

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. 18-0976-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, 2018

**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 29  
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  
16       the Appalachian counties in Ohio. I then served for two years as the Executive Director  
17       of the Ohio Rural Development Partnership at the Ohio Department of Agriculture before  
18       being 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,  
21       water and sewer utilities, community facilities, and business loans in eligible rural areas

1 in Ohio. From 2009 to September 2012, I served as the State Director of the Rural  
2 Community Assistance Program at Wood, Sandusky, Ottawa and Seneca Community  
3 Action Commission. I hold a Bachelor of Science degree from The Ohio State University  
4 College 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, and 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 67 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 \$5,517,499 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.

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

1 A. The Office of the Ohio Consumer's Counsel ("OCC") entered into a settlement  
2 agreement in the Notice of Intent ("NOI") phase of Case No. 05-717-EL-UNC with  
3 ODSA. The settlement agreement provided, among other things, that in future USF rider  
4 rate adjustment applications, the proposed allowance for administrative costs would be  
5 based on the costs actually incurred during the test period, subject to adjustment(s), plus  
6 or minus, for reasonably anticipated post-test period cost changes, so as to assure, to the  
7 extent possible, that the administrative cost component of the USF rider revenue  
8 requirement will recover the administrative costs incurred during the collection year.  
9 This standard for determining the allowance for administrative costs was approved by the  
10 Commission in the 2005 case, and was employed by ODSA in all subsequent USF rider  
11 rate adjustment proceedings. This standard was again approved by the Commission in its  
12 September 19, 2018, opinion and order in the NOI phase of this case. Accordingly, I  
13 determined the proposed allowance for administrative costs using this standard.

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

16 A. It is my understanding that the approved test period in this case is calendar year 2018.  
17 However, ODSA's accounting is based on the state fiscal year ("FY"), which is the  
18 twelve months ending June 30, not the calendar year. Thus, I relied on OCA's FY 2018  
19 (the twelve months ending June 30, 2018) accounting records to identify the costs  
20 actually incurred by ODSA in connection with the administration of the PIPP program  
21 during FY 2018. Because the actual costs for calendar 2018 are not yet known, consistent  
22 with the practice in prior cases, I utilized the actual costs incurred in the most recent fiscal  
23 year as a surrogate for the test-period PIPP administration costs.

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

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

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

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

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

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

23 **Q. What costs are included in the Consultant / Mail Services category?**

1 A. The “Consultants” component includes costs incurred by OCA in FY 2018 for outside  
2 professional services, including legal services, in connection with its administration of the  
3 PIPP program. Consultant costs that can be directly assigned to PIPP administration are  
4 so coded when they are entered into the state accounting system. However, where  
5 professional consulting services benefit more than one program, the costs are allocated  
6 between or among the programs based on an exercise of judgment, taking into account  
7 the funds available to the respective programs. “Mail Services” costs are the costs  
8 associated with mail opening, document imaging, and keying in information in  
9 connection with processing applications. OCA contracts these services out to third-party  
10 vendors. For accounting purposes, these costs are allocated to PIPP administration based  
11 on the number of PIPP applications received versus the total number of applications  
12 received. While the budgeted amount for this line item in 2018 was \$1,200,000.00, the  
13 actual expense in FY 2018 was \$660,901. This was largely due to a reduction in  
14 Temporary Staffing in FY 2018. The FY 2019 budgeted amount of \$583,000 represents a  
15 projected decrease in contracted costs from the mail imaging company.

16 **Q. In previous year’s Testimony, Temp Staff were included in the Consultants and**  
17 **Mail Service category. Why are the Temp Staff not included in this year’s**  
18 **Testimony?**

19 A. Effective July 1, 2018, the Local Delegate Agencies began processing all mail-in and  
20 electronically submitted Energy Assistance Applications. ODSA no longer processes  
21 Energy Assistance Applications and therefore no longer has a need for Temp Staff.

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

1 A. The Department of Energy (“DOE”) approves the percentage of payroll that OCA pays to  
2 ODSA as a contribution to ODSA’s general operating costs. This percentage of payroll is  
3 referred to as Indirect Costs. The specified payroll percentage for FY 2018 was 67.36  
4 percent. However, applying this percentage to the PIPP-related payroll cost for FY 2018  
5 will not produce the PIPP-related Indirect Costs actually incurred during FY 2018  
6 because these payments are not made to ODSA until the quarter following the quarter in  
7 which the payroll costs are incurred. Accordingly, the \$828,528 figure shown in Exhibit  
8 RH-1 represents the total payments for PIPP-related Indirect Costs actually made to  
9 ODSA during FY 2018 with reasonable adjustments made based on anticipated cost  
10 changes, and is not the product of applying the specified percentage to the OCA PIPP-  
11 related payroll costs incurred during that period.

