



# Public Utilities Commission

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

## Commissioners

Paul A. Centolella  
Cheryl Roberto  
Steven D. Lesser  
Andre T. Porter

### Todd A. Snitchler appointed PUCO Chairman

In February, Governor John Kasich appointed Todd Snitchler as Chairman of the PUCO. 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 on the association's committees on Gas and International Relations.

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.

### Andre Porter appointed PUCO Commissioner

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. He counseled a wide variety of clients, including trade associations, municipalities, and businesses with regard to Ohio electricity laws, utility rate proceedings, energy efficiency, alternative energy, competitive natural gas and electricity purchasing, broadband infrastructure, and wireless tower issues.

Commissioner Porter maintains a community presence by providing leadership for several organizations. He sits on the Capital University Board of Trustees, chairing its governance committee. He previously served on the Gahanna City Council, as president of the Gahanna Community Improvement Corporation, as chair of the Gahanna Board of Zoning Appeals, and as a board member of Kids Voting Central Ohio. He also previously served on the Gahanna Charter Review Commission. Further, he continues to lead a mentoring program in Pickerington schools along with his wife who is a teacher in the district.

Early in his career, Commissioner Porter worked in the Ohio Attorney General's Office, as a research volunteer with a member of the Ohio House of Representatives, and as an extern in the Ohio Governor's Office. He received his undergraduate degree from Capital University and holds a law degree from The Ohio State University Moritz College of Law.

### **PUCO helps Ohioans stay warm**

The Winter Reconnect Order allows customers who have had their home heating service disconnected for nonpayment, or who have been threatened with disconnection, to have their service maintained or restored. Ohioans can use the Winter Reconnect Order one time during the winter heating season by making payment arrangements with their natural gas or electric company and paying \$175 plus a reconnection fee or their outstanding balance, whichever is less. PIPP Plus customers owing more than \$175 or customers wishing to reenroll in the program will pay an additional \$50. The Winter Reconnect Order for the 2011-2012 winter heating season took effect in October.

### **Call Center saves Ohioans money**

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. PUCO investigators saved Ohio consumers approximately \$1.2 million in 2011.

### **PUCO redesigns website**

This fall, the PUCO published a redesigned site to provide consumers, the media, elected officials and industry stakeholders with improved access to utility-related information.

### **PUCO and OPSB on social media**

The PUCO can now be found on social media. "Like" the PUCO on Facebook at [www.Facebook.com/PUCOOhio](http://www.Facebook.com/PUCOOhio) and follow us on Twitter @PUCOOhio. You may also find the Ohio Power Siting Board (OPSB) on Facebook at [www.Facebook.com/OhioPSB](http://www.Facebook.com/OhioPSB).

### **PUCO limits Duke Energy's Hurricane Ike storm cost request**

In January the PUCO authorized Duke Energy Ohio's recovery of \$14,104,577 from customers for costs associated with the 2008 Hurricane Ike wind storm. In doing so, the Commission reduced the utility's initial cost recovery request by more than \$14 million.

The September 2008 wind storm struck large parts of the Midwest including Duke's greater Cincinnati service area. In the days following the storm, Duke documented 822,000 outages in Ohio, affecting 83 percent of its customers. As a result of widespread damage across Ohio, the state declared a state of emergency and requested federal assistance.

Under a January 2009 agreement establishing Duke's electric distribution rates, Duke bears the burden of proving that the storm costs were reasonable and prudently incurred. Accordingly, on Dec. 11, 2009, Duke filed an application at the Commission, which as amended, requested recovery of \$28,473,244 in

storm related costs. The Office of the Ohio Consumers' Counsel and the Kroger Company intervened in the proceeding.

While the Commission concluded that Duke incurred significant storm related expenditures, it found that the utility did not meet the burden of proof with respect to all costs. Specifically, the Commission removed \$14,368,667 from the utility's application for labor expenses, including discretionary supplemental compensation for salaried employees and certain contractor costs billed to Ohio, rather than Indiana and Kentucky.

The storm related costs are assessed to Duke's Ohio customers over a three-year period. The average residential customer will pay 35 cents per month through a charge that appear on bills as the "Distribution Reliability Rider."

### **PUCO declares AEP-Ohio earnings \$42.6 million excessive**

In January, the PUCO determined that AEP-Ohio operating company Columbus Southern Power generated \$42.6 million in significantly excessive earnings in 2009, to be refunded to customers through bill credits and the elimination of deferrals.

AEP-Ohio was directed to apply the \$42.6 million in significantly excessive earnings first to eliminate deferrals estimated at \$16 million that would otherwise have been recovered from Columbus Southern customers in 2011. As a result, any carrying costs associated with the estimated \$16 million were also eliminated.

