



Public Utilities Commission of Ohio
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Before the
House Public Utilities Committee
March 4, 2015

Chairman Schaffer, Ranking Member Ashford, members of the committee, thank you for inviting the Public Utilities Commission of Ohio (PUCO) to appear before the House Public Utilities Committee to give an agency overview.

I am Tom Johnson, and I am the chairman of the PUCO. I thank you for this opportunity to speak before you today and showcase to you the work the staff of the PUCO accomplishes everyday. I have with me today a few members of the PUCO team to provide this overview to you. Specifically, presenting today will be Angela Hawkins, interim chief of staff of the and full-time director of the PUCO Legal Department; Patrick Donlon, director of the Rates and Analysis Department; and John Williams, director of the Service Monitoring and Enforcement Department. Their presentation today will begin with a short history and overview of the PUCO, followed by information regarding the electric and natural gas industries, an explanation on the rate case process, an overview of the Ohio Power Siting Board, an insight into how our consumer call center operates and ending with an overview of gas pipeline safety.

Unfortunately, I cannot stay for the entire presentation, but I do want to introduce you to Angela Hawkins, my current chief of staff.

Good morning Chairman Schaffer, Ranking Member Ashford, members of the committee. I am Angela Hawkins and I am currently fulfilling the role of chief of staff, and regularly I am the director of the PUCO Legal Department.

Utility and transportation regulation began in Ohio in 1867 when the Ohio General Assembly established the Office of the Commissioner of Railroads and Telegraphs. By the early 1900s the office was expanded to address telephone, electric, natural gas and water industries. Today the PUCO continues to oversee these industries, along with natural gas pipelines, hazardous material carriers and commercial transportation carriers, including ferryboats, buses, towing companies and household goods carriers. The PUCO is the only state agency charged with ensuring that essential utility services are safe, reliable and adequate. The PUCO also regulates and/or sets certain utility rates. The PUCO regularly inspects utility facilities around the state to ensure that utility wires, pipes and equipment are safe and well-maintained.

The PUCO has five commissioners with one commissioner selected by the governor to serve as chairman. The chairman of the PUCO also acts as the agency's director. All commissioners are appointed by the governor to staggered, five-year terms. The governor's selection for commissioner is made from a list of names submitted by the PUCO Nominating Council, a broad-based 12-member panel charged with screening candidates for the position of commissioner. The PUCO chairman also chairs the Ohio Power Siting Board, which reviews all applications for building major facilities in Ohio. Ohio's efficient siting process is possible because all 11 entities are part of the Board and involved with approving siting applications. The Board consists of the chairman of the PUCO; the directors of the Ohio Environmental Protection Agency, Agriculture, the Development Services Agency, Health and Natural Resources; and a public member. Four members of the Ohio General Assembly also serve as non-voting members of the Board. As Chairman Johnson mentioned, one of our directors will provide further details on the duties and functions of the Ohio Power Siting Board.

The mission of the PUCO is to assure all residential and business consumers access to adequate, safe and reliable utility services at fair prices, while facilitating an environment that provides competitive choices.

The PUCO serves all customer classes: commercial, industrial and residential. The PUCO has authority and enforcement power to resolve complaints directly between the consumer and the utility and between competitive providers.

The PUCO employs a staff of about 330 professionals, including accountants, attorneys, auditors, engineers, economists, investigators and safety inspectors who assist us in meeting our goals and serving the public. Our expert staff continually monitors the activities of the utility companies to make sure that they are following PUCO rules and state laws.

There is a lot of activity within the PUCO on a daily basis. Some of the activity results in orders and entries that appear on the Commission's weekly meeting agenda and some of the activity is part of our statutory mission and handled by PUCO staff without appearing on the weekly agenda.

On average, more than 2,701 cases are filed at the PUCO each year; these cases include formal complaint proceedings, certifications for operating authority, rulemakings, tariff filings, rate proceeding, energy efficiency, renewable and economic development arrangements.

