

LSC Greenbook

Analysis of the Enacted Budget

Public Utilities Commission of Ohio

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ATTACHMENT:

Budget Spreadsheet By Line Item

Public Utilities Commission of Ohio

- Funded primarily by assessments on regulated utility companies; no GRF
- The budget does not increase any appropriations relative to adjusted appropriation levels in FY 2009 except for a rotary fund that is statutorily obligated to distribute revenue to Ohio counties.

OVERVIEW

Agency Overview

The Public Utilities Commission of Ohio (PUCO) regulates investor-owned public utilities and commercial carriers in Ohio. The public utilities regulated by PUCO include electric, natural gas and pipeline utilities, heating and cooling companies, local and long-distance telephone companies, and waterworks and wastewater companies. However, PUCO does not regulate every aspect of these industries. Specifically, it does not regulate long-distance telephone rates, cellular phone rates, nor does it regulate utilities owned and operated by municipalities, cooperatives, or nonprofit entities.

Table 1. Public Utilities Commission of Ohio Staffing Levels

Category	FY 2008	FY 2009	FY 2010	FY 2011
Utility Regulation	331	318	343	343
Transportation Regulation	75	73	78	78
TOTAL	406	391	421	421

Appropriation Overview

According to PUCO, the budget will enable the Commission to sustain essential programs, and ensure that safe and secure utility services are provided to the citizens of Ohio.

Table 2. Agency Appropriations by Fund Group, FY 2010-FY 2011

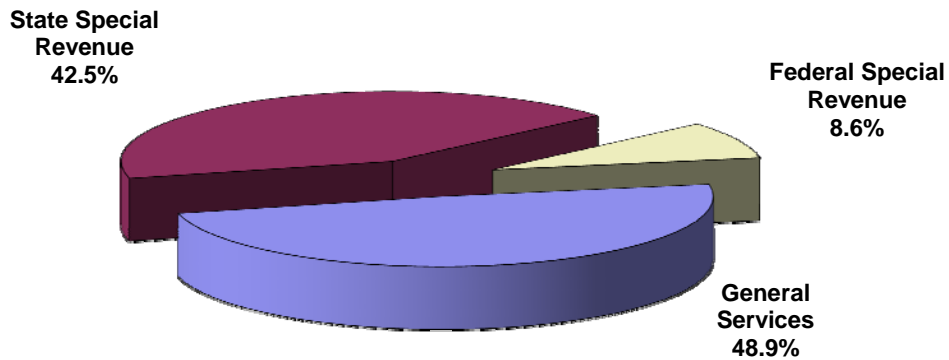
Fund Group	FY 2009*	FY 2010	% change, FY 2009- FY 2010	FY 2011	% change, FY 2010- FY 2011
General Services	\$38,594,957	\$45,685,456	18.4%	\$45,685,456	0%
Federal Special Revenue	\$9,327,108	\$8,049,619	-13.7%	\$8,049,619	0%
State Special Revenue	\$35,935,494	\$38,768,928	7.9%	\$40,794,928	5.2%
TOTAL	\$83,857,559	\$92,504,003	10.3%	\$94,530,003	2.2%

*FY 2009 figures represent actual expenditures.

Am. Sub. H.B. 1 increases PUCO spending authority in FY 2010-FY 2011 by \$30.0 million (19.1%) as compared to actual expenditures in FY 2008-FY 2009. The budget increases the combined spending authority for Wireless 9-1-1 Administration and Utility and Railroad Regulation (76% of PUCO expenditures in FY 2008-FY 2009 originated from these two line items) by \$19.9 million (16.6%) in the FY 2010-FY 2011 biennium.

PUCO does not receive budgetary resources from the General Revenue Fund (GRF). Instead, the agency receives funding through assessments on utilities, as well as fees generated by intrastate and interstate motor carriers' registrations, and federal grants.

Chart 1: Biennial Appropriations by Fund Group, FY 2010-FY 2011



ANALYSIS OF ENACTED BUDGET

This section provides an analysis of the enacted appropriation items in PUCO's budget. In this analysis, PUCO's line items are grouped into two major categories. For each category a table is provided listing the recommended appropriation in each fiscal year of the biennium. Following the table, a narrative describes how the appropriation is used. If the appropriation is earmarked, the earmarks are listed and described. The two categories used in this analysis are (1) Utility Regulation and (2) Transportation Regulation.

