportunities, the benefits that the reasonable arrangement provided to the state, and whether the arrangement was fair and reasonable. OCC requested additional information from
14 15 16 17 18 19 20 21 21 22	Q.	When did that meeting occur? On February 10, 2009, CMSD counsel, CMSD's consultant, and I met with OCC representatives in Columbus. At that meeting, the CMSD and OCC discussed a number of topics, including the impact the above-noted 49% increase in electric costs would have on the CMSD, why the reasonable arrangement was necessary to enable the CMSD to provide students with quality educational opportunities, the benefits that the reasonable arrangement provided to the state, and whether the arrangement was fair and reasonable. OCC requested additional information from the CMSD detailing its "uniqueness," including demographic information

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r		information to the OCC - annu of which is attached to my tastimony on Byhilit
1		information to the OCC, a copy of which is attached to my testimony as Exhibit
2		NPJ-1.
3	Q.	Did anything else happen on February 10, 2009?
4	Á.	On that date, the attorney examiner assigned to the case issued an order directing
5	·	that "any interested party wishing to intervene in this matter shall file a motion to
. 6		intervene and set forth any comments and objections to the amended application
7		by March 2, 2009."
8	Q.	Did any party file a motion to intervene or any comments or objections to the
9		amended application on or before March 2, 2009?
10	А.	No. CEI had previously moved to intervene, but no additional motions to
11		intervene were filed, nor did any party file objections or comments. However,
1 2		very late in the day on March 2, 2009, the Commission Staff filed a brief set of
13	·	comments in the docket. The Staff comments included the statement that "in all
14		likelihood CMSD is not in a unique situation," and opined that there are
15		alternative mechanisms available to provide funding to school districts and that
16		"FirstEnergy ratepayers should not be asked again to dig deeper into their
17	•	pockets."
18	Q.	What was your reaction to Staff comments?
19	А.	I was astounded by the Staff comments for several reasons. First, as I previously
20		indicated, Staff had specifically advised us at our February 3, 2009 meeting that,
21		based on the information we presented, it was satisfied that CMSD's situation was
22		unique. Second, as CMSD's Deputy Chief of Business Operations, I know full
23		well that there are no alternative funding mechanisms are available. Finally, in
24		recognition of the fact that the arrangement was contingent upon CEI fully
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1		recovering the associated delta revenue, we had done exactly what Staff told us to
2		do by making our case to OCC, the statutory representative of FirstEnergy's
3		residential ratepayers.
4	Q.	Did the CMSD respond to the Staff's comments?
5	А.	Yes. On March 5, 2009, CMSD filed reply comments, again explaining why
б		CMSD is unique and that alternate funding sources are not immediately available
7		to meet the huge increase in electric costs CMSD was facing.
8	Q.	On April 29, 2009, CMSD filed a Second Amended Application to Establish a
9		Reasonable Arrangement in this docket. Why was it necessary to again
10		amend the application?
11	А.	On March 25, 2009, the Commission issued a second opinion and order in the
1 2	•	FirstEnergy ESP case approving a stipulation that provided for a different CEI
. 13		pricing structure than that contemplated at the time the arrangement that was the
14		subject of the amended application was executed. In order to preserve an
15		economic benefit to CMSD similar to that embodied in the earlier arrangement,
16		CMSD and CEI engaged in discussions that ultimately resulted in the
17		arrangement proposed in the second amended application.
18	Q.	Does the fact that the arrangement has changed have any effect on the
19		relevance of the information CMSD previously provided to Commission Staff
20		and OCC?
21	A .	No. In fact, the arrangement proposed in the second amended application will
22		create less delta revenue than the arrangement proposed in the amended
23		application.

VI. **RESPONSE TO STAFF COMMENTS** 1 In its comments, Staff suggests that "R.C. 4905.31 and good regulatory policy 2 Q. dictate that a reasonable arrangement implies an exchange of values" and 3 should include provisions that "(a) reflect cost savings to the utility [sic], (b) 4 5 gives some value to the ratepayers whom may ultimately pay for the revenue shortfall created by the arrangement, or (c) provide economic development 6 benefits to the State of Ohio." Do you agree with the Staff's assertion that 7 arrangement fails to provide such value. 8 9 Absolutely not. A. How does the arrangement benefit CEI? 10 Ö. 11 First, the proposed arrangement is a full requirements arrangement, which Α. guarantees that CEI will be the sole supplier of all electric power to CMSD 12 13 facilities during its term. This is a particularly significant benefit to CEI because 14 many of CMSD's buildings are located in areas that are or could be served by 15 Cleveland Public Power. Second, the arrangement requires that CMSD use its best efforts to reduce its consumption of electricity during its term (including, but 16 17 not limited to the physical modifications associated with CMSD's current capital 18 improvement project) and sets percentage usage reduction goals for the next three 19 years that are identical to energy savings benchmarks to which CEI is subject 20 under Senate Bill 221. Further, the arrangement provides that CMSD will 21 cooperate fully with the Company by providing such data and other information 22 as CEI may require to utilize CMSD's energy savings in achieving compliance 23 with the statutory energy savings benchmarks.

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Does the arrangement benefit CEI in other ways?

A. Yes. CEI holds a significant stake in the public education system in Cleveland.
CEI's revenue base can only be enhanced by a thriving public education system
that attracts new development and, therefore, new customers to the City. Thus,
the arrangement is consistent with CEI's programs to facilitate economic
development and job retention with its territory,

7 Q. How does the arrangement benefit ratepayers?

8 A. The value to ratepayers is derived from the value to the community and state as a 9 whole, which I discuss later in my testimony. This is the same link that exists in 10 connection with many programs or arrangements that are supported through the 11 recovery of delta revenues. Moreover, I would note that the arrangement provides 12 that the delta revenues will be spread over the ratepayers of all three FirstEnergy 13 operating companies, which will mean that the impact on the average residential 14 customers bills would be almost imperceptible.

Q. Does the arrangement provide benefits to the state of Ohio and the Cleveland
 area community at large?

17 Yes. Obviously, a poorly educated population does not attract the type of high A. 18 paying, skilled employment which generates taxes for the community at large. It 19 also causes individuals to repeat the cycle of poverty, which includes prolonged 20 dependence on need-based government programs, overrepresentation in the penal 21 system, chronic unemployment and underemployment, and a burden on the 22 community, the State of Ohio, and taxpayers. An April 22, 2009 a report released by America's Promise Alliance shows that CMSD has the second lowest 23 24 graduation rate in the county; that the median income for high school dropouts is

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1		\$14,000, that the median income for high school graduates is \$24,000, that the
2		median income for college graduates is \$48,000, and that dropouts from the U.S.
3	X	Class of 2006-2007 will cost the U.S. more than \$329 billion in lost wages, taxes,
4		and productivity over their lifetimes. (See Exhibit NPJ-2.) Without the near-term
5		relief from electric costs that the proposed arrangement would provide, the
6		resulting budget cuts will mean that CMSD students will be less prepared
7		compete in the global economy, which is so essential for the survival of the
8	,	Cleveland area, as well as the state of Ohio. By reducing the impact of the
9		increase in electric costs, value will be provided to the state in the form of
10		educated students who are prepared to lead Ohio into the future.
11	Q.	Does the arrangement provide quantifiable benefits to the state of Ohio?
12	Α.	Yes. As I previously explained, the cuts that CMSD will be required to make if
13		the electric cost increase is not ameliorated through this arrangement will include
14		teaching, custodial, and security staffing cuts that will directly translate into a
15		reduced tax base. Although the Staff expressed concern that the arrangement will
16		not provide economic development benefits to the state – a proposition I disagree
17		with for the reasons just stated - there can be no doubt that retention of existing
18		jobs is an equally important objective as the creation on new jobs.
19	Q.	Do you agree with Staff's observation that, "(i)n all likelihood CMSD is not
20		in a unique situation"?
21	А.	No. As I have previously explained, CMSD is unique. It is the only "municipal
22		school district" in Ohio. It is the largest school district in the entire FirstEnergy
23		service area. It operates the most buildings of any school district in the CEI
. 24		service area. It has the most meters of any school district in CEI's service area.

