

Public Utilities Commission of Ohio
Todd A. Snitchler, Chairman

House Bill 95 (Stautberg)
House Public Utilities Committee

May 4, 2011

Chairman Stautberg and members of the House Public Utilities Committee, I am Todd Snitchler, chairman of the Public Utilities Commission of Ohio (PUCO), and am here to today to testify as a proponent on House Bill 95 (HB 95).

As other witnesses before the committee have correctly pointed out, HB 95 does not affect natural gas customers' ability to shop for a gas supplier. HB 95 does not affect the price of the natural gas commodity. Instead, HB 95 makes changes to the natural gas regulatory process in Ohio.

As you can imagine, the PUCO is very interested in these changes as they affect the way we conduct business. Therefore, we worked closely with legislators and interested stakeholders on this legislation that seeks to relax regulation where appropriate and incentivize utility investment in Ohio, while preserving important safeguards to protect ratepayers. We believe the latest substitute bill strikes a delicate balance among these interests. I would like to touch on just a few of those changes included in HB 95.

Of particular interest to the PUCO are the changes being made to the natural gas rate case review process. Currently, rate cases use a "test year" as the period of time to determine the revenue and operating costs of a utility. Ohio statute provides that the test year shall be the twelve month period ending no later than nine months after the date the application is filed. Therefore, the utility can use three months of actual data and nine months of estimates to determine its costs and revenues. If a natural gas utility has specific costs after the test year, current law allows recovery of those costs in a subsequent rate case. HB 95 allows utilities to capture those costs during the current rate case proceeding.

In addition, the "date certain" is the date that the property of the natural gas utility is inventoried. Current Ohio statute requires the date certain to be no later than the date the rate case application is filed with the PUCO. HB 95 changes this aspect to allow the date certain to be as late as the last day of the test year. This addresses the natural gas industry's concern pertaining to "regulatory lag."

At the same time, HB 95 grants the PUCO the ability to true-up, or reconcile, the dollars natural gas utilities actually spend. The substitute bill also grants the PUCO sufficient time (150 days) to prudently review and verify utility dollars spent. More importantly, after the PUCO review, the bill mandates that once utility projections are reconciled, utility costs can only be adjusted downward, not upward. As a result, natural gas distribution rates cannot increase after the financial review conducted by the PUCO.

HB 95 allows long term forecast reports to be condensed and streamlined so that natural gas utility companies aren't overly burdened, but the PUCO continues to receive valuable information and data about the industry we regulate.

HB 95 continues to provide for newspaper notice about public hearings being held on applications for an increase of regulated utility rates. The PUCO always holds public hearings on utility applications for a rate increase. The PUCO also issues a press release announcing details about those hearings so the customers affected by the increase have the opportunity to comment and be informed about the utility proposal. In addition, HB 95 adds language for the PUCO to consider costs and technological efficiencies in determining the format of those printed newspaper notices. HB 95 also updates the newspaper notification to include instructions for direct electronic access to the utility application or other documents on file with the PUCO.

In short, the latest version of HB 95 gives the PUCO the tools we need to maintain our regulatory oversight and assure Ohioans adequate, safe and reliable utility service at a fair price. At the same time, the bill enables natural gas companies to operate at the “speed of business.”

Again, thank you for the opportunity to appear before you today. We look forward to working with you as HB 95 proceeds through the legislative process. Chairman Stautberg, if you or members of the committee have questions, I am happy to answer them.