The commissioners meet each week and the meetings are webcasted live on the PUCO website. The Commission meeting agenda is released each Thursday for the following week. At the Commission meeting, agenda items can be discussed and signed or rescheduled to a later agenda. The purpose of the Commission meeting is for commissioners to decide pending utility matters.

The commissioners function in a quasi-judicial role, which means they function like judges in a court. They do not hear from the public or outside parties at weekly commission meetings because parties have already had the opportunity to present their views through workshops, public hearings, legal pleadings or written comments prior to the Commission meeting. The commissioners rely upon the case record when making decisions.

The contents of all agenda items are confidential and cannot be discussed with or revealed to anyone outside the Commission until voted upon and signed at a public meeting by the commissioners. In addition, once a case is assigned a formal docket number, no commissioner or attorney examiner assigned to the case shall discuss the merits of the case with any party to the proceeding without formally disclosing those discussions (*Ex parte*).

After the case is voted upon, the written decision is available to the public following the meeting. All documents in a case can be found on our electric docketing information system (DIS), which is part of the PUCO website. This docket can be used as a resource to view every document, letter, testimony, brief or report in the case. Once a case has received due process by the PUCO, it may be appealed directly to the Supreme Court of Ohio.

As mentioned early, the PUCO oversees public utility industries, including electric, natural gas, telephone, water and transportation. Also, while the PUCO has a formal quasi-judicial adjudicatory function, as I just described, there are many other day-to-day regulatory functions conducted by the agency staff, including auditing, market monitoring, safety inspections and complaint mediation, just to name a few. The PUCO staff is working in all the regulated industries on a regular basis. To demonstrate this further to you, I'd like to introduce Patrick Donlon at this time.

Rates and Analysis

Good morning. Thank you Chairman Schaffer, Ranking Member Ashford and members of the committee, for having me here this morning. I am Patrick Donlon and I am the Director of Rates and Analysis for the PUCO. I will be providing a general overview of electricity and the regulatory process.

I will begin with an illustration on the various bodies and authority organizations that have regulation jurisdiction over electric utilities. As you can see the Ohio General Assembly sets the laws. The PUCO and the Ohio Power Siting Board implement the laws. In regards to the electric industry, the PUCO regulates investor owned electric distribution utilities, referred to as EDUs. EDUs are the traditional wires companies. To some capacity, the PUCO regulates competitive retail electric service providers or CRES. CRES providers are the entity that manages or otherwise sells the supply of the electricity. Electric municipals and cooperatives are not regulated by the PUCO but have their own regulatory structure as does transmission and generation.

Additionally, the Ohio Power Siting Board, often referred to as OPSB, regulates new projects that are being built. We get into more detail regarding the OPSB in a few minutes.

The Federal Energy Regulatory Commission (FERC) has jurisdiction over the wholesale electric market, the bulk power system, transmission tariffs and reliability.

The PUCO has jurisdiction over CRES providers' direct sales to customers, distribution reliability, safety, infrastructure maintenance and siting, as well as adherence to state requirements, such as renewable and energy efficiency standards.

Ohio is part of PJM, which is a regional market, responsible for reliability of the transmission system. On the map I have provided, the bright orange is all the areas that are part of PJM. As you can see all of Ohio is part of PJM, which provides the benefit of a regional approach to energy.

Ohio has four main EDUs, FirstEnergy covers mainly the northern part of the state; Dayton Power & Light (DP&L), which is owned by AES covers the area around Dayton and the south western portion of the state; Duke Energy Ohio, which mainly has the Cincinnati area; and American Electric Power, AEP Ohio, which covers a large part of the state, particularly the central and eastern portion. FirstEnergy is headquartered in Akron; AEP Ohio is headquartered in Columbus; DP&L has its headquarters in Dayton,

but AES is headquartered in Indianapolis; and Duke Ohio, while it has offices in Cincinnati, is headquartered in Charlotte, North Carolina.