1		And, it has the highest demand and consumption of any school district in the CEI
2		service area. However, what makes CMSD's situation truly unique is that CMSD
3		was the only school district in the CEI service area which was previously
• 4		operating under an electric service agreement like the 2002 ESA. If CMSD is
5		subjected to the rate applicable to other school districts in the FirstEnergy service
б		territory, it will result in a \$2 million dollar annual increase in the CMSD's
7	•	electric costs. No other school district in the CEI service area will face a rate
8		increase of that magnitude either in terms of raw dollars or as a percentage.
. 9 1	Q.	How do you respond to Staff's concern that approving this arrangement will
10		open the door for numerous applications from other school districts desiring
11		similar arrangements?
12	A.	I readily acknowledge that many school districts are facing financial difficulties,
13		but, as I just stated, no other school districts are facing an electric rate increase of
14		this magnitude. In addition, CMSD is currently on Academic Watch, has met
15		only 2 out of 30 indicators of effectiveness as measured by the Ohio Department
16		of Education, has failed to meet Adequate Yearly Progress as measured by the
17		Federal No Child Left Behind laws, and, according to data compiled by the Ohio
18		Department of Education, 100% of CMSD students fall within the "poverty"
19		definition. (See Exhibit NPJ-3.) Obviously, the Commission would have to
20		consider applications by other school districts on their merits, but I am confident
21		that no other school district can make the same case for unique circumstances that

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provide funding for schools?

Ohio public schools are funded by tax levies or state grants. For the reasons I 3 A. previously explained, there is no prospect that funding can be obtained from 4 5 either of these sources in time to meet the increase in electric costs CMSD will б immediately face if this arrangement is not approved. The stepped rate increases 7 provided for in the arrangement at least provide CMSD with an opportunity to 8 secure additional funding. If Staff has some alternative funding source in mind, I will be more than happy to listen. However, the fact is that the only way CMSD 9 10 can pay these costs is to make drastic changes in the way it operates its schools, 11 which can only lead to a further diminution in the educational opportunities for its 12 students.

Do you agree with Staff's comment that there are alternative mechanisms to

13 Q. Do you have any additional response to the Staff comments?

14 In urging the Commission to consider denying CMSD's application, Staff Α. 15 cautions the Commission that "it is always difficult to say no to worthy causes," 16 which suggests that CMSD is coming to the Commission as a charity case. This 17 is not so. CMSD has made the showing required by Section 4905.31, Revised 18 Code, and no party, other than Staff, has taken issue with the application. Further, 19 the arrangement being proposed by CMSD is specifically designed to recognize 20 the unique circumstance in which CMSD finds itself, and is intended to provide 21 CMSD with essential near-term relief, followed by gradual increases that will 22 move CMSD much closer to the otherwise applicable school rate by the 23 expiration of its term.

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1 Q. Does this conclude your testimony?

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A. Yes. However, I reserve the right to present rebuttal testimony if Staff or any

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other party presents testimony in this matter.

CMSD EXHIBITS

EXHIBIT NPJ-1 -		Email from Adrian D. Thompson to Maureen Grady/OCC enclosing Electric Service Agreement Appendices and various documents
EXHIBIT NPJ-2	-	Article – High School Graduation Rates Rise in Some Major U.S. Cities, But Significant Work Remains to Curb Dropout Crisis
EXHIBIT NPJ-3		CMSD 2007-2008 School Year Report Card and other statistics

Taylor, Stephanie J.

From: Thompson, Adrian D.

Sent: Monday, March 23, 2009 3:55 PM

To: Taylor, Stephanie J.

Subject: FW: Electric Service Agreement Appendices

Attachments: Electric Service Agreements Appendices - CMSD_OCC 1 - 4.PDF

From: Thompson, Adrian D. Sent: Friday, February 13, 2009 5:14 PM To: MAUREEN GRADY Cc: Nicholas Jackson/CMSD; Mark R. Frye Subject: FW: Electric Service Agreement Appendices

Maureen:

Pursuant to the terms of signed Protective Agreement between the Cleveland Municipal School District and the Office of Ohio Consumers Counsel, attached please find copies of the: (1) 2002 Electric Service Agreement between the Cleveland Municipal School District and CEI (CMSD/OCC pp.1-2), and (2), Appendix 1 of the 2009 Electric Service and Reasonable Arrangement between the District and CEI (CMSD/OCC pp. 3-4). We will provide the additional information discussed at our February 10, 2009 meeting early next week.

Adrian

From: Taylor, Ștephanie J. Sent: Friday, February 13, 2009 4:56 PM To: Thompson, Adrian D. Subject: Electric Serviće Agreement Appendices

APPENDIX 1

To The Electric Service Agreement between The Cleveland Electric Illuminating Company and Cleveland Municipal School District dated January 1, 2002

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The Company shall supply the electricity for the schools and buildings listed in Appendix 3, and as the Customer may designate for such additional schools and buildings used in connection therewith. The following rates and charges shall apply to each monthly bill rendered herewith for survice provided through the Term of this Agreement.

1. For all kWn other than qualified space conditioning and water heating energy.

For the first 700,000 kWh Used per month per kWh

For the next 800,000 kWh Used per month per kWh

For all excess kWh per month

The winter rates specified above shall be applicable during the nine month billing period beginning September and ording in May. The summer rates shall apply in the remaining three monthly billing periods.

2. For all qualified space conditioning and water heating energy, the Company's Electric Space Conditioning Schedule, including all applicable riders, thereto, of FUCO No. 13, Electric Service, shall apply in all bills to the Board of Education as that schedule and those riders may be aneaded, or changed, or superseded from time to time by order of the FUCO, and zes in effect at the time of service provided by the Company.

For all electric service provided under this Agreement by the Company, the General Rules and Regulations, including Section 7 thereto, of PUCO No. 13, Electric Service, shall apply, as may be amended, changed or superseded from time to time by order of the PUCO, and are in effect at the time of service provided by the Company. This Agreement, however, controls the extent inconsistent with the General Rules and Regulations.

> Exhibit NPJ-1 Page 2

CMSD/OCC 1

CONFIDENTIALI PROTECTED MATERIAL

APPENDIX 2

To The Electric Service Agreement between The Cleveland Electric Huminating Company And Cleveland Municipal School District dated January 1, 2002

PARTNERSHIP BUELDING ACCOUNT

- (a) The Account. An Account shall be established and administered by the Company. The monies in the account shall be made available to the Customer for projects at the Facility, or at other facilities owned or operated by the Customer receiving electric service from the Company as the Company anthenizes in its sole discretion, which are designed to increase energy efficiency, increase production in an energy efficient manner, increase plant efficiency or competitiveness through electric applications, or electricity consuming equipment that will help enhance the educational environment of the Cleveland Municipal School District. These projects will not include equipment such as valicles, tow motors, office furniture or other items not relating to education or the physical structure of the Facility or other facilities. Monies may be made available from the account at any time subject to the provisions of (b) and (c) below.
- (b) Use of Partnership Building Account. The Company will review information on a proposed project submitted by the Customer to make a determination whether the project qualifies for funding under this Partnership Building Account. Upon approval by the Company for funding and a decision to proceed by the Customer, one-half of the allocation will be made available to the Customer upon request and the available upon completion of the project. Withdrawals from the account shall not exceed the amount within the account regardless of approved funding.
- (a) <u>Partnership Building Account Funds.</u> Upon the effective date of this Agreement, the innused balance of existing Partnership Building Account funds, in the amount of \$125,000, accrued solely by operation of the previous agreement between the Customer and the Company dated June 9, 1997 will be available to Customer under the Partnership Building Account under this Agreement. The Company will make no contributions to the Partnership Building Account under this Agreement.

The Partnership Building Account is a non-interest bearing account. Creation of this account is not a customer contribution, nor evidence of indebtedness to the Customer. Any monies remaining in the Partnership Building Account at the cancellation or termination of this Agreement shall remain with the Company.

CMSD/OCC 2

Exhibit NPJ-1 Page 3

19.7.

CONFIDENTIAL/ PROTECTED MATERIAL

APPENDIX 1

To The Electric Service Agreement and Reasonable Arrangement between The Cleveland Electric Hamhating Company and Cleveland Municipal School District dated January 26th, 2009 APPENDIX 1

The Company shall supply the electricity for the schools and buildings listed in Appendix 2. The following rates and charges shall apply to each monthly bill rendered herewith for service proyided through the Term of this Agreement:

Summe

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Winter

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For the first 700,600 kwh Used per month per KWh

For the first 800,000 kwh Used per month per kWh

2.

For all excess kWh per monthh

The winter rates specified above shall be applicable during the nine month billing period beginning September and ending in May. The summer rates shall in the remaining there monthly billing periods.

