

Government Affairs

Introduction and Overview

During 2011, the Office of the Ohio Consumers' Counsel (OCC) advocated on behalf of consumers with regard to several pieces of legislation. The 129th General Assembly considered bills dealing with the size of the agency's operating budget and scope of its statutory mandate, as well as the natural gas, electric and water utility industries. Two significant pieces of legislation – natural gas deregulation and electric securitization – passed and were signed into law.

OCC Budget

The state's two-year budget bill, Amended Substitute House Bill 153 (HB 153) was passed in June 2011. This bill determined state spending for State Fiscal Years 2012 and 2013 (July 1, 2011 – June 30th, 2013). The passage of HB 153 cut the OCC's budget from \$8.5 million to \$5.6 million during State Fiscal Year 2012, with an additional cut to \$4.1 million in State Fiscal Year 2013 (beginning July 1, 2012) - resulting in an overall budget decrease of more than 50 percent.

The budget bill also changed components of the statute regarding the OCC's operations. Specifically, the OCC was prohibited from operating a telephone call center for consumer complaints. A provision also was added to the law to direct the OCC to follow state policies that involve supporting retail natural gas competition.

The OCC's changes in 2011 in response to the budget bill included the following:

- ▶ The OCC's staff levels were reduced from 82 to 42 positions, of which five were part-time;
- ▶ The OCC's call center was closed and customers with utility complaints were directed to contact the PUCO;
- ▶ The OCC's legal representation of Ohioans in cases was reduced; and
- ▶ Many of the OCC's consumer outreach programs were curtailed.

Additional cuts in staffing are anticipated when the additional reduction of \$1.5 million for State Fiscal Year 2013 becomes effective July 1, 2012.

Electric Policy

The Office of the Ohio Consumers' Counsel (OCC) supported Amended Substitute House Bill 364 (HB 364), which enables the Public Utilities Commission of Ohio (PUCO) to use a financing tool called securitization for Ohio's electric utilities. The bill was signed into law in December. The tool enables utilities to achieve a lower interest rate when financing certain utility assets. Since utilities typically charge customers for interest costs, lowering these utility costs provides savings for customers.

The initial version of the legislation did not require cost savings for customers. Specifically, the legislation stated that cost savings were to be "reasonably expected."

The OCC testified Nov. 30 in both the Senate Energy and Public Utilities Committee and the House Public Utilities Committee to recommend the legislation require cost savings for customers. In subsequent committee hearings and on the floor of the Senate and House, legislators made several amendments to improve the impact of the bill on customers. The final bill requires the PUCO to ensure that securitization results in "both measurably enhancing cost savings to customers and mitigating rate impacts to customers ..." "This will achieve savings for Ohio customers that would not be possible if electric utilities used traditional financing methods to fund their assets.

The legislation will go into effect in late March 2012. At that point, it will be up to Ohio's electric utilities to file applications at the PUCO to utilize the financing tool.

Natural Gas Policy

State legislators passed Amended Substitute House Bill 95 (HB 95) in May, which changed the PUCO's ratemaking process for natural gas distribution companies. The legislation allows natural gas companies to increase customers' bills both by expanding the scope of traditional rate cases and by adding a separate charge on customers' bills for "capital expenditures."

The OCC and other consumer advocacy organizations worked with legislators to make an important amendment to the proposal, limiting capital expenditure bill increases to one time per year.

The legislation also changed the traditional ratemaking process at the PUCO. Previous law only allowed utilities to establish distribution rates based upon expenses actually incurred during a one-year period or "test year," selected by the utility. The PUCO and interested parties reviewed these expenses as part of a traditional rate case. HB 95 expanded traditional rate cases to allow natural gas companies to establish rates that include the test year expenses plus projected charges to customers for an additional one-year period. The OCC helped

improve the legislation by working with legislators and others to include a “true-up” of these projected expenses. This addition will protect customers from paying expenses that never materialized.

House Bill 95 does not impact customers’ choices of natural gas suppliers and does not affect the actual cost of natural gas. Instead, the changes from the new law are limited to the costs to deliver natural gas to customers. These costs include natural gas transportation, replacement and repair of existing infrastructure, and other operating costs incurred by utilities.

Water Policy

The OCC supported legislation that would limit the impact of water and sewer rate case expenses on residential customers’ bills. The OCC worked with bill sponsors, Reps. Cheryl Grossman and Jay Goyal and Sen. Jim Hughes on developing legislation that would allow only half of the rate case expenses incurred by water and sewer utilities to be collected from their customers.

Customers and local governments continued to support the legislation – originally drafted by the 128th General Assembly – as House Bill 87 and Senate Bill 150 were introduced in the 129th General Assembly in February and April, respectively. The OCC testified in support of HB 87 in March, but the bill was not brought up for a vote.

