



CITY OF KENT, OHIO

DEPARTMENT OF COMMUNITY DEVELOPMENT

TO: Dave Ruller
City Manager

FROM: Gary Locke
Community Development Director 

DATE: October 23, 2008

SUBJECT: Economic Development Administration Revolving Loan Fund
Plan Certification

The Economic Development Administration (EDA) requires that the City of Kent submit an annual report on the activities associated with the revolving loan fund that was capitalized, in part, with EDA funds. This Annual Report must be reviewed by the Revolving Loan Fund Advisory Board and this review has been completed. In conjunction with this process, City Council must pass a resolution stating that the program is operating in accordance with the policies and procedures stated in the City's EDA RLF Loan Program Policy and the EDA Program Guidelines. The content of the resolution adopted by Council can be the same as adopted last year (#2007-102)

Attached is the annual report that is being forwarded to the EDA. I have reviewed the Local Loan Policy and program guidelines and am of the opinion that the program is operating within those guidelines. The City also participates in and is part of the Comprehensive Economic Development Strategy (CEDs) which is maintained and updated by NEFCO.

If there are any questions, I would be happy to address them.

Attachments

Pc: Dan Smith, Economic Development Director
Linda Copley, Clerk of Council
EDA RLF Annual Report File



ANNUAL REPORT FOR EDA-FUNDED RLF GRANTS

Grantee Name: <u>CITY OF KENT</u>	Period Ending: <u>SEPTEMBER 30, 2008</u>
Project No.: <u>06-39-02287</u>	Contact Person: <u>Gary Locke</u>
	Phone: <u>(330) 678-8108</u>

PART I: PORTFOLIO STATUS

A. Status of Direct Loans

	(1)	(2)		(3)	
	#	RLF \$ Loaned		RLF Principal Outstanding	
1. Total Loans Made	10	\$	846,300.00	\$	
2. Fully Repaid	4	\$	333,800.00	\$	
3. Current	6	\$	512,500.00	\$	267,520.94.00
4. Delinquent (<60 Days)	0	\$	0	\$	0
5. In Default (>60 Days)	0	\$	0	\$	0
6. Total Active Loans (Add lines 3, 4 & 5)	6	\$	512,500.00	\$	267,520.94.00
7. Total Written Off	<u>0</u>	\$	<u>0</u>	\$	<u>0</u>
					(Amount Lost)

B. Status of Loan Guarantees:

	#	RLFS Reserved		Total Amount Guaranteed		Current Exposure	
1. Total Loans Guaranteed	0	\$	0	\$	0		
2. Fully Repaid	0	\$	0	\$	0		
3. Current	0	\$	0	\$	0	\$	0
4. Delinquent (<60 Days)	0	\$	0	\$	0	\$	0
5. In Default (>60 Days)	0	\$	0	\$	0	\$	0
6. Total Active Guarantees (Add lines 3, 4 & 5)	0	\$	0	\$	0	\$	0
7. Total Written Off	0		0	\$	0	\$	0
							(Amount Lost)

PART II: PORTFOLIO SUMMARY

A. Summary of Loan Activities: Provide information below on **Total Loans** and **Active Loans** closed to date. This section provides an overview of the RLF=s Progress in Meeting program and grant objectives as well as identifying results of **Core Performance Measures** outlined in Section F.01. of the RLF Standard Terms and Conditions. It also shows trends by comparing the total and active loan portfolios.

	Total Loans	Active Loans
1. # RLF Loans:	10	6
2. RLF \$\$ Loaned:	\$ 846,300.00	\$ 512,500.00
3. Non-RLF \$\$ Leveraged by RLF:		
a. Private	\$ 3,657,910.00	\$ 1,795,500.00
b. Other	\$ 0	\$ 0
c. Total Leveraged \$ (a + b)	\$ 3,657,910.00	\$ 1,795,500.00
4. Total Project Financing (2 + 3c)	\$ 4,504,210.00	\$ 2,308,000.00
5. Private Sector Jobs:		
a. Created (Actual)	35.5	22.5
b. Saved	84	55
c. Actual + Saved (a + b)	119.5	77.5
6. RLF \$\$ Loaned for Fixed Assets:	\$ 846,300.00	\$ 512,500.00
7. RLF \$\$ Loaned for Working Capital:	\$ 0	\$ 0
8. RLF \$\$ Loaned for:		
a. Start-up	\$ 0	\$ 0
b. Expansion	\$ 180,000.00	\$ 0
c. Retention	\$ 666,300.00	\$ 512,500.00
9. RLF \$\$ Loaned for:		
a. Industrial	\$ 553,800.00	\$ 282,500.00
b. Commercial	\$ 162,500.00	\$ 100,000.00
c. Service	\$ 130,000.00	\$ 130,000.00
10. RLF \$ Loaned to Minority Businesses:	\$ 0	\$ 0
11. RLF \$ Loaned to Women-Owned Businesses:	\$ 0	\$ 0
12. Other Targets (Specify):	\$ 0	\$ 0