On this slide we display the growth projections for electric use for the state of Ohio. The current projections indicate that electric use will flatten out. There are a number of explanations for this. When considering various explanations, please keep in mind that these are projections with multiple variables. Some assumptions regarding why electric use is projected to flatten out are centered on trends towards energy efficiency across the state and country. An additional explanation is that products are becoming less energy intensive than they used to be. While overall consumer consumption projections suggests the use of more electronic devices, these devices will need less energy and thus it causes the forecast to flatten. Again this is just one factor of many variables that goes into this forecast.

I have provided for you today a graphic depicting Ohio's generation resource mix as of November 2014. As demonstrated in the graphic, even with the recent coal retirements, Ohio is still heavily dependent on our coal fleet. There is another round of coal retirements scheduled for May/June of 2015, which is estimated to eliminate approximately 3,400MWs of coal generation in Ohio. However, an estimated 4,300MW of new natural gas generation is scheduled to be built in Ohio by 2019.

Here we have a graphic highlighting coal generation in Ohio. The red dots are coal units that have already retired, the yellow are coal units that have announced they will retire, most in May or June of this year, and the green will continue to operate. The sizes of the dots are relative to the amount of MWs the units produce. Most of the units that are green are units that have full environmental controls and are operating at optimal efficiency.

On this slide is a map of the current natural gas plants in Ohio. The blue squares are simple cycle units. A simple cycle unit, or peaking plant, is often a unit that can be called on quickly to run for a short time to help cover peak usage. However, these units are often inefficient, have high costs and thus should not be used as base load generation. The red circles are combined cycle units, these are more efficient than simple cycle units and with the right natural gas prices can run as base generation and displace coal.

As I mentioned earlier there are approximately 3,400MWs of coal generation set to retire this year. This map shows the location of those plants and where new generation has been proposed to be built in

Ohio. All of the new generation is natural gas combined cycles. As you can see by 2019 Ohio is projected to actually gain 837MW of generation based on current projects.

Now I am going to transition into rate making and how the PUCO determines what customers actually pay for their electricity. The main charges are determined in a base rate case, so why is a base rate case initiated? The utility can open a rate case to obtain more revenue, a customer can initiate one through a complaint case or the PUCO can order one through a commission ordered investigation.

For a company to initiate a rate case, the company must submit a pre-filing notice to the PUCO; the company must inform mayors and legislative bodies 30 days prior to filing the full application; the company must file its work papers, testimony and proposed rates with the PUCO, as well as publish a notice once a week for two weeks in newspapers of the affected areas announcing the rate case filing with the PUCO. With all rate cases the company has the burden of proof.

Once the utility files their documentation the staff starts their investigation. Staff reviews the utility's expenses, revenues and investments. The revenue requirement is an essential part of the rate case, determining the amount of money that the utility will be able to recover in order to cover its expenses with a fair return on their investment. The PUCO has a responsibility to ensure that the utilities stay solvent.

The staff also evaluates the rate design, this is how the revenue will be collected from the customers and split between various customer classes. There are a number of ways to design rates.

When the staff completes its investigation, a staff report is filed, typically within five months of the application, the report covers all the issues in the case. Often if staff stays silent on an issue it means staff agrees with the filing. Objections with testimony from interveners and the utility must be filed within 30 days of the filing of the staff report. Testimony is pre-filed and written in question and answer format.

Speaking of interveners; these are interested parties to the case that file to be a party to the case. The Attorney General's office represent staff, the Office of Consumer's Counsel is the state agency focused on residential consumers, additionally you have commercial and industrial customers, as well as cities represented in rate cases. Additionally, you may have environmental groups and other consumer groups.

During all rate case proceedings, the public has the opportunity to be heard. Public hearings are held in parts of the local communities that will be effective by the rate changes; an attorney examiner (law judge) will hold the public hearings. The public signs in and is permitted to speak on the record about the rate case.

Additionally if a settlement is not achieved by all parties there is an evidentiary hearing. This is conducted with lawyers and presided over by the attorney examiner. Any individual who pre-files testimony is subject to cross-examination by the parties in the case. This process can take weeks depending on the controversy of the case.

