

Ohio

**Public Utilities
Commission**

**Annual Report
FY '12**

To assure all residential and business customers access to adequate, safe, and reliable utility services at fair prices, while facilitating an environment that provides competitive choices.

This mission is accomplished by:

- Mandating the availability of adequate, safe, and reliable utility service to all business, industrial, and residential consumers.
- Ensuring financial integrity and service reliability in the Ohio utility industry.
- Promoting utility infrastructure investment through appropriate regulatory policies and structures.
- Regulating utilities' rates and terms of service for monopoly and non-competitive services.
- Monitoring and enforcing compliance with rules and statutory protections against deceptive, unfair, unsafe, and anti-competitive utility practices.
- Safeguarding the security of Ohio's regulated motor carrier and rail operations, through aggressive inspection, training, monitoring, and education programs.
- Enhancing safety at all public highway-railroad grade crossings in Ohio through education and the installation of lights and gates and other safety devices.
- Resolving through mediation, arbitration, and adjudication disputes between utilities and residential, commercial, and industrial customers, as well as between competing utilities.
- Fostering competition by establishing and enforcing a fair competitive framework for all utilities.
- Utilizing advanced technology for monitoring and enforcing utility compliance, facilitating the provision of information to stakeholders, and sharing information between state and federal agencies.



Todd A. Snitchler Chairman

Term ends: April 10, 2014

Chairman Todd A. Snitchler was appointed to the Public Utilities Commission of Ohio by Governor John Kasich in March 2011.

As chairman of the PUCO, Snitchler is the head of a 350-person agency that works to oversee the regulation of electric, natural gas, telecommunications, water, and commercial transportation in the state of Ohio. He is also the chairman of the Ohio Power Siting Board that reviews, evaluates, and approves the siting of electric generation plants and electric and natural gas transmission lines. Snitchler is a member of the National Association of Regulatory Utility Commissioners and serves as co-vice chair of the association's Committee on Gas, as well as serving on the International Relations Committee.

Before joining the Commission, Snitchler was elected to two terms in the Ohio House of Representatives, where he represented the 50th House District including parts of Stark County. In addition to serving in the Ohio Legislature, Snitchler was also an attorney in private practice. Snitchler is also a member of the Grove City College Alumni Council.

Chairman Snitchler received his bachelor's degree in history and secondary education/social science from Grove City College and his law degree from the University of Akron School of Law, where he served as executive editor of the Akron Law Review. He is a graduate of Leadership Stark County's 20th Class and an active member of The Chapel in North Canton.

Snitchler lives in Uniontown with his wife Melanie, with whom he has two children.



Cheryl Roberto Commissioner

Term ends: April 10, 2013

Commissioner Cheryl Roberto brings unique insight to her post gained from her experience leading public utilities and from more than two decades as an attorney concentrating in environmental law. Her work focuses on the intersection of energy and the environment.

Commissioner Roberto is a member of the National Regulatory Utility Commissioners (NARUC) Electricity Committee. She serves on the NARUC Task Force on Environmental Regulation and Generation. She was one of three Co-Chairs for the 2012 National Electricity Forum, an executive-level public policy forum series on electricity infrastructure co-sponsored by the U.S. Department of Energy (DOE) and NARUC.

She is passionate about promoting cost-effective energy efficiency because of its economic and environmental benefits. She is Co-Chair of the Utility Motivation Working Group and Chair of the Sub-Committee for Utility Financial Incentives for the State and Local Energy Efficiency Action Network (SEEAction). In 2011, she served as Co-Leader of a delegation on behalf of the U.S. Agency for International Development (U.S. AID) and NARUC meeting to share information regarding regulatory structures to support energy efficiency and competitive electricity markets with the National Electricity Regulatory Commission of Ukraine. She is the lead Commissioner for the PUCO/ DOE Pilot Program for Combined Heat and Power Technical Assistance.

Commissioner Roberto also serves as Vice Chair of NARUC's Critical Infrastructure Committee and a member of the Advisory Board for the Financial Research Institute (FRI) in the College of Business at the University of Missouri-Columbia. She was recently appointed an Association Member of the Board of Directors of the National Regulatory Research Institute (NRRI) for a term beginning July 1, 2012.

