BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of the Ohio Development Services Agency for an Order Approving Adjustments to the Universal Service Fund Riders of Jurisdictional Ohio Electric Distribution Utilities.	)))))	Case No. 15-1046-EL-USF

OHIO DEVELOPMENT SERVICES AGENCY
NOTICE OF INTENT TO FILE AN APPLICATION
FOR ADJUSTMENTS TO UNIVERSAL SERVICE FUND RIDERS

By its Opinion and Order of December 10, 2014, in Case No. 14-1002-EL-UNC, the Public Utilities Commission of Ohio ("Commission") granted the application of the Ohio Development Services Agency ("ODSA") for an order approving adjustments to the Universal Service Fund ("USF") riders of the state's jurisdictional electric distribution utilities ("EDUs"). In granting the application, the Commission adopted a December 3, 2014 stipulation and recommendation ("Stipulation") jointly submitted by ODSA and a majority of the other parties to the proceeding.[1] In addition to recommending approval of the 2015 USF rider rates proposed in the application, the Stipulation required ODSA to file its next annual USF rider rate adjustment application not later than October 31, 2015 (Stipulation, Paragraph 10), a measure consistent with the Commission's orders in all prior Section 4928.52(B), Revised Code, USF rider rate adjustment proceedings. The stipulation also provided for the continuation of the Notice of Intent ("NOI") process first approved by the Commission in Case No. 04-1616-EL-UNC (Opinion and Order, December 8, 2004), whereby ODSA is required to make a preliminary filing

[1] The signatory parties were ODSA, The Dayton Power and Light Company ("DP&L), The Cleveland Electric Illuminating Company ("CEI"), Ohio Edison Company ("OE"), The Toledo Edison Company ("TE"), Ohio Power Company, , Duke Energy Ohio, Inc. ("Duke"), and Industrial Energy Users – Ohio. The Commission Staff, although not a signatory party, did not oppose the stipulation. CEI, OE, and TE are collectively referred to as "FirstEnergy."

by May 31, 2015 setting out the methodology it will employ in developing the USF rider revenue requirements and rate design for its subsequent annual application (Stipulation, Paragraph 11).

The NOI process is intended to address the potential timing problem associated with securing Commission approval of ODSA's annual USF rider rate adjustment application sufficiently in advance of the EDU January billing cycles in order to implement the new rider rates at the outset of the annual collection period assumed in developing the new rider rates. Although the October 31 filing deadline provides the Commission with sufficient time to act prior to January 1 of the following year if the ODSA application is not contested, the signatories to the Stipulation recognized that this two-month interval may not be adequate if a party to the proceeding wishes to litigate issues raised in its objections to the application *(Id).* However, the signatories also recognized that simply advancing the filing deadline to assure that the new USF rider rates can take effect in January of the following year would require ODSA to calculate the pro forma USF rider revenue requirements proposed in the application based predominantly on estimated data, which might well produce a result that is not indicative of the revenue requirements that ODSA will ultimately propose once additional actual test-period data becomes available *(Id).* Thus, to afford an objecting party the opportunity to pursue methodological issues it may wish to raise, while avoiding imposing an unnecessary burden on ODSA, the Stipulation established the following process:

> On or before May 31, 2015, ODSA shall file with the Commission a notice of its intent to submit its annual USF rider adjustment application, and shall serve the NOI on all parties to this proceeding. The NOI shall set forth the methodology ODSA intends to employ in calculating the USF rider revenue requirement and in designing the USF rider rates in preparing its 2015 USF rider rate adjustment application, and may also include such other matters as ODSA deems appropriate. Upon the filing of the notice of intent, the Commission will open the 2015 USF rider adjustment application docket and will establish a schedule for the filing of objections or comments, responses to the objections or comments, and,

> if a hearing is requested, a schedule for discovery, the filing of testimony, and the commencement of the hearing. The Commission will use its best efforts to issue its decision with respect to any objections raised not later than September 30, 2015. ODSA will conform its 2015 USF rider adjustment application to any directives set forth in the Commission's decision. If the order is not issued sufficiently in advance of the October 31, 2015 filing deadline to permit ODSA to incorporate such directives, ODSA will file an amended application conforming to the Commission's directives as soon as practicable after the order is issued.

