Consumers' Counsel, Office of

House Agriculture and Development Subcommittee

Ross Miller, Economist

Legislative Service Commission

February 24, 2005

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LSC Redbook

for the

Consumers' Counsel, Office of

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TABLE OF CONTENTS

Overview **1**

Summary of FYs 2006-2007 Budget Issues ***1***

Staffing Levels ***2***

Analysis of Executive Proposal **3**

Consumer Advocacy ***3***

Requests Not Funded **5**

Attachments:

Catalog of Budget Line Items

LSC Budget Spreadsheet By Line Item

February 24, 2005

Consumers' Counsel, Office of

- The Office of Consumers' Counsel is funded by annual assessments on utility companies; no GRF funding
- The executive proposal calls for accelerating payment of a portion of the assessments

OVERVIEW

The Office of Consumers' Counsel (OCC), established in 1976, is the statutory advocate for residential utility customers. The OCC has the statutory responsibility to represent the interests of 4.5 million residential customers of Ohio's investor-owned electric, natural gas, telecommunications, and water companies. The OCC resolves complaints individual customers may have with utilities, either through informal dispute resolution or through litigation, and educates consumers on utility issues. The Office's consumer education activities have become both more complex and more sought after as Ohio has moved toward a competitive utility environment; during the past two fiscal years the OCC has distributed over 700,000 educational materials to utility consumers.

The OCC employs a staff of approximately 80. Funding for the agency is derived solely from an assessment on utilities operating in Ohio. The amount appropriated in the main operating budget is apportioned between those utilities based on their intrastate gross revenues. The OCC receives no funding from the General Revenue Fund. The current estimate of the agency's FY 2005 expenditures is slightly under $9.3 million.

Summary of FYs 2006-2007 Budget Issues

The executive budget recommends appropriations of $8,594,735 in FY 2006 (a 7.4% decrease compared with the FY 2005 estimate) and $8,771,940 in FY 2007 (a 2.1% increase over the FY 2006 recommended amount). Any funds appropriated but not spent during a fiscal year are returned to the utilities that fund the agency's budget. Actual FY 2004 expenditures were 24.3% below the appropriation for that year. Thus the recommended FY 2006 appropriation is 22.3% larger than actual FY 2004 expenditures.

The executive proposal would make changes to the annual assessments of public utilities that constitute the sole source of funding for the agency. The proposal would accelerate the payments for certain companies beginning in calendar year 2006. Currently companies are assessed by October 1 each year, with payments typically received during October. The current system requires a temporary transfer from the GRF at the beginning of each fiscal year to provide funding for OCC operations until assessments are received, at which point the amount of the transfer is returned to the GRF. Under the proposed system, affected companies would pay half the amount they were assessed the preceding October by June 20 each year, with the amount paid credited against the amount they are assessed the following October 1. This provision would increase the total assessment received in FY 2006 due strictly to the timing change. It would not affect the amount of the assessment, and the increase due to timing would occur only in FY 2006. A related provision of the executive proposal would increase the minimum assessment from $50 to $100.

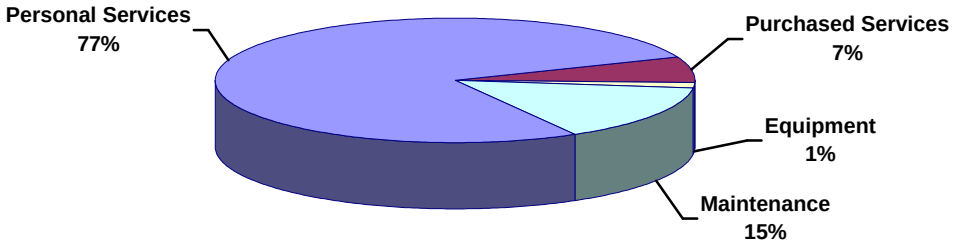
Staffing Levels

The following table shows actual FTE staffing levels during each fiscal year. The agency has operated with several staffing vacancies in recent years; its approved staffing level has been 81.5 FTE positions.

Office of Consumers' Counsel Staffing Levels						
					Estimated	
Program Series/Division	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**
Consumer Advocacy	72	74.5	72.5	75	83	83
Totals	72	74.5	72.5	75	83	83

The OCC would like to add three new compliance investigators over the coming biennium, one senior regulatory analyst, a staff attorney, an outreach and education specialist to support the Spanish-speaking community of utility customers, and a fiscal administrator.

Total Budget by Object Code



ANALYSIS OF EXECUTIVE PROPOSAL

Consumer Advocacy

Purpose: The Consumer Advocacy program series advocates for and educates Ohio's residential utility consumers.

The following table shows the line item that is used to fund the Consumer Advocacy program series, as well as the Governor's recommended funding levels.

Fund	ALI	Title	FY 2006	FY 2007
General Services Fund				
5F5	053-601	Operating Expenses	$8,594,735	$8,771,940
		General Services Fund Subtotal	**$8,594,735**	**$8,771,940**
Total Funding: Consumer Advocacy			**$8,594,735**	**$8,771,940**

This analysis focuses on the following specific program within the Consumer Advocacy program series:

- ***Program 1 – Consumer Advocacy***

Program 1 – Consumer Advocacy

Program Description: The Office of Consumers' Counsel resolves complaints individual customers may have with utilities, either through informal dispute resolution or through litigation. OCC operates a call center that received approximately 230,000 calls during the FY 2003-2004 biennium. The staff of OCC handled consumer complaints against utilities in 2003 that resulted in $390,000 in direct savings to consumers through refunded charges and bill credits.

