

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. 17-1377-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 31, 2017  
**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.     I have been with OSDA as OCA's Deputy Chief since September of 2012. I have over 28  
9           years of experience in administering local, state, and federal community development and  
10          anti-poverty programs. I began my professional career in 1989 as a regional planner for  
11          the Ohio Valley Regional Development Commission. From 1994 to 1999 I served as  
12          Assistant Director, then as Director, of Ohio Department of Development's Governor's  
13          Office of Appalachia. In that position I was responsible for the administration of the  
14          Federal Appalachian Regional Commission programs designed to address the economic  
15          and social 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  
20          administration of federal loans, grants, and loan guarantees for low income housing, water  
21          and sewer utilities, community facilities, and business loans in eligible rural areas in Ohio.

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

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

6 A. OCA administers a number of energy assistance programs for low-income utility  
7 customers, including the federally-funded Low-Income Home Energy Assistance Program  
8 ("LIHEAP"), Home Weatherization Assistance Program ("HWAP"), Community Service  
9 Block Grant program, State Energy Program, Ohio Coal Research and Development  
10 Program. In addition, OCA administers the electric Percentage of Income Payment Plan  
11 ("PIPP") program, which is funded from the state treasury's Universal Service Fund  
12 ("USF"). As Deputy Chief, I have overall responsibility for administering the funds that  
13 support these programs. I also have management responsibility for the day-to-day  
14 operations of OCA, which now has 82 full-time employees.

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

16 A. Yes.

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

18 A. The purpose of my testimony is to support the \$5,498,146 allowance for costs associated  
19 with ODSA's administration of the PIPP program that has been included in the USF rider  
20 revenue requirement proposed by ODSA in its application in this case.

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

3   A.     The Office of the Ohio Consumer's Counsel ("OCC") entered into a settlement agreement  
4     in the Notice of Intent ("NOI") phase of Case No. 05-717-EL-UNC with ODSA. The  
5     settlement agreement provided, among other things, that in future USF rider rate  
6     adjustment applications, the proposed allowance for administrative costs would be based  
7     on the costs actually incurred during the test period, subject to adjustment(s), plus or  
8     minus, for reasonably anticipated post-test period cost changes, so as to assure, to the  
9     extent possible, that the administrative cost component of the USF rider revenue  
10    requirement will recover the administrative costs incurred during the collection year. This  
11    standard for determining the allowance for administrative costs was approved by the  
12    Commission in the 2005 case, and was employed by ODSA in all subsequent USF rider  
13    rate adjustment proceedings. This standard was again approved by the Commission in its  
14    October 11, 2017, opinion and order in the NOI phase of this case. Accordingly, I  
15    determined the proposed allowance for administrative costs using this standard.

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

18   A.     It is my understanding that the approved test period in this case is calendar year 2017.  
19     However, ODSA's accounting is based on the state fiscal year ("FY"), which is the twelve  
20     months ending June 30, not the calendar year. Thus, I relied on OCA's FY 2017 (the  
21     twelve months ending June 30, 2017) accounting records to identify the costs actually

1 incurred by ODSA in connection with the administration of the PIPP program during FY  
2 2017. Because the actual costs for calendar 2017 are not yet known, consistent with the  
3 practice in prior cases, I utilized the actual costs incurred in the most recent fiscal year as a  
4 surrogate for the test-period PIPP administration costs.

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

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

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

18 A. The Payroll category includes the salaries and employee benefits for the members of the  
19 OCA staff.

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

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

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

9    A.    “Temp Staff” refers to the temporary employees OCA hires to augment its full-time staff  
10       during periods of high volume PIPP enrollment activity. These temporary workers answer  
11       the OCA telephone hotline to provide information regarding the PIPP and LIHEAP  
12       assistance programs. They also process approximately 150,000 Energy Assistance  
13       Applications. The Temp Staff costs associated with the operation of the hotline are coded  
14       to PIPP administration based on the percentage of PIPP-related calls to total calls to the  
15       hotline. The “Consultants” component includes costs incurred by OCA in FY 2017 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

costs associated with mail opening, document imaging, and keying in information in connection with processing applications. OCA contracts these services out to third-party vendors. For accounting purposes, these costs are allocated to PIPP administration based on the number of PIPP applications received versus the total number of applications received. While the budgeted amount for this line item in 2017 was \$1,400,000.00, the actual expense in FY 2017 was \$826,269.29. This was largely due to a reduction in Temporary Staffing in FY 2017. The FY 2018 budgeted amount of \$1,200,000 represents an increase in contracted costs from the mail imaging company. In addition, in FY 2018, additional costs will be incurred to develop an on-line energy assistance application. While there will be costs incurred in the development of an on-line energy assistance application, savings will be realized over time in that the services of a mail imaging company will no longer be needed.