B. Comparison of RLF Portfolio to RLF Plan: In column one below, fill in the spaces by providing information from the Targeting, Standards and Financing sections of the RLF Plan. If an item is not included in the RLF Plan, and therefore not applicable, indicate this by placing N/A in column one. In columns two and three, use the figures obtained in Part II.A above to compute the ratios and percentages for Total and Active Loans, respectively. Formulas for the computations are indicated in the brackets next to each item. Discuss any significant deviations between columns one and two.

	RLF Plan		Total Loans		Active Loans	
1. Cost per Job (A2/A5c)	\$	10,000	\$	7,082	\$	6,613
2. Non-RLF Leverage Ratios:						
a. Private (A3a/A2)	2 : 1		4.32 : 1		3.50 : 1	
b. Private & Other (A3c/A2)			4.32 : 1		3.50 : 1	
3. % Working Capital Loans (A7/A2)		0 %		0 %		0 %
4. % Loans in Eligible Target Area		100 %		N/A %		N/A %
5. RLF Portfolio Targeting						
a. % Start-ups (A8a/A2)		N/A %		N/A %		N/A %
b. % Industrial (A9a/A2)		50 %		65.44 %		55.12 %
c. % Minority Owned (A10/A2)		0 %		0 %		0 %
d. % Women-Owned (A11/A2)		0 %		0 %		0 %
e. % Other (A12/A2)		0 %		0 %		0 %

PART III: PORTFOLIO FINANCIAL STATUS

A. RLF Funding Sources

1. EDA	\$	148,800.00
2. Grantee	\$	65,593.00
3. Other - Specify:	\$	0
4. Total RLF Funding (sum of 1-3)	\$	214,393.00

B. Program Income Earned to Date:

5. Interest Earned on Loans:	\$	194,903.85
6. Earnings from Accounts:	\$	63,532.44
7. Fees Charged:	\$	3,744.00
8. Total Program Income (sum of 5-7)	\$	262,180.29
9. How much of Total Program Income (line 8) has been used to cover administration costs to date?	\$	3,744.00
10. How much of Total Program Income has been added to the RLF for lending (line 8 minus line 9)?	\$	258,436.29

C. Status of RLF Capital:		
11. Total RLF Funding (line 4):	\$	214,393.00
12. Program Income Added to RLF for lending (line 10):	\$	258,436.29
13. Losses on Loans & Guarantees (amount lost from Part I.A.7 & b.7):	\$	0
14. Current level or RLF Base Capital (sum of lines 11 & 12, less line 13):	\$	472,829.29
D. Current Balance Available for New Loans:		
15. RLF Principal Outstanding on Loans (from Part I.A.6):	\$	267,520.94
16. RLF \$\$ Reserved for Loan Guarantees (from Part I.B.6):	\$	0
17. Current Balance Available (deduct amounts shown on lines 15 & 16 from Current level of Base Capital (line 14):	\$	205,308.35
18. RLF \$\$ committed but not disbursed:	\$	0
19. Current Balance Available (deduct amount on line 18 from line 17):	\$	205,308.35
20. Current Balance Available (line 19) as a Percent of RLF Base Capital (line 14) applies only to fully disbursed RLFs, otherwise enter N/A:		N/A
21. Same calculation as in line 20 above, but for preceding six month period (see prior Semiannual Report):		N/A
<i>Note: If lines 20 and 21 both exceed 25%, see instructions.</i>		

PART IV: PORTFOLIO LOAN LIST

Provide the following information for each RLF loan closed:

