

# 2006-2007 Biennial Budget

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

**Before the Senate Finance  
and Financial Institutions Committee**

**May 3, 2005**

## **OUR 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 Carey, members of the committee, thank you for the opportunity to testify in support of the Public Utilities Commission of Ohio's (PUCO) 2006-2007 budget request. 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 for five-year terms. As chairman, I also act as the agency's director and chair the Power Siting Board, which reviews all applications for building electric generating and transmission facilities in Ohio. More recently, I had the opportunity to serve on the United States-Canada Power Outage Task Force charged with investigating the causes behind the August 2003 blackout that affected parts of Ohio and the northeastern United States. I later testified before the U.S. House Energy and Commerce Committee regarding the blackout, advocating for the creation of mandatory electric transmission reliability rules.

Initially, I would note that the PUCO's non-GRF budget request, excluding federal funds, represents a decrease over FY 05 appropriations. However, even in light of this reduction, the **PUCO supports the changes made by the Ohio House of Representatives and is prepared to fulfill the mandates currently set forth in the budget.**

The PUCO employs a staff of about 400 professional accountants, auditors, engineers, economists, investigators, and attorneys who work diligently to assist us in meeting our goals and serving the public. We continue to be vigilant in our efforts to monitor competition in the utility industries and to be ever watchful of the financial situations facing the industries. Our enforcement of service quality standards, as well as the rules and regulations protecting Ohio citizens against unfair, unsafe, and deceptive marketing practices, have proven to be successful and effective. In 2004, the **PUCO added over \$3.1 million to the General Revenue Fund (GRF)** from our regulatory transportation civil forfeitures and penalties against utilities that are not in compliance with Ohio's regulations.

The **PUCO is a completely self-supporting non-GRF** agency funded through assessments to the utilities, as well as through fees generated by motor carrier registrations, and federal assistance. Our annual operating budget is approximately \$37 million. In addition to our operating budget, we bring to the state over \$8 million in federal funding and \$9.4 million in subsidies annually.

With an eye on the future, we are committed to keeping Ohioans connected to safe, efficient, and reliable public utility services. The PUCO regulates a wide variety of public utilities including electric, natural gas, pipelines, heating and cooling, telephone, water, railroad, hazardous material carriers, and commercial transportation carriers, including ferryboats, buses, towing companies, and household goods carriers. The public service provided by the **PUCO affects every household and business in Ohio**. The PUCO has met the challenge to balance the need for consumer protection and relaxation of regulations where appropriate, while also taking on new and complex responsibilities.

When I first came to the Commission in the early 1980s, the primary focus regarding competition in the utility regulatory environment revolved around the transition in the long distance telephone industry. 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. The PUCO has made great strides in the development of these markets in Ohio while ensuring that service reliability remains a top priority. To guarantee that we meet our goals in the gas, electric, telephone, and water industries, the **PUCO established the Reliability and Service Analysis Division**. Staff working in this area regularly inspect and audit the service provided by utilities to ensure Ohioans have access to safe, high quality utility service.

Over the past four years, the PUCO has monitored the development of a competitive electric market. The PUCO has worked to ensure that Ohio's electric customers do not face "sticker shock" from electric rates when the market development period ends at the end of 2005. The **PUCO worked with the electric companies on establishing rate stabilization plans (RSP)** in their service territories. An RSP provides rate stability for

customers, financial stability for electric utilities to ensure reliable service for customers, and promotes further development of competitive markets. The establishment of these plans was supported by the Ohio legislature in the report issued in October 2003 encouraging the PUCO to “continue to take the necessary steps, whether by rule or a request for legislation, to ensure that a healthy competitive market is in place before full electric competition begins.”

When I look to the future of the utility industries, I see the necessity for the PUCO to continue our vigilant monitoring of the evolving competitive utility markets to ensure against unfair, unsafe, and deceptive practices. It is only natural for companies whose business is part competitive and part monopoly to focus their resources on growing their more lucrative competitive offerings, sometimes at the expense of service quality or through subsidies from their non-competitive businesses.

The **PUCO recently established the Financial Analysis and Auditing Division** to oversee and enforce regulatory accounting policies, track industry trends, and provide an independent analysis of the financial condition of Ohio public utilities. In fact, one area of this division is devoted to the evaluation of “ring fencing” mechanisms or insulating the regulated utility from questionable business practices and credit risks of a non-regulated affiliate.

**PUCO is the only state agency responsible for regulating the utility industries**, it is essential that the PUCO continue to closely track the activities of the utilities to ensure that consumers are protected, state laws are enforced, and that an atmosphere conducive to furthering Ohio's economic prosperity continues. While the issues before us may shift our role in the future, both state and federal laws have acknowledged that our expertise in mediating, arbitrating, and adjudicating utility disputes, as well our expertise in regulatory enforcement, will continue to be essential tools for our state.

