

2010-2011 Biennial Budget

**Testimony by the Public Utilities Commission of Ohio
Alan R. Schriber, Chairman**

**Before the House Agriculture and Development Finance
Subcommittee Committee**

March 5, 2009

PUCO MISSION:

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



Chairman Slesnick, members of the committee, thank you for the opportunity to testify in support of the Public Utilities Commission of Ohio (PUCO) budget request today. My name is Alan Schriber, and I am the chairman of the Commission.

As you may know, the PUCO is governed by a chairman and four commissioners, who are appointed by the governor to staggered, five-year terms. The governor's selection 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. As chairman, I also act as the agency's director and chair the Ohio Power Siting Board, which reviews all applications for building major utility facilities in Ohio.

The PUCO employs a staff of about 380 professional accountants, auditors, engineers, economists, investigators and attorneys who work diligently to assist us in meeting our goals and serving the public. The PUCO is a non-General Revenue Fund (GRF) agency funded through assessments to the utilities, as well as through fees generated by motor carrier registrations and federal program assistance.

Although the PUCO is a non-GRF agency, we believe it is important to demonstrate that the PUCO is sensitive to budgetary constraints. We also understand that the public-at-large does not know about such things as "non-GRF" and that perceptions are very important. Therefore, we have made adjustments in our spending consistent with prudent management techniques.

The PUCO has maintained a flat line budget and is not requesting an increase over our FY09 appropriation level. Our annual operating budget is approximately \$50 million and that includes more than \$8 million in federal funding. During the past two years, the PUCO has contributed nearly \$7 million to the GRF from civil forfeitures and penalties against utilities that are not in compliance with Ohio's regulations. The PUCO is also responsible for collecting a wireless 9-1-1 surcharge from wireless telephone carriers to distribute to eligible counties for the provision of enhanced wireless 9-1-1 (E9-1-1).

The PUCO oversees public utility industries, including electric, natural gas, pipelines, telephone, water, railroad, 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. Our expert staff regularly inspects utility facilities around the state to ensure that utility wires, pipes and equipment are safe and well-maintained.

The PUCO also sets service standards to protect utility customers from such things as poor service quality, unfair denial or disconnection of service, or long waits for repair or installation of service. The PUCO staff monitors compliance with these standards through customer complaints and on-site inspections. When violations are found, the PUCO can order corrective action to be taken and can fine utilities for non-compliance.

When I first served on the Commission in the early 1980s, we began to address the issue of competition in the utility industry. At that time, the primary focus on competition in the utility regulatory environment revolved around the transition in the long distance telephone industry. However, since that time, utility markets have continued to evolve and, today, competition in utility sectors has been initiated in trucking, natural gas, local telephone and electricity. Over the last few years, the PUCO has made great strides in the development of a number of these markets in Ohio while ensuring that service reliability remains a top priority.

The PUCO serves all customer classes: commercial, industrial and residential. We have even found the number of small businesses who seek utility information and assistance from the PUCO during the last two years remains steady. The PUCO has the authority and enforcement power to resolve complaints directly between the consumer and the utility and between competitive providers. Our staff is well-trained to carry out this function. It is through our contact with customers and the inspections of PUCO investigators and auditors that we have been alerted to and acted upon violations of our service standards.

The PUCO Consumer Call Center is the PUCO's direct link to the public. Each day, callers from throughout the state contact PUCO representatives, seeking assistance with utility issues. PUCO representatives are able to answer questions, offer suggestions to callers seeking assistance with their utility bills and mediate disputes between customers and utility companies. In total, PUCO investigators saved Ohio consumers more than \$500,000 in 2007 and more than \$600,000 in 2008. The PUCO also learns a great deal from customers that call 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. The call center is an invaluable asset to the PUCO.

On average more than 1500 cases are filed at the PUCO each year; these cases include formal complaint proceedings, certifications for operating authority, rulemakings, tariff filings and all other cases. Attached to my testimony is a flow chart illustrating how a complaint case and a rulemaking proceeding might become a finalized Commission order. We often get questions about our process as it differs from the legislative process of a bill becoming law and resembles more of a legal proceeding.