Id.[2]

Pursuant to this provision of the Stipulation, ODSA hereby submits its notice of intent to submit its annual USF rider adjustment application on or before October 31, 2015. The methodology ODSA intends to employ in developing USF rider revenue requirement and rate design for purposes of its 2015 application are described below.

<u>USF Rider Revenue Requirement Methodology</u>:

The USF rider revenue requirement proposed for each EDU[3] in ODSA's 2015 application will consist of the following elements:

1. <u>Cost of PIPP</u>

The cost of Percentage of Income Payment Plan ('PIPP") component of the USF rider revenue requirement will be based on the total cost of electricity consumed by the company's PIPP customers for the 12-month period January 2015 through December 2015 (the "test period"), plus pre-PIPP balances, less the total PIPP installment payment obligations of PIPP

[2] As noted in the Stipulation, the objections contemplated by this provision are objections relating to something other than mathematical accuracy of ODSA's calculations. Objections of that nature, which can almost certainly be resolved informally in timely manner under the current process, will still be entertained subsequent to the filing of the application itself (Stipulation, Paragraph 11, n. 2).

[3] The AEP Ohio operating companies, Columbus Southern Power Company ("CSP") and Ohio Power Company ("OP") merged, effective December 31, 2011, with Ohio Power Company as the surviving entity. See Case No. 10-2376-EL-UNC, et al. (Entry, March 7, 2012). Although CSP and OP have merged, the former CSP customers continue to be subject to a separate rate schedule, including a separate USF rider, as are the customers that were served by OP prior to the merger. OSDA will propose separate USF rider rates for these two customer groups based on a revenue requirement specific to each respective customer group, as it did in Case Nos. 12-1719-EL-USF and 13-1296-EL-USF.

customers and all payments made on behalf of PIPP customers, including agency payments, to the extent that these payments are applied to outstanding PIPP arrearages over the same period. This methodology for determining the cost of PIPP is identical to the methodology approved in Case Nos. 11-3223-EL-USF, 12-1719-EL-USF, 13-1296-EL-USF, and 14-1002-EL-USF.

In calculating the cost of PIPP, ODSA will utilize actual data available through August 2015, and projected data, based on the actual September-December 2014 experience, for the remaining months of the test period. If the timing permits, ODSA will file an amended application to incorporate additional actual test-period data that becomes available subsequent to the preparation of the initial application.

As in prior cases, ODSA will propose adjustments to the test-period cost of PIPP to annualize the impact of EDU rate changes that take effect during the test period, as well as any known post-test period EDU rate changes that will affect the cost of PIPP during the 2016 collection period. In addition, as in Case Nos. 09-463-EL-UNC, 10-725-EL-USF, 11-3223-EL-USF, 12-1719-EL-USF, 13-1296-EL-USF, and 14-1002-EL-USF ODSA will propose an adjustment to capture the impact of the anticipated change in PIPP enrollment on the cost of PIPP during the during the 2016 collection period. Consistent with the methodology approved by the Commission in those proceedings, the projected 2016 PIPP enrollment will be based on an analysis of the historical year-over-year increases in PIPP enrollment over the most recent five-year period.

2. <u>Electric Partnership Program Costs</u>

This USF rider revenue requirement component is intended to recover the cost of the low-income customer energy efficiency programs funded out of the USF pursuant to Section 4928.56(A)(2) and (3), Revised Code. In all previous USF rider adjustment cases, the Commission has accepted the $14,946,196 allowance for Electric Partnership Program ("EPP") costs first proposed by ODSA when the initial USF riders were established in the EDU electric transition plan ("ETP") proceedings. Prior to 2009, expenditures for these programs did not reach the estimated levels, but ODSA was consistently forced to utilize the EPP surplus to cover shortfalls resulting from the amounts by which the actual cost of PIPP during the collection periods exceeded the test-period cost of PIPP built into the USF rider rates.

