

Public Utilities Commission of Ohio
Andre T. Porter, Chairman

Senate Finance Subcommittee on Workforce
FY2016-FY2017 Biennial Budget

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Introduction

Chairman Beagle, Vice-chair Williams, and members of the Senate Finance Subcommittee on Workforce, good morning. My name is Andre Porter. I have the honor of serving this state as chairman of the Public Utilities Commission of Ohio (PUCO). Thank you for having me here today to testify on the PUCO's biennial budget. Before going further, I want to note that today I will be discussing the as-introduced version of House Bill 64.

The work of the PUCO has an impact on every Ohioan every single day. Consider your daily routine. You are awakened by an alarm clock powered by electricity. You drive to the gymnasium for an early morning exercise and maybe you drive across a public rail crossing. Back at home you might shower in clean water provided by a regulated utility and the same water is warmed by natural gas. On the road to work, you drive alongside commercial motor vehicles doing business within Ohio. Once you get to work perhaps you make a few phone calls to start your day. All of this before 7:00 a.m.!

Our work in the areas of water, natural gas, gas pipelines, electric, telecommunications, rail and commercial transportation is essential to ensuring a great quality of life within an economically growing state.

You might know that I returned to the PUCO a few weeks ago after serving as Director of Commerce. The portion of my new role that I look forward to most is communicating with you in a manner that makes sense and that will allow for you to be better informed. I often hear from individuals not working within the utilities field that things seem so complex and hard to understand. I agree that the issues are very complex. My primary task will be to communicate with each of you and with stakeholders across this state in an open and transparent manner so that everyone has an understanding of the challenges before us.

The PUCO is uniquely positioned to bring order to the sometimes chaotic nature and myriad issues impacting public utilities and their consumers. Ultimately, the PUCO's role is to serve as the neutral arbiter reviewing the bargain between regulated utilities and their customers.

This role is most effectively carried out in a proactive, if not, evolutionary manner. In this approach, the PUCO must carefully monitor the national utility landscape in order to build synergies informed by innovation, changing consumer demands and various utility business models.

We are focused on ensuring that adequate utility resources exist to meet the needs of Ohioans, both today and tomorrow. We want for those utility resources to perform in the most reliable manner. These resources must be cost effective to the consumer and the providers. And safety is a focus that cannot be compromised. We think of these as core values.

Finally, in order to be effective in our work, we must find ways to ensure that consumers are engaged.

I am optimistic that, within this state, we can agree upon an approach to these challenges and we will find a way to ensure that our utilities' continue contributing to a growing state economy.

PUCO overview

With that in mind, I'd like now to provide you with an overview of PUCO operations.

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 also serve as chairman of the Ohio Power Siting Board, which is the sole state entity that approves the installation of electric generating facilities and both electric and natural gas transmission infrastructure throughout Ohio.

The PUCO employs a staff of professional accountants, auditors, engineers, economists, investigators and attorneys who assist us in meeting our goals and serving the public.

The PUCO is dedicated to resolving issues between consumers and utilities. Each year, our call center receives tens of thousands of contacts. In calendar year 2014, the PUCO Call Center received 76,402 contacts resulting in 13,421 investigations. PUCO's Investigation and Audit Division saved consumers \$683,701. Individual savings ranged from \$2 to over \$100,000.

I am proud of the PUCO's work to support minority businesses. Each year state agencies are expected to commit at least 15 percent of expenses towards minority business enterprises. For the second year in a row, the PUCO is proud to have greatly surpassed that requirement, achieving a set-aside of 42 percent.

PUCO budget

As you consider the PUCO's overall FY2016 and FY2017 operating budgets, it is important to note the PUCO does not use General Revenue Funds (GRF) for operations and 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 from our FY2014 expenditure levels.

Our budget request does not include any increases in pay, longevity or cost of living.

Investing in the future

The utilities regulated by the PUCO continue to evolve. And in order for Ohio to thrive, it must have a regulatory body that is able to adapt to innovation, changing consumer demands and utility business models.

Language in the budget bill stimulates investment in the expansion of advanced technology throughout Ohio, such as internet protocol services, 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 withdraw basic local exchange service (BLES) upon approval by the Federal Communications Commission and notice by a BLES provider to PUCO of its pending withdrawal. This notice will allow the PUCO to implement the safeguards I will describe below. The budget also establishes a collaborative process to study such a transition. This process will work proactively to identify populations that could be negatively impacted by the internet-protocol (IP) transition or withdrawal of BLES. The language provides that once those areas or groups are identified, the PUCO may then invoke safeguard mechanisms upon the notification of the withdrawal of BLES by the telecom provider described above. This would allow the PUCO to order incumbent telephone companies to continue providing voice service until a reasonable and comparatively priced voice service is identified for those that would be left without a provider after a withdrawal.

The collaborative group would also be charged with educating Ohioans about the transition and alternative services, such as IP, broadband and other advanced networks.

Ensuring pipeline safety

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 gathering 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 of pipeline safety regulations 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 is one of the various areas that receive funding through federal grants. As part of the grant award, Ohio's fine limit is required to be in line with the federal fine limits.

Recently the federal fine limit was raised to \$200,000 a day, with a maximum aggregate of \$2 million; up from the current levels of \$100,000 a day and \$1 million in aggregate. Because of the change to the federal limit, the budget includes language to update Ohio's statutory limit

¹ House Bill 64 (as introduced), 131st General Assembly, pages 1525, 1531-1544, 2658-2660, 2774-2775

commensurate with the federal limit² to allow the PUCO to conform to federal standards and issue fines up to \$200,000 a day and \$2 million total. If the ORC is not updated to reflect this change, the PUCO's federal pipeline safety grants will be curtailed.

Recent revisions made in the House have removed this portion of the budget language. I urge you to consider the implications of removing this portion as it directly affects the PUCO's ability to monitor and enforce important safety standards.

Ensuring commercial motor carrier safety

The PUCO also oversees commercial transportation throughout Ohio involving motor carriers. As you can imagine, given our location and size, Ohio is both a major destination and crossroads for commercial traffic all across the country.

The PUCO registers commercial 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.

During the previous year, the PUCO conducted 2,518 driver vehicle inspections, 542 compliance reviews, 1,038 new entrant safety audits and collected \$2,640,759 as a part of the PUCO's civil forfeiture program. The PUCO's civil forfeiture program is one of the most important safety enforcement tools available to us.

We also support Ohio's local first responders by annually approving nearly \$700,000 in hazardous materials training funds directed at incident response. Money for these grants comes from fines paid by hazardous material carriers and shippers. 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.

Chairman Beagle, in your district, I was pleased to learn that the Sharonville Fire Department has been awarded almost \$8,000 to assist the department in hosting hazardous material IQ courses intended to provide vital safety training to 90 local emergency responders. As Commerce Director, we had the office of the State Fire Marshal as part of our department. We worked closely with local first responders to provide training and assistance. I can tell you that these grants truly matter to the local communities.

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.

² HB 64, page 1528

³ HB 64, pages 1526, 1529-1531

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.

Conclusion

Chairman Beagle, Vice-chair Williams, members of the Senate Finance Subcommittee on Workforce, thank you for allowing me to testify. I believe this budget submission will allow us to continue to support Ohio's growing economy and ensure a healthy landscape for our utilities and consumers alike. I would be happy to field any questions you may have.