After the hearing the parties file briefs based on the hearing. Based on the evidence presented in the case the attorney examiner writes an order and circulates it to the commissioners. The commissioners provide input and vote on the order. Once the order has been voted on the parties have 30 days to file for rehearing.

In the event there is an appeal to the Commission's order denying rehearing, parties must file notice of appeal to the Supreme Court of Ohio within 60 days of the date of denial of the application for rehearing. There is not a timeframe in which the Supreme Court of Ohio must act on an appeal, but they must hear PUCO appeals. The court can affirm an order, or reverse the order.

So why do we regulate electric utilities? First electricity has always been considered a natural monopoly, entry into the distribution market requires huge investment, electricity is considered a public good, and few people could make the investment to get into the market and those who could, could have taken advantage of the market.

In 1996 and 1999 FERC decided it would be in the public's interest to have a competitive wholesale market. This required that the transmission system open up for access by all generators, and required transmission owners to join an independent system operator. This was the start of the Ohio utilities joining PJM. While the transition to PJM did not happen immediately, this laid the ground work for where we are today.

Prior to electric restructuring 91% of electric sales were from the six EDU's (FirstEnergy has three utilities in Ohio under its corporate umbrella). These six utilities sold services for distribution,

transmission and generation. This meant that utilities received cost recovery for generation investment and ratepayers borne the risk of the generating assets.

In 1999, Senate Bill 3 allowed for Ohio customers to shop for their electric generation and provided for a five-year market development period. This required unbundling of the distribution, transmission and generation. Due to this legislation, generation would become a non-regulated entity and would be sourced competitively.

With the restructuring, new issues emerged. First was unbundling the vertically integrated companies, this included separating out accounting functions and shared services. Other issues include, ensuring that market power was competitive, transitioning issues, joining an independent system operator like PJM, social issues including education, environmental issues for non-regulated generation, taxes issues and most recently data access issues for the competitive suppliers.

Under the old way, rates were bundled together or combined into a single rate that was not simple to distinguish between distribution, transmission and generation, it was simply a rate. Under the new construct rates need to be divided and separated between the specific areas.

To be able to shop for generation the generation charges have to be separated and identified. Extensive work was done, and still is being done, to ensure that charges are identified and charged as the appropriate rate without cross subsidization.

Suppliers, or CRES providers, that we have mentioned as the companies that can market generation have to be certified by the PUCO and are reviewed for their technical, financial and managerial capabilities. This ensures that they are qualified to do business in Ohio.

In 2008, Senate Bill 221 created the electric security plan (ESP) or market rate options (MRO). These are filings of the utilities to demonstrate that competition is effective. ESPs are similar to a traditional rate plan and MROs utilize the competitive bidding process to set generation prices and transition customers to full-market based pricing. Additionally, Senate Bill 221 allowed for the creation of riders within the utilities ESP or MRO filings.

As I mentioned, Senate Bill 221 created the mechanism for riders, ultimately riders are another mechanism for cost recovery. While base rates are set in a base rate case and then stay constant until the next rate case, riders allow more flexibility. Riders can benefit customers by reducing price volatility,

utilities can benefit by reducing recovery lag time. Riders are trued up quarterly, semi-annually or annually, depending on the rider.

Today customers can shop for their electric generation and as in any competitive market there are various options available to customers that suppliers offer, fixed prices for a set time period, percentage off the standard service offer (SSO), variable prices, 100% renewable products, varying term lengths on the fixed product and of course choosing to remain a SSO customer.

The graph on slide 39 shows the number of customers that have switched from the SSO to an alternative supplier by the utilities service territory. As demonstrated, the majority of customers have switched in the FirstEnergy territories, much of this is caused by government aggregation, in which, for example, the city of Cleveland as a community negotiated a deal with a CRES provider for a specific rate for its residents. Then all of those customers within the city limits are switched to the supplier unless they actively choose to opt out of the aggregation.