At the end of 2008, the Commission approved revised rules regarding the Percentage of Income Payment Plan (PIPP). As you may know, PIPP is a program designed to assist low income customers in paying for their natural gas bills. Customers whose yearly household income is 150 percent or less of the federal poverty level may pay a certain percentage of their income to maintain their natural gas service. The PIPP program was first implemented over 25 years ago and has allowed thousands of Ohioans to stay warm during the colder winter months.

The revised rules will lower the monthly payments of PIPP customers from 10 to 6 percent of their income. The Commission believes this will make payments more affordable as well as encourage more timely payments by PIPP customers. A new program is also being implemented to encourage customers to make PIPP payments on time and encourage responsible payment behavior.

The PUCO's motor carrier program ensures quality and equitable service for public and commercial carriers in Ohio. Our comprehensive program of carrier registration and insurance filing, data collection through audits and inspections and issuance of civil forfeiture fines for safety and rule violations, among other things has been both effective and efficient. The PUCO's hazardous materials inspectors examine and audit motor carriers to ensure safety on Ohio roadways. PUCO inspectors regularly conduct audits, inspections and safety reviews to evaluate motor carriers' safety records, policies and procedures.

Railroad grade crossing safety is also a high priority at the PUCO. Since 1990, motor vehicle/train crashes at grade crossings in Ohio have declined significantly. This improvement has been achieved during a period of steady increase in the amount of train traffic and in the number of registered motor vehicles and licensed drivers in Ohio. Each year, the PUCO authorizes funding for the installation of lights and gates at grade crossings across Ohio. The PUCO Web site contains a comprehensive database of every highway-rail crossing in Ohio. Our Railroad Information System allows anyone to search for a crossing based on county, type of crossing, position of crossing and status.

The PUCO oversees the service quality of telephone companies in Ohio with about 7.5 million telephone lines. The PUCO ensures that, regardless of competitive market conditions, the quality of telephone services in Ohio, for both residential and business customers, is adequate and reliable.

Ohio's Wireless Enhanced 9-1-1 (E9-1-1) Fund was created in 2005 to assist local emergency response organizations in upgrading facilities and equipment to enable them to receive information transmitted when a 9-1-1 call is made from a wireless phone. Through these enhancements, emergency responders are able to use technology that assists in locating callers that may be unable to give their exact location. At the end of 2008, the Ohio General Assembly passed Senate Bill 129, extending the surcharge through the end of 2012 and reducing the surcharge from 32 to 28 cents a month. This year, 14 counties received approval of their E9-1-1 plans.

In less than three years, all of Ohio's 88 counties have now been approved for wireless enhanced 9-1-1 funding, and 60 counties have implemented Phase II of E9-1-1, which allows emergency operators to pinpoint the location of callers using advanced technology. The PUCO collects and disburses funds paid by wireless subscribers to county treasurers. To date, more than \$91 million has been disbursed by the PUCO.

The natural gas industry is a complex network of companies that produce, transport and distribute natural gas. In Ohio, more than three million people use natural gas. The PUCO oversees more than 54,000 miles of distribution lines which provide natural gas to individual users, as well as more than 6,000 miles of transmission lines. As you know, natural gas customers in Ohio can choose the provider of their natural gas. The PUCO's *Apples to Apples* natural gas rate comparison charts are updated regularly and provide gas supplier information in each service territory. The charts are routinely the most sought after information on our Web site.

In 2008, the PUCO implemented a new "levelized" residential distribution rate structure for Ohio's four largest natural gas utilities (Columbia Gas of Ohio, Dominion East Ohio, Duke Energy Ohio and Vectren Energy Delivery of Ohio) that better reflects the fixed cost nature of delivering natural gas. The new rate structure more accurately reflects the cost of distribution service while lowering what had otherwise been added to the cost of the natural gas itself. At the same time, the new rate structure gives customers a more accurate reward for conservation measures.