As a result of negotiations with the Office of the Ohio Consumers' Counsel ("OCC") in the NOI phase of Case No. 05-717-EL-UNC, ODSA and OCC entered into a settlement agreement (the "ODSA-OCC Settlement") whereby ODSA agreed to make certain changes in the methodology to be proposed for determining the USF rider revenue requirement in future proceedings.[4] Consistent with the ODSA-OCC Settlement, ODSA's proposed allowance for EPP costs in this case will be based on its projection of payments to EPP providers and the administrative costs associated with ODSA's oversight of the EPP during the 2015 collection period. The analysis supporting ODSA's current projection of 2016 EPP costs of $14,946,196 is set forth in attached Exhibit A. ODSA believes that this analysis fully supports the inclusion of an allowance for EPP costs in this amount in determining the total USF rider revenue requirement for purposes of this case. ODSA will reexamine this projection prior to filing its application, and will include an exhibit in its application setting forth the updated projection, if any. As in all prior USF rider rate adjustment applications, ODSA will allocate this component of the revenue requirement among the EDUs based on the ratio of their respective costs of PIPP to the total cost of PIPP.

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[4] The terms of the Development-OCC Settlement are set forth in the Commission's December 14, 2005 opinion and order in Case No. 05-717-EL-UNC.

3. **Administrative Costs**

In establishing the original USF riders and those approved in Case No. 01-2411-EL-UNC, the Commission included an allowance of $1,932,561 for the administrative costs associated with low-income customer assistance programs to be included in the USF rider revenue requirement pursuant to Section 4928.52(A)(3), Revised Code. In the next four annual USF rider adjustment proceedings, Case Nos. 02-2868-EL-UNC, 03-2049-EL-UNC, 04-1616-EL-UNC, and 05-717-EL-UNC, the Commission accepted ODSA's $1,578,000 estimate as the allowance for administrative costs. However, as a part of the ODSA-OCC Settlement, ODSA agreed that, in future USF rider rate adjustment proceedings, ODSA's proposed allowance for administrative costs would be based on the administrative costs incurred during the test period, subject to such adjustment(s), plus or minus, for reasonably anticipated post-test period cost changes as may be necessary to assure, to the extent possible, that the administrative cost component of the USF rider revenue requirement will recover the administrative costs incurred during the collection year. Accordingly, as in all subsequent USF rider rate adjustment applications, the requested allowance for administrative costs proposed in ODSA's application in this case will be based on this methodology, and will be supported by testimony submitted in conjunction with the application. As in all prior USF rider rate adjustment proceedings, the requested allowance for administrative costs will be allocated among the EDUs based on the relative number of PIPP customer accounts as of the month of the test period exhibiting the highest PIPP customer account totals.

4. **December 31, 2015 PIPP Account Balances**

Because the USF rider rates are calculated based on historical sales and historical PIPP enrollment patterns, the USF riders will, in actual practice, either over-recover or under-recover the target revenue requirements during the collection period. Over-recovery creates a positive year-end PIPP USF account balance for the EDU in question, thereby reducing the amount needed to meet the USF rider revenue requirement target on a forward-going basis. Conversely, where under-recovery has created a negative year-end PIPP USF account balance, there will be insufficient cash available to ODSA to make the PIPP reimbursement payments due the EDU. Thus, the amount of any existing positive year-end PIPP USF account balance must be deducted in determining the target revenue level the adjusted USF rider is to generate, while the deficit represented by a negative year-end PIPP USF account balance must be added to the associated revenue requirement. In its application in this case, ODSA will request that its proposed USF riders be implemented on a bills-rendered basis effective January 1, 2016. Accordingly, the USF rider revenue requirement of each company will be adjusted by the amount of the company's projected December 31, 2015 PIPP account balance so as to synchronize the new riders with each EDU's PIPP USF account balance as of their effective date.

5. Reserve

Due, in large measure, to the weather-sensitive nature of electricity sales and variations in PIPP enrollment behavior, PIPP-related cash flows fluctuate throughout the year. These fluctuations will, from time-to-time, result in negative PIPP USF account balances, which in turn, means that ODSA will be unable to satisfy its monthly reimbursement obligation to the EDU on a timely basis. To address this situation, the Commission, in its order in Case No. 01-2411-EL-UNC, approved ODSA's proposal to include a component in the USF rider revenue requirement to establish a reserve to serve as a cushion in those months where there would otherwise be a deficiency in a given company's USF PIPP account balance. In an attempt to mitigate the impact on ratepayers, ODSA utilized various methods for calculating this cash working capital element of the USF rider revenue requirement over the 2001-2005 period. However, none of these methodologies proved effective in eliminating USF reserve shortfalls during the collection period. Thus, in its application in Case No. 06-751-EL-UNC, ODSA abandoned these more conservative approaches, and the stipulation adopted by the Commission in that case specified that the required reserve was to be based on the EDU's highest monthly deficit during the test period. This methodology was approved by the Commission in each subsequent annual USF rider rate adjustment proceeding, and will again be proposed by ODSA in its application in this case.

