

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	:	Case No. 15-1046-EL-USF
Universal Service Fund Riders of	:	
Jurisdictional Ohio Electric Distribution	:	
Utilities.	:	

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TESTIMONY

OF

**RANDALL HUNT**

ON BEHALF OF  
THE OHIO DEVELOPMENT SERVICES AGENCY

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October 30, 2015

**TESTIMONY OF RANDALL HUNT**  
**On Behalf of The Ohio Development Services Agency**

1   **Q.   Please state your name and business address.**

2   A.   My name is Randall Hunt. My business address is Ohio Development Services Agency  
3       ("ODSA"), 77 South High Street, 25th Floor, Columbus, Ohio 43216-1001.

4   **Q.   By whom are you employed and in what capacity?**

5   A.   I am employed by ODSA as Deputy Chief of the Office of Community Assistance  
6       ("OCA"), an office within ODSA's Division of Community Services.

7   **Q.   Please briefly describe your professional experience and educational background.**

8   A.   Although I have only been with OSDA as OCA's Deputy Chief since September of 2012, I  
9       have over 26 years of experience in administering local, state, and federal community  
10      development and anti-poverty programs. I began my professional career in 1989 as a  
11      regional planner for the Ohio Valley Regional Development Commission. From 1994 to  
12      1999 I served as Assistant Director, then as Director, of the Governor's Office of  
13      Appalachia. In that position I was responsible for the administration of the Federal  
14      Appalachian Regional Commission programs designed to address the economic and social  
15      development needs in 13 federally-designated Appalachian states, including the  
16      Appalachian counties in Ohio. I then served for two years as the Executive Director of the  
17      Ohio Rural Development Partnership at the Ohio Department of Agriculture before being  
18      appointed to the position of State Director of the United States Department of  
19      Agriculture's Rural Development Agency. In that position, I was responsible for the

1 administration of federal loans, grants, and loan guarantees for low income housing, water  
2 and sewer utilities, community facilities, and business loans in eligible rural areas in Ohio.

3 From 2009 to September 2012, I served as the State Director of the Rural Community  
4 Assistance Program at Wood, Sandusky, Ottawa and Seneca Community Action  
5 Commission. I hold a Bachelor of Science degree from The Ohio State University College  
6 of Engineering.

7 **Q. What are your duties and responsibilities as OCA's Deputy Chief?**

8 A. OCA administers a number of energy assistance programs for low-income utility  
9 customers, including the federally-funded Low-Income Home Energy Assistance Program  
10 ("LIHEAP"), Home Weatherization Assistance Program ("HWAP"), Community Service  
11 Block Grant program, State Energy Program, Ohio Coal Research and Development  
12 Program, Alternative Fuels Transportation Program, Alternative Storm Water  
13 Infrastructure Loan and Brownfield Funds. In addition, the electric Percentage of Income  
14 Payment Plan ("PIPP") program, which is funded from the state treasury's Universal  
15 Service Fund ("USF"). As Deputy Chief, I have overall responsibility for administering  
16 the funds that support these programs. I also have management responsibility for the day-  
17 to-day operations of OCA, which now has 120 full-time employees.

18 **Q. Have you previously testified before this Commission?**

19 A. Yes. I presented testimony on behalf of ODSA in previous USF rider rate adjustment  
20 proceedings, Case Nos. 12-1719-EL-USF, 13-1296-EL-USF and 14-1002-EL-USF.

21 **Q. What is the purpose of your testimony in this case?**

1 A. The purpose of my testimony is to support the \$5,252,471 allowance for costs associated  
2 with ODSA's administration of the PIPP program that has been included in the USF rider  
3 revenue requirement proposed by ODSA in its application in this case.