Please refer to the Redbook or the COBLI for a more detailed description of the line items within PUCO's budget.

Utility Regulation

PUCO uses this category of appropriations to monitor and enforce compliance with utility regulations.

Appropriations for Utility Regulation				
Fund	ALI and Name		FY 2010	FY 2011
General Services Fund Group				
5F60	870622	Utility and Railroad Regulation	\$34,455,627	\$34,455,627
5F60	870624	NARUC/NRRI Subsidy	\$158,000	\$158,000
5Q50	870626	Telecommunications Relay Service	\$5,000,000	\$5,000,000
General Services Fund Subtotal			\$39,613,627	\$39,613,627
Federal Special Revenue Fund Group				
3330	870601	Gas Pipeline Safety	\$597,959	\$597,959
Federal Special Revenue Fund Group Subtotal			\$597,959	\$597,959
State Special Revenue Fund Group				
4L80	870617	Pipeline Safety-State	\$187,621	\$187,621
5590	870605	Public Utilities Territorial Administration	\$4,000	\$4,000
5600	870607	Special Assessment	\$100,000	\$100,000
5610	870606	Power Siting Board	\$647,893	\$647,893
5BP0	870623	Wireless 9-1-1 Administration	\$34,417,000	\$36,443,000
6380	870611	Biofuels/Municipal Waste Technology	\$40,000	\$40,000
State Special Revenue Fund Group Subtotal			\$35,396,514	\$37,422,514
Total Funding: Utility Regulation			\$75,608,100	\$77,634,100

Utility Market Monitoring and Oversight (870622, 870605, 870606, and 870607)

PUCO's jurisdiction over water, gas, electricity, and telephone service was established by the Ohio legislature in 1911. Today, PUCO provides regulatory oversight of private companies in these industries. The Commission's core function within the utility industry is to facilitate, monitor, and help develop the marketplace.

Appropriation item 870622, Utility and Railroad Regulation, provides most of the funding for agency operations. More than 70% of total payroll expenditures are charged to this line item. This line item funds most PUCO departments, including: service monitoring and enforcement, the utilities department, energy and environment analysis, and the legal and administration departments. All spending authority, which is \$34.5 million in each fiscal year, is supported by revenues to the Public Utilities Fund (Fund 5F60), which are derived from assessments against the intrastate revenues of the railroads and utilities regulated by PUCO. The amount appropriated for both FY 2010 and FY 2011 is 13.6% above FY 2009 expenditures.

The Power Siting Board reviews all applications for building electric generating facilities, and both electric and natural gas transmission facilities in Ohio. The budget appropriates \$647,893 annually for line item 870606, Power Siting Board. The Power Siting Board Fund (Fund 5610) collects the fees submitted with applications for a certificate of environmental compatibility and public need.

A Special Assessment is infrequent and occurs when PUCO launches a special public utility investigation. No amounts were spent in FY 2008 or FY 2009 for this purpose. The special revenue fund, Special Assessments (Fund 5600), collects only enough revenue from a utility to reimburse the costs for its investigation. The biennial budget appropriates \$100,000 annually for this line item.

Appropriation item 870605, Public Utilities Territorial Administration, is another cost reimbursement initiative that is infrequently utilized. The budget provides \$4,000 in annual appropriation for this purpose. This line item did not expend any funds for FY 2008 or FY 2009. Electric companies reimburse the Public Utilities Territorial Administration Fund (Fund 5590) to cover agency expenses incurred by resolving boundary disputes. The advent of more advanced computer software has mitigated the disputes.

Gas Pipeline Safety (870601 and 870617)

Natural gas is the energy source most Ohioans use to heat their homes. Several separate and distinct industries produce, transport, and distribute gas throughout Ohio. These segments are production companies, transmission companies, distribution companies, and marketers. PUCO has regulatory authority over distribution companies and has some responsibility for marketers, but does not directly oversee other aspects of the industry.