Prior to the implementation of electric PIPP Plus on November 1, 2010, ODSA was subject to carrying charges on monthly payments reimbursing the EDU for the cost of electricity delivered to PIPP customers that were not received by the EDU by the specified due date. Although the reserve component was designed to fully fund the EDU reserves on a pro forma basis by the end of the collection period, because USF cash flows fluctuate considerably over the course of the year, ODSA could incur such carrying charges from time to time, and, as a result, included an allowance for these interest costs as a component of the USF rider revenue requirement. Under the new rules, the due date for ODSA's monthly reimbursement payments to the EDUs has been significantly extended, and the interest rate used to compute carrying charges for late reimbursement payments has been reduced to the statutory interest rate applicable to late payments by state agencies pursuant to Section 126.30, Revised Code. Thus, as ODSA noted in the NOI in Case Nos. 10-725-EL-USF, 11-3223-EL-USF, 12-1719-EL-USF, 13-1296-EL-USF, and 14-1002-EL-USF its exposure to carrying charges for late reimbursement payments to the EDUs is now *de minimis.* Accordingly, ODSA did not propose an allowance for interest costs in its applications in those cases, and reserves the right to propose such an allowance in this case, if appropriate.

6. Allowance for Undercollection

As in past applications, ODSA will propose to include a component in the USF rider revenue requirement to recognize that, due to the difference between amounts billed through the USF rider and the amounts actually collected from customers, the rider will not generate the target revenues. The proposed allowance for undercollection for each EDU will again be based on the actual collection experience of that company.

7. Allowance for EDU/USF Audit Costs

Consistent with the recommendation of the USF Rider Working Group, ODSA has previously caused audits[5] to be conducted of each EDU's PIPP-related accounting and reporting to assure that the ODSA-EDU interface was functioning in accordance with ODSA's expectations and to identify any systemic problems that could indicate that the cost of PIPP recovered from ratepayers through the USF riders of the respective EDUs had been overstated.

The Commission-approved Stipulation in Case No. 13-1296-EL-USF provided for ODSA to issue a request for proposals (RFP) to engage a qualified, independent third party to conduct an audit to evaluate the effectiveness of PIPP Plus, as implemented in November 2010, and the program. The audit is to focus on consistency in the EDUs' data reports, customer payments, payment incentives, effectiveness of customer education, affordability of payments, and the effect the new PIPP Plus program has on the Universal Service Fund. The Commission, in its order in 13-1296-EL-USF, approved the Stipulation providing a one-time $60,000 allowance for the audit. The cost of the audit was to be allocated to each EDU based on its cost of PIP Plus, with any difference between the allowance and the actual costs of the audits to be trued up as part of the EDU's projected year end balance of the revenue requirement.

[5] Although characterized as an "audit" in the initial RFP, the work performed by the firm awarded the contract was actually an "application of agreed-upon procedures" designed to test the subject EDU's performance in specific areas. However, the terms are used interchangeably herein.

After receipt of the RFPs, the actual cost of the audit will be $165,249. Consistent with the Commission's order in 13-1296-EL-USF, ODSA proposes to allocate this cost to each EDU based on its cost of PIP Plus.

At this time, ODSA is not proposing an allowance for EDU audit costs, or other third-party analyses related to the Universal Service Fund, in its application in this case, but reserves the right to do so if it subsequently determines such audits or analyses should be conducted in 2016.

8. Universal Service Fund Interest Offset

Section 4928.51(A), Revised Code, provides that interest on the USF shall be credited to the fund. Although the fund has, from time to time, generated interest income, ODSA, in the early years of the fund, was routinely forced to utilize such income to cover shortfalls resulting from the amounts by which the actual cost of PIPP during the collection periods exceeded the test-period cost of PIPP built into the USF rider rates. Thus, historically, ODSA did not consider the availability of USF interest income in determining the USF rider revenue requirements. The ODSA-OCC Settlement in the NOI phase of Case No. 05-717-EL-UNC provided that, in developing the proposed USF rider revenue requirement in future USF rider rate adjustment applications, ODSA would offset the projected USF interest balance, if any, at the end of the test period so as to flow back any accumulated interest to customers over the collection period. To the extent interest is available at year end to be used as an offset in determining the USF rider revenue requirement, ODSA will include an interest offset to the USF revenue requirement in its application in this case.