This graph shows the switch rates by sales in Mwh or usage.

While shopping is changing the market there are multiple things that have stayed constant. Service is still safe and reliable, the local utility still delivers the electricity, the local utility is responsible for maintaining the lines, you still call the local utility when you have a power outage, due to the standard service offer you still get electricity if you choose not to choose an alternative supplier and low income programs like PIPP still remain.

While rate cases and rate design of electric utilities is a major role of our department we are also responsible for telecom, water rates, natural gas rates, market monitoring, forecasting, critical infrastructure security, energy efficiency and peak demand reduction mandates, renewable mandates, certifying renewable energy credits, to list a few.

Energy efficiency mandates establish a specific benchmark for each electric distribution company. Based on the benchmarks the distribution companies create energy efficiency plans or a series of programs that are determined to be cost effective through a series of test, to achieve the required benchmarks.

Any renewable facility built in Ohio or deliverable to Ohio can apply for a renewable energy credit or REC. 1 REC equals 1 Mwh of electricity. Any company that serves load in Ohio, which could be an

electric distribution company with standard service customers or CRES providers must buy RECs and retire them annually to comply with the state renewable mandates.

Now I'd like to discuss the Ohio Power Siting Board (OPSB) for a few minutes. The Ohio Power Siting Board's mission is to support sound energy policies that provide for the installation of energy capacity and transmission infrastructure for the benefit of the Ohio citizens, promoting the state's economic interests, and protecting the environment and land use. In other words the board reviews and approves all the energy related building projects in Ohio that fall under its jurisdiction. Think of it as one-stop shopping for certification.

The OPSB is chaired by the chairman of the PUCO, however the other commissioners do not have a role on the OPSB. Instead the OPSB is made up of the designees from the Ohio EPA, Department of Agriculture, Department of Health, Department of Natural Resources, Developmental Services Agency and a member of the public that must be a certified professional engineer. Additionally there are non-voting members from both the Ohio Senate and the Ohio House of Representatives.

The OPSB has jurisdiction over generating units of 50MWs or more, wind facilities with a single interconnection greater than 5MW, electric transmission lines of 125kv or greater and intrastate gas transmission lines capable of transporting gas at or greater than 125psi. This does not include production, gathering or liquid lines

The OPSB provides many benefits, such as a one-stop siting process, provides a defined process and most companies appreciate the fact that they have one place to come and get certificated to build. This cuts through all the local zoning issues, Ohio's siting process is actually the gold standard and has been adopted by many other states.

Here we list some of the decision points that the OPSB takes into account when approving a project, these are: need; the environmental impact; compliance with air and water pollution controls; consistency with regional planning and reliability; public interest; impact on agricultural lands; and water conservation practices.

As you can see from the graph, most of the cases before the OPSB are electric transmission cases, but generation cases have been growing over the last two years. Additionally you can see over the years the overall number of cases before the OPSB has increased.

The OPSB staff also makes an effort to respond to any citizen that contacts the board regarding a case. The graph on the left shows how many contacts the power siting staff has made with individuals, please note that 2015 data is only through Feb. 19, 2015. The pie chart on the right shows that most of our communication is through email but we do receive calls and hand written letters as well.

Thank you for your time. I believe we're holding questions until the end, so now I'll introduce John Williams, the Director of the Service Monitoring and Enforcement Department of the PUCO.

Service Monitoring and Enforcement

Chairman Schaffer, members of the committee, thank you for inviting me today to provide an overview of some of the activities at the PUCO.

I am John Williams, and I am the director of the Service Monitoring and Enforcement Department of the PUCO. The Service Monitoring and Enforcement Department manages the PUCO's consumer call center, field inspection program, certification of energy choice suppliers, the electric distribution reliability program, and the enforcement of consumer protection rules. Over the next few minutes, I am going to provide an overview of the PUCO Call Center and our facility inspection program specifically the gas pipeline safety program.

