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BY HAND DELIVERY

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

PUCO

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RECEIVED-DOCKETING DIV

Re: Ohio Department of Development
Case No. 09-463-EL-UNC

Dear Ms. Jenkins:

On June 1, 2009, 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

Enclosure

cc: All Counsel of Record
Case No. 08-658-EL-UNC

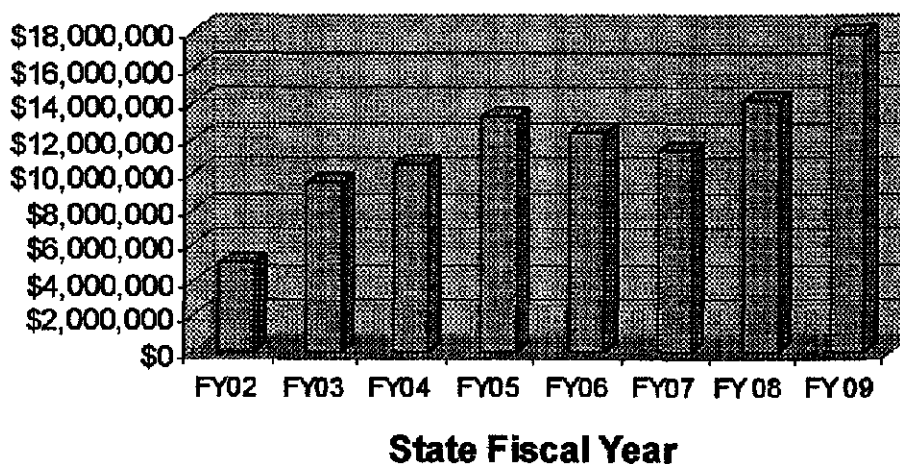
ELECTRIC PARTNERSHIP PROGRAM
Projected 2010 Costs

Based on its current projection of the cost of the Electric Partnership Program ("EPP") during the 2010 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 2010-11.

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. This trend was reversed in FY 2008, when EPP expenditures were significantly higher than in any prior fiscal year. EPP expenditures increased again in FY 2009 to the highest level since the program began in 2002.

Total EPP Expenditures



The following table shows the detail of the EPP expenditures for FY 2006, FY 2007, FY 2008, and FY 2009, as well as the proposed EPP budget for FY 2010 submitted by ODOD in connection the state biennium budget process. The primary cause of the increase in expenditures for FY 2009 was the increased number of PIPP and PIPP-eligible Ohioans who received services.

	Expenses				Budget
	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
				7/1/08-6/30/09	
PROGRAM SERVICES					
CONTRACT SERVICES	\$ 81,767.00	\$ 39,138.00	\$ 11,479.00	\$ 154,979.00	\$ 125,000.00
PROVIDER GRANTS	\$ 11,470,907.00	\$10,572,797.00	\$13,510,879.52	\$ 17,195,966.75	\$ 14,220,400.00
SUBTOTALS	\$ 11,552,674.00	\$10,611,935.00	\$13,522,358.52	\$ 17,350,945.75	\$ 14,345,400.00
ADMINISTRATIVE EXPENSES					
PAYROLL	\$ 597,787.00	\$ 529,243.00	\$ 468,230.49	\$ 381,630.98	\$ 400,000.00
SUPPLIES & MAINTENANCE	\$ 6,667.00	\$ 2,274.00	\$ 7,830.86	\$ 4,892.40	\$ 10,000.00
TRAVEL	\$ 1,640.00	\$ 5,924.00	\$ 8,154.88	\$ 2,290.12	\$ 4,796.00
EQUIPMENT	\$ 21,126.00	\$ 2,697.00	\$ -	\$ -	\$ 10,000.00
INDIRECT COST	\$ 199,097.00	\$ 173,567.00	\$ 232,543.46	\$ 164,538.10	\$ 176,000.00
SUBTOTALS	\$ 826,317.00	\$ 713,705.00	\$ 716,859.69	\$ 553,351.80	\$ 600,796.00
Admin as % of total	6.68%	6.30%	5.03%	3.09%	4.02%
TOTALS	\$ 12,378,991.00	\$11,325,640.00	\$14,239,218.21	\$ 17,904,297.35	\$ 14,946,196.00

In the corresponding exhibit to ODOD's Notice of Intent in Case No. 08-658-EL-UNC, ODOD outlined proposed modifications to the EPP. These modifications included an increase in the number of providers from seven to ten, the implementation of the low-use EPP program that is delivered with the Home Weatherization Assistance Program to provide full services to customers who use under 6000 kWh per year while containing costs, and the inclusion of PIPP-eligible customers into the customer base for EPP. All of these modifications were successful. In FY 2009, the EPP program served 18,814 customers, surpassing the previous high number of customers served annually (12,922 in FY 2008) by more than 5,000 customers.

The objective of the EPP program is, of course, to reduce the electricity consumption of the targeted low-income population, which, in turn, will reduce the burden that 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. The impact evaluation for Program Year 2006 (September 1, 2006 through March 31, 2008) was completed on June 30, 2009. The study concluded that the program was cost effective and continues to produce significant electricity savings in thousands of PIPP households each year. These savings will take on more significance with the implementation of the new PIPP Plus rules in November 2010. Under the current rules, energy conservation savings achieved by PIPP customers during the heating season serve to reduce the cost of PIPP that would otherwise be borne by EDU ratepayers. However, because PIPP customers are currently required to pay the full amount of their monthly bills in the summer, achieved energy conservation savings do not reduce the cost

of PIPP during the summer months, which, in turn, means that EDU ratepayers do not realize a benefit in the non-heating season months from the conservation measures they have funded. Under the new rules, the PIPP Plus customer will make a standard payment each month, not just in the heating season. This change means that energy savings produced by the EPP program will benefit EDU ratepayers year-round.

EPP has become a fully mature program with experienced providers and public recognition. EPP has proven that it can utilize ratepayer funds in a cost-effective manner to reduce the energy consumption of PIPP participants. But, ODOD must also weigh the cost of this program to the ratepayers, especially in light of the economic conditions in the State of Ohio. ODOD believes that the continuation of the \$14,946,196 allowance for EPP costs is reasonable. This funding level will enable the providers to help thousands of eligible Ohioans, but not increase the cost to ratepayers to provide this service. 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.