The rates set out in paragraph 1 above are applicable for the period January 1, 2009 through April 30, 2009, plus all applicable charges and riders set forth in paragraph 6 below then in effect during that four month period. An EFC charge of \$.013918 per kwh shall also be charged to costomer.

From May 1, 2009, until December 31, 2009, Customer will pay rates for electric service on a schedule that constitutes a 5.32% increase in the rates set forth in paragraph 1 above, plus all applicable charges and riders set forth in paragraph 6 below then in effect during that eight month pariod. An EFC charge of \$.013918 per kwh shall also be charged to customer.

For the year 2010, Customer will pay rates for electric service on a schedule that constitutes an additional 4.01% increase in the rates for 2009 (i.e., cumulative to the increase in paragraph 3 above assuming the 5.32% increase was applied for all of 2009) plus all applicable charges and riders set forth in paragraph 6 below then in effect for the year 2010. An EFC charges of \$.013918 per kwh shall also be charged to customer.

> Exhibit NPJ-1 Page 4

CMSD/OCC 3

CONFIDENTIAL/ PROTECTED MATERIAL For the year 2011, Customer will pay rates for electric service on a schedule that constitutes an additional 5.99% increase in the rates for 2010 (i.e., cumulative to the increases in paragraph 3 and 4 above, applied on an annual basis) plus all applicable charges and riders set forth in paragraph 6 below then in effect for the year 2011. An EFC charge of \$.013918 per kwh shall also be charged to customer.

6. The riders set forth below are applicable to this Agreement as well as any other charges or riders authorized by the PUCO during the term of this Agreement;

Fuel Rider Fuel Cost Recovery Rider Transmission and Anoillary Service Rider SKT Universal Service Rider Rider DSM Rider AMI Green Resource Rider Temporary Energy Efficiency Rider

5.

7.

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The rates, terms, and, conditions described above shall only be operative if the Commission has approved a device to fully recover all costs incurred in conjunction with the arrangement, including full recovery of all revenue forgone by the Company as a result of the arrangement, and regulatory approval for such recovery commences concurrently with the application of the subsidized rate for the Customer. Further, these rates shall cease to be operative if the PUCO reduces the amount of revenue recoverable by the Company such that the Company is no longer authorized to fally recover all costs incurred in conjunction with this Agreement, including all revenue forgone by the Company as a result of this Agreement.

Exhibit NPJ-1

Page 5

CMSD/OCC 4

CONFIDENTIAL

PROTECTED MATERIAL

Taylor, Stephanie J.

From:	Thompson, Adrian D.	•	
Sent:	Monday, March 23, 2009 3:57 PM		
To:	Taylor, Stephanie J.		•
Subject:	FW:		

Attachments: CMSD October 2008 Five Year Forecast PDF; 8_9_05 Education Week Article - Crucial Levy Goes Down in Cleveland.PDF; 8_2_05 Special Election Official Final Report.PDF

From: Thompson, Adrian D. Sent: Wednesday, February 18, 2009 3:03 PM To: MAURÉEN GRADY Cc: Nicholas Jackson/CMSD; Mark R. Fryé; Valponi, Mark J.; Mayer, James J. Subject: FW:

Maureen

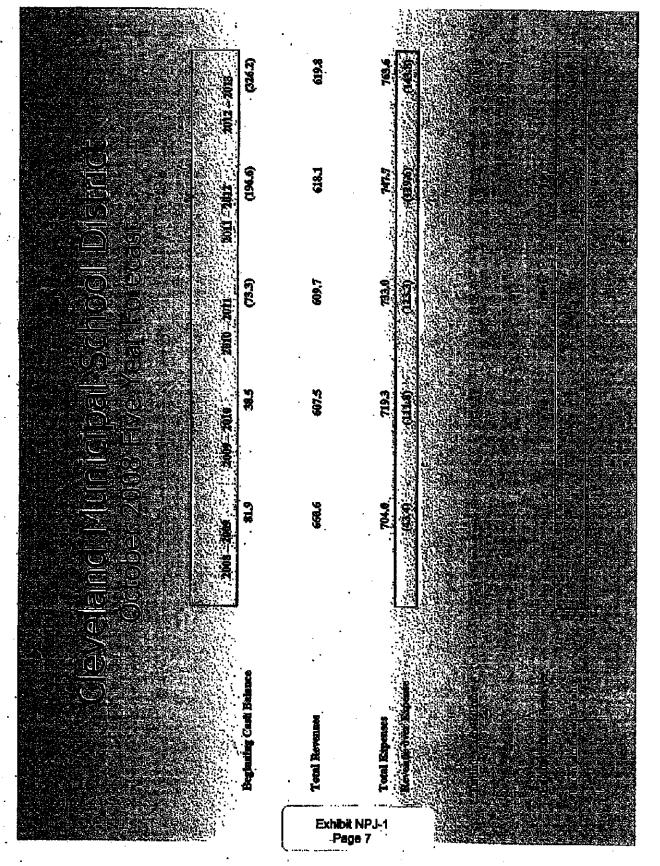
Attached please find additional information regarding: (1) the District's current and projected financial condition (October 2008 Five Year Fiscal Forecast), (2) the District's inability to pass operating levies (2005 Article from Bducation Week as well as Angust 2005 District operating levy results from the Cuyahoga County Board of Elections) and, (3) a chart detailing the City of Cleveland unemployment figures from June 1999 to May 2008.

Exhibit NPJ Page 6

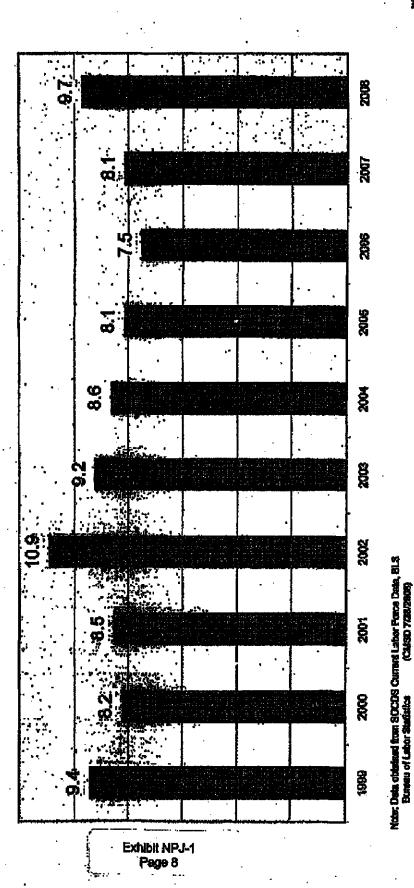
Adrian

From: Taylor, Stephanie J. Sent: Wednesday, February 18, 2009 2:20 PM To: Thompson, Adrian D. Subject:

3/23/2009



Cleveland City Unemployment Rate (Percent June 1999 - 2007, May 2008



JUL-81-2008 15:99

P.001

EDUCATION WEEK

Published Online: August 9, 2005 Published in Print: August 10, 2005

Crucial Levy Goes Down in Cleveland

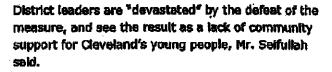
Loss Could Mean Layoffs, Blow to Superintendent

By Catherine Gewertz

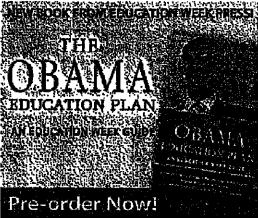
Cleveland voters last week soundly rejected a levy intended to bolster the school district's finances, a move widely interpreted as a referendum on the performance of its leader, Barbara Byrd-Bennett.

Two-thirds of the voters who turned out for the Aug. 2 special election cast their bailots against Issue 3, which would have raised more than \$45 million to restore the jobs of some teachers and security guards, as well as bring back sports and after-school programs that were cut as the district's financial woes deepened over the past few years. A portion would also have gone to alleviate future anticipated debt.

Alan Seifullah, a spokesman for the 55,000-student district, said officials were weighing whether to put another levy proposal on the November ballot. It's too soon to say whether more layoffs would be needed this year, he said, but without more revenue, the district might have to find new savings by cutting personnel or closing even more schools than the 11 shuttered in June.









Disappointment registers on the faces of former Cleveland student Laverance White, laft, Cleveland achools' chief Barbara Byrd-Bennett, and another Cleveland high school graduate, Sierra Roberts, front right, during the announcement that the school tax levy failed. --John Kuntz/The Plain Dealer

But he sold he does not view it as a judgment on the performance of the district's chief executive officer, Ms. Byrd-Bennett. Mr. Selfullah noted that, in recent years, the high school graduation rate has climbed from 28 percent to 50 percent, and that the rate of academic gains has outpaced statewide averages.