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

13 A. The Maintenance category includes the cost of supplies, communications services,  
14 equipment such as computer hardware/software replacement or upgrade and maintenance,  
15 printing, communications, supplies, Ohio Shared Services processing fees, travel,  
16 computer software license renewal fees and the like necessary for OCA’s day-to-day  
17 operations. The \$765,813.41 shown in Exhibit RH-1 for this line item is the portion of  
18 OCA’s total maintenance costs coded to PIPP administration during FY 2018 with  
19 reasonable adjustments made based on anticipated cost changes.

20 **Q. What was the total cost actually incurred during FY 2018 in the OCA internal cost**  
21 **categories in connection with its administration of the PIPP program?**

22 A. As shown in Exhibit RH-1 to my testimony, the total actual cost coded to PIPP  
23 administration in these internal OCA categories during FY 2018 was \$3,403,518.63.

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 \$30  
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  
16            application for re-verification of a customer's eligibility for the gas PIPP program, which  
17            was consistent with the fee charged by the third-party vendor that manages the low-  
18            income customer assistance programs offered by certain Ohio electric distribution  
19            utilities. Because electric PIPP customers also have to re-verify annually, ODSA  
20            multiplied the then-current number of electric PIPP households by \$8 to produce the  
21            allowance for this item proposed in Case No. 10-725-EL-USF. ODSA used this same  
22            methodology in its 2011 through 2017 USF rider rate adjustment proceedings to identify  
23            the PIPP-related portion of the total agency obligation.



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

2 A. I used a similar methodology to calculate the portion of the total agency contract  
3 obligation relating to the electric PIPP and LIHEAP activities described above. ODSA  
4 has adjusted the \$8 fee, first assessed in 2011, to \$11 to account for inflation and the  
5 rising cost of processing PIPP applications, to be more line with OCA's cost of  
6 processing other applications it administers. Multiplying the projected number of electric  
7 PIPP households in FY 2019 – 256,240 – by \$11 produces an indicated FY 2019 cost of  
8 \$2,818,640 for these activities. LIHEAP funding will be utilized to partially meet  
9 obligations. Thus, the \$2,113,980 shown in Exhibit RH-1 to my testimony as the FY  
10 2019 allocated expense for Local LIHEAP 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**  
17 **such adjustments in this case?**

18 A. As I indicated, the costs shown in the FY 2018 Actual Expenses column in Exhibit RH-1  
19 are the costs actually incurred by OCA in connection with PIPP administration during FY  
20 2018, which is the twelve-month period ending June 30, 2018. However, if the  
21 administrative cost components of the USF rider rates established in this case are to  
22 reflect the costs that will be incurred during the period the new USF rider rates will be in  
23 effect, reasonably anticipated post-June 30, 2018 cost changes must be recognized. To

1 accomplish this, I have relied on the OCA budget for PIPP-related costs for the state's  
2 2019 fiscal year as the starting point for determining the proposed allowance for  
3 administrative costs in this case.

4 **Q. Why is it appropriate to utilize the FY 2019 budget amount for PIPP administration**  
5 **as the starting point for the proposed allowance for OCA administrative costs for**  
6 **purposes of this case?**

7 A. The goal in preparing the budget is to project, as accurately as possible, the cost OCA will  
8 incur for PIPP administration over the next year. This is the same goal we are trying to  
9 achieve in developing the allowance for administrative costs to be included in the USF  
10 rider revenue requirements in this case. The FY 2019 budget amount for PIPP  
11 administrative costs represents our best estimate of those costs, and, thus, is the  
12 appropriate starting point for establishing the administrative cost component of the USF  
13 rider revenue requirement. Although the FY 2019 budget amount for OCA's internal  
14 PIPP administration is higher than the actual FY 2018 total cost of its internal PIPP  
15 administration, there are some differences in certain of the underlying cost categories.

16 **Q. How did OCA develop the FY 2019 budget for Payroll and Indirect Costs?**

17 A. OCA has used the projected PIPP-related Payroll cost, \$1,230,000. This is an increase  
18 from the FY 2018 actual amount of \$1,222,175.74. Therefore, as I previously explained,  
19 the Indirect Costs are tied to the Payroll cost, so the \$828,528 FY 2019 budget amount for  
20 Indirect Cost is simply the result of applying the projected FY 2019 DOE 67.36 percent  
21 contribution factor to the \$1,230,000 budgeted for PIPP-related payroll.