Loan Recipient	Loan Type & Description	Financing By Source (Specify)
1. Borrower Name 2. Location (include city, county & state) 4. SIC Code - 4 Digit 5. Minority Owned 6. Woman Owned	1. Direct/Guaranty 2. Fixed Asset/Working Capital 3. Start-up, Expansion or Retention	1. RLF \$ 2. Other Public \$ 3. Private \$ 4. New Equity \$ 5. Total \$ 6. Amount Guaranteed \$

Closing Date & Loan Terms	Loan Status	Repayment Status
1. Date Close 2. Term: Years 3. Interest Rate 4. Total Fees	1. Fully Repaid: Date 2. Current as of: Date 3. Delinquent: Days 4. Default: Days 5. Write-Off: Date	1. Principal Repaid 2. Interest Paid 3. Amount Delinquent 4. Amount Default 5. Amount Written-Off

Job Impact
1. Pre-Loan jobs 2. Jobs Created 3. Jobs Saved 4. Minority jobs (Created/saved) 5. Women jobs (Created/Saved)

PART V: MISCELLANEOUS INFORMATION & CERTIFICATION

A. Recent Loan Activity (Last 12 Months Only)

1. # Applications Received:	0
2. # Applications Received from minority-owned firms:	0
and Women-owned firms:	0
3. # Loans closed:	0
4. # Loans closed from Minority-owned firms:	0
and Women-owned firms:	0

B. Capital Utilization (Section X. of RLF Administrative Manual)

	Complete as appropriate		
5. On page 3 of this Semiannual Report, if the percentages calculated in both D.20 and D.21 are greater than 25%, is an explanation attached discussing proposed actions (including target dates and goals) to reduce the amount of excess funds on hand? <i>(Check one)</i>	YES	NO	
			N/A
6. If both D.20 and D.21 on page 3 of this Semiannual Report are greater than 25%, list the amount of excess funds subject to sequestration.	\$		N/A
7. List any amount in #6 that has been sequestered in a separate account.	\$		N/A

C. RLF Income and Expenses (Section VII of RLF Administrative Plan)

	Complete as appropriate		
8. Enter the month and day of the accounting period which has been selected for reporting of RLF Income and Expenses in accordance with Section VII.C. of the RLF Administrative Manual.	10/1/07 TO 9/30/08		
9. Enter the amount of RLF Income earned during the most recent 12 month period, which was designated in #8.	\$		13,494.31
10. Enter the amount of RLF Income that was used for administrative costs during the most recent 12-month period, which was designated in #8.	\$		0
11. Divide the administrative costs reported in #10 by the RLF Income reported in #9 and enter the percentage figure.			N/A
12. If the percentage in #11 is larger than 50%, or the amount in #10 is greater than \$100,000, was an Income and Expense Statement submitted to EDA as required in Section VII.C.2. of the RLF Administrative Manual. <i>(Check One)</i> (If applicable and not sent, submit an Income and Expense Statement with this report.)	YES	NO	N/A
			X

D. Administration

	Complete as appropriate		
13. Any key Staff Turnover in the last 12 months? <i>(Check One)</i> List position(s): Mike Weddle, Plans Administrator	YES	NO	
	X		
14. Attach a list of the current RLF Loan Board membership by name, occupation, race and gender.			

15. Enter the ending date of the most recent independent Audit covering the recipient and indicate type of Audit, i.e., Single or Program Specific.	12/31/07 Citywide single audit		
16. Attach the Audit referenced in #15 if it was not previously submitted to EDA.			
17. If the Audit referenced in #15 did not cover either the most recent or prior fiscal year end period, is an explanation attached? <i>(Check One)</i>	YES	NO	
	N/A		

E. ANNUAL RLF PLAN CERTIFICATION (Section VIII of the RLF Administrative Manual and Section D.03 of the Standard Terms and Conditions)		
18. Is the required ANNUAL RLF Plan Certification attached? <i>(Check One)</i> If no, indicate the date it will be submitted:	YES	NO
		X By 11/30/08
F. COMPLIANCE WITH IMPLEMENTATION SCHEDULE (To be completed only if grant is not fully Disbursed)		
19. Is the actual grant implementation/disbursement progress in accordance with the schedule set forth by the Implementation Special Condition (or an EDA approved amendment thereto) required as a part of this grant award? <i>(Check One)</i> If no, attach explanation.	YES	NO
	X	

CERTIFICATION: I hereby certify on this 26th day of October, 2007, that the information provided in this Annual Report is true and correct to the best of my knowledge.