He said Ms. Byrd-Bennett, who has led the Cleveland schools since 1998, "is reflecting on what the future holds," but he declined to say whether she would leave when her contract expires at the end of September. The chief executive officer did not return a call seeking

comment on her plans.

Uncertain Future

Some observers saw the results as a striking lack of support for the district's direction and concluded Ms. Byrd-Bennett's departure would be imminent.

"I think they've lost confidence in Barbara Byrd-Bennett. This is a referendum on her," declared Jerry Austin, a Cleveland-based political consultant. He is advising Mayor Jane L. Campbell, who backed the lavy, in her re-election bid.

"Everyone who takes a position like that has a time frame in which to succeed, and then it's time to move on," Mr. Austin said of the schools chief. "She took it to where it is now. Maybe it's time for someone else to take it from here."

Even teachers' union leaders thought it unlikely the chief executive officer would remain at the heim in the face of the levy defeat.

"I would be amazed if she did stay," said Meryl T. Johnson, the first vice president of the Cleveland Teachers Union, a 4,500-member affiliate of the American Federation of Teachers. "It would be, 'If I can't get a community to love these children the way I do, then I have no choice."

Ms. Johnson said her interviews with scores of voters before the election showed that older residents' frustration with the misbehavior of young people in their neighborhoods fueled the defeat, as well as their resistance to paying higher property taxes.

The union's argument—that the hike would amount to less each day than buying the daily newspaper—apparently went nowhere, Ms. Johnson said.

Union leaders are frustrated and "heartbroken," she said, that people did not see the levy as a way to deliver crucial services to young people.

More than 1,400 teachers have been laid off in the past few years, and class sizes have risen as declining enrolment and property-tax receipts, soaring health-care costs, and leftover debt from when a state panel oversaw the district have whittled its budget. For fiscal 2006, the budget is \$558 million, down from \$667 million two years ago, said Mr. Seifuliah, the district spokesman. Anticipated debt for fiscal 2007 is at \$33 million. Ohio law does not allow a school district to run a deficit.

In the campaign against Issue 3, many lawns sported signs that read, "Don't Reward Pailure." Levy backers blamed the news media, contending that they overlooked the district's successes and focused on its failures.

"We've never had a superintendent who's been slammed as hard as she was," said Ms. Johnson.

But opponents of the levy said taxpayers shouldn't have to funnel more money to a school system marked by financial, academic, and student-discipline problems.

We truly want to see our children get the best education possible. But I and many others

were against [the levy] because we feel we're not getting what we're paying for," said James D. Hereford, an automotive-repair- shop owner who helped lead the fight against Issue 3.

Fueling Defeat

Chris Carmody, who managed the campaign for Issue 3, said the city's most-frequent voters, who tend to be older and more conservative, and with fewer ties to city schools, dominated the 16 percent turnout. He also said the "deck was stacked against the district" because the levy was in a special election, without major contests to draw a wider range of voters to the polls.

Mr. Carmody speculated that it was tough for voters, who rejected another proposed levy last November, to understand why the city needed to seek more money after they approved a \$335 million bond issue for school construction in 2001.

"It's hard for people to distinguish between a bond issue and an operating levy," he said. He noted Cleveland voters last passed an operating levy in 1996.

When the bond issue passed in 2001, Ms. Byrd-Bennett was a popular new face in education, Mr. Carmody said. The results of the Issue 3 contest could signal that voters feel it's time for a change, he said.

"In some ways, a new face might help politically," Mr. Carmody said. "Voters in any election want a new face after a long tenure. But I'm not sure that's how we should be making our decisions about supporting the district."

Vol. 24, Issue 44, Pages 1,18

CERTAI2a007c067FD(s0p16.66h3b6TD4a00L SUMMARY REPORT

SPECIAL ELECTION CUYAHOGA COUNTY ' AUGUST 2, 2005

RUN DATE:08/31/05 11:00 AM

			ACT 02	PERCEIVI	
PRECINCTS COUNTED	(OF 648)		648	100.00	REGISTERED
REGISTERED VOTERS	- TOTAT.	•••	442,726	200100	REGISTERED
REGISTERED VOTERS		•••	13,347		
RECISTERED VOTERS		•••	13,347		REGISTERED
REGISTERED VOTERS	- 10204 401		2,945		BALLOTS CAS
REGISTERED VOTERS			2,859	•	BALLOTS CAS
REGISTERED VOTERS			2,637		BALLOTE CAS
REGISTERED VOTERS		• •	2,401		BALLOTS CAS
REGISTERED VOTERS			2,753 1,228		BALLOTS CAS
REGISTERED VOTERS					BALLOTS CAS
			14,753		BALLOTS CAS
REGISTERED VOTERS		• •	3,583		BALLOTS CAS
REGISTERED VOTERS		• •	3,502	-	BALLOTS CAS
REGISTERED VOTERS		• •	3,715		BALLOTS CAS
REGISTERED VOTERS	• •	• •	3,953		BALLOTS CAS
REGISTERED VOTERS					BALLOTS CAS
REGISTERED VOTERS		• •	17,226		BALLOTS CAS
REGISTERED VOTERS			16,057 16,425	· .	Ballots Cas
· REGISTERED VOTERS			16,425		BALLOTS CAS
REGISTERED VOTERS	- CLBV WD4				BALLOTS CAS
REGISTERED VOTERS	- CLEV WD5 . ;	• •	16,002		BALLOTS CAS
REGISTERED VOTERS	- CLEV WD6	. • •	16,101		BALLOTS CAS
REGISTERED VOTERS	- CLEV WD7	• •	16,989		BALLOTS CAS
KEGIOTEKEN VULSKO	- CORA MOD		12,613		BALLOTS CAS
REGISTERED VOTERS	- CLEV WD9	• • •	15,288		BALLOTS CAS
REGISTERED VOTERS	- CLEV WD10	• •			BALLOTS CAS
REGISTERED VOTERS			15,763		BALLOTS CAS
REGISTERED VOTERS	- CLEV WD12.	• •	12,679		BALLOTS CAS
REGISTERED VOTERS	- CLEV WD13	+ -	19,905		BALLOTS CAS
REGISTERED VOTERS	- CLRV WD14	• •	14,424		BALLOTS CAS
REGISTERED VOTERS			14,145		BALLOTS CAS
REGISTERED VOTERS	- CLEV WD16	• •	14,466	-	BALLOTS CAS
REGISTERED VOTERS	- CLEV WD17	• •	13,287		BALLOTS CAS
REGISTERED VOTERS			14,821		BALLOTS CAS
REGISTERED VOTERS	- CLEV WD19	• •	14,225		BALLOTS CAS
REGISTERED VOTERS			14,706		BALLOTS CAS
REGISTERED VOTERS	- CLEV WD21. ,	• •	17,727		BALLOTS CAS
REGISTERED VOTERS	- RUCLID				BALLOTS CAS
REGISTERED VOTERS	- RUCD WD1	• •	9,484		BALLOTS CAS
REGISTERED VOTERS	- BUCD WD2 , ,	• •	9,843		BALLOTS CAS
REGISTERED VOTERS			8,885		BALLOTS CAS
REGISTERED VOTERS			9,895		BALLOTS CAS
REGISTERED VOTERS		HTS .	20,321		BALLOTS CAS
REGISTERED VOTERS	- GRHT WD1	• •	2,972	•	BALLOTS CAS
REGISTERED VOTERS			2,744		Ballots Cas
REGISTERED VOTERS			2,527		BALLOTS CAS
REGISTERED VOTERS	- GRET WD4	• •	2,966	·	BALLCTS CAS
REGISTERED VOTERS	- GRET WD5	• . •	2,735		BALLOTS CAS
REGISTERED VOTERS		• •	3,104		BALLOTS CAS
REGISTERED VOTERS		• •	3,273		BALLOTS CAS
REGISTERED VOTERS		• •	91		BALLOTS CAS
REGISTERED VOTERS		ights ,	12,457		BALLOTS CAS
REGISTERED VOTERS	- MDHET WD1	• •	3,860		BALLOTS CAS
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VOTES PERCENT

