



Overview of Tools Available for the Regulation of Natural Gas Distribution

GHANA/NARUC Partnership **6 February 2006**

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DISCLAIMER

- The views represented herein are those of the author and do not reflect those of the Public Utilities Commission of Ohio or its staff.



REGULATORY TOOLS

- Legal authority,
 - Title 49, Ohio Revised Code
 - Chapter 4901, Ohio Administrative Code
- Siting
- Rate cases
- Gas Cost Recovery (GCR)
- Long-term Forecast Report (LTFR)
- Special Contracts
- Tariff Changes
- Pipeline Safety
- Utility finances & uniform system of accounts
- Minimum gas service standards
- Certification of Marketers & Governmental Aggregators
- Commission-Order Investigations (COI)
- Complaint Proceedings



SITING

- Legal authority §4906, O.A.C. - Natural gas transmission lines
 - Greater than 9 inches in diameter
- AND
- Greater than 125 psi designed operating pressure
- Associated facilities:
 - Rights of way, land, structures, mains, valves, meters, compressors, regulators, tanks & other transmission items



RATE CASES

- §4901-7 Standard Filing Requirements (SFR)
 - Mandatory notice of intent to file provided to PUCO & Municipalities served by utility
 - “Large Utilities”, “Medium Utilities”, and “Small Utilities”
 - Revenue Requirements
 - Rate Base
 - Operating Income
 - Rate of Return
 - Rates & Tariffs
 - Projected Financial Data
 - Small companies – abbreviated filing



GAS COST RECOVERY (GCR)

- §4901:1-14 O.A.C., Uniform Purchased Gas Adjustment Clause
 - Definitions: measurement, demand & commodity rates, gas costs, jurisdictional sales, refunds, unaccounted-for gas
 - GCR rate calculation
 - Audits
 - Hearings
 - Tariffs



GCR (continued)

- §4901:1-14-07 O.A.C., Audits - Periodic financial & management/performance audits
 - Commission-conducted (staff), if available
 - OR
 - Independent auditor



GCR (continued)

- Financial audits
 - Commission-conducted (staff), if available
 - OR
 - Independent auditor
 - Utility ordered to pay for audit
 - Independent auditor files report to ensure:
 - Gas costs properly incurred, accurately computed, accurately applied to customer bills



GCR (continued)

- Management/performance audits
 - Commission-conducted (staff), if available
 - OR
 - Independent auditor
 - Utility ordered to pay for audit
 - Independent auditor files report on:
 - Organizational structure
 - Management policies & procedures
 - Rationale of existing/proposed procurement strategy
 - Evaluation of utility's performance during audit period
 - Other specific areas of investigation designated by PUCO



LONG-TERM FORECAST REPORTS

- Annual reports to PUCO required to be filed by major local distribution companies (LDCs)
- 10-year projection of demand
- 10-year projection of supply
- Major infrastructure developments necessary to meet projected demand (provides advance direction to Siting process)



SPECIAL CONTRACTS

- Provision of utility service at rates, terms & conditions different than the GCR tariff
- Generally for very large volume users



GAS PIPELINE SAFETY

- §4901:1-16 O.A.C. – Gas Pipeline Safety
 - Adopts U.S. Department of Transportation Gas Pipeline Safety Regulations
 - Operator required to provide PUCO notice of reports of service failures & incidents
 - Operator required to maintain records, maps, inspections & leak classifications
 - PUCO staff investigations: reports of findings & any notices of probable non-compliance



UTILITY ACCOUNTING & FINANCES

- Proscribed accounting methodology
- Uniform system of accounts
- Sale or transfer of stock ownership



MINIMUM GAS SERVICE STANDARDS

- Customer service
- Meter reading
- Billing format & language



CERTIFICATION OF MARKETERS

- Customer choice programs: opportunity for consumers to choose their provider of commodity; utility still distributes
- PUCO certifies marketers who are authorized to provide commodity service
- PUCO certifies governmental aggregators



COMMISSION-ORDERED INVESTIGATIONS

- PUCO may open a Commissioner-ordered investigation (COI) to examine matters pertaining to the provision of utility service
- Often used by PUCO to address topics/issues not contemplated by existing statutes or law



COMPLAINT PROCEEDINGS

- Consumers against utilities
- Marketers against utilities
- Utilities against other:
 - Utilities
 - Marketers
 - Consumers



