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# Licensing Framework for Natural Gas Facilities in Ohio

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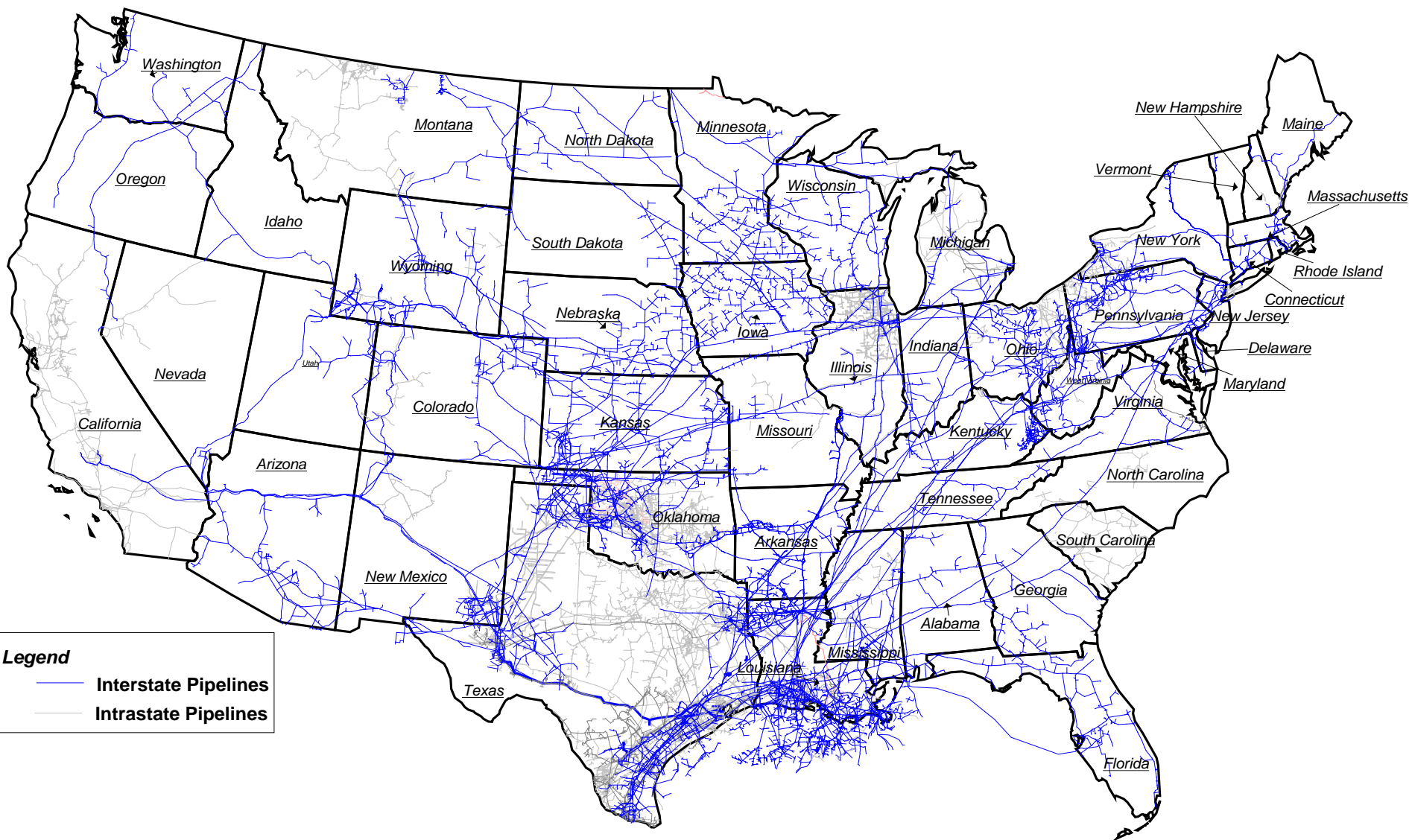
NARUC/EWURA Technical Workshop on Natural Gas Regulation  
Dar es Salaam, Tanzania, December 3-5, 2014