REGISTERED VOTERS - MDHT WD2	3,014	BALLOTS CAS
REGISTERED VOTERS - MOHT WD3		BALLOTS CAS
REGISTERED VOTERS - MDHT WD4	2,530	BALLOTS CAS
REGISTERED VOTERS - NEWBURGH HEIGHTS V.	1,433	BALLOTS CAS
REGISTERED VOTERS - OLFL WD2	251	BALLOTS CAS
REGISTERED VOTERS - SOUTH EUCLID	17,114	BALLOTS CAS
REGISTERED VOTERS - SEUC WD1		BALLOTS CAS
FISUMMARY REPORT	SPECIAL ELECTION	
	CUYAHOGA COUNTY	
	AUGUST 2, 2005	
RUN DATE:08/31/05 11:00 AM		•
	VOTES PERCENT	
· · · ·		
BALLOTS CAST OLFL WD2	85	VOTER TURNO
BALLOTS CAST SOUTH EUCLID	3,279	VOTER TURNO
BALLOTS CAST SEUC WD1	779	VOTER TURNO
BALLOTS CAST SEUC WD2	1,127	VOTER TURNO
BALLOTS CAST SEUC WD3	807	VOTER TURNO
BALLOTS CAST SEUC WD4	566	VOTER TURNO
BALLOTS CAST SEUC WD2 BALLOTS CAST SEUC WD3 BALLOTS CAST SEUC WD4 BALLOTS CAST SEUC WD4 BALLOTS CAST SEURA CSD BALLOTS CAST CLEVELAND CSD	13,101	VOTER TURNO
		VOTER TURNO
BALLOTS CAST SUCLID CSD. BALLOTS CAST GARFIELD HEIGHTS CSD	6,471	VOTER TURNO
BALLOTS CAST GARFIELD HEIGHTS COD	2,585	VOTER TURNO
VOTER TURNOUT TOTAL	15.63	VOTER TURNO
voter turnout berea	32.60	VOTER TURNO
VOTER TURNOUT BREA WD1	24,78 32,16 40,50	•
VOTER TURNOUT BREA WD2	32,16	ISSUE #1 - C
voter turnout brea WD3	40.50	0.5% TO RATE
VOTER TURNOUT BREA WD4	29.03	Vote for 1
VOTER TURNOUT BERA WD5	34.76	FOR THE INC
VOTER TURNOUT BROOK PARK	31.51	AGAINST THE
VOTER TURNOUT BEFE WD1	29.64	
VOTBR TURNOUT BEFE WD2	32.32	
VOTER TURNOUT BEFE WD3	33.92	ISSUE #2 - B
VOTER TURNOUT BEFE WD4	30.23 20.52	CURRENT EXPE
VOTER TURNOUT BRATEMANL VIL	20.52	Vote for 1
VOTER TURNOUT CLEVELAND.	13.38 17.20	FOR THE TAX
VOTER TURNOUT CLEV WD1		AGAINST THE
VOTER TURNOUT CLEV WD2	11.20	
VOTER TURNOUT CLEV WD3	11.07	
VOTER TURNOUT CLEV WD4	10.06	1990B #3 - C
VOTRE TURNOUT CLEV WD5	. 7,58	CURRENT BAPE
VOTER TURNOUT CLEV WD6	10.04	Vote for 1
VOTHR TURNOUT CLEV ND7	9.37	FOR THE TAX
VOTER TURNOUT CLEV WD8	10.56	AGAINST THE
VOTER TURNOUT CLEV WD9	10,30 -	
VOTER TURNOUT CLEV WD10	8.92	
VOTER TURNOUT CLEV WD11	14.50	ISSUE #4 - E
VOTER TURNOUT CLEV MD12	8,45	CURRENT EXPE
VOTHR TURNOUT CLEV WD13		Vote for 1
VOTER TURNOOT CLEV WD14	6.84	FOR THE TAX
VOTER TURNOUT CLEV WD15	19.19	AGAINST THE
VOTER TURNOUT CLEV WD16.	23.57	•
VOTER TURNOUT CLEV W017	8.20	
VOTER TURNOUT CLEV WD18	12.93	ISSUE #5 - G
VOTER TURNOUT CLEV WD19.	14,52	EMERGENCY RE
	23.59	Vote for 1
VOTER TURNOUT CLEV WD20.		
VOTER TURNOUT CLEV WD20	30.86 16.98	FOR THE TAX AGAINST THE

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Exhibit NPJ-1 Page 13

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Exhibit NPJ-1 Page 14

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VOTER TURNOUT EUCD WD1 .

VOTER TURNOUT EUCD ND4 .

VOTER TURNOUT GARFIELD HEIGHTS

VOTER TURNOUT EUCD ND2

VOTER TURNOUT SUCD WD3

CE.

VOTER TURBOUT GRHT WD1 . VOTER TURNOUT GRHT WD2 . VOTER TURNOUT GRHT WD3 . VOTER TURNOUT GRHT WD4 VOTER TURNOUT GRHT WDS . VOTER TURNOUT GRHT ND6 . VOTER TURNOUT GRHT WD7 . VOTER TURNOUT LINNDALE . . VOTER TURNOUT MIDDLEBURG HEIGHTS.

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16.65 16.34 13.89 13.40 7.27 10.46 13.30 13.92 15.69 15.82 16.80 19.78 30.64

21.15

ISSUE #6 - G EMERGENCY RB Vote for 1 FOR THE TAX AGAINST THE A print Me-mail @ fink

High School Graduation Rates Rise in Some Major U.S. Cities, But Significant Work Remains to Curb Dropout Crisis

Study Looks at Trends Over 10 Years and Economic Landscape for High School Dropouts

WASHINGTON, April 22 /PRNewswire-USNewswire/ -- A report released today finds that only about half (53%) of all young people in the nation's 50 largest cities are graduating from high school on time. Cities in Crisis 2009: Closing the Graduation Gap, prepared for America's Promise Alliance by the Editorial Projects in Education Research Center, shows that despite some progress made by several of these cities between 1995-2005, the average graduation rate of the 50 largest cities is well below the national average of 71 percent, and there remains an 18 percentage point urban suburban gap.

"The 10-year graduation rates show that progress is being made in some of America's largest cities, but significant work remains," said Alma Powell, chair of America's Promise Alliance, which was founded in 1997 with her husband, Gen. Colin Powell as its founding chair. "In order to continue to move forward and make the U.S. competitive in today's global according, we must work together like never before to provide the supports that young people need in order to graduate high school ready for college, work, and life."

Cities that saw the greatest improvement in graduation rates include Philadelphia, Pa. (23 percentage points); Tucson, Ariz. (23 percentage points); Kansas City, Mo. (20 percentage points); El Paso, Texas (14 percent percentage points); Portland, Ore. (13 percentage points); and New York City (13 percentage points). Other cities with an increase of 10 or more percentage points in graduation rates were Atlenta, Ga.; Austin, Texas; Columbus, Ohio; Deltas, Texas; Fort Worth, Texas; Mesa, Ariz.; and Miami, Fie. Still, 19 of the country's 50 largest cities have seen the graduation rate at their principal school district decline within the last decade. Those with the greatest decrease in graduation rates include Las Vegas, Nev. (-23 percentage points); Wichita, Kan. (-16 percentage points); Omaha, Neb. (-15 percentage points); Arington, Texas (-12 percentage points); Albuquerque, N.M. (-7 percentage points); and San Francisco, Calif. (-7 percentage points).

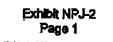
Nationwide, nearly one in three U.S. high school students fails to graduate with a diplome. In total, approximately 1.2 million students drop out each year - averaging 7,000 every school day or one every 26 seconds. Among minority students, the problem is even more severe with nearly 50 percent of African American and Hispanic students not completing high school on time.

"As the president said, every young person who drops out of high school is not only quitting on himself but is also quitting on his country. Similarly, every high school dropout represents not only a failure on the part of a school and an individual, but a larger failure of society to lead our children to success in education," said Ame Duncan, U.S. Secretary of Education.

Cities in Crists 2009: Crosing the Graduation Gap also looked at the economic and employment landscape for those with variad educational levels, including those without a high school diploma. It revealed that those who drop out of high achool are less likely to be staadily employed, and earn less income when they are employed, compared with those who graduate from high school. Approximately one-third (37 percent) of high school dropouts nationwide are steadily employed, and earn less likely to high school dropouts nationwide are steadily employed, and earn less likely to high school dropouts nationwide are steadily employed, and earn less likely to high school dropouts nationwide are steadily employed, and are more than twice as likely to live in poverty.