In her previous post as director of the city of Columbus Public Utilities Department, Roberto led a staff of 1,300 people, administered an operating budget of \$400 million, and directed an annual capital program of \$250 million. She managed four separate municipal utilities: drinking water, wastewater, flood control, and electricity to serve more than 1 million people in Central Ohio. Working with elected officials, community activists, and business leaders, she restructured the city's water and electricity rates, adopted operational practices and regulatory standards encouraging preservation and restoration of natural resources, and established a regulatory compliance program.

Prior to this experience, Commissioner Roberto enforced environmental and consumer protection laws as an assistant attorney general in the state of Ohio and as an assistant general counsel in the commonwealth of Pennsylvania. Through criminal prosecutions, civil enforcement and administrative litigation, she promoted compliance with clean air, clean water, Superfund, drinking water, and hazardous and solid waste laws. She also served as legal counsel to the cities of Columbus, Ohio and Erie, Pennsylvania where she provided regulatory compliance guidance and litigation defense. She taught political science as an adjunct lecturer at the Behrend College of Pennsylvania State University.

Commissioner Roberto received her B.A. in political science cum laude with general honors from the Honors College, Kent State University and her J.D. from the Moritz College of Law at The Ohio State University. She also completed training in the "Strategic Management of Regulatory and Enforcement Agencies" at the Harvard Kennedy School in the Executive Education Program, April 2012, and at the 2012 Institute for Regulatory Law and Economics at the Silicon Flatiron Center, University of Colorado.



Steven D. Lesser Commissioner

Term ends: April 10, 2015

Steven D. Lesser was appointed commissioner of the Public Utilities Commission of Ohio by Governor Ted Strickland in 2010.

Commissioner Lesser has been very involved in utility regulation over the past 30 years, beginning his career at the PUCO in 1979. Prior to his appointment as commissioner, he served the PUCO as chief of staff, assistant director of the legal department, deputy director of the transportation department and administrative law judge/attorney examiner in the legal department. In his role as chief of staff, Lesser was instrumental in developing policy positions on legal and regulatory issues and was responsible for overseeing the daily operations of the agency. In addition, he played a critical role in the implementation of the new electric regulation bill and the “green” rules which encourage the development of alternative energy and energy efficiency in Ohio.

Commissioner Lesser has served on numerous state and federal committees, including the Alliance for Uniform Hazardous Materials Transportation Procedures and the Intelligent Transportation Advisory Committee. Additionally, he established the transportation civil forfeiture and enforcement section at the PUCO. Lesser also worked on consumer protection and safety legislation in the transportation division, developed national standards for hazardous material safety, created natural gas conservation programs, and established minimum standards for the water industry. He has had numerous materials published in law review and industry publications.

Early in his career, Commissioner Lesser served as legal counsel to Lawyers Title Insurance Corporation and was law director for the Village of Hanover in Licking County, Ohio. He received his Juris Doctorate from Capital University Law School and his bachelor’s degree from State University of New York at Binghamton.



Andre T. Porter Commissioner

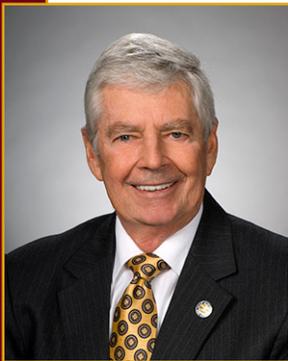
Term ends: April 10, 2016

Commissioner Andre T. Porter was appointed to the Public Utilities Commission of Ohio (PUCO) by Governor John Kasich in 2011. Commissioner Porter serves as the PUCO's representative to both the Organization of PJM States, Inc. (OPSI), and The Eastern Interconnection States' Planning Council (EISPC); and is Vice President of the Independent State Agencies Committee (ISAC). On the national level, he is a member of the National Association of Regulatory Utilities Commissioner where he serves on the Committee on Water, Washington Action Committee, and the Subcommittee on Clean Coal and Carbon Sequestration.

Since his appointment, his concentration has been the full implementation of Ohio's wholesale and retail electric choice laws, and to ensure that Ohioans benefit from a reliable and advanced electric transmission grid. Moreover, Commissioner Porter focuses on ensuring competitive results regarding natural gas pricing.