The PUCO Call Center acts as a "window to the world" as the primary conduit for calls to the PUCO. The PUCO Call Center educates consumers on their rights and responsibilities for safe and reliable service, mediates complaints between consumer and various utility companies, and performs annual audits to ensure regulated companies comply with rules related to consumer safeguards.

In 2014, the call center consisted of 33 employees, which includes call center agents and supervision. The call center recorded 76,402 contacts last year. These contacts consisted of phone calls, e-mails and personal walk-in visits. The PUCO provides a "walk-in" service to those consumers who wish to meet with our staff in person to discuss their utility concern. These contacts resulted in 13,421 cases that required additional investigation in order to resolve the concern. The investigation of these cases resulted in over \$680,000 returned to Ohio consumers during 2014.

I am now going to spend a few minutes to describe the operation of the PUCO's call center. As consumer calls are processed in the call center, the calls are classified and recorded in our system into two categories: "educational reference" and "investigation".

In regards to calls classified as “educational reference,” the call center agent will educate the consumer on their rights and responsibilities and any applicable PUCO rules. These calls consist of general questions and concerns that can be easily and quickly resolved. For more involved concerns, the agent will advise the consumer to contact the company to discuss their concerns if they have not already done so. It is typically more efficient for the company to discuss and resolve the dispute with the consumer prior to the PUCO becoming involved in the dispute. We strongly believe the company should make the first attempt to resolve the complaint with the customer. The agent will invite a call back if the issue is not resolved after speaking to the company. Typically, the consumer’s case is closed at the conclusion of the call.

The other classification utilized by our call center staff is “investigation” An investigation is a more involved complaint or issue. These may consist of a complex billing issue or an installation or access issue. The agent will ask probing questions during the call to gather as much information as possible to define the issue and the customer’s expectations. After the call, the agent will contact the company with several questions concerning the issue to get a better understanding of each side of the dispute. In addition, the agent will research the issue to gather applicable rules and policies. After all of this information is compiled and the agent has a firm understanding of the issue, the agent will attempt to mediate the dispute. If the consumer is not satisfied with the outcome of the informal mediation, the agent will advise the consumer of their rights to file a “formal” complaint for consideration before the Commission.

A division of the Service Monitoring and Enforcement Department conducts a monthly review of the contacts received by the call center. As previously stated, these contacts include phone calls, e-mails, and walk-ins. In addition to the call classified into an “educational reference” or “investigation”, the call is coded with the company name and assigned an issue or concern code. This collected data is housed in a central database for reporting and analysis.

The chart on the screen now is a sample of the reporting from the database. In the displayed chart, each gas company is represented by a different line on the chart. The data is normalized across all of the companies for a more accurate comparison between companies. This is just one example of the analysis conducted on a monthly basis.

In many instances, possible rule violations are identified based on an individual call into the call center or by the monthly contact analysis. When rule violations are identified, many times staff will work with

the company informally to correct the violation. On more serious matters, staff will issue a formal enforcement letter that requires the company to respond with its corrective action and implementation timeline. If consumers overpaid as a result of the rule violation, the staff will work with the company to return the overpayment to the consumer. On rare occasions and very serious matters, staff will request a “Commission Ordered Investigation” where the company may be ordered by the Commission to pay forfeitures or fines for the rule violation.

I am now going to spend a few minutes discussing our field inspection program. Our field inspection activities involve gas pipeline safety, electric safety and reliability, telephone service quality, and water and wastewater facilities. Our gas pipeline safety inspection program is conducted in partnership with U.S. Department of Transportation (USDOT) which I will discuss later in detail.

These inspections involve routine inspection of regulated facilities such as gas pipelines, electric lines, electric substations, telephone central offices, and water plants. The field staff also conducts investigations for gas pipeline incidents such as house explosions and pipeline ruptures. The field staff will also assist in consumer complaints that involve company facilities such as tree trimming disputes related to the electric industry. Frequently, the field staff will also conduct follow up inspection to ensure compliance with corrective action plans resulting from an identified rule violation.