The PUCO has approved applications allowing Dominion East Ohio and Vectren Energy Delivery of Ohio to eliminate their gas cost recovery rates and obtain and price their natural gas supplies through a more market-based rate methodology. Both companies conducted auctions to purchase natural gas for their customers.

Since the implementation of Senate Bill 3 in 1999, the PUCO has worked to ensure rate stability for customers, financial stability for electric utilities and promote further development of competitive markets.

For more than a year, the PUCO worked with the Ohio General Assembly and interested stakeholders on the passage of Senate Bill 221, Ohio's new electricity law developed from Governor Ted Strickland's Energy, Jobs, and Progress Plan to stabilize electricity prices, create jobs and expand Ohio's green energy industry.

Currently, the PUCO is focused on the implementation of SB 221. American Electric Power, Duke Energy Ohio and Dayton Power and Light have all filed electric security plans. FirstEnergy filed both an electric security plan and market rate offer. The PUCO has also been working on rules for the implementation of SB 221. The PUCO has put three sets of rules out for comment that will be reviewed later by the Joint Committee on Agency Rule Review (JCARR).

Renewable energy resources have caught the attention of many utility customers during the last several years. Rather than go through the expense of installing a windmill, solar panels or other source of renewable energy, many utility customers across the U.S. have opted to purchase power generated from renewable resources.

In 2007, the PUCO approved plans for Duke Energy Ohio, FirstEnergy and American Electric Power-Ohio (AEP-Ohio) to begin offering green pricing options to consumers. Under the programs, customers may choose to purchase renewable energy credits (RECs) as a premium to their electric bill. While purchasing RECs does not guarantee that the power delivered to a customer came from a renewable resource, purchasing RECs is guaranteed to help fund the advancement of renewable technologies.

Each company's program varies slightly, but in general, for a few dollars per month a consumer can purchase enough RECs to offset their entire usage. The programs ensure that money collected through the purchase of RECs is channeled to approved projects, such as the development of wind power, biofuels and solar energy.

As consumers and utility companies become more sensitive to issues such as global climate change and energy independence, the PUCO believes that these programs offer a way to support projects and maintain reliable utility service.

Lastly, it is also important to note that new commercial wind farms in Ohio (more than 5 megawatts) can receive a single siting certificate through a convenient “one-stop” shopping process at the Ohio Power Siting Board as a result of the passage of HB 562 in 2008. This bill directed the Board to adopt certification rules for the construction, operation and maintenance of wind-powered electric generation facilities. The rules outline requirements for aesthetics, setback, noise levels, ice throw, blade sheer, and shadow flicker among other issues.

This unique siting process is made possible in Ohio because all eleven entities involved with approving the siting application are seated at the same table: the chair of the Public Utilities Commission of Ohio (PUCO); the directors of the Ohio Environmental Protection Agency, the Ohio Departments of Agriculture, Development, 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 we look to the future, the PUCO will continue to vigilantly monitor the evolving utility markets that have become increasingly more complicated with competition. It is essential that the PUCO closely track utility activities to ensure that consumers are protected, state laws are enforced and an atmosphere conducive to furthering Ohio's economic development continues.