In addition to his responsibilities at the PUCO, Commissioner Porter is active in his local community. He serves as a trustee at his undergraduate alma mater, Capital University, where he chairs the governance and presidential assessment committees. Previously, he served as a member of the Gahanna City Council, chair of the Gahanna Board of Zoning Appeals, president of the Gahanna Community Improvement Corporation, the Olde Gahanna Study Committee, and the Gahanna Convention and Visitors Bureau.

Before joining the PUCO, Commissioner Porter was an attorney at the law firm of Schottenstein Zox & Dunn in Columbus, Ohio. His legal practice focused on energy and telecommunications, real estate, and municipal law. Commissioner Porter received his undergraduate degree in political science from Capital University and his Juris Doctorate from The Ohio State University Moritz College of Law.



Lynn Slaby Commissioner

Term ends: April 10, 2017

Commissioner Lynn Slaby was appointed to the Public Utilities Commission of Ohio by Governor John Kasich in 2012.

Commissioner Slaby received both his Juris Doctorate and B.S. in business administration from the University of Akron. Slaby most recently served in the Ohio House of Representatives, representing the 41st District, which includes parts of Summit County. Prior to his term in the legislature, Slaby served on the Ninth District Court of Appeals. Before his appointment and election there, he served 14 years as the Summit County Prosecuting Attorney and as Assistant Law Director and Prosecutor for the cities of Akron and Cuyahoga Falls. Slaby has been a guest lecturer at both the University of Akron Business College and the College of Law, as well a presenter at the Ohio State Bar Association and the Akron Bar Association. In addition, he is the past president of both the National District Attorneys Association and the Ohio Prosecuting Attorneys Association.

Commissioner Slaby serves on the board of trustees for the Cleveland Christian Home for Children, West Side Ministries, Community Care Network and High Street Christian Church, serving as chairman of the latter two organizations. He has also served on various boards and foundations, including the Alumni Board of the University of Akron College of Law, the Business College Alumni Board of the University of Akron, the Cuyahoga Falls High School Alumni Foundation, the Ohio Judicial Conference and the Ohio Judicial College.

During his legal career, Representative Slaby was awarded the Ohio Forensic Leadership Award by the Ohio Department of Mental Health for his dedication and progressive efforts to study the insanity defense. Other awards include Outstanding Prosecutor of the Year, Resolution of Honor Award, Leadership Award from the Ohio Prosecuting Attorney Association and the President's Award from the National District Attorneys Association.

Commissioner Slaby's memberships include the Akron Bar Association, Ohio State Bar Association, American Bar Association, Cuyahoga Falls Masonic Lodge, Akron Tadmor Shrine, Akron Consistory and Past Master Counselor DeMolay.

He and his wife, State Representative Marilyn Slaby, have three children and four grandchildren.

Supporting competition

The PUCO continues to support an environment in which consumers have competitive choices. The PUCO certifies competitive retail electric and natural gas suppliers and enforces minimum service requirements. Consumers can visit the PUCO online to review offers available in their area.

In November 2011, the PUCO **approved** an electric security plan for Duke Energy. The plan calls for Duke to divest its generation assets, and move to a model where generation supply for its customers is established by competitive auctions. The first competitive auction resulted in Duke electric customers' bills declining by 17.5 percent in 2012.

FirstEnergy customers also continue to benefit from competitive auctions. In January, the PUCO **approved** auction results that lead to a decrease in FirstEnergy customer bills.

Three of Ohio's largest natural gas utilities use competitive auctions to secure natural gas supply for their customers. This spring, the PUCO oversaw and approved of auctions which established retail pricing for **Columbia Gas**, **Dominion** and **Vectren** customers.

"...competitive auction resulted in Duke electric customers' bills declining by 17.5 percent in 2012."

Protecting consumers' pockets

The PUCO employs a staff of professional customer service representatives who work to address issues customers have with their utility companies. The PUCO learns a great deal from customers who call in with questions and complaints. This information is used to ensure that companies engage in fair and reasonable practices. It also helps the PUCO to formulate rules and regulations.

Each year, the PUCO Call Center receives hundreds of thousands of contacts from customers. Many of these customers have a question that a representative can quickly handle. In other instances, issues require a closer examination. At that point, a PUCO investigator is assigned to look into the matter. Over the previous year, PUCO investigators have saved Ohio consumers more than \$1.1 million.