Gary Locke, Community Development Director

NAME AND TITLE OF AUTHORIZED OFFICIAL



 SIGNATURE (Authorized Official)

Check Attachments Submitted:

- Capital Utilization (#5 above)
- X Current Loan Board Membership (#14)
- X Copy of Audit (#16)
- X Audit Explanation (#17) The FY2007 is the most current audit available at this time.

<u>NAME</u>	<u>OCCUPATION</u>	<u>RACE</u>	<u>GENDER</u>
Benito Antognoli	Attorney	White	Male
Dennis Eberhart	Realtor / CAI	White	Male
John Ryan	Bank Officer	White	Male
Scott Stiegemeier	Bank Officer	White	Male
**Vacant	---	---	---

** (The vacant position will be filled by City Council appointment.)

PART IV: PORTFOLIO LOAN LIST 2007-2008

LOAN RECIPIENT	LOAN TYPE & DESCRIPTION	FINANCING BY SOURCE (SPECIFIC)	CLOSING DATE & LOAN TERMS	LOAN STATUS	REPAYMENT STATUS	JOB IMPACT
MICHAEL J KAUFMAN	DIRECT LOAN	RLF: \$ 100,000	CLOSED 7/25/90	LOAN PAID IN FULL	PRINCIPAL REPAYED:	PRE-LOAN JOBS: 6
COMPANIES, INC. DBA	FIXED ASSETS	PRIVATE: 1,150,000	TERM: 5 YEARS	AS OF 7/31/95	\$100,000.00	CREATED: 11
EDUCATIONAL EQUIPMENT CORPORATION	RETENTION	TOTAL: 1,250,000	RATE: 6%		INTEREST REPAYED:	SAVED: 6
845 OVERHOLT RD. KENT, OH 44240 SIC - 3281			FEES PAID: \$585		\$19,284.00	
WORNOFF	DIRECT LOAN	RLF: \$ 98,400	CLOSED: 1/21/92	LOAN PAID IN FULL	PRINCIPAL REPAYED:	PRE-LOAN JOBS: 16
HENRY & LOIS WORNOFF	FIXED ASSETS	PRIVATE: 229,600	TERM: 5-10 YEARS	AS OF 12/31/01	\$98,400.00	CREATED: 0
880 CHERRY ST. KENT, OH 44240	RETENTION	TOTAL: 328,000	INTEREST: 75% OF PRIME		INTEREST REPAYED:	SAVED: 16
METAL RECLAMATION SIC - 3341			FEES PAID \$350		\$21,781.00	
STEINERT INDUSTRIES	DIRECT LOAN	RLF: \$ 82,500	CLOSED: 1/28/94	CURRENT AS OF 9/30/08	PRINCIPAL REPAYED:	PRE-LOAN JOBS: 11
JOHN J. STEINERT, PRES.	FIXED ASSETS	PRIVATE: 192,500	TERM: 15 YEARS		\$17,906.21	CREATED: 0
1507 FRANKLIN AVE. KENT, OH 44240	RETENTION	TOTAL: 275,000	INTEREST: 2/3 OF PRIME		INTEREST REPAYED:	SAVED: 11
GLASS BLOWING EQUIPMENT & GENERAL EQUIPMENT SIC-3359, 7699,7692			FEES PAID \$350		\$5,765.28	
BROGANTECH, INC.	DIRECT LOAN	RLF: \$ 72,900	CLOSED: 7/31/95	LOAN PAID IN FULL	PRINCIPAL REPAYED:	PRE-LOAN JOBS: 7
JAMES BROGAN, PRES.	FIXED ASSETS	PRIVATE: 170,310	TERM: 15 YEARS	AS OF 11/30/03	\$72,900.00	CREATED: 2
1505 ENTERPRISE WAY KENT, OH 44240	RETENTION	TOTAL: 243,300	INTEREST: 2/3 OF PRIME		INTEREST REPAYED:	SAVED: 7
WINDOW FABRICATION SIC - 3442			FEES PAID \$350		\$31,523.00	