Columbus Southern is crediting the remaining excessive earnings, estimated at \$26.6 million, directly to customer bills. The credit will be applied to customers' bills at approximately \$1.34 per month.

Under electric restructuring legislation passed in 2008, the PUCO is required to evaluate whether Ohio's electric utility rate plans produce significantly excessive earnings. Utilities are required to make annual filings at the PUCO demonstrating whether or not significantly excessive earnings were made. These filings are subject to PUCO review and analysis using a significantly excessive earnings test (SEET) adopted by the Commission. Significantly excessive earnings are measured by whether the earned return on common equity of the utility is significantly in excess of the return on common equity during the same period by other companies that face similar business and financial risk.

Using a return on equity threshold of 17.6 percent for comparable companies and an adjusted 2009 return on equity of 19.73 percent for Columbus Southern Power, the Commission concluded that the utility generated 2.13 percent, or \$42.6 million, in excessive earnings for the year. The Commission also determined that AEP-Ohio's other operating company, Ohio Power, did not generate significantly excessive earnings in 2009.

### **PUCO approves First Energy plan for energy efficiency**

The PUCO approved FirstEnergy's three-year energy efficiency and peak demand reduction portfolio plan in March. FirstEnergy designed the plan to reduce electric consumption among customers and meet annual energy efficiency benchmarks established for 2010 to 2012.

Senate Bill 221, passed by the General Assembly in 2008, requires Ohio's electric utilities to reduce energy demand by 22.2 percent by the year 2025. Utilities must develop portfolio plans and meet annual benchmarks to measure their progress.

FirstEnergy's portfolio plan includes a fundamentally redesigned version of the compact fluorescent light bulb (CFL) program suspended by the PUCO in 2009. The plan also offers incentives to customers who take steps toward increasing energy efficiency.

Under the redesigned CFL program, residential and small business customers can request that up to six high-efficiency bulbs be delivered to their home or business. FirstEnergy also distributes CFLs through a variety of other channels, including its online store and local agencies that assist low-income customers. Area retailers such as Home Depot and Lowes offered CFLs for sale at a discounted price of no more than 50 cents per bulb. The 23-watt ENERGY STAR<sup>®</sup> certified bulbs are designed to replace 100-watt incandescent bulbs in non-dimmable fixtures. Participation in the CFL program is completely voluntary.

Commercial and industrial customers can take advantage of rebates on the purchase of efficient lighting and motors and incentives for energy efficient construction. Eligible commercial and industrial customers who have achieved energy efficiency savings on their own may apply with the PUCO to commit those energy savings to FirstEnergy's annual benchmarks.

### **PUCO orders AEP to eliminate collection of unlawful costs**

In October, the PUCO directed AEP-Ohio to file proposed revised tariffs that would remove provider of last resort (POLR) charges and certain environmental carrying costs. The Commission issued its decision in response to a remand order from the Ohio Supreme Court that required the PUCO to reexamine parts of AEP's electric security plan.

The Court reversed the Commission's decision allowing AEP to recover 2001-2008 environmental carrying costs and declared that the Commission incorrectly concluded that the POLR charge is cost-based. Subsequently, the PUCO ordered AEP to eliminate approximately \$78 million in POLR charges this fall.

### **PUCO extends discounted rates for FirstEnergy electric heating customers**

In May, the PUCO extended the freeze on FirstEnergy all-electric heating customer rates through March 31, 2013. Following the two-year freeze, FirstEnergy will reduce a portion of the discount annually over six years through 2018.

Beginning in 2013, FirstEnergy will phase out the residential generation credit in six equal annual reductions made each year through 2018. The RGC discount is limited to residential electric heating customers and will be applied only during the winter heating season from Oct. 31 to March 31.

Homebuyers who purchase a home that uses electricity as the sole or primary source of heating will be entitled to receive the same level of discounts approved by the Commission as long as the new homeowner otherwise qualifies for the discounts, maintains electric heat and the discounts remains in effect.

### **PUCO approves agreement in Duke electric security plan case**

Under a new electric security plan (ESP) approved by the PUCO in November, Duke will transfer its generation assets to an affiliate and hold auctions to determine generation rates after the PUCO today approved the company's electric security plan. The plan sets electric generation rates for Duke Energy Ohio customers from Jan. 1, 2012 through May 31, 2015.

The agreement approved by the Commission was supported by 30 parties, including Duke, PUCO staff, the Office of the Ohio Consumers' Counsel, Ohio Energy Group, the Ohio Manufacturer's Association, the city of Cincinnati, and Ohio Partners for Affordable Energy. Under the plan, Duke must transfer all generation assets to an affiliate by December 31, 2014. Upon completion of the transfer, Duke Energy Ohio will become a distribution-only utility.