House Bill 364 was introduced in November 2011 and unanimously passed by the Ohio House of Representatives and the Ohio Senate.

Under the bill, electric utilities may use bonds to securitize debt that has been previously approved by the PUCO. Utilities may securitize only certain types of costs called deferred assets. These assets include fuel costs, infrastructure costs, and environmental clean-up expenses that the PUCO has allowed a utility to defer and collect from customers at a later date.

Before proceeding with bond securitization, utilities are required to apply with the PUCO for a financing order. The PUCO has 135 days to approve, modify, suspend, or reject a utility's application.

Last fall the PUCO ordered AEP to **eliminate** approximately \$78 million in "provider of last resort" charges that the Ohio Supreme Court earlier determined were unlawful.

Safety

Safety is a top priority at the PUCO. Each year, PUCO investigators and field inspectors help ensure Ohio's utilities are delivered safely. PUCO staff works closely with federal agencies such as the US Department of Transportation and the Federal Motor Carrier Safety Administration to enforce safety standards.

PUCO investigators **inspect** each natural gas pipeline system in the state at least once every two years and review records and procedures implemented by utilities. When violations are detected, the PUCO orders corrective action and may assess fines and other penalties to ensure that Ohio's natural gas pipeline systems continue to deliver natural gas safely and reliably.

Together with the State Highway Patrol, PUCO inspectors annually conduct more than 85,000 commercial motor vehicle and bus inspections to ensure that equipment and drivers operating on Ohio's highways are safe, qualified and compliant with applicable safety standards. Further, PUCO investigators annually perform approximately 1500 **compliance reviews** and safety audits of motor carriers to ensure that all aspects of the operations conducted by those carriers meet federal and state safety standards. Should safety violations be discovered as a result of an inspection or a compliance review, the PUCO may order corrective actions and/or issue fines.

The PUCO is responsible for evaluating Ohio's public grade crossings to determine the need for installing active warning devices. Over the past decade, the annual number of train-motor vehicle **crashes** in Ohio has decreased significantly, from 123 in 2001 to 64 in 2011.



In January, the PUCO **fined** Duke Energy \$500,000 following the investigation of an apartment explosion in 2010. PUCO staff concluded that the apartment explosion and subsequent fire resulted from Duke's failure to maintain proper procedures. Specifically, the requirement to perform a pressure test on a houseline prior to reestablishing service when gas service had been shut off for thirty days or more. Duke also failed to provide adequate oversight of contractor training on reestablishing gas service and responding to customers, complaints of gas odor.

Safety (continued)

Throughout the previous year, the PUCO awarded 12 hazardous materials **training grants** totaling over \$400,000 to local government agencies and educational institutions across Ohio. The grants will be used to train thousands of public safety and emergency services personnel in the proper techniques for managing hazardous materials transportation and spills.

This spring, as part of the mid-biennial budget review, Gov. Kasich signed into law Senate Bill 315. SB 315 extends the PUCO's gas pipeline safety oversight to natural gas "gathering lines." With the recent expansion of Ohio's shale drilling, many new miles of infrastructure will be required to be constructed, and this addition will ensure these lines are adhering the same safety standards distribution and transmission lines are subject to.

SB 315 also updated PUCO motor carrier laws to ensure consistency with federal regulations. This will allow the PUCO to continue to most effectively work with federal and state officials in keeping Ohio's roadways safe.

In November, the PUCO **adopted** a set of agreements allowing the merger of AES Corp. and Dayton Power & Light (DP&L). In its ruling, the Commission accepted three separately filed agreements that outline provisions benefitting DP&L's ratepayers, employees and the Dayton community. DP&L is now a wholly-owned subsidiary of AES.

Costs directly related to the negotiation, approval and closing the merger will not be recovered from DP&L ratepayers. AES will also maintain DP&L's operating headquarters in Dayton for at least five years following the merger. DP&L will not implement any involuntary workforce reductions for at least three years.

In February the PUCO **approved** the purchase of Ohio American Water by Aqua Ohio. The PUCO later approved a rate increase initially sought by Ohio American Water. The **increase** allows the company to recover an additional \$4.2 million in revenues.