4 **Q. What standard did you employ in determining the proposed allowance for**  
5 **administrative costs associated with the PIPP program?**

6 A. The Office of the Ohio Consumer's Counsel ("OCC") entered into a settlement agreement  
7 in the Notice of Intent ("NOI") phase of Case No. 05-717-EL-UNC with ODSA. The  
8 settlement agreement provided, among other things, that in future USF rider rate  
9 adjustment applications, the proposed allowance for administrative costs would be based  
10 on the costs actually incurred during the test period, subject to adjustment(s), plus or  
11 minus, for reasonably anticipated post-test period cost changes, so as to assure, to the  
12 extent possible, that the administrative cost component of the USF rider revenue  
13 requirement will recover the administrative costs incurred during the collection year. This  
14 standard for determining the allowance for administrative costs was approved by the  
15 Commission in the 2005 case, and was employed by ODSA in all subsequent USF rider  
16 rate adjustment proceedings. This standard was again approved by the Commission in its  
17 October 28, 2015, opinion and order in the NOI phase of this case. Accordingly, I  
18 determined the proposed allowance for administrative costs using this standard.

19 **Q. How did you identify the costs actually incurred by ODSA during the test period in**  
20 **connection with its administration of the PIPP program?**

21 A. It is my understanding that the approved test period in this case is calendar year 2015.

1 However, ODSA's accounting is based on the state fiscal year ("FY"), which is the twelve  
2 months ending June 30, not the calendar year. Thus, I relied on OCA's FY 2015 (the  
3 twelve months ending June 30, 2015) accounting records to identify the costs actually  
4 incurred by ODSA in connection with the administration of the PIPP program during FY  
5 2015. Because the actual costs for calendar 2015 are not yet known, consistent with the  
6 practice in prior cases, I utilized the actual costs incurred in the most recent fiscal year as a  
7 surrogate for the test-period PIPP administration costs.

8 **Q. You indicated that OCA has responsibilities other than the administration of the**  
9 **PIPP program. For accounting purposes, how does OCA distinguish between the**  
10 **costs incurred in connection with its administration of the PIPP program and the**  
11 **costs associated with these other activities?**

12 A. The method used depends on the nature of the costs involved. As shown in Exhibit RH-1  
13 to my testimony, OCA breaks its costs down into five categories for accounting and  
14 budget purposes: (1) Payroll, (2) Temp Staff / Consultants / Mail Services, (3) Indirect  
15 Costs, (4) Direct Support Services, and (5) Maintenance. In some instances, costs are  
16 directly assigned to PIPP administration, while, in others, costs are allocated to PIPP  
17 administration based on OCA's estimates of the portion of the total costs in the category  
18 that relate to this function. I would point out that PIPP administrative costs make up a  
19 relatively small percentage of OCA's total costs and budget.

20 **Q. What costs are included in the Payroll category?**

21 A. The Payroll category includes the salaries and employee benefits for the members of the

1 OCA staff.

2 **Q. Do OCA staff members report their time in a manner that permits OCA to track the**  
3 **employee hours that are chargeable to PIPP administration as opposed to other OCA**  
4 **activities?**

5 A. OCA staff members in the Administrative and Support Unit, the Fiscal Unit, Grantee  
6 Services Unit, and the Field Unit, must estimate the percentage of the time to be coded to  
7 PIPP administration based on an exercise of informed judgment as to the hours the  
8 employees devote to PIPP-related matters as opposed to other activities.

9 **Q. What costs are included in the Temp Staff / Consultant / Mail Services category?**

10 A. "Temp Staff" refers to the temporary employees OCA hires to augment its full-time staff  
11 during periods of high volume PIPP enrollment activity. These temporary workers answer  
12 the OCA telephone hotlines to provide information regarding the PIPP and LIHEAP  
13 assistance programs. The Temp Staff costs associated with the operation of the hotline are  
14 coded to PIPP administration based on the percentage of PIPP-related calls to total calls to  
15 the hotline. The "Consultants" component includes costs incurred by OCA in FY 2015 for  
16 outside professional services, including legal services, in connection with its  
17 administration of the PIPP program. Consultant costs that can be directly assigned to PIPP  
18 administration are so coded when they are entered into the state accounting system.  
19 However, where professional consulting services benefit more than one program, the costs  
20 are allocated between or among the programs based on an exercise of judgment, taking  
21 into account the funds available to the respective programs. "Mail Services" costs are the

1 costs associated with mail opening, document imaging, and keying in information in  
2 connection with processing applications. OCA contracts these services out to third-party  
3 vendors. For accounting purposes, these costs are allocated to PIPP administration based  
4 on the number of PIPP applications received versus the total number of applications  
5 received.