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The Public Utilities
Commission of Ohio

Ohio's One-Stop Utility Resource

U.S. & OHIO MARKETS

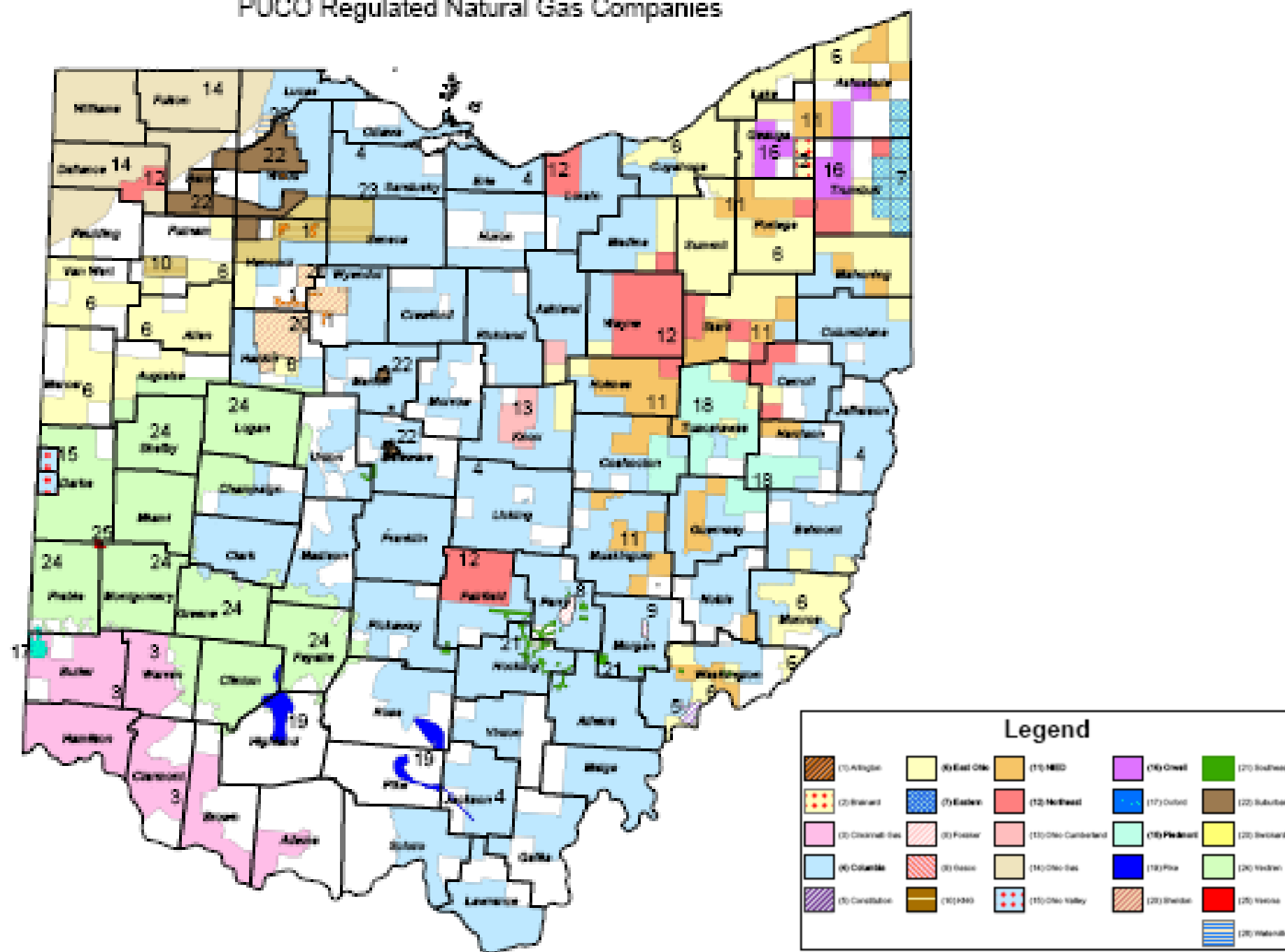




PRIMARY NATURAL GAS USES IN THE UNITED STATES

- Residential: home heating, appliances (cooking, hot water, outdoor grill), **21%**
- Commercial: space heating, hot water, cooking/frying, **13%**
- Industrial: processes; feed stock (chemical/fertilizer), **33%**
- Vehicular fuel (compressed natural gas), **<1%**
- Electric generation: gas turbines, **24+%**

