

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 enacted budget does not increase appropriations for continuing funds; past expenditures were lower than appropriated amounts

OVERVIEW

Agency Overview

The Public Utilities Commission of Ohio (PUCO) regulates investor-owned public utilities and commercial carriers in Ohio. PUCO monitors and regulates electric, natural gas and pipeline utilities, local and long-distance telephone companies, waterworks and wastewater companies, water transportation, hazardous materials carriers, other motor carriers, and the rail industry. 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.

Appropriation Overview

Agency Appropriations by Fund Group, FY 2016-FY 2017 (Am. Sub. H.B. 64)					
Fund Group	FY 2015*	FY 2016	% change, FY 2015-FY 2016	FY 2017	% change, FY 2016-FY 2017
Dedicated Purpose	\$38,585,263	\$45,204,909	17.2%	\$45,204,909	0%
Federal Revenue	\$5,198,698	\$8,049,619	54.8%	\$8,049,619	0%
TOTAL	\$43,783,961	\$53,254,528	21.6%	\$53,254,528	0%

*FY 2015 figures represent actual expenditures according to the Office of Budget and Management.

As shown in the preceding table, the total appropriations for PUCO are \$53.3 million in each year of the FY 2016-FY 2017 biennium. Although these amounts are identical to those appropriated for FY 2015 in the previous operating budget, the FY 2016 appropriations are \$9.5 million, or 21.6%, above FY 2015 expenditures. During the previous biennium, the agency's expenditures were significantly less than appropriated amounts. As compared to adjusted appropriations, PUCO expenditures were \$11.7 million (16.2%) and \$9.6 million (18.1%) below adjusted appropriations in FY 2014 and FY 2015, respectively.

ANALYSIS OF ENACTED BUDGET

Introduction

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 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 COBLI for a more detailed description of line items within PUCO's budget.

Utility Regulation

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

Funding Amounts for Utility Regulation				
Fund	ALI and Name		FY 2016	FY 2017
Dedicated Purpose Fund Group				
4L80	870617	Pipeline Safety – State	\$331,992	\$331,992
5610	870606	Power Siting Board	\$581,618	\$581,618
5F60	870622	Utility and Railroad Regulation	\$30,619,708	\$30,619,708
5F60	870624	NARUC/NRRI Subsidy	\$85,000	\$85,000
5Q50	870626	Telecommunications Relay Service	\$5,000,000	\$5,000,000
Dedicated Purpose Fund Group Subtotal			\$36,618,318	\$36,618,318
Federal Fund Group				
3330	870601	Gas Pipeline Safety	\$597,959	\$597,959
Federal Fund Group Subtotal			\$597,959	\$597,959
Total Funding: Utility Regulation			\$37,216,277	\$37,216,277

Utility Market Monitoring and Oversight (870622 and 870606)

Commission jurisdiction over water, gas, electricity, and telephone service was established by the Ohio legislature in 1911. Today, PUCO provides economic oversight of private companies in these industries. The Commission's primary responsibility within the utility industry is to monitor utility markets and enforce utilities' compliance with state and federal rules and regulations that protect against unsafe utility practices.

Appropriation item 870622, Utility and Railroad Regulation, provides most of the funding for agency operations. More than 75% of total payroll expenditures are charged to this line item. The enacted budget funds this appropriation item at a level of \$30.6 million in each year of the biennium. The amount in the first year of the biennium is a 12.5% increase relative to FY 2015 actual expenditures. All spending authority 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.

A portion of this appropriation is earmarked in the enacted budget. The budget requires PUCO to use an unspecified portion of item 870622 to plan for the transition, consistent with the directives and policies of the Federal Communications Commission (FCC), from the current public switched telephone network to an Internet-protocol network that will stimulate investment in the Internet-protocol network in Ohio and that will expand the availability of advanced telecommunications services to all Ohioans. PUCO is required to report to the General Assembly regarding any actions that the General Assembly must take to ensure a successful and timely transition. The earmark relates to a separate policy initiative in the budget that would lift the current prohibition against an incumbent local exchange carrier withdrawing or abandoning basic local exchange service (BLES) in an exchange area if the carrier were to withdraw the interstate-access component of its BLES in accordance with an order of the FCC. The FCC recently issued draft rules on this topic, but it is unknown when an order will be adopted by the Commission (i.e., the FCC). Please refer to LSC's Bill Analysis and Comparison Document for more detailed information about this provision.