6 **Q. A line item in Exhibit RH-1 is titled Indirect Costs. What are Indirect Costs?**

7 A. The Department of Energy (“DOE”) approves the percentage of payroll that OCA pays to  
8 ODSA as a contribution to ODSA’s general operating costs. This percentage of payroll is  
9 referred to as Indirect Costs. The specified payroll percentage for FY 2015 was 48.64  
10 percent. However, applying this percentage to the PIPP-related payroll cost for FY 2015  
11 will not produce the PIPP-related Indirect Costs actually incurred during FY 2015 because  
12 these payments are not made to ODSA until the quarter following the quarter in which the  
13 payroll costs are incurred. Accordingly, the \$514,569.75 figure shown in Exhibit RH-1  
14 represents the total payments for PIPP-related Indirect Costs actually made to ODSA  
15 during FY 2015, and is not the product of applying the specified percentage to the OCA  
16 PIPP-related payroll costs incurred during that period.

17 The Development Services Agency is continually reviewing its processes and procedures  
18 to administer programs for Ohioans through sound metrics and accountability for  
19 taxpayers. Over the last year, through staff attrition we’ve looked to improve efficiencies  
20 while continuing to provide a high-level of customer service. Programmatic personnel  
21 expenses have decreased because we have increased our efficiency to support programs.

1 This equates to fewer expenses to collect for the indirect cost pool.

2 **Q. A line item in Exhibit RH-1 is titled Direct Support Service Costs. What are Direct**  
3 **Support Services?**

4 Direct Support Service Costs are personnel costs paid directly by OCA to ODSA for  
5 personnel not subject to the DOE's percent of payroll costs discussed above.

6 **Q. What costs are included in the Maintenance category?**

7 A. The Maintenance category includes the cost of supplies, communications services,  
8 equipment such as computer hardware/software replacement or upgrade, printing,  
9 communications, supplies, Ohio Shared Services processing fees, travel, computer  
10 software license renewal fees and the like necessary for OCA's day-to-day operations.  
11 The \$159,636.38 shown in Exhibit RH-1 for this line item is the portion of OCA's total  
12 maintenance costs coded to PIPP administration during FY 2015.

13 **Q. What was the total cost actually incurred during FY 2015 in the OCA internal cost**  
14 **categories in connection with its administration of the PIPP program?**

15 A. As shown in Exhibit RH-1 to my testimony, the total actual cost coded to PIPP  
16 administration in these internal OCA categories during FY 2015 was \$3,494,410.66.

17 **Q. Exhibit RH-1 also includes a line item entitled Local LIHEAP Providers Costs.**  
18 **What do these costs represent?**

19 A. As ODSA explained in testimony in Case No. 10-725-EL-USF, OCA has grant  
20 agreements in place with 53 Local LIHEAP Providers, the vast majority of which are  
21 Community Action Agencies. These agreements represent a total cost of some \$20.7



1 million. These agreements provide that the agencies will assume responsibility for  
2 essentially all customer intake, enrollment, reverification, and education activities relating  
3 to the PIPP and LIHEAP programs. Prior to FY 2011, OCA was able to utilize other  
4 sources of funding to meet its total contractual obligations to these agencies. However,  
5 subsequent reductions in the funding available through these other sources, particularly  
6 LIHEAP, forced OCA to rely almost exclusively on USF rider revenues to pay the portion  
7 of the total obligation that relates specifically to the enrollment, reverification, and  
8 educational activities associated with these programs. Thus, in Case No. 10-725-EL-USF,  
9 ODSA developed an alternative basis for determining an appropriate allowance for these  
10 electric PIPP-specific costs. OCA charged the state's natural gas utilities an \$8 fee per  
11 application for re-verification of a customer's eligibility for the gas PIPP program, which  
12 was consistent with the fee charged by the third-party vendor that manages the low-income  
13 customer assistance programs offered by certain Ohio electric distribution utilities.  
14 Because electric PIPP customers also have to re-verify annually, ODSA multiplied the  
15 then-current number of electric PIPP households by \$8 to produce the allowance for this  
16 item proposed in Case No. 10-725-EL-USF. ODSA used this same methodology in its  
17 2011 through 2014 USF rider rate adjustment proceedings to identify the PIPP-related  
18 portion of the total agency obligation.

