



Senate Energy and Public Utilities Committee

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February 20, 2007

Chairman Schuler, members of the committee, thank you for inviting me here today to talk to you about the important work of the Office of the Ohio Consumers' Counsel (OCC).

The OCC serves as the advocate – the statutory voice – on behalf of Ohio's 4.5 million residential utility customers. The OCC was created through Senate Bill 94, which was passed by the Ohio General Assembly in 1976. The law calls for our office to represent the interests of residential consumers – your constituents – of Ohio's public electric, natural gas, telephone and water companies.

The Office of the Ohio Consumers' Counsel is governed by a bi-partisan nine-member Board, which is appointed by the Ohio Attorney General. Each Governing Board member serves a three-year term and represents three organized groups: residential consumers, family farmers and labor.

The OCC employs about 70 professional, skilled staff members. Among them are attorneys, accountants, economists, engineers and investigators. As the sole state agency dedicated to advocating for residential utility customers we participate in legal proceedings, analyze rate issues, educate consumers and respond to their questions through our toll-free hotline.

The OCC is self sustained and is funded through assessments to the utilities. The OCC does not receive any funding through the General Revenue Fund. The valuable services we provide costs consumers less than 4 cents for every \$100 they spend on their utility bills.

The primary role of the OCC is to advocate for residential customers through active participation in legal proceedings in both state and federal courts and administrative agencies, such as the PUCO, the Federal Energy Regulatory Commission, the Federal Communications Commission and the Ohio Supreme Court. However, there are a number of additional services that our agency provides that are of great importance. The OCC:

- 1) Monitors utility companies' compliance with rules and regulations.
- 2) Takes legal action against utility companies that do not comply with the law.

- 3) Analyzes utility rates and company earnings to ensure that residential customers are paying reasonable rates and receiving credits on their utility bills when appropriate.
- 4) Advocates for policies and regulations that protect the affordability, reliability and quality of service for residential consumers.
- 5) Develops and implements policies to provide value to customers with respect to their telecommunications and energy services.
- 6) Responds to inquiries from residential consumers about utility services.
- 7) Conducts statewide education programs to inform consumers about changes in their utility services and advises them of new services and options to compare prices.

The utility industry has changed greatly since the OCC was formed 30 years ago, and the need for the services our office provides is more important than ever before. In 1976, when we were experiencing an energy crisis, fluctuating rates and monopoly utility services, the Ohio General Assembly had the foresight to give the residential customer a voice in proceedings relating to these vital utility services that keep us warm in the winter, cool in the summer and connect us with friends and family every day of our lives.

But much has changed since the 1970s. Congress set the stage to spark competition for local telephone service with the Telecommunications Act of 1996; competitive choices evolved in the natural gas industry and House Bill 9 soon followed; and in 1999 electric restructuring began with the passage of Senate Bill 3.

We are at a critical juncture where decisions made by this General Assembly will have a profound effect on the future of Ohio from the standpoint of energy, the economy and the environment. Here are some of the issues that are on the near-term horizon:

1. Post 2008 Energy Plan – The Rate Plans approved by the Public Utilities Commission of Ohio (Commission or PUCO) which have been remanded by the Supreme Court following appeals by OCC, are set to expire at the end of 2008. The issue that will be before you is the direction we take. OCC will be advocating a direction that promotes

affordability, reliability and energy independence. To that end, OCC will be recommending proposals that:

- A. Enable Ohio to take advantage of its abundant resources for the development of alternative energy. This includes removing regulatory barriers and it includes creating a diversified portfolio of supply options in order to hedge and not put all our eggs in one basket.
 - B. Take advantage of Ohio's native supplies of coal by encouraging the development and deployment of clean coal technologies in a manner that is fair and reasonable in terms of cost recovery.
 - C. Promote the availability of energy efficiency programs that can cut our demand for foreign sources of fuel and create jobs for Ohioans.
 - D. Creates a process that is fair in which consumers have a full and adequate opportunity to review proposed utility costs in the context of a rate case before they are passed on to customers. Under a proposal being circulated by one utility, the utilities would be able to come in for surcharges on a specific cost increase without ever reviewing areas where the utility's decreased costs could be netted against the increase and without reviewing the utility's need for the revenues or their current rate of return. This would not be in the best interests of Ohioans.
2. With gas and electric prices forever on the rise, more and more customers are finding it difficult to make ends meet. The ability to pay utility bills is not limited to just the low-income anymore. And the low-income population in need is growing as well. We need to develop a long-term solution to protect customers from choosing between heat and food or medicine. Recommendations to address this serious issue include creating a source of funds to assist customers up to 200 percent of the poverty guideline with payment of their utility bills and creating a fund for weatherizing the homes of customers in the 151 to 200 percent of poverty guideline range.

3. Last year the General Assembly passed legislation that freed the local telephone companies from rate regulation for basic service as long as there were competitive options available. Recently, two telephone companies have taken advantage of this by raising their rates even though OCC argued that in some areas customers did not have other competitive alternatives available. In order to keep rates affordable, we need to do more to develop the rural regions so that broadband and cellular services are ubiquitous. This would also greatly assist these areas from an economic development standpoint.

The work of this Committee will be very important over the next year. Consumers' Counsel represents and provides assistance to your residential constituents. We are also here to help you by providing information and assistance as you need it. Please feel free to contact me or OCC's Director of Government Affairs, Dennis Stapleton. OCC looks forward to working with you. Thank you.