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# Natural Gas Industry Structure

- Local Distribution Company (LDC) - regulated by state (PUCO in Ohio)
- Interstate Pipelines - regulated by the FERC
- Natural Gas Producers - unregulated
- Natural Gas Producers and Gathering Lines
- Municipal Utilities
- Natural Gas brokers/marketers (suppliers)
- Unregulated



Courtesy EIA

# Federal Jurisdiction – Brief History

- 1824 – U.S. Supreme Court ruled that the federal government may intervene in private business matters that involve interstate commerce
- 1936 - the Public Utility Holding Company Act authorizes the Securities and Exchange Commission to monitor the natural gas industry's financial dealings
- 1938 – the Natural Gas Act establishes federal authority over interstate natural gas market; regulator is Federal Power Commission (FPC = FERC today)

# Federal Jurisdiction – Brief History, contd.

- 1978, the Natural Gas Policy Act partially removed regulation of wellhead gas prices (only vintage wells remained subject to pricing controls).
- 1984, FERC invalidated “take or pay” provisions for minimum volumes of gas in interstate transmission contracts.

# Federal Jurisdiction – Brief History, contd.

- 1985 U.S. Circuit Court – remanded FERC's special marketing programs; FERC required to develop regulations to allow all interstate pipeline customers the ability to transport their gas
- 1989 – Congress passed legislation effectively removing all wellhead price controls by 1993; removed FERC authority over wholesale pricing



## Federal Jurisdiction – Brief History, contd.

- 1992 – FERC required the separation of the sales function from the transport function
  - Removed pipelines from the merchant function
  - Precluded pipelines from retaining upstream capacity.
- 2000 – FERC requires greater flexibility to pipeline customers by enhancing terms and conditions for pipeline transportation services



# Ohio Jurisdiction – General Supervisory Regulation

- 1911 – Ohio’s Public Service Commission (formerly Railroad Commission) given expanded duties to regulate telephone, electric, gas, and water companies
- 1913 – PSC name changed to Public Utilities Commission of Ohio (PUCO)
- Authority to regulate the gas industry has remained quite constant since 1911, as shown by a comparison between the first and current versions of the General Code 614-3 (July 1, 1911)

# Ohio Natural Gas Market

- Approximately 3.4 million natural gas customers
  - 3.1 million residential
  - 250,000 commercial
  - 5,500 industrial
- Approximately 610 Bcf per year (17.3 Bcm)
  - 47% Residential
  - 25% Commercial
  - 27% Industrial
  - Remaining is electric generation, primarily

# Storage

- Only one Ohio LDC has physical storage assets (on system storage)
  - Dominion East Ohio has approximately 60 Bcf of storage capacity
  - All other LDCs must contract with interstate pipelines for storage capacity
  - Rates for pipeline storage services are set by the FERC
  - Approximately 40% – 50% of winter deliveries are from storage inventories

# A public utility in Ohio is:

- Every corporation, company, copartnership, person or association, their lessees, trustees, or receivers, except:
  - (1) Public utilities that are owned and operated exclusively by and solely for the utilities' customers (cooperatives), including consumer groups purchasing, delivering, storing or transporting natural gas exclusively by and solely for the consumer's or consumers' own intended use and not for profit
  - (2) Public utilities that are owned or operated by any municipal corporation

# The PUCO has general regulatory authority over:

- Distribution companies – furnish gas service within own service area in Ohio, principally to end user customers
  - >54,000 miles of distribution pipelines regulated by PUCO
- Transmission companies – transport natural gas from wells/production area in Ohio through pipelines to distribution areas in Ohio
  - >6,000 miles of transmission pipelines regulated by PUCO

# Entities Subject to the PUCO's General Supervisory Regulation

- PUCO does not regulate every entity involved in the natural gas industry in Ohio
- Possesses general regulatory supervision over only those entities that fall within the definitions of a natural gas company, gas company, pipeline company, and public utility