The Ohio Power Siting Board (OPSB) reviews all applications for building (or expanding) electric generating facilities, and both electric and natural gas transmission facilities in Ohio. Expenses for OPSB are dependent on market-driven decisions made by petitioners. Regulatory activities increased in recent years as OPSB's tools were expanded. The budget appropriates \$581,618 in FY 2016, which is a 32.7% increase above FY 2015 expenditures, and \$581,618 in FY 2017 for line item 870606, Power Siting Board. The spending authority draws upon revenues from the Power Siting Board Fund (Fund 5610), which collects the application fees and associated expenses submitted by companies seeking certificates to build or expand large electric generating plants or electric or gas transmission lines. The budget contained a new wind farm provision applicable to OPSB. It authorized an exemption to the minimum horizontal distance setback requirement for wind farms with an existing certificate of environmental compatibility and public need or a construction certificate, which both require approval from OPSB. The exemption applies only if such wind farm owners meet specified conditions, and if they apply for an amendment to the existing certificate within 180 days of the effective date of H.B. 64.

Gas Pipeline Safety (870601 and 870617)

The natural gas industry is a complex network of companies that produce, transport, and distribute natural gas. In Ohio, more than three million customers use natural gas. Today, customers in many areas can choose their commodity supply from the offerings of gas marketers, while the local distribution company continues to guarantee delivery. 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 each natural gas pipeline system in the state at least once every two years and review records and procedures implemented by utilities. When violations are detected, 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 burgeoning shale gas industry was the impetus for new laws that clarified PUCO's role in gas pipeline safety. Since the enactment of S.B. 315 of the 129th General Assembly, any person who plans to construct a gas gathering pipeline or a processing plant gas stub pipeline that is used to transport gas produced by a horizontal well is required to file a form with PUCO that specifies information about the project. It also requires the operator of those pipelines, once constructed, to file with PUCO an explanation of the constructed pipeline's route and operating information. The biennial budget annually appropriates \$331,992 for line item 870617, Pipeline Safety – State, which is 0.2% above FY 2015 expenditures. 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. The federal revenue serves as a supplement to the state funding, and PUCO may submit a reimbursement claim for half of the program's operating costs. The federal funds are deposited into the Gas Pipeline Safety Fund (Fund 3330) upon receipt while the state match will be borne by funds 4L80 and 5F60. The budget appropriates \$597,959 in each fiscal year of the biennium, which is 3.2% above FY 2015 expenditures.

In addition, the budget permits a natural gas company to file an application with PUCO for approval of an economic development project if the project has been submitted to (instead of certified by) the Director of Development Services for the SiteOhio certification program. Removing the requirement that SiteOhio economic development projects must be certified by the Director of Development Services may lead to more SiteOhio economic development project riders being approved by PUCO.

Telecommunications Relay Service (870626)

The federal 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. 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 budget appropriates \$5 million in each year for line item 870626, Telecommunications Relay Service, which is 46.1% above FY 2015 expenditures. TRS assessments paid by the service providers are deposited into the Telecommunications Relay Service Fund (Fund 5Q50).

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. Because some state regulatory commissions are understaffed relative to their responsibilities, the National Regulatory Research Institute (NRRI) provides research that is both politically relevant and academically rigorous. The biennial budget appropriates \$85,000 annually for the FY 2016-FY 2017 biennium. This annual appropriation is equal to FY 2015 expenditures. The funding for this line item is derived from the assessment on public utility companies and deposited into the Public Utilities Fund (Fund 5F60).

Transportation Regulation

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

Funding Amounts for Transportation Regulation				
Fund	ALI and Name		FY 2016	FY 2017
Dedicated Purpose Fund Group				
4A30	870614	Grade Crossing Protection Devices – State	\$1,347,357	\$1,347,357
5LT0	870640	Intrastate Registration	\$180,000	\$180,000
5LT0	870641	Unified Carrier Registration	\$420,000	\$420,000
5LT0	870642	Hazardous Materials Registration	\$753,346	\$753,346
5LT0	870643	Non-hazardous Materials Civil Forfeiture	\$277,496	\$277,496
5LT0	870644	Hazardous Materials Civil Forfeiture	\$898,800	\$898,800
5LT0	870645	Motor Carrier Enforcement	\$4,709,592	\$4,709,592
Dedicated Purpose Fund Group Subtotal			\$8,586,591	\$8,586,591
Federal 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 Fund Group Subtotal			\$7,451,660	\$7,451,660
Total Funding: Transportation Regulation			\$16,038,251	\$16,038,251

Motor Carrier Registration and Safety (870604, 870608, 870640, 870641, 870643, and 870645)

PUCO's comprehensive commercial vehicle safety program integrates carrier registration, driver/vehicle audits and inspections, civil forfeiture fines assessed for safety violations, safety grant funding, and issuance of educational materials. The enacted budget added a new area of PUCO authority. Beginning in 2015, the agency has authority to regulate intermodal equipment providers. The act defines intermodal equipment to be trailing equipment that is used in the intermodal transportation of containers over public highways in interstate commerce, including trailers and chassis.