Based on a typical monthly usage of 600 cubic feet, customers in Aqua Ohio's Ashtabula, Lake White, Lawrence County, Mansfield, Marion and Tiffin service districts will see their monthly bills increase an average of \$4.44 for water service. Customers in the Portage County and Franklin County service districts will see an average monthly bill increase of \$5.76 for water service. The company's wastewater customers in Franklin County will see an average wastewater service increase of \$2.18.

The PUCO recently announced a partnership with the Department of Energy to offer technical assistance to industrial boiler operators affected by recent U.S. EPA emission rules. **Combined heat and power** is an alternative compliance strategy that creates energy from the heat generated for other uses. The technical assistance will enable owners and operators of industrial boilers in Ohio to evaluate and invest in those technologies that enable them to thrive economically while meeting environmental regulations.

The PUCO held a series of workshops for interested parties this summer to facilitate a discussion of the regulatory support the PUCO can offer.



In February the PUCO **disapproved** an electric security plan for AEP, finding it not in the public's best interest. The PUCO initially approved an electric security plan in December, however, after receiving widespread reports of rate shock by customers, reversed its decision. The PUCO directed AEP to submit a revised ESP plan and reopened the review of the company's proposal. These proceedings are currently ongoing.

This spring **FirstEnergy** and **Dayton Power & Light** filed electric security plan and market rate offer applications with the PUCO.

Last year the 9-1-1 Council and Advisory Board issued the Ohio **Wireless E9-1-1 report**. The report offers an overview of the funding mechanism for wireless E9-1-1 and also provides a status update for each county's E9-1-1 deployment.

Enhanced 9-1-1 is technology that provides emergency responders the ability to locate callers using mobile devices. Currently, a monthly 28 cent charge is added to cellular bills. This charge is set to expire Dec. 31, 2012.



International partnership

Over the previous year, the PUCO, NARUC and the Electricity and Cogeneration Regulatory Authority of Saudi Arabia (ECRA) entered into a two-year regulatory partnership. The regulatory partnership will be implemented through a series of bi-national exchanges, to be held alternately in Saudi Arabia and the United States. In order to maximize exposure to the regulatory issues faced including, among others, issues involved with power sector restructuring and sector unbundling, tariff setting, licensing, regulatory enforcement, codes, energy market setup and operation, public relations, and other regulatory issues. The exchanges include a mix of presentations, roundtable discussions, site visits to American utility companies, internships and technical training. The partnership is solely funded by ECRA.

This spring ECRA visited the PUCO where the group exchanged information about markets-based regulation, water regulation, performance management, and other areas of common interest. Our guests also received tours of utility facilities.



Chairman Snithchler, commissioners Slaby and Lesser with ECRA staff

PUCO commissioners and staff have had similar international working relationships with Peru, Guatemala, Ghana, Jordan, the Energy Regulators' Regional Association in Europe, and several West African utility organizations.