19 **Q. Have you used this methodology again in this case?**

20 **A.** I used this methodology to calculate the portion of the total agency contract obligation  
21 relating to the electric PIPP and LIHEAP activities described above. Multiplying the

1 average monthly number of electric PIPP households in FY 2015 – 388,684 – by \$8  
2 produces an indicated FY 2015 cost of \$3,109,472 for these activities. However, in FY  
3 2015, sufficient LIHEAP funding was available to support one-half of this amount. Thus,  
4 the \$1,554,736 shown in Exhibit RH-1 to my testimony as the FY 2015 actual expense for  
5 Local LIHEAP Providers Costs line item reflects a 50-50 allocation of the indicated cost  
6 of these activities between electric PIPP and LIHEAP.

7 **Q. You indicated that, under the approved methodology, the proposed allowance for**  
8 **administrative costs is to be based on costs actually incurred during the test period,**  
9 **subject to such adjustment(s), plus or minus, for reasonably anticipated post-test**  
10 **period cost changes as may be necessary to assure, to the extent possible, that the**  
11 **administrative cost component of the USF rider revenue requirement will reflect the**  
12 **administrative costs incurred during the collection year. Are you proposing any such**  
13 **adjustments in this case?**

14 A. As I indicated, the costs shown in the FY 2015 Actual Expenses column in Exhibit RH-1  
15 are the costs actually incurred by OCA in connection with PIPP administration during FY  
16 2015, which is the twelve-month period ending June 30, 2015. However, if the  
17 administrative cost components of the USF rider rates established in this case are to reflect  
18 the costs that will be incurred during the period the new USF rider rates will be in effect,  
19 reasonably anticipated post-June 30, 2015 cost changes must be recognized. To  
20 accomplish this, I have relied on the OCA budget for PIPP-related costs for the state's  
21 2016 fiscal year as the starting point for determining the proposed allowance for

administrative costs in this case.

**Q. Why is it appropriate to utilize the FY 2016 budget amount for PIPP administration as the starting point for the proposed allowance for OCA administrative costs for purposes of this case?**

A. The goal in preparing the budget is to project, as accurately as possible, the cost OCA will incur for PIPP administration over the next year. This is the same goal we are trying to achieve in developing the allowance for administrative costs to be included in the USF rider revenue requirements in this case. The FY 2016 budget amount for PIPP administrative costs represents our best estimate of those costs, and, thus, is the appropriate starting point for establishing the administrative cost component of the USF rider revenue requirement. Although the FY 2016 budget amount for OCA's internal PIPP administration is very close to the actual FY 2015 total cost of its internal PIPP administration (an increase of approximately 3.9%), there are some minor differences in certain of the underlying cost categories.

**Q. How did OCA develop the FY 2016 budget for Payroll and Indirect Costs?**

A. OCA has used the projected PIPP-related payroll cost, \$1,153,000, a decrease in FY 2015 due to staff reduction. Therefore, as I previously explained, the Indirect Costs are tied to the Payroll cost, so the \$723,046 FY 2016 budget amount for Indirect Cost is simply the result of applying the projected FY 2016 DOE 62.71 percent contribution factor to the \$1,153,000 budgeted for PIPP-related payroll. The increase in the DOE's approved contribution factor from 48.64 percent in the last USF proceeding to 62.71 percent in this

1 proceeding is responsible for the increase in Indirect Costs, shown in Exhibit RH-1, from  
2 \$514,569.75 to \$723,046.00.

3 **Q. The FY 2016 budget amount of \$159,700 for the Maintenance line item shown in**  
4 **Exhibit RH-1 also appears to be based on the \$159,636.38 in expenses actually**  
5 **incurred in this category in FY 2015. Is that the case?**

6 A. Yes. It should be noted that the FY 2016 budgeted expenses are consistent with FY 2015  
7 actual expenses.

8 **Q. What is the total amount of the OCA's FY 2016 budget for its internal PIPP-related**  
9 **administrative cost categories?**

10 A. As shown in Exhibit RH-1, the total FY 2016 budget for these costs is \$3,634,903 which  
11 is slightly more than the \$3,494,410.66 actually incurred in these categories in FY 2015