9. Aggregation of PIPP Plus Customers

. The Director plans to pursue aggregating PIPP Plus customers pursuant to Section 4928.54 of the Ohio Revised Code, and Rule 122:5-3-06 of the Ohio Administrative Code.

ODSA proposes that all costs related to the aggregation process be allocated to each EDU based on its annual PIPP Plus kWh sales. As in calculating the cost of PIPP, ODSA will utilize actual data available through August 2015, and projected data, based on the actual September 2014-December 2014 experience, for the remaining months of the test period.

10. USF Rider Rate Design Methodology:

ODSA will propose to recover the annual USF rider revenue requirement for each EDU through a USF rider that incorporates a two-step declining block rate design of the type approved by the Commission in all prior ODSA USF rider adjustment applications. The first block of the rate will apply to all monthly consumption up to and including 833,000 Kwh. The second rate block will apply to all consumption above 833,000 Kwh per month. For each EDU, the rate per Kwh for the second block will be set at the lower of the PIPP charge in effect in October 1999 or the per Kwh rate that would apply if the EDU's annual USF rider revenue requirement were to be recovered through a single block per Kwh rate. The rate for the first block rate will be set at the level necessary to produce the remainder of the EDU's annual USF rider revenue requirement. Thus, in those instances where the EDU's October 1999 PIPP charge exceeds the per Kwh rate that would apply if the EDU's annual USF rider revenue requirement were to be recovered through a single block per Kwh rate, the rate for both consumption blocks will be the same.

WHEREFORE, consistent with the terms of the Stipulation approved by the Commission in Case No. 14-1002-EL-USF, ODSA respectfully requests that the Commission:

1. Accept this notice of intent for filing and open ODSA’s 2015 USF rider adjustment application docket;

2. Find that all jurisdictional Ohio electric distribution utilities are indispensable parties to this proceeding and join them as such;

3. Establish a schedule for the filing of motions to intervene, the filing of objections or comments regarding matters set forth in the notice of intent, the filing of responses to any such objections or comments, and, if a hearing is requested, a

schedule for discovery, the filing of testimony, and the commencement of the hearing;

4. Use its best efforts to issue its decision with respect to issues raised not later than September 30, 2015 to permit ODSA to conform its 2015 USF rider adjustment application to Commission's resolution of those issues;

5. Cause a copy of all entries issued in this docket to be served upon all parties of record in Case No. 14-1002-EL-USF.

Respectfully submitted on behalf of
Ohio Development Services Agency

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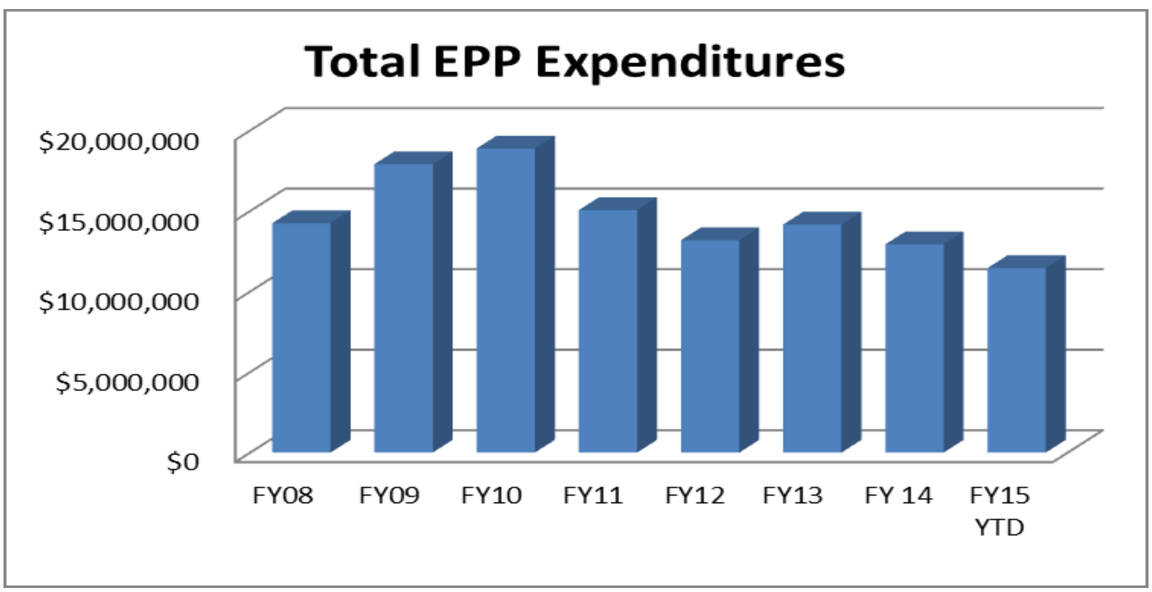
EXHIBIT A
Notice of Intent
Case No. 15-1046-EL-USF