Financial information

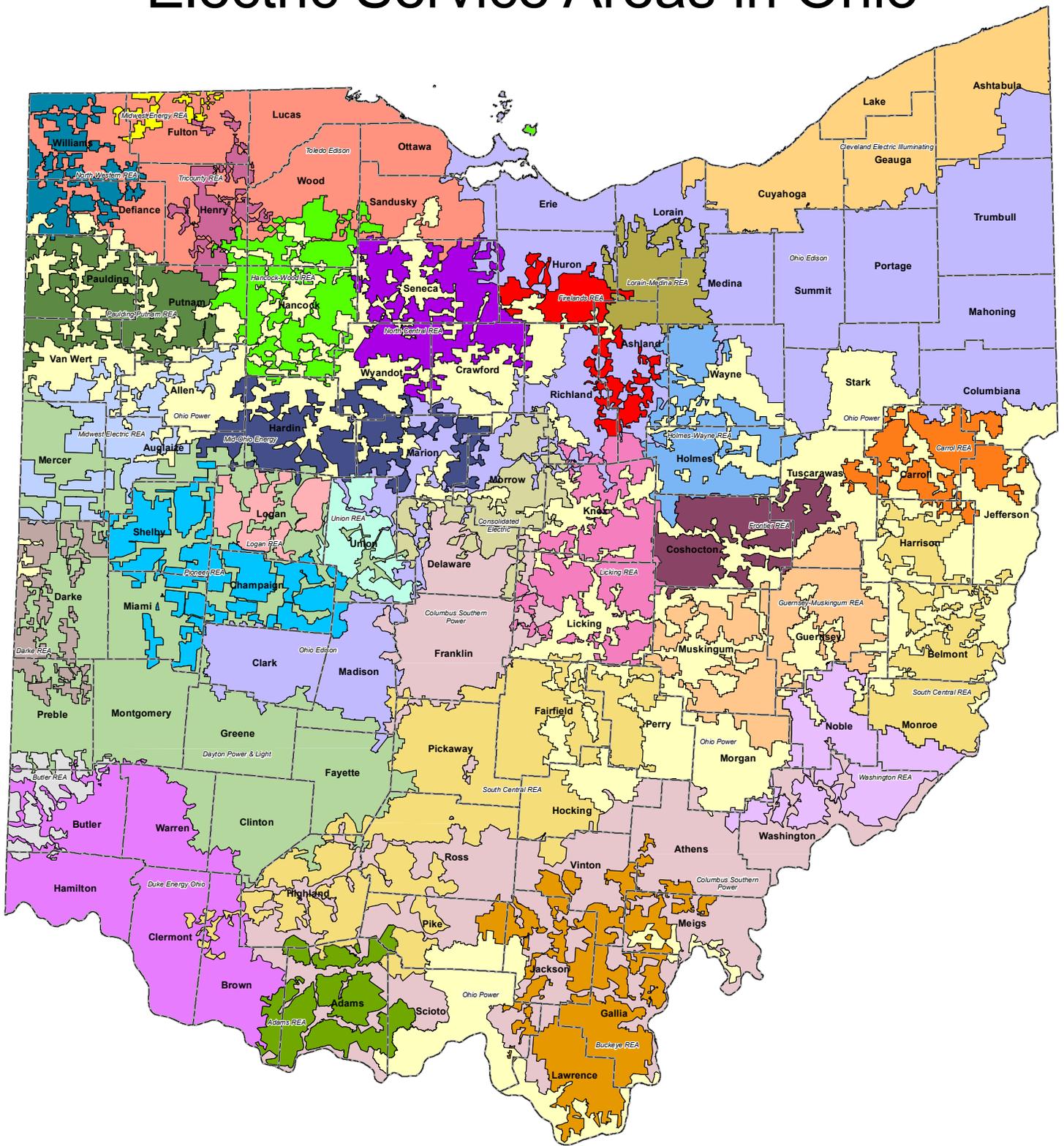
Revenues FY 2012

Assessment to Utilities	\$25,435,647
Federal Commercial Vehicle Information System & Network.....	72,431
Federal Energy Assurance	171,000
Federal Gas Pipeline Safety	913,180
Federal Motor Carrier Safety.....	7,510,538
Federal Regulators Assistance.....	125,000
Gas Pipeline Assessment.....	107,744
Hazardous Materials & Civil Forfeitures	1,077,347
Misc. Revenues	703,071
Motor Carrier Registration	6,781,206
Power Siting.....	824,991
State Grade Crossing Protection	1,200,000
Telecommunication Relay Service.....	5,075,046
Wireless 9-1-1 Administration.....	27,980,725
Total Revenues Received by the PUCO.....	77,977,926
Revenue Contributed to the General Revenue Fund.....	\$2,616,189

Expenditures FY 2012

Personal Service- Payroll.....	\$33,510,708
Purchased Personal Services	500,297
Supplies & Maintenance	7,414,954
Equipment.....	1,128,898
Subsidies and Shared Revenue	1,490,880
Transfers.....	38,649,574
Total Expenditures by the PUCO	82,695,310