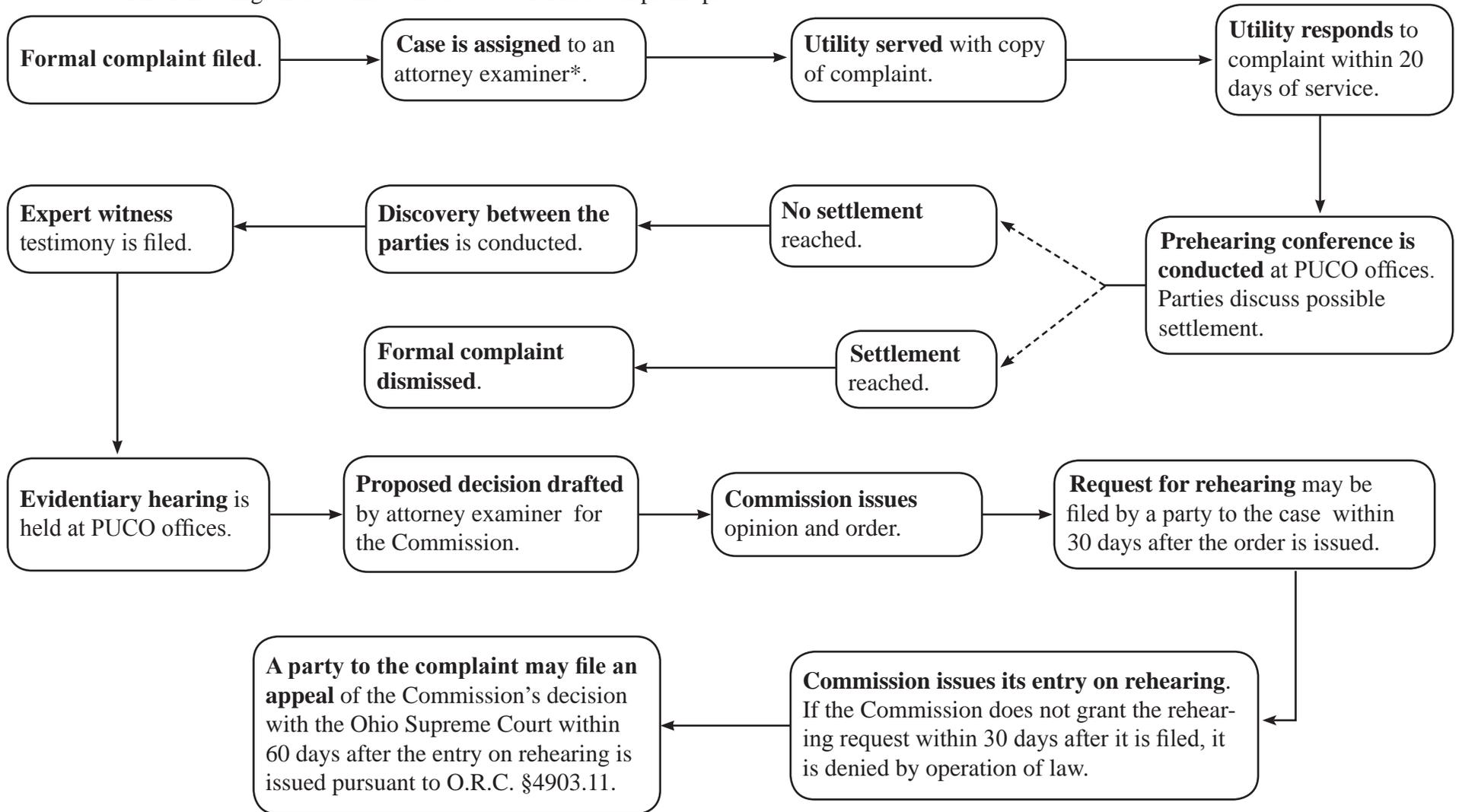
Thank you for the opportunity to appear before you today. We look forward to working with you to continually improve our service to the citizens of Ohio.

Chairman Slesnick, if you or members of the committee have questions, I would be happy to answer them.



PUCO Formal Complaint Process

The PUCO operates a call center staffed by professionals trained to resolve issues between consumers and utility companies. In most cases, the PUCO’s call center staff are able to help the consumer and utility reach an agreement over the concern at hand. From time to time, however, the consumer will choose to file a formal complaint if a solution cannot be worked out. The following chart outlines the PUCO’s formal complaint process.



* PUCO attorney examiners perform the duties of an administrative law judge.



PUCO Administrative Code Rule Review Process

Each Ohio Administrative Code rule must be reviewed every five years and sent to the Joint Committee on Agency Rule Review (JCARR). The following chart outlines the process the PUCO uses to review its rules and make any necessary changes.