I am now going to discuss the PUCO’s gas pipeline safety program. The program includes 11 inspectors, one office administrative support staff and a program manager. The inspectors are stationed throughout the state at remote reporting locations placing them closer to their inspection activity locations. The program manager and the administrative support staff are housed in the PUCO’s offices in Columbus.

The following facilities are included in the gas pipeline inspection program: Local Distribution Companies (LDC) such as Columbia Gas and Duke Energy, transmission pipelines, master meter operators such as trailer parks and housing authorities, municipal gas systems such as Lancaster gas, Co-op Gas systems, propane distribution systems and gathering pipelines.

As I stated earlier, the PUCO’s gas pipeline safety program is conducted in partnership with the USDOT. Congress created the Pipeline and Hazardous Materials Safety Administration (PHMSA) in the USDOT to regulate the construction, operation and maintenance of gas and liquid pipelines. This statute allows PHMSA to delegate its authority over intrastate facilities to individual states that have qualifying gas

pipeline safety programs. Ohio is one of the states that have a qualifying program. The Federal “Pipeline Safety Regulations” are contained in 49 CFR (“Code of Federal Regulations”) 191-199 that are adopted and enforced by Ohio.

The Ohio Revised Code section 4905.90 to 4905.96 grants the PUCO the authority to enforce the Pipeline Safety Regulations for in-state gas pipelines. The PUCO is also an interstate agent where we inspect interstate pipeline systems although PHMSA retains enforcement authority. In this capacity we act as contract inspectors for PHMSA. The PUCO maintains a cooperative agreement with PHMSA where PUCO staff performs audits and inspections, and provides reporting data to PHMSA and in exchange the PUCO receives a grant to fund operating expenses.

Ohio is home to several liquid pipeline operations. These pipelines typically transport hazardous liquids throughout the state such as petroleum and petroleum products. PHMSA maintains authority over these pipelines; therefore the PUCO does not have pipeline safety authority over these pipelines.

Next, I would like to discuss the recent increase in Ohio oil and gas production otherwise known as Shale gas. As we all know, major natural gas and natural gas liquids deposits can be commercially exploited in Ohio due to advances in technology. These deposits are in what is known as the Utica and Marcellus shale formations. The PUCO regulates the design, construction and operation of gathering lines collecting gas from these fields. Ohio Department of Natural Resources (ODNR) regulates drilling and production. Recent changes to the Ohio Revised Code allow the PUCO to regulate some gathering pipelines that would otherwise be exempt from safety regulation.

As previously stated, there have been some recent changes that brought additional safety regulation to gathering that were previously exempt. To better understand the changes, I will first describe a gathering pipeline. A gathering pipeline means “a pipeline that transports gas from a current production facility to a transmission line or main.”

The illustration on your screen shows the relationship between production pipelines, gathering pipelines and transmission pipelines. The typical gathering pipeline is shown in blue “gathering” gas from production pipelines or wells.

I attempted to show on this drawing that every segment of pipe from the wellhead to the end use customer.

The intent of Senate Bill 315 (SB 315) was to extend safety regulations to high stress gathering pipelines collecting gas from the newly developed shale gas wells. The bill modified an existing section of the Ohio revised code and added a new section, 4905.911. The new law became effective on Sept. 11, 2012.

This drawing illustrates the pipeline jurisdiction prior to SB 315. Pipelines safety requirements differ by class location. Class locations range from Class 1 being the most rural to class 4 being a very urban environment. Prior to SB 315, gathering lines in the most rural areas were regulated under PHMSA but had no safety requirements. So as the illustration shows, a segment of pipeline was being operated without safety requirements.

This illustration shows the post SB 315 environment. SB 315 implemented safety requirements for pipelines located in a very rural environment. So at this point, every segment of the pipeline has regulatory oversight from the wellhead to the consumer.

Thank you for the opportunity to appear here before you today. Chairman Schaffer, if you or members of the committee have questions, we would be happy to answer them.