Electric Service Areas in Ohio

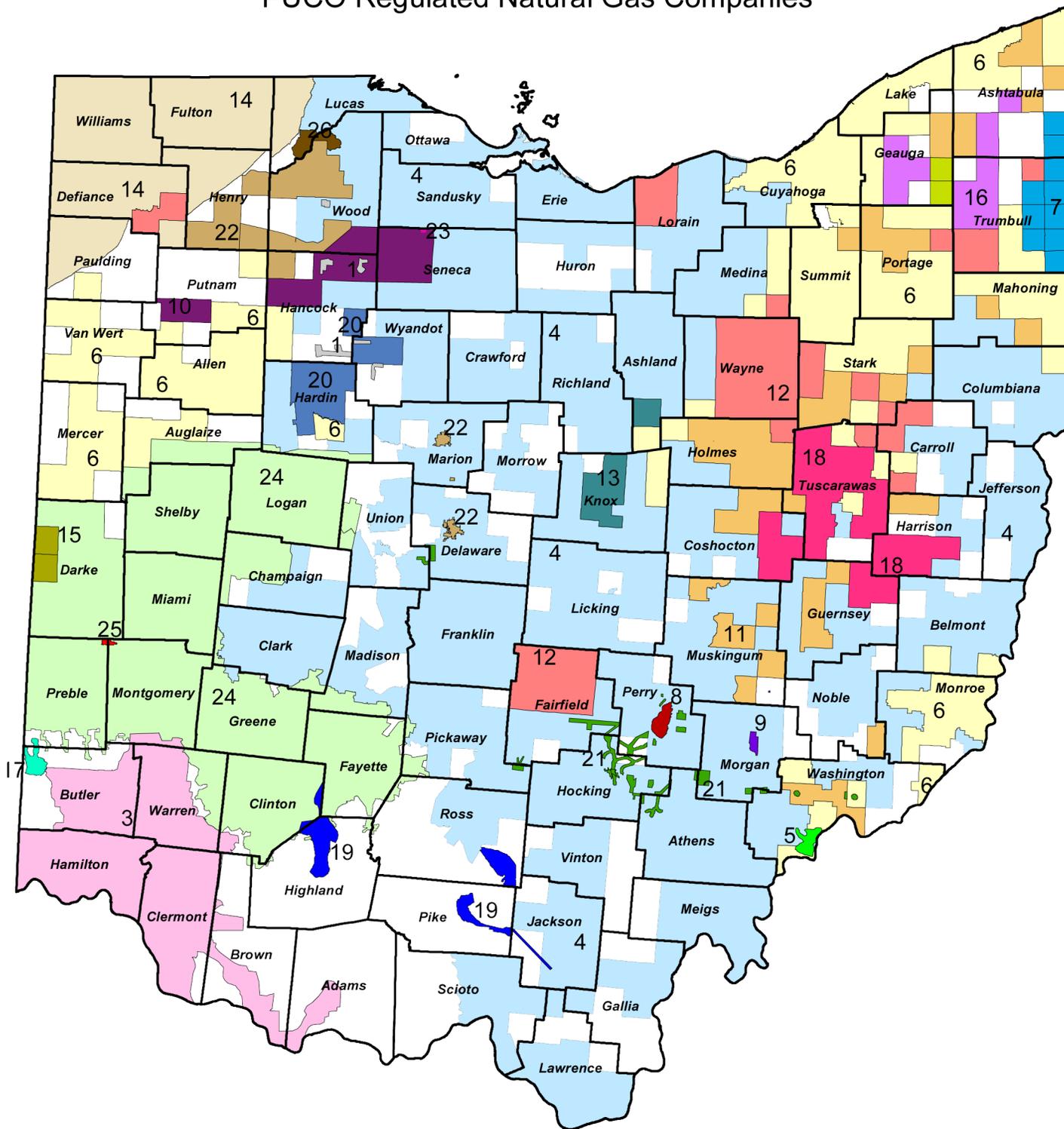


Investor-Owned Utilities

Rural Electric Companies

Cleveland Electric Illuminating	Adams Rural Electric Cooperative	Frontier Power Company	Mid-Ohio Energy Cooperative	South Central Power Company
Columbus Southern Power	Buckeye Rural Electric Cooperative	Guernsey-Muskingum Electric Cooperative	Midwest Electric	Tricounty Rural Electric Cooperative
Dayton Power & Light	Butler Rural Electric Cooperative	Hancock-Wood Electric Cooperative	Midwest Energy Cooperative	Union Rural Electric Cooperative
Duke Energy Ohio	Carrol Electric Cooperative	Holmes-Wayne Electric Cooperative	North Central Electric Cooperative	Washington Electric Cooperative
Ohio Edison	Consolidated Electric Cooperative	Licking Rural Electrification d/b/a The Energy Cooperative	Northwestern Electric Cooperative	Municipal Power Locations
Ohio Power	Darke Rural Electric Cooperative	Logan County Cooperative Power & Light Association	Paulding-Putnam Electric Cooperative	
Toledo Edison	Firelands Electric Cooperative	Lorain-Medina Rural Electric Cooperative	Pioneer Rural Electric Cooperative	