The report revealed that high school dropouts account for 13 percent of the adult population, but earn less than six percent of all dollars earned in the U.S. In the 50 largest cilles, the median income for high school dropouts is \$14,000 significantly lower than the median income of \$24,000 for high school graduates and \$48,000 for college graduates. Nationally, high school dropouts were also the only group of workers who saw income levels decline over the last 30 years.

"Research is clear about what helps kids stay in school, and as we've all come to realize with the current economic crists, investing in education is not only an essential part of improving graduation rates, but of supporting meaningful aconomic recovery. Our government has shown bold leadership in elevating education, but this means the real work must begin now," sold Marguerite Kondracks, president and CEO, America's Promise Alliance. "We must seize this historic moment and make sure that young people are surrounded by strong support systems, caring teachers, proper nutrition, a safe place to learn and be after school, and opportunities to give back to others. Learning from the exemple



set forth by our summits, we know that by working together we can make sure our children graduate with the skills they need to succeed."

In an effort to reduce America's high school dropout rates, the Alliance introduced the *Dropout Prevention* Campaign in. April 2008. To date, 35 high-level summits have been held in cities nationwide - bringing together more than 14,000 mayors and governors, business owners, child advocates, achool administrators, students, and parents to develop workable solutions and action plans. An additional 51 are planned to take place before the end of the year, and all 105 one in all 60 states and 55 cities with the largest dropout rates - will be completed by April 2010. The presenting sponsor for the *Dropout Prevention* Campaign is the State Farm Insurance Company. Other major sponsore include AT&T, The Boeing Company, Ford Motor Company Fund, ING Foundation, Bill & Melinda Gates Foundation, The J. Willard and Alice S. Marriott Foundation, The Wel-Mart Foundation, Simon Foundation for Education, Chevron, Peter G. Peterson Foundation, Casey Family Programs, The Annie E. Casey Foundation, Carnegie Corporation of New York, Benk of America, The Annanperg Foundation, and Capital One.

Already, cities and states that held summits last year have started implementing changes based on the discussions, and early results are promising. One of the most significant success stories is happening in Detroit, the first div to host a summit. The city set a 10-year goal to graduate 80 percent of its youth from the 35 high schools with significant dropout rates. To support this effort, the local United Way amounced the creation of The Greater Detroit Venture Fund, a \$10 million fund to assist these schools and improve ACT scores so students are better prepared for college. Since this summit, the city has shuttered, reconstituted, or clustered together 11 of those 35 schools as part of a comprehensive turnaround process. Further summit success stories can be found in Louisville, Ky., which set a 10-year goal to cut dropout rates in half, and Tulsa, Ok., where as a result of their summit, an innovative career exploration program was developed.

Experts say that dropping out of high achool affects not just students and their families, but the country overall including businesses, government, and communities. The Alilance for Excellent Education estimates that high school dropouts from the Class of 2006-07 will cost the U.S. more than \$329 billion in lost wages, taxes, and productivity over their lifstimes, Experts say that those who drop out are more likely to be incarcented, rely on public programs and social services, and go without health insurance than those who graduate from high school.

Other Report Findings:

Other findings of the analysis released today include:

- Sixteen of the nation's 50 largest cities had a graduation rate lower than 50 percent in the principal achool district serving the city.
 - Those with the lowest graduation rates include indianapolis (31 percent), Cleveland (34 percent), Detroit (38 percent), Milwaukee (41 percent), Baltimore (42 percent), Atlanta (44 percent), Los Angeles (44
 - percent), Les Veges (45 percent), and Columbus (45 percent). Students in the suburban areas of the nation's 50 largest cities were considerably more likely to graduate (77
 - percent) then students in the country's urban schools (59 percent).
 - Cittee with the largest gap between their suburben and urban schools include Cleveland (43 percentage points), Baltimore (39 percentage points), Columbus (38 percentage points), Milwaukee (35 percentage points), and Nashville (33 percentage points).

The report, funded in part by the Bill & Melinda Gates Foundation, analyzes achool district data from the U.S. Department of Education's Common Core of Data (2004-05). The country's 50 largest cities were identified using 2008 data from the U.S. Census Bureau, and economic and employment conditions were gathered from the U.S. Census Bureau's 2007 American Community Survey.

About the America's Promise Alliance

America's Promise Aliance is the nation's largest partnership aliance comprised of corporations; nonprofit organizations, foundations, policymakers, edvocacy and faith groups committed to ensuring that children receive the fundamental resources - the Promises - they need to lead successful, healthy and productive lives and build a stronger society. Building on the lagacy of our founder General Colin Powell, the Alliance believes a child's success is grounded in experiencing the Five Promises; caring adults; safe places; a healthy start; an effective education; and opportunities to help others - at home, in school and in the community. For more information, visit www.americaspromise.of/9-

City	Principal	school	Graduation	Graduation	Change
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<u>.</u>		•								
	•				• •	4				
		,	District	Rate (Class of	Rate (Class of	(Percentage Points)				
				2005)	1995)					
	ť	hiladelphia	Philadelphia City	62.14	38.94	+23.2			-	
-		III. I BURGE VIELU	School District							
	. m	ucson	Tucson Unified	71.67	48.9*	+22.7				-
	-		District							i
	R	ansas City	Kansas City School District	53.54	33.64	+19.7				
		1 Радо	RI Paso ISA	60.64	46.64	+13.9				•
		ortland,	Portland School District	68 .6 ¥	55.44	+13.1				
	-	ew York	New York City	50.54	37.84	+12.8				
		allaa	Public Schools Dallas ISD	50.B*	38,21	+12.7				
	-	olumbus	Columbus Public	44.7 7	30,24 32,17	+12.6				:
	 	007	Schools Mana Trified	76 S L	er er	+12.0				
	· M	651	Mesa Unified District	76,62	64.6¥	412.U				
		ustin tlanta	Austin 16D	58.9 % 43.5%	47.54	+11.5 +10.8			•	
:	. A	C.Latrices	Atlanta: City School District	43.05	32,88	+10.6				
		ort Worth	Fort Worth ISD	56.54	46.1¥ 5.6¥	+10.4 +10.4				
-	. 14	iami	School District	55,9%	3.64	710.3				
	-	ouston	Nouston ISD	82. 9%	43.18	+9.8				
	. C	hicágo	City of Chicago School District	51,0%	41.8%	+9.2				į
		aklanč,	Oakland Unified	50.54	41.3*	+9.2	•			
		alif. irginia	Virginia Beach City		. <u>.</u>					
		Beach	Public Schools	68.54	59.74	+8.8				
	B	altimore	Baltimore City Public	41.5%	33.8%	+7.7				
			School System	50 68						:
	<u>د</u>	enver	Denver County School District	58,6%	51.74	+6,9				:
	ä	etroit	Detroit City	37.54	30.5%	+6,9				
	S	an Antonio	School District San Antonio ISD	47.38	40.9%	+6.4				
		hoenix	Phoenix Union High	58.04	52.44	+5.6				
	r	ndianapolis	School District Indianapolis	30.6%	25.2*	+5.3	·			. •
		_	Public Schools	•						
		klahoma City	Oklahoma City Public Schools	47.C¥ .	41.7*	+5.3		-		
		ilwaukee	Milwaukee Public	41.0*	35.84	+5,2				
•	ß	acramento	Schools Sacramento City	62.1*	57.24	+4.9				
		•	Unified							
		istrict of Columbia	District of Columbia Public Schools	57.64	52.84	+4.0				
	C	olorado	Colorado Springs	68.84	64:14	+4.6				
		Springs onolulu	School District Hawaii Department	67.4*	63.74	+3.6				i
		•	of Education							į
	D	ashville	Nashville-Davidson Co. School	45.2*	42.04	+3.1			,	ļ
•			District	.		_		-		
	J	icksonville	School District	· 50.84	50.2%	+0.7				
	L	duisville	Jefferson County	63.44	63,74	-0.3	•			·
		sattle	School District Seattle School	68.94	69.64	-0.7				:
				Exhibit NPJ-2 Page 3		_				
				i eña a	1	.*				