PUCO administers a gas pipeline safety program for natural gas delivery in Ohio. PUCO investigators inspect pipeline systems and review records and procedures implemented by local distribution companies. When violations are detected, PUCO orders corrective action to ensure that Ohio's pipeline systems continue to deliver natural gas safely and reliably. In 2007, the Commission conducted over 120 safety inspections of gas pipelines.

The budget appropriates \$187,621 annually for line item 870617, Pipeline Safety-State, which is 5.2% above FY 2009 spending. The funding for this line item is derived from assessments against natural gas and natural gas pipeline operators. The resulting revenues are deposited into the Pipeline Safety Fund (Fund 4L80).

Appropriation item 870601, Gas Pipeline Safety, authorizes the expenditure of federal grant moneys for the Gas Pipeline Safety Program. Am. Sub. H.B. 1 appropriates \$597,959 in each fiscal year of the biennium. This amount is 42.7% above FY 2009 spending. The federal revenue serves as a supplement to the state funding, and

PUCO may submit a reimbursement claim amounting to 50% of the Program's operating costs. The federal funds are deposited into the Gas Pipeline Safety Fund (Fund 3330) upon receipt.

Telecommunications Safety Services (870623 and 870626)

The Americans with Disabilities Act mandates an intrastate telecommunications relay service (TRS) for persons with communication disabilities. TRS enables persons with hearing or speech disabilities to communicate by phone in a manner functionally equivalent to someone without such a disability through the use of a text telephone yoke (TTY) or other similar telecom devices. PUCO is charged with administering the TRS Program. Sections 4905.79 and 5727.44 of the Revised Code originally allowed the relay provider a credit against its corporate franchise tax. Due to tax changes, this funding mechanism expired on January 1, 2008.

The FY 2008-FY 2009 biennial budget provided short-term funding for the TRS contract for calendar year 2008 by requiring PUCO to make payments from its cash balances. In 2008, H.B. 562 established a new funding mechanism for the TRS. As of January 1, 2009, telecommunication companies operating in Ohio are assessed for the cost of providing TRS to the hearing impaired. The assessment will equal the TRS Program costs.

The FY 2010-FY 2011 biennial budget provides a \$5 million annual appropriation for line item 870626, Telecommunications Relay Service, which is 35.6% above expenditures during FY 2009. TRS assessments paid by the service providers are deposited into the Telecommunications Relay Service Fund (Fund 5Q50).

PUCO is responsible for monitoring the development and implementation of emergency 9-1-1 systems within individual Ohio counties. Currently, 87 have landline 9-1-1 service. In 2005, the General Assembly passed legislation to provide funding for the local establishment of enhanced 9-1-1 service for wireless telephones. This service allows a mobile telephone to be located geographically using either a global positioning system built into the phone itself or by utilizing the surrounding radio towers to triangulate the wireless telephone's position. Presently, 53 counties provide enhanced wireless 9-1-1 service and 84 counties receive funding distributed indirectly by way of line item 870623, Wireless 9-1-1 Administration, to implement it.

S.B. 129 of the 127th General Assembly extended the wireless 9-1-1 charge applied to monthly cellular telephone bills. Whereas the charge was to expire at the conclusion of calendar year 2008, the legislation extended the sunset date to December 31, 2012. Furthermore, the General Assembly lowered the monthly fee to 28 cents per month from 32 cents per month.

The budget appropriates \$34.4 million for FY 2010, a 9.2% increase above FY 2009 expenditures. FY 2011 spending authority is \$36.4 million, a 5.9% increase over the

FY 2010 amount. Given the rate decrease by S.B. 129, expected annual revenues for the biennium will be approximately \$25.5 million. All of these revenues are initially deposited into the Wireless 9-1-1 Administration Fund (Fund 5BP0). The appropriations in the biennial budget appear adequate relative to potential revenue for this fund.

National Association Dues (870624)

Appropriation item 870624, NARUC/NRRI Subsidy, enables PUCO to participate in national associations. Founded in 1889, the National Association of Regulatory Utility Commissioners (NARUC) is a nonprofit organization dedicated to representing the state public service commissions who regulate the utilities that provide essential services such as energy, telecommunications, water, and transportation. The biennial budget appropriates \$158,000 annually for FY 2010-FY 2011. Appropriations are 54.9% above expenditures in the previous biennium. The funding is derived from the assessment on public utility companies and deposited into the Public Utilities Fund (Fund 5F60).