Our Service Monitoring and Enforcement Department is integral in accomplishing our regulatory mission. As competitive options have arisen within the utility sector, we find,

more and more, a need to ensure that there are no barriers to smooth functioning markets. The **PUCO receives over half a million constituent contacts annually**; therefore, we have developed a consumer contact database to improve our ability to monitor the performance of individual companies and the utility markets in general.

The **PUCO call center was established in 1975 and is part of our Investigation and Audits Division**. This division is integral to accomplishing the PUCO's mission of protecting the public interest. The **PUCO and our call center serve all customer classes: commercial, industrial, as well as residential**. It is noteworthy that the number of businesses looking to the PUCO for help with utility complaints is growing. The **PUCO has the authority and enforcement power to investigate and resolve complaints** directly between the complainant and the utility; our personnel are well-trained to carry out this function, and, since we set the rules, we can most expediently interpret and enforce the rules. Our attorney examiners often step in to settle formal complaints between the parties. Finally, our investigators and auditors are our eyes and ears to the outside world. It is through their inspections, as well as customer complaints, that we have been alerted to and acted upon deviations from our service standards.

As a member of the Governor's Jobs Cabinet, I am chairing the subcommittee on regulatory reform and working with other state agencies to develop recommendations for the Governor that pertain to ensuring a sound energy strategy while making it easier to do business in Ohio. Furthermore, as a member of the Governor's Ohio Security Task Force, the PUCO continues to be mindful of the increased necessity for security awareness since the events of September 11, 2001. With that realization, the **PUCO has reviewed the utilities' security procedures** and continues to make any changes necessary to ensure homeland security in the state of Ohio.

In addition to utility security, the **PUCO has also been focusing on emergency response**. The PUCO continually reviews utility industry responses to major outages like the one that occurred in December 2004. We have been proactively working with the electric utilities to improve the restoration process and continue to explore ways to make

the communication efforts as efficient as possible. Our goal is to provide a single point of information gathering to enable the state to more quickly determine the status of a major electric outage event and the recovery process in Ohio. Therefore, for future major electric outages, the PUCO established a rapid response team with all the Ohio electric utilities. This team will be proactive in initiating communications as soon as severe weather is forecasted and throughout the event to provide real-time outage information.

The **PUCO also worked closely on the enhanced wireless 9-1-1** legislation that becomes effective this week. Enhanced Wireless 9-1-1 gives cellular phone users added security in the event of an emergency. Currently in Ohio, only 9-1-1 calls made from landline phones provide a callback number and the address or location of the caller. The new law provides enhanced 9-1-1 capabilities and makes the call back number and the location of a wireless caller available to emergency responders. The law gives the PUCO the authority to work with the stakeholders to implement and fund the provision of cellular 9-1-1 for the safety and security of Ohio wireless customers.

The PUCO's hazardous materials inspectors work diligently all year examining and auditing motor carriers to ensure safety on Ohio roadways. The **PUCO is the only state agency authorized to enter onto private property for the regulatory purpose of inspecting and auditing shippers, carriers, and driver records.** PUCO inspectors regularly conduct audits, inspections, and safety reviews to evaluate motor carriers' safety records, policies, and procedures. This past year, these inspectors used their expertise to participate in Roadcheck, an annual international transportation safety and security event. The PUCO inspectors were among 10,000 specialists throughout North America performing commercial vehicle inspections. Roadcheck is an annual event that began in 1988 to promote to the public the efforts of law enforcement and the transportation industries to keep highways safe for motorists, and provide an opportunity to distribute educational and safety materials to motor vehicle drivers.

In our Motor Transportation Regulation Program, we are continually improving our regulatory efforts to ensure the quality and equitable service for public and commercial

carriers in Ohio. The PUCO's comprehensive program of carrier registration and insurance filing, data collection through audits and inspections, issuance of civil forfeiture fines for safety and rule violations, issuance of Motor Carrier Safety Assistance Program (MCSAP) and hazardous material safety grants, and educational materials, has proven to be both effective and efficient.

In addition, grade crossing safety is also a high priority. Since 1990, motor vehicle/train crashes at grade crossings in Ohio have declined by 66 percent and the number of fatalities has dropped by 77 percent. This dramatic 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. Over the past 10 years, the **PUCO has participated in the installation of lights and gates at more than 1,000 grade crossings** across Ohio.

The PUCO has also worked closely on a recently enacted law pertaining to quiet zones. The law creates railroad quiet zones in specified Ohio cities that have experienced dramatic increases in rail traffic volume in recent years due to a merger between several rail companies. Trains that pass through these zones would not be permitted to blow their audible horns. The "quiet zones" would have additional safety measures at the crossings that would help to sustain the level of safety currently achieved through the sounding of a horn. The law requires approval by the PUCO of all railroad quiet zones and an inspection of every quiet zone at least once every three years.

Ohio's citizens and roadways are safer due to all of the PUCO's regulatory endeavors. Together with our staff, the **PUCO strives to continually improve our service** to the citizens of Ohio and we have sought to do so in the most fiscally prudent manner possible.

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