ELECTRIC PARTNERSHIP PROGRAM
Projected 2016 Costs

Based on its current projection of the cost of the Electric Partnership Program ("EPP") during the 2016 collection period, Ohio Development Services Agency (ODSA) 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 ODSA for inclusion in the 2015-2016 state biennium budget.

Like other components of the USF rider revenue requirement, the allowance for EPP costs proposed in ODSA's USF rider rate adjustment applications is an annual allowance. However, to conform to the state's budgeting process, ODSA 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.

The following graph displays the total annual EPP expenditures for each of the last seven fiscal years. As indicated, the FY 2015 bar represents the year-to-date amount, and it is anticipated that additional expenditures prior to July 1, 2015, will bring the actual FY 2015 figure close to the $14,946,196 EPP budget amount. The FY 2015 expenditures only include expenditures through April 30, 2015.



As illustrated by the graph, EPP expenditures increased each year from FY 2008 through FY 2010 and then decreased. From FY 2002 though FY 2008, ODSA's ability to utilize the total amount budgeted for EPP was constrained by several factors, including initial implementation issues, the pace of the program's ramp up, changes in providers, and the production pattern of providers over the terms of their contracts. As the demand for program services increased due to the ever-increasing number of PIPP and PIPP-eligible Ohioans, ODSA looked to the accumulated unspent EPP funds from prior years to meet this demand, which enabled ODSA to fund the program in FY 2009 and FY 2010 at levels substantially above the Commission-approved $14,946,196 allowance for EPP costs built into the USF rider rates. However, in Fiscal Years 2012 through 2015, ODSA limited the funding to the budgeted amount, which accounts for the decreased expenditures in FY 2012, FY 2013, FY 2014, and FY 2015 year-to-date EPP expenditures displayed on the graph. ODSA anticipates holding the expenditures to the budgeted amount again in FY 2016.

Table 1 shows the detail of the EPP expenditures for FY 2012, FY 2013, FY 2014 and FY 2015 expenditures through May 28, 2015, as well as the proposed EPP budget for FY 2015 submitted by ODSA in connection with the state’s biennial budget process.

Table 1

	Expenses					
	FY 2011	FY 2012	FY 2013	FY2014	FY2015	FY 2016
	7/1/10-6/30/0211	7/1/11-6/30/12	7/1/12-6/30/13	7/1/13-6/30/14	7/1/2014-5/28/2015	Budget
PROGRAM SERVICES						
CONTRACT SERVICES		$ -	$ 463,747.50	$ 17,595.00		$ 200,000.00
PROVIDER GRANTS	$14,619,698.20	$12,693,501.58	$ 13,295,483.43	$ 12,586,322.95	$ 11,252,014.62	$14,300,000.00
SUBTOTALS	**$ 14,619,698.20**	**$ 12,693,501.58**	**$ 13,759,230.93**	**$ 12,603,917.95**	**$11,252,014.62**	**$14,500,000.00**
ADMINISTRATIVE EXPENSES						
PAYROLL	$ 279,182.66	$ 312,690.41	$ 240,734.82	$ 179,227.75	$ 120,860.24	$ 240,000.00
SUPPLIES /MAINT/ PRINTING	$ 17,618.43	$ 3,993.27	$ 4,515.22	$ 14,422.06	$ 23,551.41	$ 16,292.00
TRAVEL	$ 2,680.97	$ 1,469.05		$ 1,558.53	$ 4,606.81	$ 6,000.00
EQUIPMENT		$ -		$ 4,785.00		$ 10,000.00
OTHER	$ 1,325.51	$ 11,097.53	$ 3,896.96	$ 217.26	$ 1,425.00	$ 15,000.00
INDIRECT COST	$ 129,180.51	$ 158,122.79	$ 145,952.25	$ 122,389.86	$ 51,818.34	$ 158,904.00
SUBTOTALS	**$ 429,988.08**	**$ 487,373.05**	**$ 395,099.25**	**$ 322,600.46**	**$ 202,261.80**	**$ 446,196.00**
Admin as % of total	**2.86%**	**3.70%**	**2.79%**	**2.50%**	**1.77%**	**2.99%**
TOTALS	**$15,049,686.28**	**$13,180,874.63**	**$ 14,154,330.18**	**$ 12,926,518.41**	**$11,454,276.42**	**$14,946,196.00**