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. PUCO's primary mission in commercial vehicle safety is the prevention and reduction of accidents on roadways and highways, and the protection of the traveling public in all areas of the state from commercial operations of

large, heavy, or hazardous cargo-laden vehicles. PUCO processes nearly 20,000 motor carrier registrations each year.

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. This program is utilized by PUCO to develop a comprehensive approach to motor carrier safety in Ohio. Portions of this funding are also disbursed by PUCO to the Ohio State Highway Patrol to support commercial vehicle inspection programs. The federal MCSAP funds partially cover the costs associated with motor carrier safety inspectors.

Appropriation item 870645, Motor Carrier Enforcement, supports the enforcement of statutes, rules, and regulations governing transportation companies. The line item also serves as the state match for the federal MCSAP funds. The federal grant is an 80/20 split with the 20% state match coming from line item 870645 as well as other appropriations from the Public Utilities Transportation Safety Fund (Fund 5LT0). The budget annually appropriates \$4.7 million in FY 2016-FY 2017 for this appropriation item, which is a 31.3% increase above FY 2015 expenditures. Fund 5LT0 provides the necessary revenues for this line item by collecting annual fees and annual household goods transportation fees paid by motor carriers.

Appropriation item 870608, Motor Carrier Safety, provides PUCO with spending authority to administer MCSAP funds from the federal government. The operating budget appropriates \$7.4 million annually, which represents a 61.4% increase above FY 2015 expenditures. Federal grants are deposited into the Motor Carrier Safety Fund (Fund 3500) upon receipt. PUCO distributes money to the Highway Patrol for services it performs under the federal grant.

During FY 2014, PUCO issued Ohio certificates of public convenience and necessity (CPCN) to 18,606 for-hire motor carriers, of which 1,091 operated solely in intrastate commerce, 11,330 operated in interstate commerce, and 6,185 operated in both interstate and intrastate commerce. For-hire motor carriers that operate solely in intrastate commerce pay annual taxes in addition to the one-time fee required for the first issuance of a CPCN. Motor carriers obtaining a CPCN must pay the unified carrier registration fee if authorized for interstate travel. All of these fees are deposited into Fund 5LT0, but some of the unified carrier registration receipts are remitted to other states per federal agreements. The federal law reflects an agreement among participating states that carriers must pay annual fees to a "base-state," designated by the carrier usually as the state of its principal place of business.

The enacted budget appropriates \$180,000 per year for appropriation item 870640, Intrastate Registration, which is 7.9% above FY 2015 expenditures. Similarly, Am. Sub. H.B. 64 appropriates \$420,000 annually for appropriation item 870641, Unified Carrier Registration, which is an increase of 14.2% as compared to FY 2015

expenditures. Both line items are appropriated against the receipts in Fund 5LT0. If PUCO collects amounts in excess of those appropriated for line item 870641, the excess amount is deposited in the GRF.

Appropriation item 870604, Commercial Vehicle Information Systems/Networks, authorizes PUCO to spend the federal revenues on audit and safety initiatives for commercial vehicles. The enacted budget appropriates \$100,000 annually for the upcoming biennium, which is 228.8% more than FY 2015 expenditures. The Commercial Vehicle Information Systems and Networks Fund (Fund 3V30) receives money from a federal grant originally authorized in September 2001, and since the original work has been completed, the program is now in maintenance phase. PUCO must match these federal grant amounts, which occurs with spending from Fund 5LT0.

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. The enacted budget proposal appropriates annual funding of \$277,496 for line item 870643, Nonhazardous Materials Civil Forfeiture, which is 10.9% above FY 2015 expenditures. Fines are initially deposited into Fund 5LT0 for the support of the line item. Once the fund receives non-hazardous materials forfeitures equivalent to the appropriation authority, all additional fines are deposited in the GRF.

Hazardous Materials Regulation (870642 and 870644)

PUCO separately registers hazardous materials carriers. 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 the PUCO rail inspectors are trained and certified in radiological inspections. 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 material releases that occur during transportation or otherwise. The Revised Code provides, among other things, that the first \$800,000 of hazmat fines collected in any fiscal year is credited to Fund 5LT0 to fund training programs. Any hazmat fine receipts in excess of \$800,000 are deposited into the GRF.

Appropriation item 870644, Hazardous Materials Civil Forfeiture, provides PUCO with authority to spend the revenues collected via fines and civil forfeitures assessed against hazardous materials transporters. The enacted budget appropriates \$898,800 in each year of the biennium, which is 5.0% below FY 2015 expenditures. In addition to paying for training grants, appropriation item 870644 uses registration receipts to pay for radioactive waste transportation inspections, escorts, security,

emergency management services, and accident response. Moreover, the appropriation authority may be used to purchase medical, safety, or emergency response equipment and supplies as well as to cover administrative costs of PUCO and other state and local entities.