The coming year will see a milestone in the ongoing effort at utility restructuring: Am. Sub. S.B. 3 of the 123rd General Assembly (S.B. 3), often referred to as the electric restructuring law, defined "market development periods" during which the Public Utilities Commission of Ohio (PUCO) would retain authority over electric rates. The market development periods will end on December 31, 2005, after which PUCO will not have authority over electric rates, but will have authority to approve standard service offers by the electric utilities. PUCO is working with electric utilities to establish rate stabilization plans to ensure that electric rates do not increase substantially in markets where competition has not developed. OCC staff will represent Ohio's residential consumers in proceedings before the PUCO as the Commission makes decisions about rate stabilization plans for electric utilities.

The OCC also educates consumers on utility issues. OCC speakers attend and present at meetings throughout the state, participate in consumer shows and fairs, provide newsletter articles about utility issues, provide large print brochures and materials printed in Spanish, participate in and assist community advisory panels, and employ program specialists who serve as liaisons between local regions and OCC. The OCC has distributed over 700,000 educational materials over the last two years.

Funding Source: GSF: assessments on utilities

Line Items: 053-601, Operating Expenses

Implication of Executive Recommendation: While the appropriation levels in the executive proposal are significantly larger than historical spending levels, OCC staff believe that the full amount in the agency's budget request is needed to provide adequate representation of utility consumers' interests, given pending developments in utility markets, especially electricity and telecommunications markets.

Temporary and Permanent Law Provisions:

Collection of Assessments from Public Utilities (R.C. 4911.18). Operating costs for OCC are funded by the assessments levied against utilities that are deposited into Fund 5F5. This provision increases the minimum annual assessment against a public utility from $50 to $100. It also revises the schedule by which the OCC collects the assessments. Currently OCC assesses these companies on or before October 1 of each year and the money is typically received in October. The current system requires the Director of Budget and Management to transfer money from the GRF to Fund 5F5 at the beginning of each fiscal year to cover operating costs until receipts from the assessment are received (at which time the amounts transferred are returned to the GRF). This provision would alter this schedule beginning in calendar year 2006, allowing OCC to assess companies half the amount they were assessed on October 1 by the following May 15 if the company paid more than $1,000 in assessments for that fiscal year, with the amount assessed due by June 20. The remainder of the assessment would be payable on the current schedule. This provision essentially accelerates payment of a portion of the annual assessment, in the process increasing the total assessment paid in FY 2006, but not changing it significantly in future fiscal years. The acceleration means that approximately half of the assessment will be due by June 20 rather than October.

REQUESTS NOT FUNDED

The executive proposal did not fully fund the one appropriation line for the agency, as shown in detail in the following table.

Consumer Advocacy program						
Fund Line Item	FY 2006 Requested	FY 2006 Recommended	Difference	FY 2007 Requested	FY 2007 Recommended	Difference
053-601	$9,277,519	$8,594,735	$682,784	$9,277,519	$8,771,940	$505,579
TOTALS	$9,277,519	$8,594,735	$682,784	$9,277,519	$8,771,940	$505,579

Although the recommended appropriation of $8,594,735 in FY 2006 represents a 7.4% decrease compared with the FY 2005 estimate, it is 22.3% larger than actual FY 2004 expenditures due to the fact that FY 2004 expenditures were significantly lower than the appropriation for that year. OCC staff anticipate an unprecedented number of new cases on behalf of residential utility consumers during the coming biennium, and anticipate that the full amount requested would be needed to adequately respond in advocating for consumers. There are several reasons for their belief that an unprecedented number of new cases will be filed, among them the impending end of electric utility market development periods on December 31, 2005, and the recent announcements of corporate mergers involving large telecommunication companies (*i.e.*, SBC and AT&T, Verizon and MCI, and Sprint and Nextel).

General Services Fund Group

5F5 053-601 Operating Expenses

2002	2003	2004	2005 Estimate	2006 Executive Proposal	2007 Executive Proposal
$8,015,215	$7,381,914	$7,025,929	$9,277,519	**$8,594,735**	**$8,771,940**
	-7.9%	-4.8%	32.0%	**-7.4%**	**2.1%**

Source: GSF: Assessments against intrastate revenues of utility companies operating in Ohio, subject to a minimum assessment of $50. The total assessments are based on the agency's current appropriation for operating expenses. At the end of each fiscal year any unused funds are credited back to the utilities.

Legal Basis: ORC 4911.18 (established by Am. Sub. H.B. 215 of the 122nd G.A.; prior to H.B. 215 assessments were deposited into the GRF, and appropriations to the agency were funded from the GRF)

Purpose: Funds in this line item are used for maintaining and administering the Office of Consumers' Counsel, including expenditures associated with salaries, maintenance, equipment and consultants.

LSC Budget Spreadsheet by Line Item, FY 2006 - FY 2007

Fund	ALI	ALI Title	2004	Estimated 2005	Executive 2006	% Change 2005 to 2006	Executive 2007	% Change 2006 to 2007
OCC Consumers' Counsel, Office of								
5F5	053-601	Operating Expenses	$ 7,025,929	$9,277,519	$ 8,594,735	-7.4%	$ 8,771,940	2.1%
General Services Fund Group Total			**$ 7,025,929**	**$ 9,277,519**	**$ 8,594,735**	**-7.4%**	**$ 8,771,940**	**2.1%**
Total All Budget Fund Groups			***$ 7,025,929***	***$ 9,277,519***	***$ 8,594,735***	***-7.4%***	***$ 8,771,940***	***2.1%***