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	District			
Memphia	Memphis City School District	512*	52.54	-1,2
Fresho	Fresno Unified	51.9%	53.44	-1.5
Boston	Boston Public Schools	58.67	60.34	-1.7
Minneapolis	Ninneapolis Public Schools	45.34	47.04	-1.7
San Jose	San Jose Unified	73.34	75.01	-1.8
Tulsa	Tulsa Fublic Schools	48.5*	50.6¥	-2.0
Charlotte	Charlotte- Mecklenburg Schools	60.5¥	62, 7 4	-\$.3
San Diego	San Diego Unified	63.74	66. 0 %	~2.4
Los Angeles	Los Angeles Unified	44.49	48.01	-3.6
Long Beach	Long Beach Unified	64.01	67.72	-3.7
Cleveland	Cleveland Municipal City School District	34,44	39.34	-4.9
San Francisco	San Francisco Unified	57.14	63.64	-6.5
Albuquerque	Albuquerque Public Schools	49.02	55.6%	-6.6
Arlington, Tex.	Arlington ISD	60.34	72. 0 ¥	-11.5
Omaha.	Omaha Public Schools	49.6%	64.44	-14.8
Wichita	Wichita Public Schools	54.5%	72.18	-17.5
Las Vegas	Clark County School District	44.5¥	67.6*	-23.1
National Average		70.6%	65.84	+4.8

SOURCE America's Promise Alliance

S back to top

Related Links:

http://www.americaspromise.org

Technorati

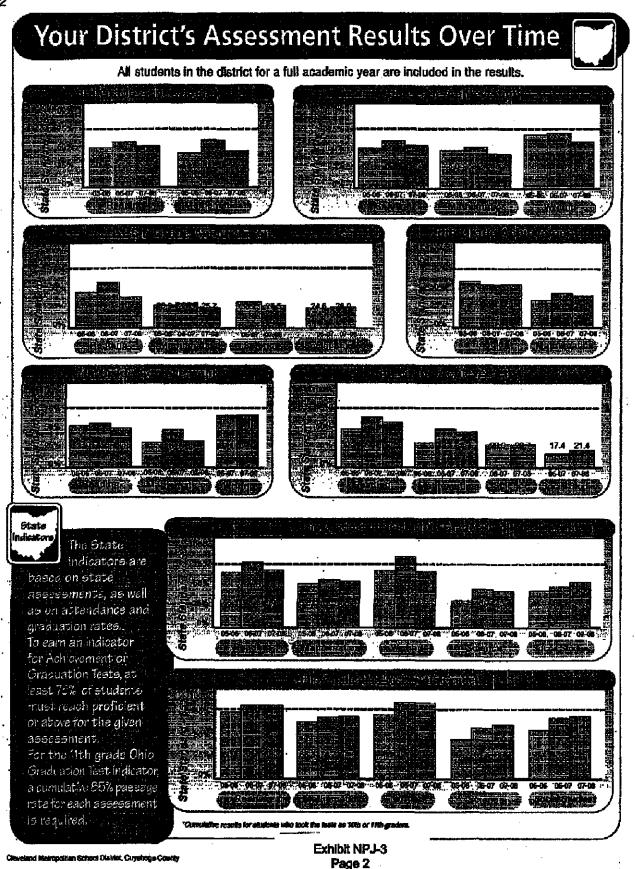
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> Exhibit NPJ-2 Page 4

	Cleveland I	Metro	nolita	n Sch	ool Di	strict	IRN 04378	
		20	07-2008	Schoo	I Year	Report	Card	1114 - T
			14 - State (1992) - El (1992) 	1210 <u>1.11</u> 7.004	<u></u>	Prosé pitoté		
- :	Your District's Designation:		w of State		Aduquate Year			
	Academic	in in	leators 1 out of 30	Performance Index Score	Not	Viet Mes		
	Watch		2	(0-120 points) 72,1	Chatriet Breparent		rd −=below	
								7
			State		Your District	s at and above the P Similar Districts'	State)
					2007-2008	2007-2008 (04000-04 Gaze A	2007-2008	
			1. Reading 2. Mathematics			61.5 % 58.4 %	77,4 % 79,3 %]
			3. Reading			62.0 %	81.1 %	
			4. Mathematics 5. Writing			54.3 % 68.5 %	74.6 % 81.7 %	
			6. Reading			50.0 %	72.7 %	
			7. Mathematics 8. Science 9. Social Studies			38.5 % 39.4 % 38.0 %	61.8 % 66.4 %	·
			3. Social Studies				64.8 %	
			11. Mathematics			59.6 % 52.5 %	79.7 % 76.6 %	di te
			12. Reading 13. Mathematics			56.5 % 42.0 %	77.3 % 58.8 %	5
			14. Writing			71.8 % Dentes (35.76 det	B5.7 %	
			 Reading Mathematics 			61.6 % 50.6 %	79.4 % 72.8 %	
			 Science Social Studies 	n Registric in standing Registric in standing		35.0 % 28.0 %	62,2 % 53.5 %	
		marticle Martin D.	9. Reading			76.0 %	65.2 %	
			20. Mathematics 21. Writing 22. Science			64.1 % 77.0 % 52.9 %	79% 86.2%	
			2. Science 23. Social Studies			52.8 % 67.1 %	72.8 % 78.4 %	
State			24. Reading 25. Methematics			88,6 % 80.0 %	91.9 % 88.2 %	
Indicato	3.8 and 10, st east 75% of stie	dents	26. Writing 27. Science			90.8 % 70.1 %	93 % 83.6 %	
on that	test. Other indicator requirements	higtor 5 arct - Angeley	28. Social Studies			79.0 %	86.5 %	
	35 Olilo Otaciat on Teat, 85%. Atten: 5%: Graduation Rate, 90%.		29. All Grades A Distantiation		warmen every service		94.2 %	
On ti	he Web: reportcard.ohio.		10. District result at or above the ute	te standerd is india	tod by a J.	73.6 %	86.9 %	Ι.
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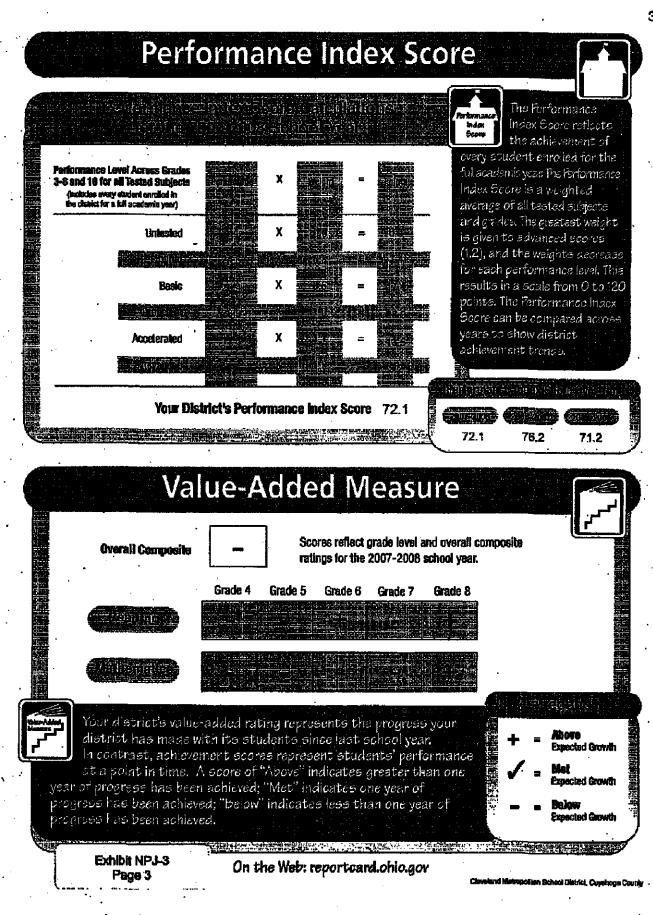
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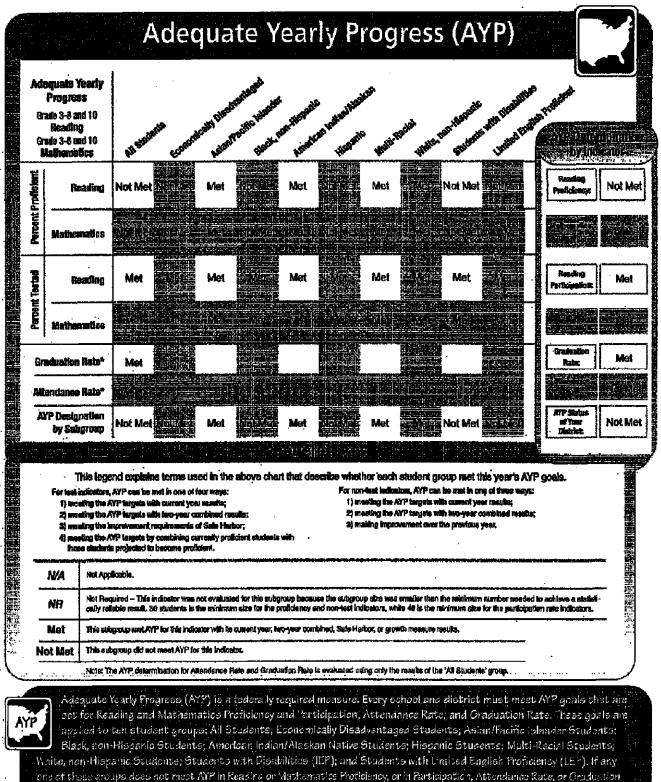


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Rate, then the school or district does not incov AYP. AYP also can affect the state designation that a school or district receives in one of two iways. Not niveting AYP for consecutive years will have both federal and state consequences. Federal consequences could include a school or district being identified for improvement. State consequences could include a reduction in the state's rating designation.