KENT AUTOMATION, INC.	DIRECT LOAN	RLF: \$ 100,000	CLOSED: 10/17/96	CURRENT AS OF 9/30/08	PRINCIPAL REPAYED:	PRE-LOAN JOBS: 8
GARY & DENNIS LYELL	FIXED ASSETS	PRIVATE: 265,000	TERM: 15 YEARS		\$42,462.98	CREATED: 2
449 DODGE ST. KENT, OH 44240	RETENTION	TOTAL: 365,000	INTEREST: 2/3 OF PRIME		INTEREST REPAYED:	SAVED: 8
SPECIALITY MACHINE SHOP SIC - 3599, 3559			FEES PAID \$350		\$39,873.91	
N&V dba COUNTRY KITCHEN *	DIRECT LOAN	RLF: \$ 62,500	CLOSED: 10/8/98	LOAN PAID IN FULL	PRINCIPAL REPAYED:	PRE-LOAN JOBS: 25
ED DAVIDIAN	FIXED ASSETS	PRIVATE: 312,500	TERM: 10 YEARS	AS OF 10/06	\$0.00	CREATED: 0
2858 S. ARLINGTON RD. AKRON, OHIO 44312	RETENTION	TOTAL: 375,000	INTEREST: 6.00%		INTEREST REPAYED:	SAVED: 0
RETAIL RESTAURANT			FEES PAID \$796		\$19,014.38	
AILES PROPERTIES LLC, dba	DIRECT LOAN	RLF: \$ 100,000	CLOSED: 3/16/01	CURRENT AS OF 9/30/08	PRINCIPAL REPAYED:	PRE-LOAN JOBS: 6
AILES MILLWORK, INC.	FIXED ASSETS	PRIVATE: 396,000	TERM: 15 YEARS		\$71,744.24	CREATED: 9
1520 ENTERPRISE WAY KENT, OHIO 44240	RETENTION	TOTAL: 496,000	INTEREST: 1/2 OF PRIME		INTEREST REPAYED:	SAVED: 6
INDUSTRIAL SPECIALITY WOOD MOLDINGS			FEES PAID \$250		\$15,496.45	
EMERALD REAL ESTATE dba	DIRECT LOAN	RLF: \$ 80,000	CLOSED: 12/20/02	CURRENT AS OF 9/30/08	PRINCIPAL REPAYED:	PRE-LOAN JOBS: 18
EMERALD ENVIRONMENTAL	FIXED ASSETS	PRIVATE: 600,000	TERM: 10 YEARS		\$54,736.92	CREATED: 2
1621 ST. CLAIR AVE. KENT, OHIO 44240	RETENTION	TOTAL: 680,000	INTEREST: 4%		INTEREST REPAYED:	SAVED: 18
SERVICE ENVIRONMENTAL SERVICES			FEES PAID \$1,012.50		\$13,966.04	
WATER STREET TAVERN	DIRECT LOAN	RLF: \$ 100,000	CLOSED: 7/24/07	CURRENT AS OF 9/30/08	PRINCIPAL REPAYED:	PRE-LOAN JOBS: 9.5
WSTREET REAL ESTATE	FIXED ASSETS	PRIVATE: 225,000	TERM: 15 YEARS		\$ 3,204.24	CREATED: 8.5
132 SOUTH WATER STREET KENT, OHIO 44240	RETENTION	TOTAL: 335,000	INTEREST: 1/2 OF PRIME		INTEREST REPAYED:	SAVED: 9.5
RETAIL FOOD AND BEVERAGES			FEES PAID \$2,639		\$ 3,169.65	
COR PROPERTIES ENTERPRISE	DIRECT LOAN	RLF: \$ 50,000	CLOSED: 9/20/07	CURRENT AS OF 9/30/08	PRINCIPAL REPAYED:	PRE-LOAN JOBS: 2.5
COR PROPERTIES ENTERPRISES	FIXED ASSETS	PRIVATE: 117,000	TERM: 15 YEARS		\$ 2,411.41	CREATED: 1
1047 MASON AVENUE KENT, OHIO 44240	RETENTION	TOTAL: 167,000	INTEREST: 1/2 OF PRIME		INTEREST REPAYED:	SAVED: 2.5
SERVICE AUTOMOBILE RESTORATION			FEES PAID \$940		\$ 1,421.39	

* N&V Properties has filed for bankruptcy protection under Chapters 7 and 13 of the Bankruptcy Protection Laws.