Duke will hold five auctions to determine rates for electric generation, the first of which was approved by the PUCO in December. The auction determined a generation price of \$52.68 for January 2012 through May 2013. This will result in a 17.5 percent reduction in the average Duke customer's monthly electric bill. Subsequent auctions will be held in May 2012, November 2012, May 2013 and November 2013.

Duke will contribute \$1 million annually from 2012 to 2014 to support economic development efforts in its service territory. Duke will also provide \$1.35 million to assist low-income initiatives.

### **PUCO approves merger of AES Corp. and Dayton Power & Light**

In November, the PUCO 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.

## **Agreements adopted in AEP electric security plan and distribution rate cases**

The PUCO adopted two agreements that will determine electric generation and distribution rates for AEP-Ohio customers beginning Jan. 1, 2012. AEP will merge its Ohio operating companies and transition to a new business model where competitive bid auctions set default generation rates.

In modifying the company's ESP, the PUCO lowered the base generation rate increases to half of what was proposed in the agreement. Customers will pay base generation rates of 2.27 cents/kilowatt hour (kWh) in 2012, 2.33 cents/kWh 2013, and 2.41 cents/kWh in 2014. These gradual increases from the current base rate of 2.1 cents/kWh allow for a smooth transition to market-based pricing in 2015.

Beginning in June 2015 and through May 2016, standard generation rates will be set through a series of competitive auctions in which energy suppliers will bid for the right to provide electricity to AEP customers. Each auction will be conducted by an independent bidding manager, and the PUCO will review the process to ensure each auction was fair.

The Commission expanded the \$10 per megawatt hour (MWh) credit offered to small business customers (GS-2 rate schedule) to the first 2,000,000 MWh of usage per calendar year. This change, when coupled with the base generation rate decrease, helps mitigate the potential rate impact to GS-2 customers by increasing the likelihood that GS-2 customers are provided with additional shopping credits.

The PUCO increased the market-based capacity set-aside levels outlined in the ESP agreement to accommodate the load of communities that approved a governmental aggregation program for customers in the November 2011 election.

The distribution rate agreement adopted by the Commission provides Columbus Southern Power and Ohio Power with revenue increases of \$8.5 million and \$38.1 million respectively. AEP will apply a \$46.6 million credit to offset the company's base distribution revenue increase, resulting in zero base distribution revenue increase on residential customer bills. Residential customers will also receive additional credits totaling more than \$14 million annually from January 2012 through May 2015.

AEP will collect a new charge called the Distribution Asset Recovery Rider to collect the deferred cost of distribution system improvements and expenses accrued over the past decade. As a result, the total bill impact of the distribution rate agreement is an increase of approximately \$2 per month for an average Columbus Southern Power residential customer using 1,000 kWh of electricity and \$1 per month for an average Ohio Power customer.

Under the ESP and distribution rate agreements, AEP will boost investment in energy efficiency, economic development, and customer assistance initiatives. The company will contribute \$5 million annually from 2012 to 2015 to the Ohio Growth Fund for economic development, \$3 million annually to the Partnership with Ohio program benefiting low-income customers, and \$1 million annually to the Neighbor to Neighbor program for bill payment assistance.

## **PUCO approves reasonable rate arrangements for Ohio employers**

Senate Bill 221 (127<sup>th</sup> GA) established a method in which large electric users may file for a reasonable rate arrangement with the PUCO. A reasonable rate arrangement allows the customer to apply with the PUCO to receive a discount on their electricity costs based upon commitments to make investments in energy efficiency and create Ohio jobs. The PUCO approved three such arrangements in 2011, which will help to create 1,700 jobs and also includes commitments to improve energy efficiency.

Caterpillar, Inc., and Wright-Patterson Air Force Base are expanding facilities in Ohio and will each receive a discount off their electric bill. The Timken Company will also receive a discount off their electric bills and commit energy efficiency measures towards AEP's energy efficiency benchmarks.

## **Legislature passes utility securitization bill**

House Bill 364 was introduced in November and unanimously passed by the Ohio House of Representatives and the Ohio Senate earlier this month. The bill becomes law on March 20, 2012. 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. There is a defined, deliberate process where interested parties can weigh in that must be adhered to in order for a securitization application to move forward and be approved. The PUCO has 135 days to approve, modify, suspend, or reject a utility's application.

## **Natural Gas**

### **PUCO accepts natural gas auction results**

The PUCO approved auction results for Dominion East Ohio, Columbia Gas of Ohio and Vectren Energy. In recent years, the way consumers purchase natural gas has changed. Customers who do not select an alternative supplier are assigned a competitive supplier for their natural gas. The price is set by the New York Mercantile Exchange (NYMEX) month-end settlement price plus a retail mark-up, as determined by the auction.