22 **Q. What is the total amount of the OCA's FY 2019 budget for its internal PIPP-related**  
23 **administrative cost categories?**

1 A. As shown in Exhibit RH-1, the total FY 2019 budget for these costs is \$3,403,519 which  
2 is consistent the \$3,403,518.63 actually incurred in these categories in FY 2018

3 **Q. Exhibit RH-1 indicates that OCA expects an increase in Local LIHEAP Providers**  
4 **Costs – \$2,113,980 budgeted for FY 2019, versus \$1,739,826 actually incurred in**  
5 **FY 2018. Please explain the reason for this increase.**

6 A. As I previously explained, the Local LIHEAP Providers Costs listed in the FY 2018  
7 actual expense column is the result of multiplying the average monthly number of active  
8 PIPP households during FY 2018 by the increased cost of \$11 to process an application.  
9 OCA used the projected number of PIPP households in FY 2019 and multiplied the  
10 resulting 256,240 households by \$11, which produced an indicated FY 2019 agency  
11 obligation for the cost of customer intake, enrollment, reverification, and education  
12 activities relating to the PIPP and LIHEAP programs of \$2,818,640. \$2,113,980  
13 represents OCA's share of the projected costs.

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

16 A. As shown in Exhibit RH-1, the total proposed allowance of \$5,517,499 is the sum of the  
17 FY 2019 budgeted amounts for the internal OCA cost categories and the estimate of the  
18 FY 2019 Local LIHEAP Providers contract costs attributable to electric PIPP-specific  
19 activities.

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

22 A. Yes. Exhibit RH-1 breaks down costs into two broad components: (1) OCA Internal  
23 Costs and (2) Local LIHEAP Provider Costs. While the FY 2019 Administrative Budget

1 of \$5,517,499 is higher than the FY 2018 \$5,143,344.63 actual expenses, it's important to  
2 consider that the projected increases are due to increased support for the HEAP Local  
3 Providers, and an on-line energy assistance application will realize cost savings to the  
4 USF Administrative Budget in the future.

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

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

**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 2018 Expenses</b>	<b>FY 2019 Proposed Administration Budget</b>
Payroll	<b>\$1,222,175.74</b>	<b>\$1,230,000</b>
Consultants / Mail Services	<b>\$660,901.00</b>	<b>\$583,000</b>
Indirect Cost	<b>\$754,628.48</b>	<b>\$828,528</b>
Maintenance	<b>\$765,813.41</b>	<b>\$761,991</b>
<b>Subtotal</b>	<b>\$3,403,518.63</b>	<b>\$3,403,519</b>
Allocated Local LIHEAP Provider Costs (Enrollment, Reverification & Education)	<b>\$1,739,826.00</b>	<b>\$2,113,980</b>
<b>Total</b>	<b>\$5,143,344.63</b>	<b>\$5,517,499</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 31<sup>st</sup> day of October 2018.



Dane Stinson

Steven T. Nourse  
Christen M. Blend  
AEP Service Corporation  
1 Riverside Plaza  
Columbus, Ohio 43215  
stnouse@aep.com  
cmbblend@aep.com

William L. Wright  
Section Chief, Public Utilities Section  
Thomas W. McNamee  
Assistant Attorney General  
30 East Broad Street, 16<sup>th</sup> Floor  
Columbus, Ohio 43215  
William.Wright@ohioattorneygeneral.gov  
Thomas.McNamee@ohioattorneygeneral.gov

Randall V. Griffin  
Judi L. Sobecki  
Michael Schuler  
The Dayton Power & Light Company  
MacGregor Park  
1065 Woodman Avenue  
Dayton, Ohio 45432  
Randall.Griffin@dplinc.com  
Judi.Sobecki@dplinc.com  
michael.schuler@aes.com

Amy Botschner-O'Brien  
Christopher Healey  
Ohio Consumers' Counsel  
65 East State Street, 7<sup>th</sup> Floor  
Columbus, Ohio 43215-3485  
Amy.botschner.obrien@occ.ohio.gov  
Christopher.Healey@occ.oh.us

Angela Paul Whitfield  
Kimberly W. Bojko  
Carpenter Lipps & Leland LLP  
280 North High Street, Suite 1300  
Columbus, Ohio 43215  
Bojko@carpenterlipps.com  
Paul@carpenterlipps.com

Carrie M. Dunn  
Joshua R. Eckert  
Christine Watchorn  
FirstEnergy Corp.  
76 South Main Street  
Akron, Ohio 44308  
cdunn@firstenergycorp.com  
jeckert@firstenergy.com  
cwatchorn@ulmer.com

Sam Randazzo  
Frank P. Darr  
Matthew Pritchard  
McNees, Wallace & Nurick  
Fifth Third Center  
21 East State Street, Suite 910  
Columbus, Ohio 43215  
sam@mwncmh.com  
fdarr@mwncmh.com  
mpritchard@mwncmh.com

Colleen L. Mooney  
Ohio Partners for Affordable Energy  
PO Box 1793  
231 West Lima Street  
Findlay, Ohio 45839-1793  
cmooney@ohiopartners.org

Elizabeth H. Watts  
Duke Energy Ohio, Inc.  
155 East Broad Street  
Columbus, Ohio 43215  
Elizabeth.Watts@duke-energy.com

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