Appropriation item 870642, Hazardous Materials Registration, is used to employ PUCO hazmat specialists. The enacted budget annually appropriates \$753,346 for FY 2016-FY 2017, which is 16.5% more than FY 2015 expenditures. All hazardous materials transporters must pay a unique registration fee that is predicated, in part, upon the amount of hazardous materials shipped by the registrant and these receipts are deposited into Fund 5LT0 for the support of this line item. When an Ohio transporter registers with PUCO, the carrier can elect to register in other states at the same point in time. A portion of this spending authority is reserved for registration payments remitted to other states.

Railroad Safety (870614)

Ohio is a national leader in rail traffic with more than 5,300 miles of track running from every corner of the state, and 5,800 public rail-highway grade crossings. 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 enacted budget appropriates \$1.3 million, annually, for FY 2016-FY 2017, which is an amount 20.0% more than FY 2015 expenditures. Revenues from the state motor vehicle fuel excise tax are deposited into the Grade Crossing Protection Fund (Fund 4A30), which supports this spending authority.

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FY 2016 - FY 2017 Final Appropriation Amounts

All Fund Groups

Line Item Detail by Agency

			FY 2014	FY 2015	Appropriation FY 2016	FY 2015 to FY 2016 % Change	Appropriation FY 2017	FY 2016 to FY 2017 % Change
Report For Main Operating Appropriations Bill			Version: As Enacted					
PUC Public Utilities Commission of Ohio								
4A30	870614	Grade Crossing Protection Devices-State	\$ 1,022,224	\$ 1,123,082	\$ 1,347,357	19.97%	\$ 1,347,357	0.00%
4L80	870617	Pipeline Safety-State	\$ 331,952	\$ 331,254	\$ 331,992	0.22%	\$ 331,992	0.00%
5610	870606	Power Siting Board	\$ 568,498	\$ 438,465	\$ 581,618	32.65%	\$ 581,618	0.00%
5BP0	870623	Wireless 9-1-1 Administration	\$ 12,211,095	\$ 0	\$ 0	N/A	\$ 0	N/A
5F60	870622	Utility and Railroad Regulation	\$ 28,488,384	\$ 27,219,186	\$ 30,619,708	12.49%	\$ 30,619,708	0.00%
5F60	870624	NARUC/NRRI Subsidy	\$ 85,000	\$ 85,000	\$ 85,000	0.00%	\$ 85,000	0.00%
5LT0	870640	Intrastate Registration	\$ 150,503	\$ 166,798	\$ 180,000	7.91%	\$ 180,000	0.00%
5LT0	870641	Unified Carrier Registration	\$ 320,788	\$ 367,921	\$ 420,000	14.16%	\$ 420,000	0.00%
5LT0	870642	Hazardous Materials Registration	\$ 648,035	\$ 646,483	\$ 753,346	16.53%	\$ 753,346	0.00%
5LT0	870643	Non-hazardous Materials Civil Forfeiture	\$ 224,099	\$ 250,218	\$ 277,496	10.90%	\$ 277,496	0.00%
5LT0	870644	Hazardous Materials Civil Forfeiture	\$ 883,908	\$ 946,324	\$ 898,800	-5.02%	\$ 898,800	0.00%
5LT0	870645	Motor Carrier Enforcement	\$ 3,453,431	\$ 3,587,819	\$ 4,709,592	31.27%	\$ 4,709,592	0.00%
5Q50	870626	Telecommunications Relay Service	\$ 3,748,544	\$ 3,422,714	\$ 5,000,000	46.08%	\$ 5,000,000	0.00%
Dedicated Purpose Fund Group Total			\$ 52,136,460	\$ 38,585,263	\$ 45,204,909	17.16%	\$ 45,204,909	0.00%
3330	870601	Gas Pipeline Safety	\$ 593,942	\$ 579,586	\$ 597,959	3.17%	\$ 597,959	0.00%
3500	870608	Motor Carrier Safety	\$ 7,147,921	\$ 4,554,422	\$ 7,351,660	61.42%	\$ 7,351,660	0.00%
3EA0	870630	Energy Assurance Planning	\$ 17,099	\$ 0	\$ 0	N/A	\$ 0	N/A
3ED0	870631	State Regulators Assistance	\$ 121,128	\$ 34,273	\$ 0	-100.00%	\$ 0	N/A
3V30	870604	Commercial Vehicle Information Systems/Networks	\$ 185,330	\$ 30,417	\$ 100,000	228.77%	\$ 100,000	0.00%
Federal Fund Group Total			\$ 8,065,420	\$ 5,198,698	\$ 8,049,619	54.84%	\$ 8,049,619	0.00%
Public Utilities Commission of Ohio Total			\$ 60,201,880	\$ 43,783,961	\$ 53,254,528	21.63%	\$ 53,254,528	0.00%