

Public Utilities Commission of Ohio
Thomas W. Johnson, Chairman

House Finance Subcommittee on Agriculture, Development and Natural Resources
FY2016-FY2017 Biennial Budget

March 4, 2015

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Chairman Thompson, Ranking Member O'Brien, members of the committee, thank you for the opportunity today to testify in support of the budget request of the Public Utilities Commission of Ohio, which I'll refer to as the PUCO.

My name is Tom Johnson, I am the chairman of the PUCO. The PUCO is governed by a chairman and four commissioners, each is 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 12-member panel charged with screening commissioner candidates. In addition to my duties as PUCO chairman, I am also the chairman of the Ohio Power Siting Board, which is the sole state entity that approves the installation of energy capacity and transmission infrastructure within Ohio.

The PUCO is a non-general revenue fund (GRF) agency funded through assessments to the utilities we regulate, as well as through fees generated by motor carrier registrations and federal program assistance. By statute, our utility assessment must equal our appropriations and thus, PUCO appropriations have no negative impact on the GRF and are not available for general use. In fact, the PUCO contributes to the GRF through civil forfeitures and penalties assessed to utilities and motor carriers not in compliance with Ohio's regulations. During FY2013 and FY2014, the PUCO contributed a total of \$3.4 million to the GRF.

As you consider the PUCO's overall FY2016 and FY2017 operating budgets, it is important to note there is no increase sought for existing and continuing funds. The PUCO has submitted a flat-funded budget request. In fact, our proposed FY2016 and FY2017 budgets are an 11.54 percent overall reduction of our \$60.2 million FY 2014 expenditure levels due to improved efficiencies as well as the transfer of the Wireless 9-1-1 program to the departments of Taxation and Administrative Services. Our budget request does not include any increases in pay, longevity or cost of living.

The PUCO has continued to eliminate operational redundancies and streamline processes. In order to improve our internal structure, the PUCO recently merged its Department of Energy and Environment with the Utilities Department into a new Rates and Analysis Department. This consolidation has allowed the agency to improve our management and oversight of these two departments by increasing operating efficiency and improving our internal and external communications.

Other improvements include the development of several in-house software applications that will lead to operating efficiencies both for internal staff and outside constituencies, such as the Ohio Power Siting Board internal case tracking system and online annual reporting system. The PUCO also launched a major web-based application entitled the Ohio Motor Carrier Information System, which enables thousands of regulated motor carrier and insurance entities to file applications and insurance certificates online.

The PUCO has also made advancements in administrative areas and has developed model programs to share with fellow state agencies. Each year state agencies are expected to commit at least 15 percent of expenses towards minority business enterprises. In FY2014, for the second year in a row, the PUCO is proud to have greatly surpassed that requirement, achieving

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a set-aside of 42 percent—the second highest percentage among cabinet-level agencies. In addition to earning recognition for two wellness programs developed at the PUCO, our agency's fiscal department has developed a Department of Administrative Services sponsored enterprise project to create a checklist for state agency procurement officers to ensure regulatory compliance. The associated toolkit has been rolled out on a statewide basis.

The PUCO oversees public utility industries, including electric, natural gas, pipelines, landline telephone, water sewer, 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, and operate in a competitive marketplace. The PUCO employs a staff of about 330 professional accountants, auditors, engineers, economists, investigators and attorneys who assist us in meeting our goals and serving the public.

The staff of the PUCO is dedicated to resolving issues between the consumers and PUCO-regulated companies. Each year, the PUCO Call Center receives hundreds of thousands of contacts. In FY2014, the PUCO's Investigation and Audit Division saved consumers approximately \$807,000. Individual savings ranged from \$2 to over \$100,000. One investigator assisted an industrial electric customer with receiving a credit for \$136,000 due to the meter being programmed incorrectly; and a commercial telephone customer was billed nearly \$17,000 when they moved their facilities and outstanding charges and early termination fees were waived as a result of our investigation.