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

A. The Department of Energy (“DOE”) approves the percentage of payroll that OCA pays to ODSA as a contribution to ODSA’s general operating costs. This percentage of payroll is referred to as Indirect Costs. The specified payroll percentage for FY 2017 was 67.36 percent. However, applying this percentage to the PIPP-related payroll cost for FY 2016 will not produce the PIPP-related Indirect Costs actually incurred during FY 2016 because these payments are not made to ODSA until the quarter following the quarter in which the payroll costs are incurred. Accordingly, the \$683,237.09 figure shown in Exhibit RH-1 represents the total payments for PIPP-related Indirect Costs actually made to ODSA

1 during FY 2017 with reasonable adjustments made based on anticipated cost changes, and  
2 is not the product of applying the specified percentage to the OCA PIPP-related payroll  
3 costs incurred during that period.

4 The Development Services Agency is continually reviewing its processes and procedures  
5 to administer programs for Ohioans through sound metrics and accountability for  
6 taxpayers. Over the last year, through staff attrition we've looked to improve efficiencies  
7 while continuing to provide a high-level of customer service. Programmatic personnel  
8 expenses have decreased because we have increased our efficiency to support programs.  
9 This equates to fewer expenses to collect for the indirect cost pool.

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

11 A. The Maintenance category includes the cost of supplies, communications services,  
12 equipment such as computer hardware/software replacement or upgrade and maintenance,  
13 printing, communications, supplies, Ohio Shared Services processing fees, travel,  
14 computer software license renewal fees and the like necessary for OCA's day-to-day  
15 operations. The \$335,964.84 shown in Exhibit RH-1 for this line item is the portion of  
16 OCA's total maintenance costs coded to PIPP administration during FY 2017 with  
17 reasonable adjustments made based on anticipated cost changes .

18 **Q. What was the total cost actually incurred during FY 2016 in the OCA internal cost**  
19 **categories in connection with its administration of the PIPP program?**

20 A. As shown in Exhibit RH-1 to my testimony, the total actual cost coded to PIPP  
21 administration in these internal OCA categories during FY 2017 was \$3,091,401.54.



1   **Q.     Exhibit RH-1 also includes a line item entitled Local LIHEAP Providers Costs.**

2           **What do these costs represent?**

3   A.     As ODSA explained in testimony in Case No. 10-725-EL-USF, OCA has grant  
4           agreements in place with 53 Local LIHEAP Providers, the vast majority of which are  
5           Community Action Agencies. These agreements represent a total cost of some \$23  
6           million. These agreements provide that the agencies will assume responsibility for  
7           essentially all customer intake, enrollment, reverification, and education activities relating  
8           to the PIPP and LIHEAP programs. Prior to FY 2011, OCA was able to utilize other  
9           sources of funding to meet its total contractual obligations to these agencies. However,  
10          subsequent reductions in the funding available through these other sources, particularly  
11          LIHEAP, forced OCA to rely on USF rider revenues to pay the portion of the total  
12          obligation that relates specifically to the enrollment, reverification, and educational  
13          activities associated with these programs. Thus, in Case No. 10-725-EL-USF, ODSA  
14          developed an alternative basis for determining an appropriate allowance for these electric  
15          PIPP-specific costs. OCA charged the state's natural gas utilities an \$8 fee per application  
16          for re-verification of a customer's eligibility for the gas PIPP program, which was  
17          consistent with the fee charged by the third-party vendor that manages the low-income  
18          customer assistance programs offered by certain Ohio electric distribution utilities.  
19          Because electric PIPP customers also have to re-verify annually, ODSA multiplied the  
20          then-current number of electric PIPP households by \$8 to produce the allowance for this  
21          item proposed in Case No. 10-725-EL-USF. ODSA used this same methodology in its

1 2011 through 2016 USF rider rate adjustment proceedings to identify the PIPP-related  
2 portion of the total agency obligation.

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

4 A. I used a similar methodology to calculate the portion of the total agency contract  
5 obligation relating to the electric PIPP and LIHEAP activities described above.  
6 Multiplying the projected number of electric PIPP households in FY 2018 – 289,971 – by  
7 \$8 produces an indicated FY 2017 cost of \$2,319,768 for these activities. LIHEAP  
8 funding will be utilized to partially meet obligations. Thus, the \$1,739,826 shown in  
9 Exhibit RH-1 to my testimony as the FY 2018 allocated expense for Local LIHEAP  
10 Providers Costs.

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

18 A. As I indicated, the costs shown in the FY 2017 Actual Expenses column in Exhibit RH-1  
19 are the costs actually incurred by OCA in connection with PIPP administration during FY  
20 2017, which is the twelve-month period ending June 30, 2017. However, if the  
21 administrative cost components of the USF rider rates established in this case are to reflect

1 the costs that will be incurred during the period the new USF rider rates will be in effect,  
2 reasonably anticipated post-June 30, 2017 cost changes must be recognized. To  
3 accomplish this, I have relied on the OCA budget for PIPP-related costs for the state's  
4 2017 fiscal year as the starting point for determining the proposed allowance for  
5 administrative costs in this case.