Biomass Energy Promotion (870611)

The Council of Great Lakes Governors has administered the Great Lakes Biomass State-Regional Partnership (GLBSRP) under contract with the U.S. Department of Energy (DOE) since 1983. This is one of five regional programs established by DOE designed to encourage greater production and use of biomass for energy generation. Biomass includes wood, crop residues, municipal waste, and other organic materials. Biomass can be converted for power production and transportation fuels including ethanol and biodiesel.

The budget funds this appropriation for the biennium at an annual level of \$40,000. This amount is equal to the grant award from the GLBSRP, which is deposited into the Biofuels and Municipal Waste Technology Fund (Fund 6380). FY 2009 spending was almost five times the FY 2008 amount and the FY 2010 appropriation is 91.3% higher than the prior year spending.

Transportation Regulation

PUCO uses these appropriations to safeguard the security of Ohio's regulated motor carrier and rail operations by means of inspections, training, monitoring, and education programs.

Appropriations for Transportation Regulation				
Fund	ALI and Name		FY 2010	FY 2011
General Services Fund Group				
5F60	870625	Motor Transportation Regulation	\$6,071,829	\$6,071,829
General Services Fund Subtotal			\$6,071,829	\$6,071,829
Federal Special Revenue Fund Group				
3500	870608	Motor Carrier Safety	\$7,351,660	\$7,351,660
3V30	870604	Commercial Vehicle Information Systems/Networks	\$100,000	\$100,000
Federal Special Revenue Fund Group Subtotal			\$7,451,660	\$7,451,660
State Special Revenue Fund Group				
4A30	870614	Grade Crossing Protection Devices-State	\$1,349,757	\$1,349,757
4S60	870618	Hazardous Material Registration	\$464,325	\$464,325
4S60	870621	Hazardous Materials Base State Registration	\$373,346	\$373,346
4U80	870620	Civil Forfeitures	\$284,986	\$284,986
6610	870612	Hazardous Materials Transportation	\$900,000	\$900,000
State Special Revenue Fund Group Subtotal			\$3,372,414	\$3,372,414
Total Funding: Transportation Regulation			\$16,895,903	\$16,895,903

Motor Carrier Registration and Safety (870604, 870608, 870620, and 870625)

PUCO's comprehensive motor carrier and registration program integrates carrier registration, driver/vehicle audits and inspections, civil forfeiture fines, safety grant funding, and issuance of educational materials.

Commercial transportation companies in Ohio are public utilities under the jurisdiction of PUCO. These companies pay special fees and taxes in exchange for exemption from other taxes, such as sales tax on equipment. They are also exempt from many forms of local regulation.

The Motor Carrier Safety Assistance Program (MCSAP) is a major grant program of the U.S. Department of Transportation for which PUCO has been designated a lead agency. The federal MCSAP funds supplement those generated by PUCO's program and help fund PUCO's on-site audits of motor carrier safety records and programs, as well as PUCO's specialized inspections involving hazardous materials. MCSAP funds

also assist other organizations, including public roadside inspections of nonhazardous materials commercial vehicles.

Appropriation item 870625, Motor Transportation Regulation, supports the enforcement of statutes, rules, and regulations governing transportation companies. The budget appropriates \$6.1 million in each year of the biennium, which is 35.8% more than the FY 2009 expenditures. The Public Utilities Fund (Fund 5F60) provides the necessary revenues for this line item. The fund collects taxes on intrastate motor carriers and fees from the Unified Carrier Registration Program.

Appropriation item 870608, Motor Carrier Safety, provides PUCO with spending authority to administer MCSAP funds from the federal government. The biennial budget appropriates \$7.4 million annually. The amount represents a decrease of 15.9% compared to FY 2009 spending. Federal grants are deposited into the Motor Carrier Safety Fund (Fund 3500) upon receipt.

PUCO's primary mission in commercial vehicle safety is the prevention and reduction of accidents on Ohio roadways; specifically, the protection of the traveling public in all areas of the state from commercial operations of large, heavy, or hazardous cargo laden vehicles. According to PUCO, new carriers are often the largest contributing factor to unsafe roadways. The Commission administers a safety audit program targeted at new carriers.