CITY OF KENT
DEPARTMENT OF PUBLIC SERVICE
CENTRAL MAINTENANCE DIVISION

MEMO

October 30, 2008

To: Dave Ruller, City Manager
Gene Roberts, Public Service Director
Barb Rissland, Budget and Finance Director

From: Jack Hogue, Central Maintenance Manager

RE: Request Additional Fund for Road Salt 2008



In 2008 the Central Maintenance Division budgeted \$129,640.00 for Road Salt. The time period from January, 2008 to March, 2008 the Division purchased 3,286 tons at \$126,163.49. This leaves a balance of \$3,476.51 for salt in 2008 which at the current price of \$41.20/ton dumped and \$43.20/ton piled would allow us to only purchase 84 more ton dumped. The City used 4,459 tons for snow and ice removal during the early part of 2008, leaving a total of only 1,200 tons on hand. During this same period in 2007 (October, 2007 to December, 2007) the City used 1,100 tons of salt. Most all of the snow we received in 2007 happened in December. Only once did it snow in late November. As of the date of this memo the City is experiencing Lake-affect snow and it is only Late October. The forecast for Ohio this winter is for a lot of snow and below average temperatures.

The City is only able to purchase 4,800 tons of salt off of the State Procurement list at the prices stated previously in this memo. But we will be able to purchase additional salt off of the CUE Coop that has been used for the past 6 years at an increase price of \$0.60/ton. When the City first got on the State Bid list we were told that we had to buy 50% of the salt that we said we would need but that we could buy up to 150% of the salt. This would have let us buy a minimum of 2,000 ton of salt or a maximum of 6,000 ton of salt. After the State Bid came out the State limited the purchase of salt to a maximum of 120% or 4,800 tons of salt. The reason for this is that the mines are stating that the salt is going to be rationed and the state wanted to be sure they got what they needed. This left a lot of Cities scrambling to get bids for salt. I have talked to Cities that did not get on the state list that are unable to secure a bid for salt and do not know were they are going to get salt for this winter. Some places are getting bids of over \$100.00/tons.

To this end I believe that the City needs to fill, to the best of its ability the City's Salt storage dome. I estimate that about 2,800 tons of salt would fill the dome for the beginning of the 2008-2009 Winter. To do this we would need to order 800 tons dumped and the balance would need to be piled so that the maximum capacity of the dome is utilized. Filling the salt dome would cost the City a total of \$119,360.00.

I respectfully request that contingency funds of \$95,488 Streets and \$23,872.00 State and Highway fund be used to purchase the 2,800 tons of salt that we will need to start this winter.

CITY OF KENT
DEPARTMENT OF PUBLIC SERVICE

MEMO

October 30, 2008

To: Dave Ruller, City Manager

From: Gene Roberts

RE: NOPEC Natural Gas Price

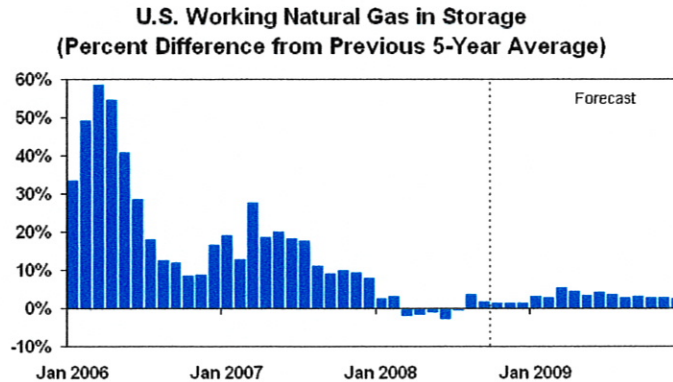
The following information is presented to assist in answering questions that are received from Kent residents regarding our current NOPEC rates. The current rates that NOPEC secured were announced by Mr. Leigh Herington, NOPEC Executive Director on October 27, 2008 in the attached memo Exhibit No. 1.

What seems to be confusing people regarding their gas rate are all of the different reported prices for natural gas and as such brings some to believe that NOPEC has not secured a good retail rate. There are primarily three rates reported for natural gas, the well head price, the Henry Hub spot price and finally the retail price. The well head price is the amount paid to the owner of the well and includes the cost of well exploration, production and transmission to a local collection main which carries the natural gas to a refinery. The Henry Hub spot price includes the refining and transmission costs for gas delivered to the hub from a refinery and is the price that is paid by purchasers of natural gas at the New York Mercantile Exchange (NYMEX). From the Henry Hub the natural gas is transmitted via pipe lines throughout the majority of the United States including Ohio.