PUCO Regulated Natural Gas Companies



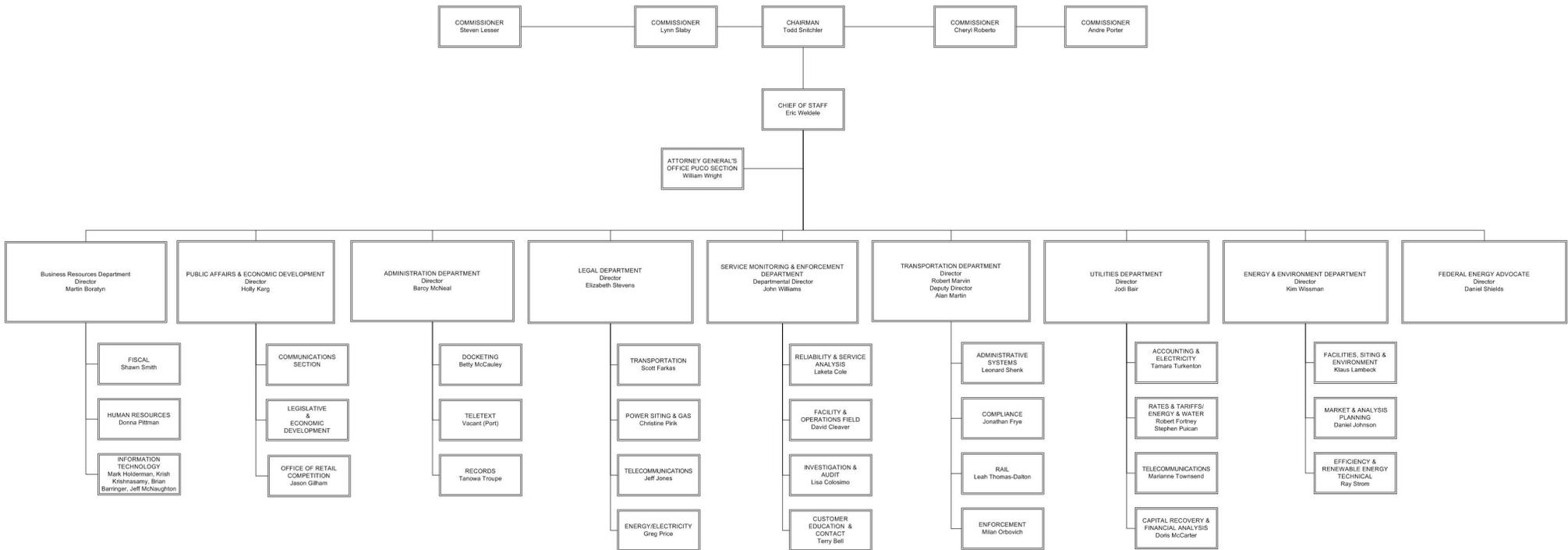
(1) Arlington	(6) East Ohio	(11) NIED	(16) Orwell	(21) Southeast
(2) Brainard	(7) Eastern	(12) Northeast	(17) Oxford	(22) Suburban
(3) Duke Energy Ohio	(8) Foraker	(13) Ohio Cumberland	(18) Piedmont	(23) Swickard
(4) Columbia	(9) Gasco	(14) Ohio Gas	(19) Pike	(24) Vectren
(5) Constitution	(10) KNG	(15) Ohio Valley	(20) Sheldon	(25) Verona
				(26) Waterville

Railroad Lines in Ohio



- CSXT Transportation
- Norfolk Southern
- Wheeling & Lake Erie
- Other Railroads
- Interstate Highways

PUCO table of organization



The Public Utilities Commission of Ohio
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www.PUCO.ohio.gov

John R. Kasich, Governor
Todd A. Snitchler, Chairman

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