6 **Q. Why is it appropriate to utilize the FY 2017 budget amount for PIPP administration**  
7 **as the starting point for the proposed allowance for OCA administrative costs for**  
8 **purposes of this case?**

9 A. The goal in preparing the budget is to project, as accurately as possible, the cost OCA will  
10 incur for PIPP administration over the next year. This is the same goal we are trying to  
11 achieve in developing the allowance for administrative costs to be included in the USF  
12 rider revenue requirements in this case. The FY 2018 budget amount for PIPP  
13 administrative costs represents our best estimate of those costs, and, thus, is the  
14 appropriate starting point for establishing the administrative cost component of the USF  
15 rider revenue requirement. Although the FY 2018 budget amount for OCA's internal PIPP  
16 administration is higher than the actual FY 2017 total cost of its internal PIPP  
17 administration , there are some differences in certain of the underlying cost categories.

18 **Q. How did OCA develop the FY 2018 budget for Payroll and Indirect Costs?**

19 A. OCA has used the projected PIPP-related Payroll cost, \$1,200,000. This is a decrease  
20 from the FY 2017 actual amount of \$1,245,930.32. Therefore, as I previously explained,  
21 the Indirect Costs are tied to the Payroll cost, so the \$808,320 FY 2017 budget amount for

Indirect Cost is simply the result of applying the projected FY 2017 DOE 67.36 percent contribution factor to the \$1,200,000 budgeted for PIPP-related payroll.

**Q. The FY 2018 budget amount of \$550,000 for the Maintenance line item shown in Exhibit RH-1 is higher than the \$335,964.84 in expenses actually incurred in this category in FY 2017. Is that the case?**

A. Yes. In FY 2018, additional costs to the Maintenance line item will be incurred to develop an upgraded Interactive Voice Response (IVR) System for the Call Center. An enhanced IVR will realize a cost savings over time as new features will provide customers additional self-service options that will reduce staffing needs in the Call Center.

**Q. What is the total amount of the OCA's FY 2018 budget for its internal PIPP-related administrative cost categories?**

A. As shown in Exhibit RH-1, the total FY 2018 budget for these costs is \$3,758,320 which is more than the \$3,091,401.54 actually incurred in these categories in FY 2017

**Q. Exhibit RH-1 indicates that OCA expects an increase in Local LIHEAP Providers Costs – \$1,739,826 budgeted for FY 2018, versus \$1,420,296 actually incurred in FY 2017. Please explain the reason for this increase.**

A. As I previously explained, the Local LIHEAP Providers Costs listed in the FY 2017 actual expense column is the result of multiplying the average monthly number of active PIPP households during FY 2017 by an estimated cost of \$8 per application and dividing the result to allocate the cost to LIHEAP. OCA used the projected number of PIPP households in FY 2018 and multiplied the resulting 289,971 households by \$8, which

1 produced an indicated FY 2018 agency obligation for the cost of customer intake,  
2 enrollment, reverification, and education activities relating to the PIPP and LIHEAP  
3 programs of \$2,319,768.

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

6 A. As shown in Exhibit RH-1, the total proposed allowance of \$5,498,146 is the sum of the  
7 FY 2018 budgeted amounts for the internal OCA cost categories and the estimate of the  
8 FY 2018 Local LIHEAP Providers contract costs attributable to electric PIPP-specific  
9 activities.

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

12 A. Yes. Exhibit RH-1 breaks down costs into two broad components: (1) OCA Internal  
13 Costs and (2) Local LIHEAP Provider Costs. While the FY 2018 Administrative Budget  
14 of \$5,498,146 is higher than the FY 2017 \$4,511,697.54 actual expenses, it's important to  
15 consider that the projected increases are due to increased support for the HEAP Local  
16 Providers, and one-time costs of the development of a more efficient IVR and on-line  
17 energy assistance application will realize cost savings to the USF Administrative Budget  
18 in the future.

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

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

**Exhibit RH-1**

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

**PIPP-Related Administrative Costs**

<b>OCA Internal Cost Category</b>	<b>FY 2017 Expenses</b>	<b>FY 2018 Proposed Administration Budget</b>
Payroll	\$1,245,930.32	\$1,200,000.00
Temp Staff / Consultants / Mail Services	\$826,269.29	\$1,200,000.00
Indirect Cost	\$683,237.09	\$808,320.00
Maintenance	\$335,964.84	\$550,000.00
<b>Subtotal</b>	<b>3,091,401.54</b>	<b>\$3,758,320.00</b>
Allocated Local LIHEAP Provider Costs (Enrollment, Reverification & Education)	\$1,420,296.00	\$1,739,826.00
<b>Total</b>	<b>\$4,511,697.54</b>	<b>\$5,498,146.00</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 electronic mail this 31<sup>st</sup> day of October 2017.



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