The Henry Hub is located in Erath, Louisiana and serves as the official delivery location for contracts sold and purchased at the NYMEX. The purchase of natural gas at the Henry Hub spot price does not include the cost of transmission and storage which is added onto the price paid for the natural gas at the hub. The reason for the recent swing in the NYMEX Henry Hub spot prices is addressed in the attached Exhibit No. 2, from the U S Government Department of Energy, Energy Information Administration (EIA). EIA reports "on an annual basis, the Henry Hub spot price is expected to average about \$9.67 per Mcf in 2008 and \$8.17 per Mcf in 2009, compared with \$7.17 per Mcf in 2007". This anticipated Henry Hub spot price increase represents an increase of \$2.50 for 2008 and \$1.00 for 2009 over the average for 2007. This increase is directly reflected in the retail price for natural gas.

The EIA points to several factors that are currently being reflected in the price of natural gas purchased by retailers. The simple form of supply and demand is key and can be seen in the expected increase of 2.4 percent in consumption anticipated for the 2008 –

2009 winter. Exasperating the problem of supply and demand is identified in the inventory of natural gas which for the 2008-2009 winter is well below the inventory in underground storage as compared to the 2007-2008 winter heating season.

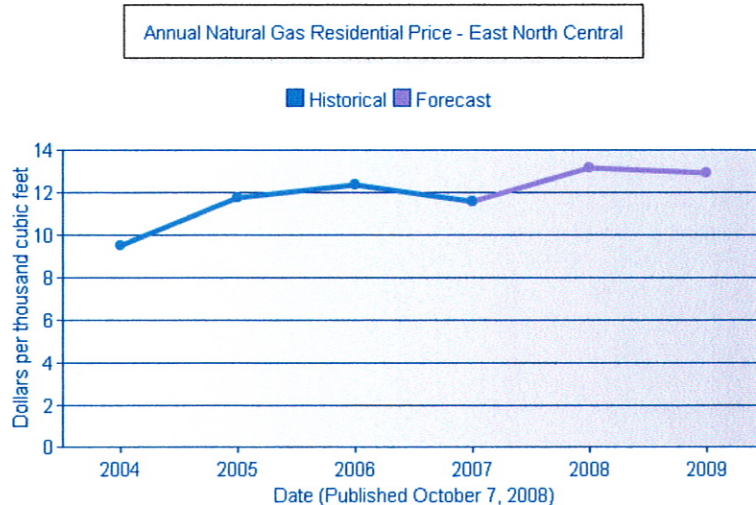


Short-Term Energy Outlook, October 2008



The primary reason for the decrease in storage can be directly related to the Hurricanes Gustav and Ike which destroyed infrastructure disconnecting a total 165 billion cubic feet of natural gas production in the Gulf of Mexico. Recovery is ongoing and expected to continue at least through October.

Ohio is part of the region known as the East North Central for the purpose of tracking cost by the Energy Information Administration (EIA). The EIA projects the retail cost of natural gas in the East North Central region to be above \$12.00 per Mcf.



The EIA projected retail cost for natural gas is above \$12.00 per Mcf as of October 7, 2008 and is the reason why NOPEC locked in Dominion East Ohio at \$10.88 per Mcf, saving the NOPEC customers over a \$1.00 per Mcf. The actual cost of spot market purchases currently is below the price NOPEC is locked in at but given the projected cold winter expected the spot market price for natural gas will rise to the projections made by EIA. The published EIA average retail rate for 2008 in Ohio is \$12.98 which is \$2.00 below the NOPEC rate for this winter.

Cc: file

Exhibit 1



NORTHEAST OHIO PUBLIC ENERGY COUNCIL

TO ALL DEO MEMBER NOPEC COMMUNITIES – October 27, 2008

GAS PURCHASES – DEO AREA

Dear NOPEC representative:

I am very pleased to announce to you that NOPEC has been able to purchase the cheapest gas we have purchased since we have been receiving gas from Dominion Retail. We have now extended our purchases in the Dominion East Ohio area from June 2009 through August 2009, at the rate of \$9.59 mcf.

NOPEC is very excited about these rates because this puts our member communities in great shape through next summer. Also, the U.S. Department of Energy's prediction is that natural gas prices during the winter in Ohio will be up 17% from last year. NOPEC's price for this winter in the DEO area is up seven and one half percent (7.5%) from last year and our price next summer in the DEO area will be 15% less than this summer.