PUCO Regulated Natural Gas Companies



Natural Gas Transmission System in Ohio 1998

State of Ohio
Public Utilities Commission

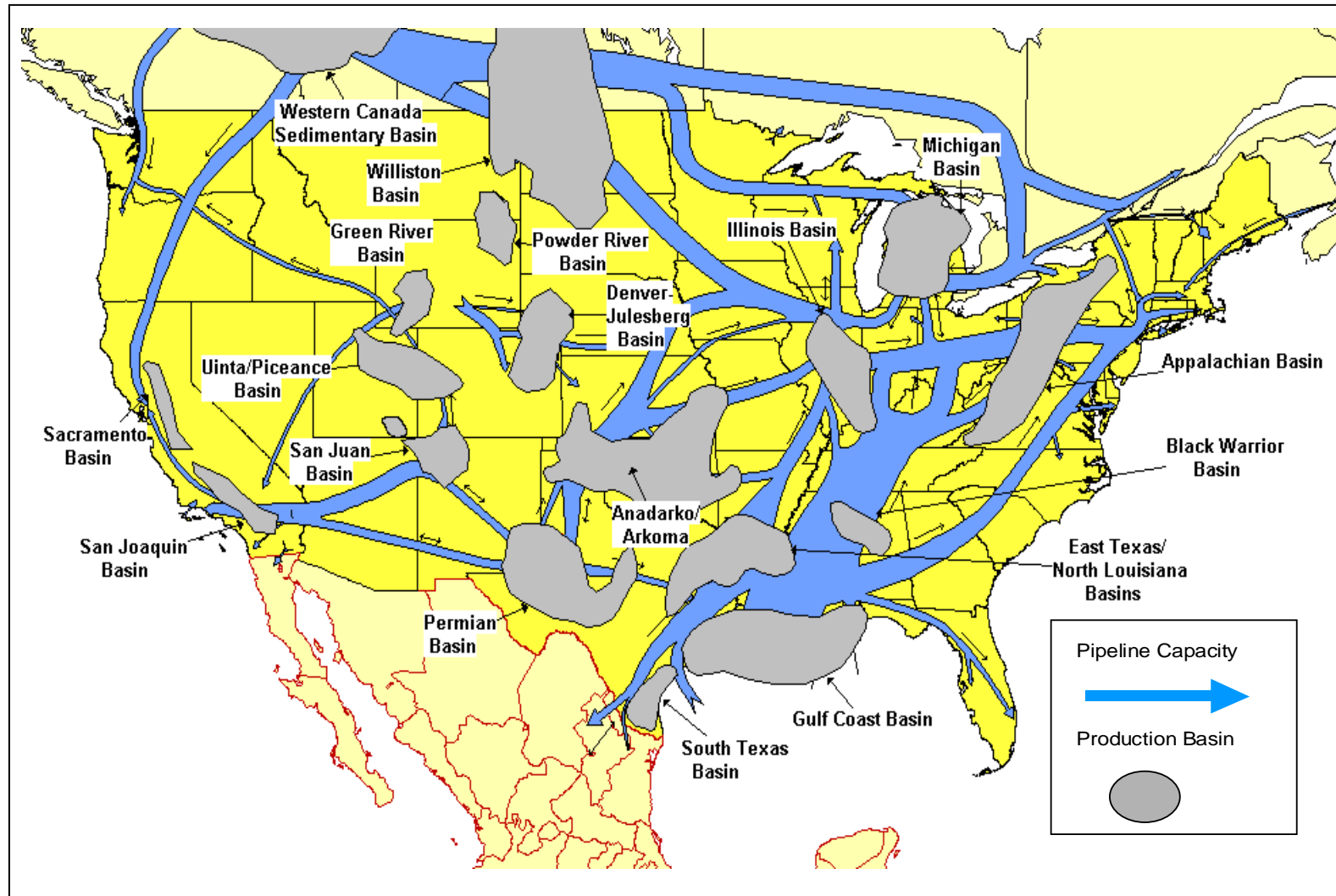


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