Appropriation item 870604, Commercial Vehicle Information Systems/Networks, authorizes PUCO to spend the federal revenues on these audit and safety initiatives for commercial vehicles. The budget appropriates \$100,000 annually for the upcoming biennium, which is about double the amount spent in FY 2009 for this activity. The Commercial Vehicle Information Systems and Networks Fund (Fund 3V30) receives money from a federal grant authorized by the Safe, Accountable, Flexible, Efficient Transportation Act of 2005.

In 1995, Ohio enacted a new civil forfeitures program applicable to general truck safety violations. All audits or inspections that contain serious violations are subject to the assessment of fines ranging from \$1,000 for a roadside inspection to a maximum of \$10,000 for compliance audits. According to PUCO, the audits and inspections provide direct financial incentives to carriers not in compliance to change their behavior and comply with existing regulations. In FY 2008, over \$2.7 million of the civil forfeiture fines collected by PUCO went into the GRF.

The biennial budget provides funding of \$284,986 for the upcoming biennium, which is 100% of the amount appropriated to line item 870620, Civil Forfeitures, for FY 2009. Fines are initially deposited into the Civil Forfeitures Fund (Fund 4U80) for the support of the line item. Once the fund receives revenues equivalent to the appropriation authority, all additional fines are deposited in the GRF.

Hazardous Materials Regulation (870612, 870618, and 870621)

PUCO registers more than 2,500 hazardous materials transporters each year and works to ensure carriers are safely transporting these commodities on Ohio's highways. The agency inspects each shipment of high-level radioactive material that is transported from, to, or through Ohio. All PUCO hazardous materials (hazmat) specialists and PUCO rail inspectors are trained and certified in radiological inspections.

The Revised Code provides, among other things, that the first \$800,000 of hazmat fines collected in any fiscal year is credited to a special revenue fund in the state treasury. Hazmat fines are generally paid by hazardous material carriers, shippers, and drivers. The resulting money is distributed for the purposes of emergency response planning as well as the training of safety, enforcement, and emergency services personnel for the management of hazardous materials releases that occur during transportation or otherwise.

Appropriation item 870612, Hazardous Materials Transportation, provides PUCO with authority to spend the revenues collected via fines and civil forfeitures assessed against hazardous materials transporters. The proceeds from the Hazardous Materials Transportation Fund (Fund 6610) support the training program grants. The appropriations are \$900,000 in each year of the biennium. FY 2010 appropriations are 7.4% above FY 2009 spending.

Appropriation item 870618, Hazardous Material Registration, is used to employ PUCO hazmat specialists. The biennial budget provides \$464,325 for each year of the biennium. This biennial spending authority represents a 49.4% increase relative to total spending in FY 2008-FY 2009. All hazardous materials transporters must pay a registration fee, which is deposited into the Hazardous Material Registration Fund (Fund 4S60) for the support of this line item.

Appropriation item 870621, Hazardous Materials Base State Registration, provides PUCO with the authority to pay hazmat fees to other states on behalf of Ohio transporters. When an Ohio transporter registers with PUCO, the carrier can elect to register in other states at the same point in time. This appropriation item authorizes PUCO to pay up to \$373,346 in each year of the upcoming biennium. All payments remitted to other states are drawn from the Hazardous Material Registration Fund (Fund 4S60).

Railroad Safety (870614)

PUCO has the regulatory responsibility to inspect rail industry activities that include structures, operational practices, and worker safety issues. Additionally, PUCO enforces the regulations of the Federal Railroad Administration (FRA) and has FRA certified inspectors in the disciplines of hazardous materials, rail tracks, locomotive

power and equipment, operating practices, railroad grade crossing lights and gates, and numerous other areas of public concern.

As part of PUCO's regulatory function, it administers state and federal warning device programs for grade crossings and distributes funds for rail crossing improvements. For appropriation item 870614, Grade Crossing Protection Devices-State, the budget provides annual funding of \$1.3 million for FY 2010-FY 2011. Total appropriations, \$2.7 million, are \$0.8 million (22.8%) less than FY 2008-FY 2009 spending for grade crossings and rail crossing improvement. Revenues from the state gasoline tax are deposited into the Grade Crossing Protection Fund (Fund 4A30), which supports this spending authority.