Cleveland Metropolitan School District, Cuminoge County,

Exhibit NPJ-3 Page 4

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Generally, a school will enter School Improvement (SI) after missing ATP for two. consecutive years; and it can skip 31 only after mosting AYP for two consecutive years.

Schools in School

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Every school in 'SI has to steate an improvement plan. Falsehool in Stredeives rederal funds, it may have to affer Public School Choice and/or Supplemental Educational Services

Boing in Cilfor three or mare years requires more extensive corrective actions and, eventually, restructuring.

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Alexander Greikem Bell	1	Aloin	
And new J Rickoff	6	Anton Grdine	
Audubon	5	Benjamin Franklin	
Brockhum	\$	Buckeye-Woodland	
Buirer	6	Carl & Louis Stokes Cantral Academy	•
Carl F Shuier	4	Clas	
Charles A Mooney	4	Charles Dickens	
Charles H Lake	3	Charles W Eliot	•
Clara 🗉 Westropp Klemenlary	· 2	Clark	
Collinwood High	6	Duniel & Morgan Etementary	
Denison	.1	Early Childhood Development	
East Clark	2	East High	
East Technical High		Empire	
Franklin D. Roosevelt	2	Fallerton	
Gamesis Academy	5	George Washington Cerver	
Biddings -	2	Gienville High	

Measures of a Rigorous Curriculum for the Class of 2007

Measure	2006- 07 &	aduates	Data Source
Mean ACT Score		16	ACT Corp., EMIS
Mean SAT Score		824	College Board, EMIS
Percent of Graduates graduating with an Honors I		0.0	EMIS
Percent of Graduates with an AP score of 3 or abo	040	1.8 %	College Board, EMIS
Number of Graduates taking at least one PSEO o		23	EMIS
		•	niem of the Ohio Department of Education misation that administrate the ACT Colleg
ine Measures of a Rigerous Curriculum are incended to rep		• • •	association that administers the SIT as
zonsplation of a rigorous curriculum and other indicators of su .hat ensure students leave school with the knowledge and ak	- gracies 8-12, to es	um çallışın avri hişin actioni	
ange ensure sondern ensage sensor wur ene knowledge end ext succedul in collede, careere and o sicenship. These indicatory	i an " northrowing the	sainiait, a program ciliarin sain credit er advanced si	g civerses/exams that provide students anding at colleges and universities

Exhibit NPJ-3 Page 6

schools that have any combination of grades 10, 11 and 12

Filitiropolina School District, Curehoga Count

	80 to 89.9	AYP Status AYP Status AYP Status AYP Met AYA AVA AVA AVA AVA AVA AVA AVA AVA AVA		Preliminary Designation Excellent Continuous Improvement
94%-100% 502-1339% 201 0%-74.9% 50%-74.9% 13% 46.23	100 to 120 2 to 89.9 80 to 89.9 70 to 89.9	Met or Not Met Store Wet or Not Met Net Not Met Not Met		Excellent Effective Continuous
94%-100% 502-1339% 201 0%-74.9% 50%-74.9% 13% 46.23	100 to 120 2 to 89.9 80 to 89.9 70 to 89.9	Met or Not Met Store Wet or Not Met Net Not Met Not Met		Excellent Effective Continuous
94%-100% 502-1339% 201 0%-74.9% 50%-74.9% 13% 46.23	100 to 120 2 to 89.9 80 to 89.9 70 to 89.9	Met or Not Met Store Wet or Not Met Net Not Met Not Met		Excellent Effective Continuous
50%-74.9%	80 to 89.9	Net Net Not Met		Continuous
50%-74.9%	80 to 89.9	nin Not Met		
				unprovement Academica Nation
0%-30.9% Ad	0 to 69.9		=	
0%-3D.9%	0 to 69.9	Not Met	=	
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reliminary Designation	Value-A	ided Measure		Final Designation
Excellent	Above expected growth	for at least 2 consecutive ye	ars	Excellent with Distinction
	Otherwise	a effect on rating		Excellent
Effective	Above expected growth t	or at least 2 consecutive ye	818	Excellent
		io effect on rating		Effective
continuous Improvement	and the second	or at least 2 consecutive ye	ars	Effective
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Academic Watch		or at least 2 consecutive ye	ars	Continuous Improvement
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Cleveland Mairopolitan School Cluster, Cupahoga County

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Name of Schools Identified for Improvement and Years in Improvement Status, continued

Hanneh Oleboos-Notlinghum Elementary Henry W Longfellow Elementary lames Ford Thodes High John D Rockefeller Elementary John Minshull High 🤺 Jossoh M Gallacher Louis Agamaiz nion C Saltzer Elon **da**ry Martin Luther King Jr Corver Compus Mary H Bethune **Hiles** Mound Ele Option Complex Petrick Honry @ Howe Elementary al Revers Elementary Robert H Jamie Seconter Sunbaan Wade Park Warner Okts Leadarship Academy Wilber Wright 5 Woodiand Hills

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Harvey Rice Elementary lowe-Maple Blomentary John Adams High John F Kennedy High Joseph F Land Lincola West High 'Luie Munoz Mario Marion-Starling i Mary B Martin Max 8 Hayee High Memorial Wiles Park Nation Hais Orchend Paul L'Oumber Bid Robert Fulton ece G Ja South High Unice Elem Watton Waverly Elementary **Billion**

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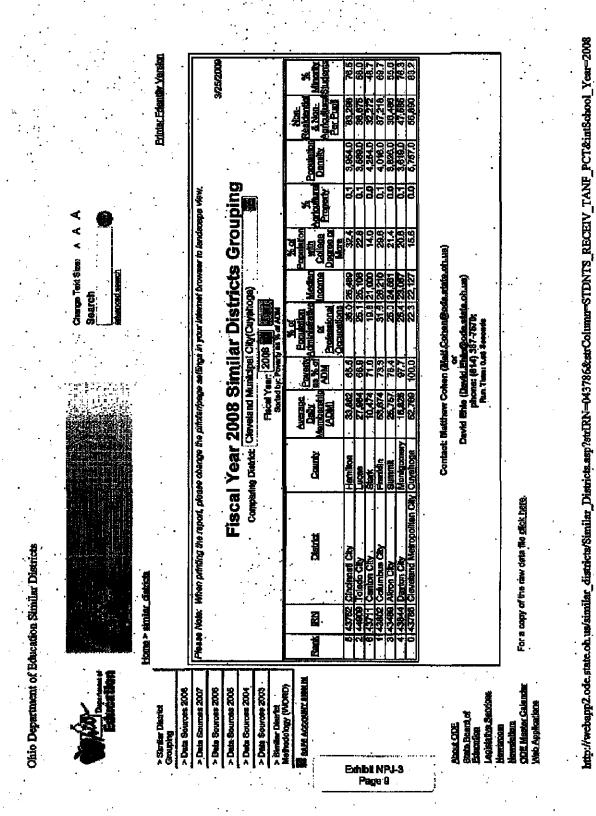
Ohio Department of Education Report Card Resources on the Web: reportcard.ohio.gov

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3/25/2009

CERTIFICATE OF SERVICE

1 hereby certify that a true and accurate copy of the foregoing Direct Testimony of

Nicholas P. Jackson was served by regular U.S. mail, postage prepaid, and/or delivered

via electronic mail, upon the following parties of record, this 30th day of April 2009.

David A. Kutik Jones Day North Point, 901 Lakeside Avenue Cleveland, OH 44114

Ebony Miller FirstEnergy Service Company 76 South Main Street Akron, OH 44308

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Respectfully submitted,

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