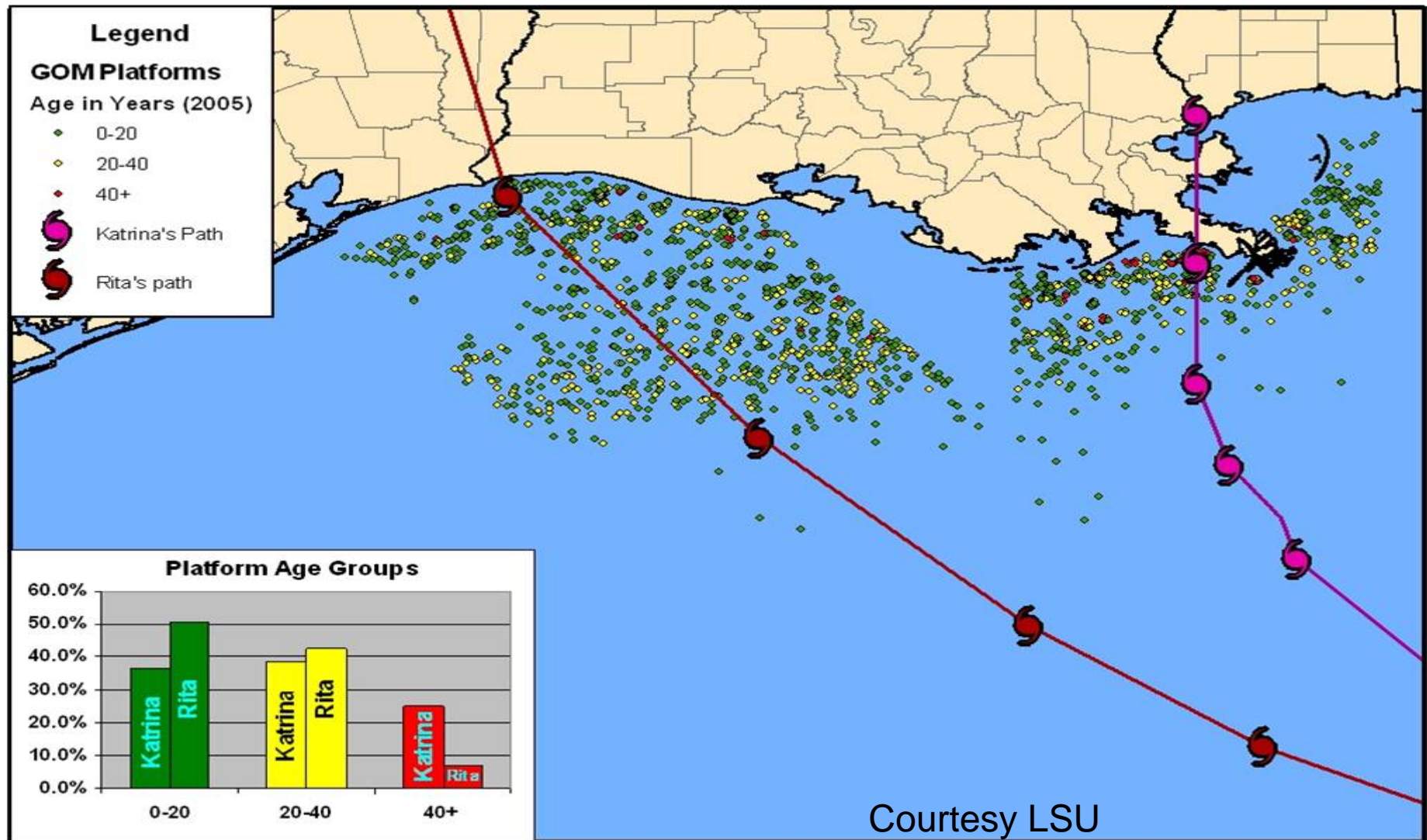
<http://www.PUCO.ohio.gov>
June, 2002



Major Producing Basins & Regional Natural Gas Flows



Source: Energy Information Administration, GasTran Gas Transportation Information System