Each auction is conducted by an independent auction manager, and overseen by the PUCO and the OCC. This year's auctions resulted in a retail mark-up of \$1.00 for Dominion, \$1.88 for Columbia, and \$1.35 for Vectren. All three auctions secured natural gas for each company's customers from April 1, 2011 to March 31, 2012.

### **State legislature passed House Bill 95**

House Bill 95 took effect this September. HB 95 makes several changes to the regulatory process for natural gas distribution companies. The bill relaxes regulations and incentivizes utilities to make investments in Ohio, while preserving important safeguards to protect ratepayers.

HB 95 makes changes to the data provided to the PUCO during a rate case proceeding. These changes are intended to reduce "regulatory lag" and allows the utility to capture costs during a proceeding. At

the same time, HB 95 grants the PUCO the ability to true-up, or reconcile, the dollars natural gas utilities spend.

## **Telecom**

### **PUCO designates wireless carriers as ETCs to offer wireless Lifeline service**

The PUCO certified three competitive wireless providers as eligible telecommunication carriers (ETCs) able to provide wireless Lifeline benefits. Assurance Wireless, Reachout Wireless and Access Wireless each received approval to offer wireless Lifeline. Lifeline is a federally funded program that offers monthly discounts to eligible low-income consumers.

The carriers each have a variety of wireless plans, offering voice, text and messaging options. Lifeline rules state the only one Lifeline discount is available per household; customers may not have both wired and wireless Lifeline service.

### **Rules implementing SB 162 take effect**

Senate Bill 162 took effect in 2010. The PUCO adopted rules to implementing the changes, which took effect this past January. SB 162 allows local exchange companies to file applications for Basic Local Exchange Service (BLES) pricing flexibility, which allows the utility to automatically increase BLES rates no more than \$1.25 per calendar year. The company must show the PUCO that there is sufficient competition in each exchange before increasing the price of BLES.

Three local exchange companies filed applications and were approved for BLES pricing flexibility in 11 exchanges in 2011. Customers must be informed of any BLES increase 30 days prior to the change.

### **9-1-1 Council and Advisory Board issues 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. An electronic copy of the report is available on the PUCO website.

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.

## **Water**

### **Applications for water and wastewater rate increases filed**

Three water and wastewater companies filed applications to increase rates during 2011. Applications for an increase in rates were filed by Ohio American Water, Water & Sewer LLC, and Columbia Park Water and Sewer System. The applications are still under review by PUCO staff and will likely be ruled on by the Commission in 2012.

## **Motor Carriers**

### **PUCO rescinds administrative rules applying to private commercial motor carriers**

The PUCO rescinded administrative rules applying to private commercial motor vehicles with a gross vehicle weight (GVW) between 10,001 and 26,000 pounds operating in intrastate commerce.

In 2008, the Commission approved amendments to Ohio's motor carrier safety rules that applied PUCO jurisdiction to private commercial motor vehicles with a GVW between 10,001 and 26,000 pounds that transport property or passengers on a not-for-hire basis within Ohio. The Commission later delayed active enforcement of the rules until 2012 while it conducted an outreach program to further educate affected carriers.

The PUCO hosted a series of listening sessions across Ohio this winter to gather input from affected carriers about the operational and financial costs of compliance with the rules. Based on feedback from interested parties, the Commission finds it prudent to rescind the rules while changes to the rules are considered. As a result, roadside educational stops for these affected carriers will no longer take place.

The Commission directed PUCO staff to file a report within 90 days containing an analysis and recommendations for possible future rule amendments. In preparing the report, staff will take into account Gov. John Kasich's Executive Order 2011-01K "Establishing the Common Sense Initiative," which accounts for the impact a rule has on small businesses.

#### **PUCO awards hazardous materials training grants**

Throughout 2011, the PUCO awarded 14 hazardous materials training grants totaling nearly \$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.

#### **PUCO authorizes upgrades of highway-rail crossing warning devices**

Ohio has more than 5,900 rail crossings. The PUCO, along with the Ohio Rail Development Commission, is responsible for providing funding for the installation of warning devices at highway-rail grade crossings. In 2011, the PUCO approved funding for the installation of flashing lights and gates at eleven crossings throughout Ohio. Additional assistance was given for circuitry upgrades, vegetation removal, and supplemental warning measures such as rumble strips. Over the past decade, the annual number of train-motor vehicle crashes in Ohio has decreased significantly, from 123 in 2001 to 64 in 2010.