Gas update as of October 21, 2008 – DEO area

September, 2008 - \$11.24/mcf

October and November, 2008 - \$10.98/mcf

December, 2008-May, 2009 - \$10.88/mcf

June, 2009 – August, 2009 - \$9.59/mcf

If you have any questions about these rates, please contact me at 440.248.1992

Leigh Herington
Executive Director

Exhibit 2

U S Government Department of Energy, Energy Information Administration
Short-Term Energy and Winter Fuels Outlook - Natural Gas
(<http://www.eia.doe.gov/emeu/steo/pub/contents.html>)

Average household expenditures for all space-heating fuels are projected to be \$1,137 this winter (October 1 to March 31), a 15-percent increase over the estimated \$986 spent last winter. The largest increases will be in households using heating oil and natural gas. The projected increases primarily reflect higher prices, although colder weather than last winter will also contribute to higher fuel use in many areas.

During September, Hurricanes Gustav and Ike shut in a total of 32 million barrels of crude oil and 165 billion cubic feet (Bcf) of natural gas production in the Federal Gulf of Mexico. Recovery is ongoing and expected to continue at least through October.

Consumption. Total natural gas consumption is expected to increase by 2.4 percent in 2008 and by 1.9 percent in 2009 (Total U.S. Natural Gas Consumption Growth). Despite slower expected growth in 2009, consumption is expected to increase in all sectors during the forecast period. This winter, total residential consumption of natural gas in the United States is expected to increase by 3.5 percent year-over-year based on the projected 2.4-percent increase in heating degree-days. In addition to weather, worsening economic conditions add significant uncertainty to the forecast, particularly for the industrial sector. In annual terms, consumption in the industrial sector is expected to increase by 1.0 percent in 2008 and 1.1 percent in 2009.

Production and Imports. Total U.S. marketed natural gas production is expected to increase by 6.7 percent in 2008 and by 4.2 percent in 2009. Domestic production continues to be led by the development of fields in the Lower-48 non-Gulf of Mexico region, which is expected to increase production by 9.7 percent in 2008. Recent hurricane damage resulted in estimated production shut-ins of about 165 Bcf in the Federal Gulf of Mexico in September, with at least an additional 16 Bcf in the onshore and State waters areas of Louisiana. While the length of the hurricane recovery process is unknown, marketed natural gas production from the Federal Gulf of Mexico is projected to decline by 9.1 percent in 2008. In 2009, Federal Gulf of Mexico and Lower-48 non-Gulf of Mexico growth are expected to be 8.1 and 3.8 percent, respectively.

U.S. imports of liquefied natural gas (LNG) remain below year-ago levels with third-quarter imported cargoes less than half of what they were last year. Demand growth in Europe and Asia combined with limited global supply increases to date continue to weigh on the market. LNG imports to the United States are no longer expected to increase during the remainder of 2008, and import growth in 2009 remains vulnerable to additional delays in new capacity and unexpected maintenance on existing capacity. For the year, LNG imports are expected to total about 350 Bcf and about 450 Bcf in 2009 as more global LNG capacity is expected to be brought online.

Inventories. On September 26, 2008, working natural gas in storage was 3,110 Bcf (U.S. Working Natural Gas in Storage). Current inventories are now 50 Bcf above the 5-year average (2003–2007) and 137 Bcf below the level during the corresponding week last year.

Prices. The Henry Hub spot price averaged \$7.88 per thousand cubic feet (Mcf) in September, \$0.62 per Mcf below the average spot price in August. Despite hurricane damage to supply infrastructure in the Federal Gulf of Mexico, the recent decline in prices was the result of demand loss associated with these same hurricanes, moderate temperatures, lower oil prices, and uncertainties about future economic growth. This winter, however, natural gas expenditures for U.S. households are expected to increase by about 18 percent compared with last winter. The increase in end-use prices is the result of the particularly high spot prices that were recorded earlier this year as a portion of the inventories for the upcoming heating season were being built. Beyond the winter, continued growth in on-shore production is expected to bring prices down. On an annual basis, the Henry Hub spot price is expected to average about \$9.67 per Mcf in 2008 and \$8.17 per Mcf in 2009, compared with \$7.17 per Mcf in 2007.