One of the key provisions of the PUCO's mission is to ensure access to utility services. Each year, the PUCO issues its winter reconnect order, which allows customers of regulated electric and natural gas utilities to reconnect; or maintain service for customers who have been disconnected or are facing disconnection. This program continues to be a success; during the 2013-2014 winter-heating season more than 286,000 Ohioans took advantage of the winter reconnect order.

Language in the budget bill before you stimulates investment in the expansion of advanced technology, such as internet protocol services, throughout Ohio while ensuring Ohioans have access to reasonable and comparatively priced voice phone service¹. It is important to note the language includes safeguards to ensure all Ohioans will continue to have, at a minimum, access to public safety services, such as 9-1-1, through voice service provided by either the incumbent telephone company or alternative suppliers.

As introduced, the budget proposal allows for a telephone company to withdrawal basic local exchange service (BLES) and establishes a collaborative process to study such a transition. This process will proactively work to identify vulnerable populations that could be impacted by the internet-protocol (IP) transition and/or withdrawal of BLES. The collaborative group would also be charged with educating Ohioans about the transition and alternative services, such as IP, broadband and other advanced networks.

¹ House Bill 64, 131st General Assembly, pages 1525, 1531-1544, 2774-2775

The language provides that once those areas or groups are identified, the PUCO may then invoke safeguard mechanisms. This would allow the PUCO to order incumbent telephone companies to continue providing voice service until a reasonable and comparatively priced voice service provider is identified.

Ohio is home to over 100 unique pipeline operators that operate over 56,000 miles of distribution lines, over 10,000 miles of transmission lines and over 1,900 miles of gatherings lines. The PUCO employs field inspectors who perform compliance inspections of gas pipeline operators to ensure they are following design, construction, operation and maintenance safety regulations.

The PUCO is committed to ensuring the safe, reliable and environmentally sound operation of Ohio's natural gas pipeline system. The influx of shale driven investment over recent years underscores this important commitment to safety. 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.

The PUCO's gas pipeline safety program receives federal grants that, as part of the grant award, require Ohio's fine limits to be in line with the federal fine limits. In 2012, the General Assembly raised Ohio's fine limit to \$100,000 a day, with a maximum aggregate of \$1 million. However, shortly thereafter, the federal limit was raised to \$200,000 a day, with a maximum aggregate of \$2 million. Because of the change to the federal limit, the budget includes language to update Ohio's statutory limit commensurate with the federal limit² to allow the PUCO to issue fines up to \$200,000 a day and \$2 million total. If the ORC is not updated, the PUCO's federal pipeline safety grants may be curtailed.

The PUCO also oversees commercial transportation throughout Ohio involving motor carriers. The PUCO registers motor carriers and ensures they adhere to state and federal safety standards. In 2010, Ohio's Motor Carrier Safety Assistance Program received an award from the Federal Motor Carrier Safety Administration for being the most effective compliance review program among large states.

One of the enforcement tools available to the PUCO is its civil forfeiture program. During FY2014, the PUCO conducted 2,518 driver vehicle inspections, 542 compliance reviews, 1,038 new entrant safety audits and collected \$2,640,759 in civil forfeitures.

The PUCO supports local first responders by annually approving nearly \$700,000 in hazardous materials training funds directed at incident response. Cleveland State University alone receives \$400,000 annually to support a program that develops and provides training to government and private industry in the safe handling of hazardous materials. Money for these grants comes from fines paid by hazardous material carriers and shippers.

² HB 64, page 1528

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As part of our budget submission, language was included to clarify the PUCO's statutory authority of intermodal equipment providers, consistent with the authority of the U.S. Department of Transportation³. "Intermodal" is the transportation process where the cargo itself is not removed from the cargo container. The cargo container is removed from a ship or a railcar and placed on the back of a semi-trailer. As there is currently no clear regulatory oversight of these transporters in Ohio law, this item is critical to ensure motor carrier safety. The Ohio Trucking Association is a proponent of this legislative proposal. The PUCO's funding through the Federal Motor Carrier Safety Assistance Program may be jeopardized should this change not be adopted.

Chairman Thompson, Ranking Member O'Brien, members of the committee, thank you again for the opportunity to appear before you today. I am happy to answer any questions you may have.

³ HB 64, pages 1526, 1529-1531