# Legislation

- Chapter 4905, Ohio Revised Code - provides definition of a Natural Gas Utility (LDC)
  - Gas company – engaged in the business of supplying natural gas to customers within the state
  - Pipeline company - engaged in the business of transporting natural gas through pipelines within the state



## Legislation (Cont.)

- Chapter 4905 gives PUCO complete rate setting authority over LDCs
  - “All rates, rentals, tolls, schedules, charges of any kind, or agreements between a natural gas company and other natural gas companies or gas companies providing for the supply of natural gas and for compensation for the same are subject to the jurisdiction of the public utilities commission. “

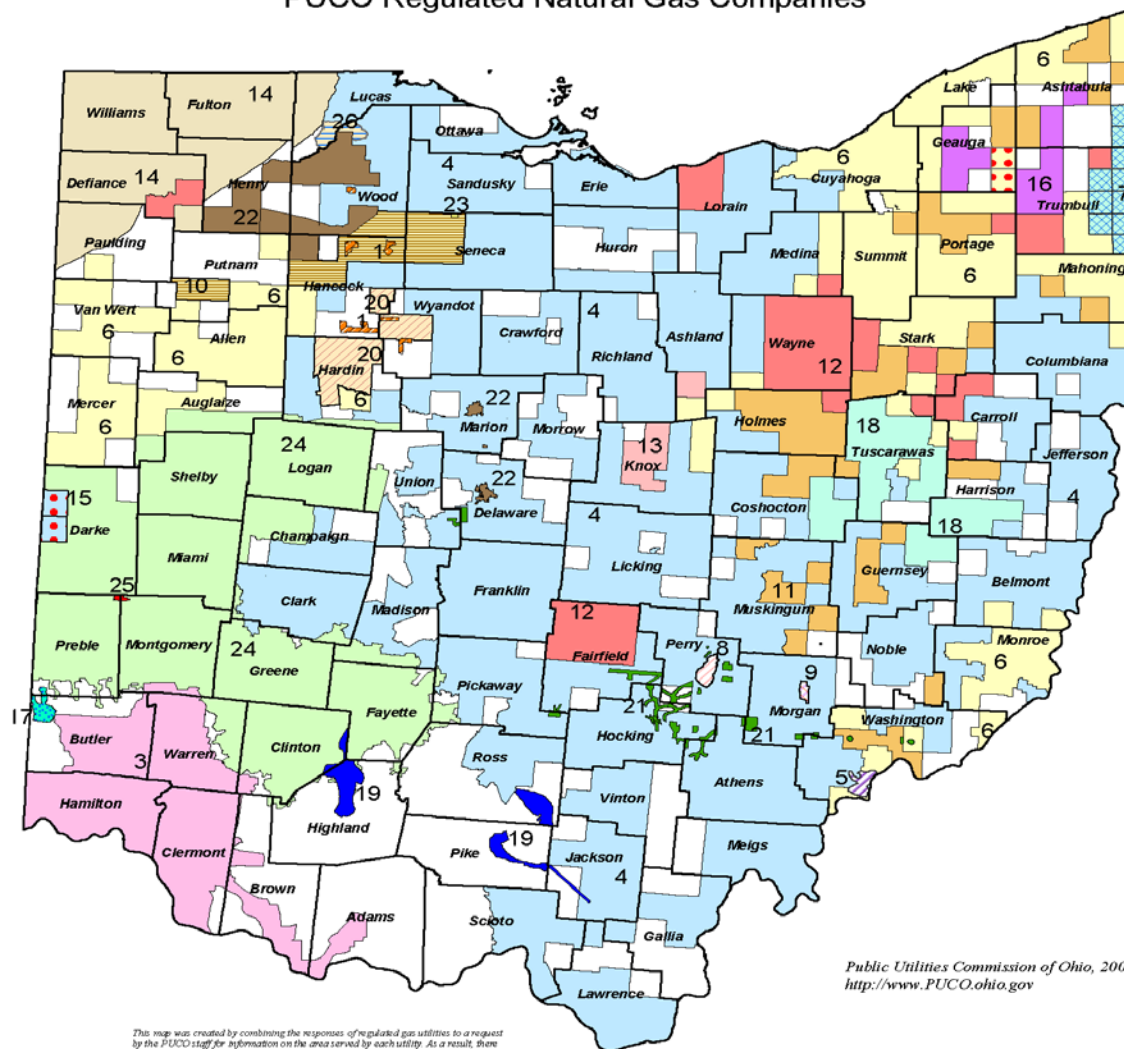
# A natural gas company in Ohio is:

- A company engaged in the business of supplying natural gas for lighting, power, or heating purposes to consumers within Ohio, except:
  - (a) A producer or gatherer with a PUCO exemption
  - (b) Sales by a producer or gatherer of Ohio-produced natural gas to a lessor under an oil and gas lease on which the producer's drilling unit is located or to a grantor of a right-of-way or easement to the producer or gatherer

# A gas company in Ohio is:

- A company engaged in the business of supplying artificial gas for lighting, power or heating purposes to consumers within Ohio or engaged in supplying artificial gas to gas companies or natural gas companies within Ohio, except a producer that supplies artificial gas that is manufactured as a by-product of some other process in which the producer is primarily engaged

# PUCO Regulated Natural Gas Companies



Public Utilities Commission of Ohio, 2002  
<http://www.PUCO.ohio.gov>

This map was created by combining the responses of regulated gas utilities to a request by the PUCO staff for information on the areas served by each utility. As a result, there is some degree of overlap of the service areas claimed by the utilities. Also, some areas shown in white on the map were not included in any of the responses. This does not necessarily mean that there is no gas service in these areas. We make no claims to the accuracy of this information at this time. Information presented here should be independently verified before using it.

(1) Arlington	(6) East Ohio	(11) NIED	(16) Ortel	(21) Southeast
(2) Brainard	(7) Eastern	(12) Northeast	(17) Oxford	(22) Suburban
(3) Duke Energy Ohio	(8) Foraker	(13) Ohio Cumberland	(18) Piedmont	(23) Swickard
(4) Columbia	(9) Gasco	(14) Ohio Gas	(19) Pike	(24) Vestren
(5) Constitution	(10) KNG	(15) Ohio Valley	(20) Sheldon	(25) Verona
				(26) Waterville

# A pipeline company in Ohio is:

- A company engaged in the business of transporting natural gas, oil, or coal or its derivatives through pipes or tubing, wholly or partly within this state

# Natural Gas Transmission System in Ohio 1998

State of Ohio  
Public Utilities Commission



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## Company Codes

ANR - ANR Pipeline Co.  
CGTC - Columbia Gas Transmission Co.  
CNG - CNG Energy Co.  
CROSS - Crossroads Pipeline Co.  
EOGC - East Ohio Gas Co.  
PEPL - Panhandle Eastern Pipeline Co.  
TET - Texas Eastern Transmission Co.  
TGP - Tennessee Gas Pipeline Co.  
TGT - Texas Gas Transmission Co.  
TRU - Trunkline Gas Co.

• Meter Station  
▲ Pump or Compressor Station  
▲ Storage

Multiple main line  
Single main line  
Secondary Line  
Interstate Highway

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

# State v. Federal Jurisdiction Today

- All U.S. states have regulatory commissions
  - Authority varies significantly
- U.S. government primarily regulates the gas industry via the Federal Energy Regulatory Commission (FERC)
  - Regulates the transportation and sale of natural gas in interstate commerce



## The PUCO today:

- Regulates 26 natural gas distribution companies
  - Combined, serve more than 3 million customers
  - LDCs vary in size, customer base, assets
- 4 large LDCs serve between 316,000 and 1.42 million customers
- 1 medium LDC - approximately 50,000 customers
- Approximately 21 small companies serving between 28 customers and 25,000 customers
- 5 natural gas pipeline companies
- Over 100 suppliers certified

**Questions?**

**Thank you.**