Ocean Warwick

Dauphin Island, AL

Courtesy LSU



Shell MARS Platform before

Courtesy LSU



Shell MARS Platform

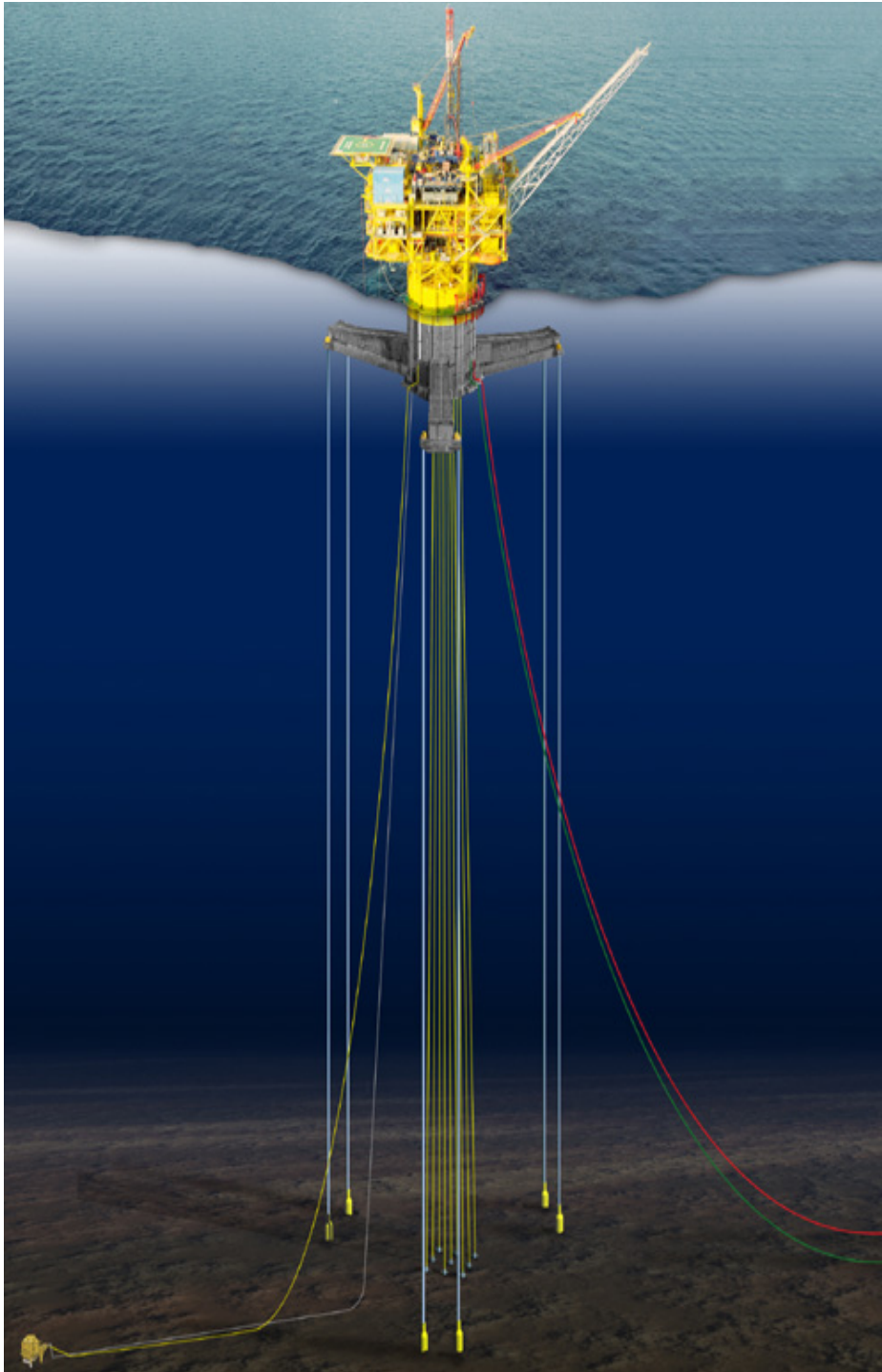
After

Courtesy LSU



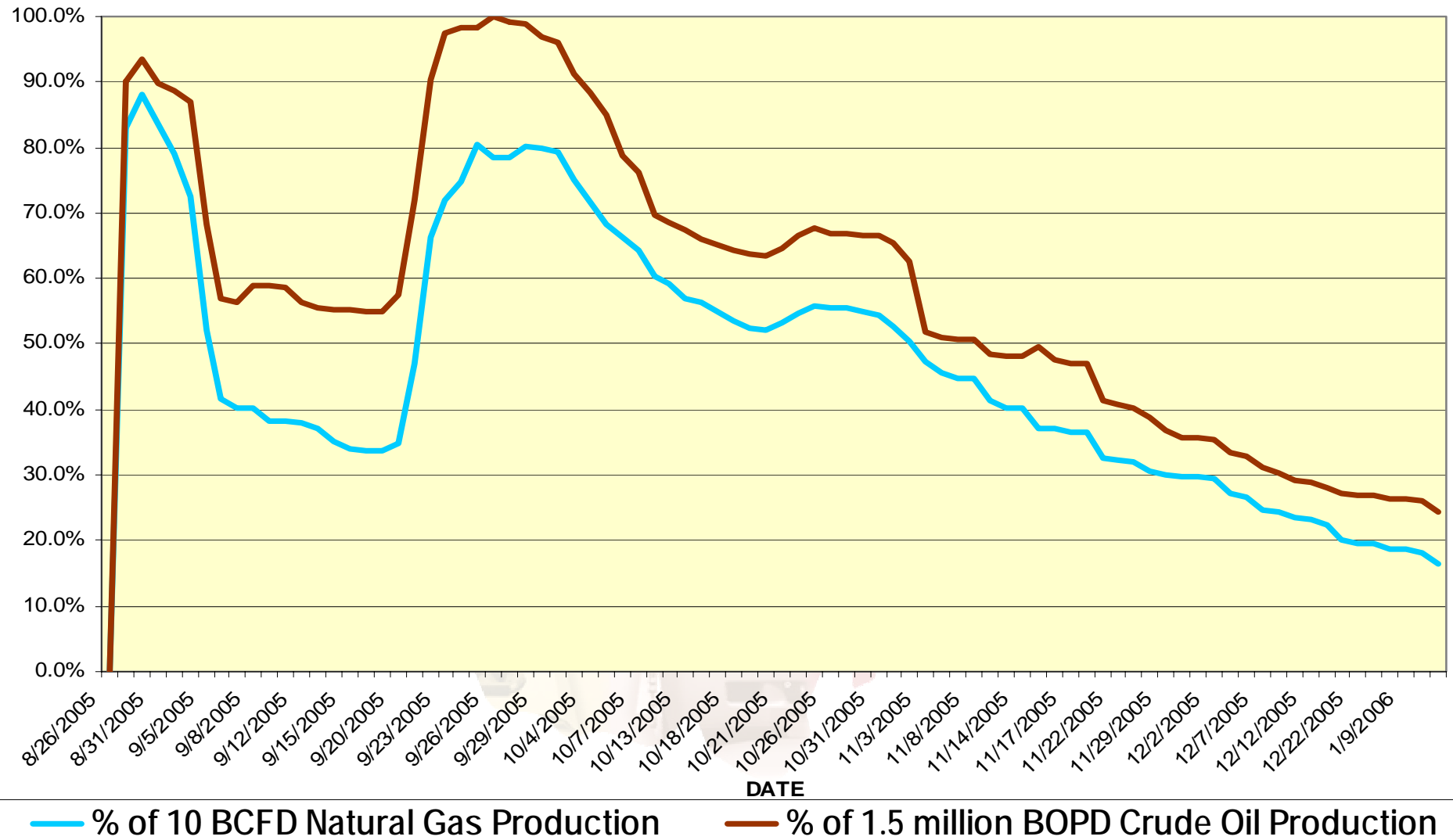
Chevron Typhoon Platform

Courtesy LSU





Effects of Hurricanes Katrina & Rita: Gulf Of Mexico Percentage Crude Oil & Natural Gas Daily Production Shut-In





HURRICANE LESSONS

1. RELIABILITY – need for supply diversity and better access to supply sources
2. CAPACITY DIVERSITY –better inter-regional flows
3. LNG IMPLICATIONS – short-term solution
4. LNG ISSUES
 - a. Places demand region in world gas markets like crude oil competing with China & India for resources
 - b. Trading over-reliance on one supply source for another?
5. STORAGE –necessary, especially in market areas



HURRICANE LESSONS (cont'd)

6. DEMAND – demand destruction on which sectors when supplies diminished/curtailed?
7. ECONOMIC IMPLICATIONS
 - a. Industrial base
 - b. Tax base – local & national implications
8. ELECTRIC GENERATION
9. DOMESTIC SECURITY ISSUES – increased domestic energy security = increased national security
10. NEED FOR R&D





Questions?

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