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FY 2010 - 2011 Final Appropriation Amounts

All Fund Groups

Line Item Detail by Agency			FY 2008	FY 2009	FY 2010 Appropriations	% Change FY09 - FY10	FY 2011 Appropriations	% Change FY10 - FY11
Report For: Main Operating Appropriations Bill			Version: Enacted					
PUC Public Utilities Commission of Ohio								
5F60	870622	Utility and Railroad Regulation	\$ 30,197,914	\$ 30,344,409	\$ 34,455,627	13.55%	\$ 34,455,627	0.00%
5F60	870624	NARUC/NRRI Subsidy	\$ 111,054	\$ 93,000	\$ 158,000	69.89%	\$ 158,000	0.00%
5F60	870625	Motor Transportation Regulation	\$ 4,426,141	\$ 4,471,817	\$ 6,071,829	35.78%	\$ 6,071,829	0.00%
5Q50	870626	Telecommunications Relay Service	\$ 1,373,225	\$ 3,685,731	\$ 5,000,000	35.66%	\$ 5,000,000	0.00%
General Services Fund Group Total			\$ 36,108,334	\$ 38,594,957	\$ 45,685,456	18.37%	\$ 45,685,456	0.00%
3330	870601	Gas Pipeline Safety	\$ 438,469	\$ 418,980	\$ 597,959	42.72%	\$ 597,959	0.00%
3500	870608	Motor Carrier Safety	\$ 5,440,814	\$ 8,744,818	\$ 7,351,660	-15.93%	\$ 7,351,660	0.00%
3CU0	870627	Electric Market Modeling	\$0	\$ 115,710	\$0	N/A	\$0	N/A
3V30	870604	Commercial Vehicle Information Systems/Networks	\$ 52,366	\$ 47,600	\$ 100,000	110.08%	\$ 100,000	0.00%
Federal Special Revenue Fund Group Total			\$ 5,931,649	\$ 9,327,108	\$ 8,049,619	-13.70%	\$ 8,049,619	0.00%
4A30	870614	Grade Crossing Protection Devices-State	\$ 1,224,069	\$ 2,272,336	\$ 1,349,757	-40.60%	\$ 1,349,757	0.00%
4L80	870617	Pipeline Safety-State	\$ 164,523	\$ 178,344	\$ 187,621	5.20%	\$ 187,621	0.00%
4S60	870618	Hazardous Material Registration	\$ 359,473	\$ 262,277	\$ 464,325	77.04%	\$ 464,325	0.00%
4S60	870621	Hazardous Materials Base State Registration	\$ 274,665	\$ 295,860	\$ 373,346	26.19%	\$ 373,346	0.00%
4U80	870620	Civil Forfeitures	\$ 235,744	\$ 241,967	\$ 284,986	17.78%	\$ 284,986	0.00%
5590	870605	Public Utilities Territorial Administration	\$0	\$0	\$ 4,000	N/A	\$ 4,000	0.00%
5600	870607	Special Assessment	\$0	\$ 0	\$ 100,000	N/A	\$ 100,000	0.00%
5610	870606	Power Siting Board	\$ 296,593	\$ 320,513	\$ 647,893	102.14%	\$ 647,893	0.00%
5BP0	870623	Wireless 911 Administration	\$ 27,860,660	\$ 31,505,689	\$ 34,417,000	9.24%	\$ 36,443,000	5.89%
6380	870611	Biofuels/Municipal Waste Technology	\$ 4,454	\$ 20,908	\$ 40,000	91.32%	\$ 40,000	0.00%
6610	870612	Hazardous Materials Transportation	\$ 734,742	\$ 837,600	\$ 900,000	7.45%	\$ 900,000	0.00%
State Special Revenue Fund Group Total			\$ 31,154,923	\$ 35,935,494	\$ 38,768,928	7.88%	\$ 40,794,928	5.23%
Public Utilities Commission of Ohio Total			\$ 73,194,906	\$ 83,857,559	\$ 92,504,003	10.31%	\$ 94,530,003	2.19%