The Ohio House of Representatives introduced another bill in November that may have a negative impact on Ohio’s customers of investor-owned water and sewer utilities. The legislation would allow water and sewer companies more leeway in how they collect certain costs from their customers. House Bill 379 (HB 379), as proposed, would allow water and sewer utilities to seek collection of more costs in rate cases, establish a surcharge on customers’ bills to collect state and federal taxes, and increase customers’ rates by up to 15 percent (up from 9 percent allowed under current law) with the use of system improvement charges on customers’ bills. HB 379 was not brought to a vote in 2011.

Communicating with Customers

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The Office of the Ohio Consumers’ Counsel (OCC) remained in touch with Ohio’s residential utility consumers during 2011 through a variety of communications. The OCC kept consumers informed about utility issues and resources by publishing and updating more than 100 fact sheets on its interactive website, www.pickocc.org. The agency distributed press releases and participated in media interviews about important matters of concern related to its advocacy in matters pertaining to electric, natural gas, telecommunications and water cases. More than 53,500 consumers visited the OCC website, which was substantially updated with new consumer materials during 2011.

The OCC staff also participated in a variety of community outreach programs including a series of joint presentations with AARP-Ohio about the effect of utility issues and costs on Ohio’s senior population, National Consumer Protection Week, and a Low-Income Dialogue Group, which the OCC helped create in 2004. In 2011, OCC staff members attended more than 800 events across Ohio, educating consumers about: the OCC’s services and role as their advocate; ongoing electric rate cases; electric and natural gas choice; and the availability of payment assistance programs and other important utility issues.

Outreach and Education

OCC and AARP-Ohio participate in combined outreach to Ohio seniors

The Office of the Ohio Consumers’ Counsel (OCC) worked with AARP-Ohio in late autumn to facilitate five regional meetings with members of the OCC’s Community Advisory Panels (CAPs) throughout the state. CAP members represent community groups, organizations and agencies, legal aid, children’s services, community action, job and family services, veterans’ services, housing authorities, food banks, seniors, people with disabilities, and advocates for the homeless.

The public discussions focused on the impact of utility costs and included presentations about assistance programs, options to avoid disconnections, electric and natural gas choice programs, energy efficiency and conservation. Fact sheets and other educational materials were distributed. Meetings were held in Athens, Cincinnati, Columbus, Fairview Park and Findlay.

Spring CAP meetings

In the spring, the OCC held CAP meetings in Athens, Barberton, Findlay, Gahanna and Kettering.

CAP members were informed about proposed natural gas legislation that could result in higher rates and also received an update about changes to the Percentage of Income Payment Plan (PIPP Plus) program, such as the impact of lower minimum payments and more aggressive arrearage crediting on the number of customer disconnections. Discussions of the new telecommunications law and an overview of smart grid also were on the team's agenda.

Low-Income Dialogue Group addresses low-income issues

The Low-Income Dialogue Group (LIDG) is a network of organizations and agencies serving the needs of Ohio's low-income consumers. The LIDG consists of representatives from the Office of the Ohio Consumers' Counsel (OCC), legal aid societies, community action agencies, community-based organizations, AARP-Ohio and others. The OCC facilitates the LIDG, which holds monthly conference calls to discuss low-income customer utility issues.

During 2011, the LIDG monitored rollout of the newly-revised Percentage of Income Payment Plan (PIPP Plus) and provided input regarding ongoing issues with implementation of the program at the state and local levels. The OCC and the LIDG are in the process of gathering data and preparing comments for a reply period on a review of PIPP Plus, scheduled to occur during 2012.

The impact of decreased funding for the federal Low Income Home Energy Assistance Program (LIHEAP) also was considered by LIDG members during 2011. LIHEAP is a federal program that provides low-income customers with assistance paying their energy bills. As low-income consumers were faced with having less LIHEAP assistance to pay their utility bills, the LIDG worked to assist community action agencies

in helping their clients locate alternate sources of aid, such as utility fuel funds. In this regard, LIDG members advocated for the creation of fuel funds in PUCO cases.

Consumer Services Division

The Office of the Ohio Consumers' Counsel (OCC) had to cease operating its consumer hotline and call center during 2011, as a result of state budget legislation. During the final six months of its operation, from Jan. 1 through June 30, the OCC registered 5,301 customer contacts. Approximately 40 percent of the contacts involved electric, 30 percent involved natural gas, 20 percent involved telecommunications, and the remainder involved water or were non-jurisdictional in nature.

Fifty-eight percent of the customer contacts were complaints and inquiries about customer bills and/or services. More than a third of these inquiries were from customers seeking assistance to avoid the loss of utility services. The OCC call center also received utility outage reports and took calls from consumers about billing problems, delays in completing repairs, and natural gas supplier marketing issues. The remaining 42 percent of the call volume included requests for information about customer rights and responsibilities, options to avoid losing utility services, and different competitive offers from energy suppliers. Changes to the low-income Percentage of Income Payment Plan (PIPP Plus) financial assistance program in November 2010 also generated a significant number of customer contacts to the OCC call center in 2011.

In addition to its one-on-one handling of customers' utility complaints and concerns, the call center provided call tracking data to support the work of industry case teams and contributed to the agency's consumer advocacy in cases involving electric, natural gas, telecommunications and water utilities.