Beginning in FY 2011, ODSA limited provider grants to the budgeted amount. This practice will continue with the FY 2016 grant. Thus, consistent with the objective of the budgeting process, ODSA believes that its FY 2016 budget for EPP reasonably reflects the level of EPP expenditures that will be made in the coming year and, thus, represents the appropriate basis for establishing the allowance for EPP costs in this case. The administrative expense component reflects the costs associated with the necessary interface between ODSA and the providers.

The objective of the EPP program is 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. The PIPP Plus rules that were implemented November 1, 2010 were designed to decrease the cost of PIPP. The 2015 USF rate case (PUCO Case No. 14-1002-EL-USF) showed that costs had decreased for the Ohio Power rate zone and for Dayton Power and Light. The PIPP Plus cost increases in the Duke, Cleveland Electric Illumination, Ohio Edison, Toledo Edison and the Columbus Southern Power rate zones were due to increases in enrollment, electric usage due to a harsh winter and propane shortages and utility rate increases. Under the EPP rate design in the USF filing, the allocations to the utility service areas are calculated based on the ratio of individual utility's cost of PIPP Plus to the total cost of PIPP Plus for all utilities. Thus in the 2015 USF rate case, the EPP allocations for Duke, Cleveland Electric Illumination, Ohio Edison, Toledo Edison and the Columbus Southern Power rate zone increased to try to mitigate the increases in costs and the allocations decreased for the Ohio Power and Dayton Power and Light companies due to their reduced costs.

In addition, under the rules, PIPP Plus customers make their standard installment payment each month, not just during the heating season. Because of the changes made to PIPP, all energy savings achieved will reduce the cost of PIPP, thereby benefitting EDU ratepayers year round.

EPP is a fee for service program that is competitively bid to obtain providers who collectively will cover all 88 Ohio counties. The grant was rebid in May, 2013 prior to the beginning of the 2013 program year. In order to accommodate this change, the 2012 grant was extended until July 31, 2013 and the 2013 grant began on August 1, 2013. ODSA allocated funds from Program Year 2013 to 2012 grant providers to enable them to continue working until the new grants were executed. Ohio Development Services Agency will include in the 2015 grant allocations, any unspent funds from the PY 2013 grant. Beginning in 2014, the EPP Program Year has been from July 1 to June 30 and this program year designation will continue with the 2015 Program Year.

ODSA has worked to improve the cost effectiveness of EPP and has completed four energy impact evaluations as a key part in that effort. Prior evaluations found that EPP has been a cost effective use of ratepayer funds for reducing the costs of PIPP Plus. The most recent energy impact evaluation showed the present value of the lifetime energy savings exceeds the program costs by 22%. ODSA is working on a Request for Proposal to evaluate the current energy savings impact of the EPP Program. It is important to regularly assess the program to ensure that electric usage savings are continuing and are cost effective. The evaluation may also provide insights into gaining higher energy reductions to further reduce the costs of PIPP Plus. The last evaluation of the EPP Program was completed in 2008. The RFP is expected to be released in June 2015.

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 ODSA must also weigh the cost of this program to the ratepayers, especially in light of the economic conditions in the state. ODSA believes that the continuation of the $14,946,196 allowance for EPP costs is reasonable. This funding level will enable the providers to help over 14,000 eligible Ohioans, without increasing the cost to ratepayers. As explained in the Notice of Intent, ODSA 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, ODSA will revise the requested allowance at that time.

CERTIFICATE OF SERVICE

I hereby certify that a true copy of the foregoing Notice of Intent has been served upon the following parties by electronic mail and/or first class mail, postage prepaid, this 29th day of May 2015.

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