12 **Q. Exhibit RH-1 indicates that OCA expects an increase in Local LIHEAP Providers**  
13 **Costs – \$1,617,568 budgeted for FY 2016, versus \$1,554,736 actually incurred in FY**  
14 **2015. Please explain the reason for this increase.**

15 A. As I previously explained, the Local LIHEAP Providers Costs listed in the FY 2015 actual  
16 expense column is the result of multiplying the average monthly number of active PIPP  
17 households during FY 2015 by a cost of \$8 per reverification and dividing the result by  
18 two to allocate one-half of the cost to LIHEAP. OCA used the EXCEL trend function to  
19 project the average monthly number of active PIPP households in FY 2016 and multiplied  
20 the resulting 404,392 households by \$8, which produced an indicated FY 2016 agency  
21 obligation for the cost of customer intake, enrollment, reverification, and education

activities relating to the PIPP and LIHEAP programs of \$3,235,136. That figure was then divided by two to reflect a 50-50 allocation of the costs between electric PIPP and LIHEAP, resulting in the FY 2014 budget estimate of \$1,617,568 shown on Exhibit RH-1.

**Q. How was the total allowance for PIPP-related administrative costs proposed in ODSA's application in this case determined?**

A. As shown in Exhibit RH-1, the total proposed allowance of \$5,252,471 is the sum of the FY 2016 budgeted amounts for the internal OCA cost categories and the estimate of the FY 2016 Local LIHEAP Providers contract costs attributable to electric PIPP-specific activities.

**Q. Is the total allowance proposed in this case for OCA PIPP-related administrative costs the minimum amount necessary to support these administrative functions?**

A. Yes. Exhibit RH-1 breaks down costs into two broad components: (1) OCA Internal Costs and (2) Local LIHEAP Provider Costs. The OCA's budgeted internal cost for FY 2016 is \$3,634,903. This amount is slightly greater than OCA's actual internal costs of \$3,494,410.66 for FY 2015. In addition, the increase in Local LIHEAP Provider costs is a function solely of increased projected PIPP enrollment over which OCA lacks control. In my view, the fact that OCA has been able to hold the line on its total PIPP-related administrative costs in this fashion despite the significant year-over-year increases in PIPP enrollment is a clear indication that OCA takes its responsibility to contain costs very seriously.

1    **Q.    Does this conclude your testimony?**

2    A.    Yes. However, I reserve the right to supplement my testimony if ODSA submits and  
3       amended application in this case.

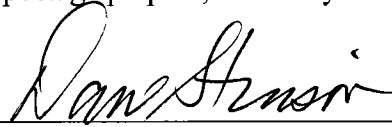
**Ohio Development Services Agency  
Division of Community Development  
Office of Community Assistance**

**PIPP-Related Administrative Costs**

<b>OCA Internal Cost Category</b>	<b>FY 2015 Actual Expenses</b>	<b>FY 2016 Admin Budget</b>
<b>Payroll</b>	<b>\$1,409,849.12</b>	<b>\$ 1,153,000.00</b>
<b>Temp Staff / Consultants / Mail Services</b>	<b>\$ 1,183,198.45</b>	<b>\$ 1,372,000.00</b>
<b>Indirect Cost</b>	<b>\$ 514,569.75</b>	<b>\$723,046.00</b>
<b>Direct Support Services</b>	<b>\$227,156.96</b>	<b>\$227,157.00</b>
<b>Maintenance</b>	<b>\$ 159,636.38</b>	<b>\$159,700.00</b>
<b>Subtotal</b>	<b>\$ 3,494,410.66</b>	<b>\$3,634,903.00</b>
<b>Local LIHEAP Provider Costs (Enrollment, Reverification, Education)</b>	<b>\$ 1,554,736.00</b>	<b>\$ 1,617,568.00</b>
<b>Total FY 2015 Actual Expenses</b>	<b>\$ 5,049,146.66</b>	
<b>Total Proposed Admin Allowance</b>		<b>\$5,252,471.00</b>

## CERTIFICATE OF SERVICE

I hereby certify that a true copy of the foregoing *Testimony of Randall Hunt* has been served upon the following parties by first class mail, postage prepaid, and/or by electronic mail this 30<sup>th</sup> day of October 2015.

  
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