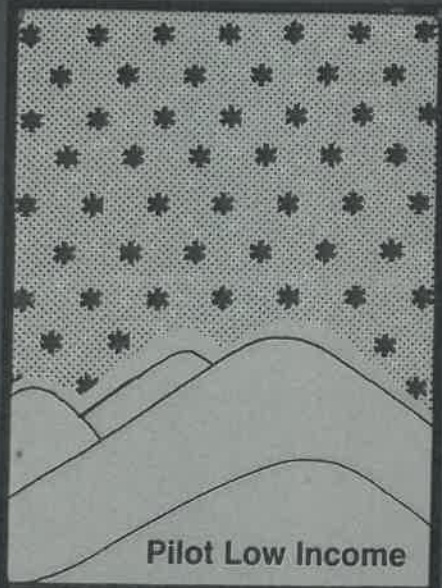


Moderating Utility Rates



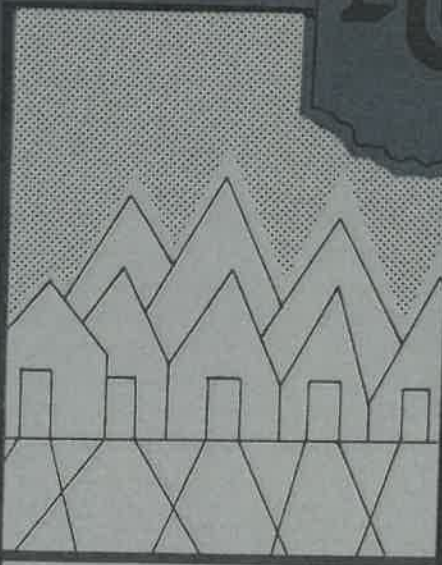
Pilot Low Income

Weatherization
Program

ANNUAL



REPORT



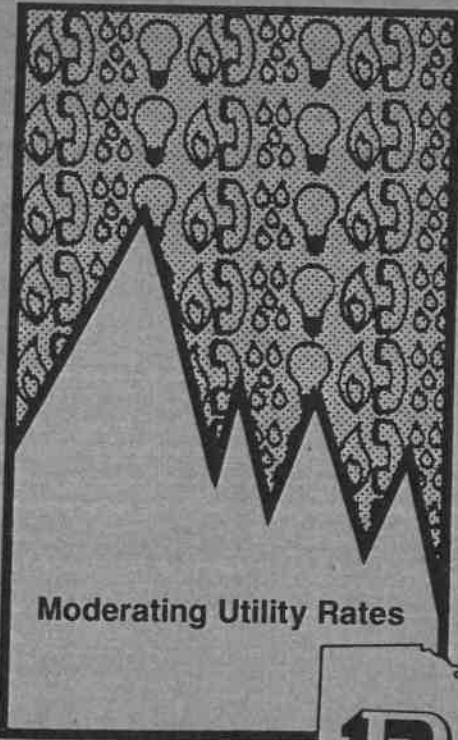
Master Metering Rule
Protecting Tenants



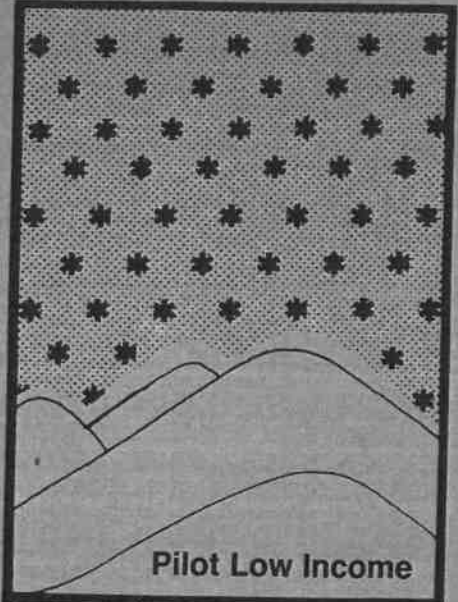
Percentage of Income Payment Plan

FY 1986

RICHARD F. CELESTE
GOVERNOR



Moderating Utility Rates



Pilot Low Income

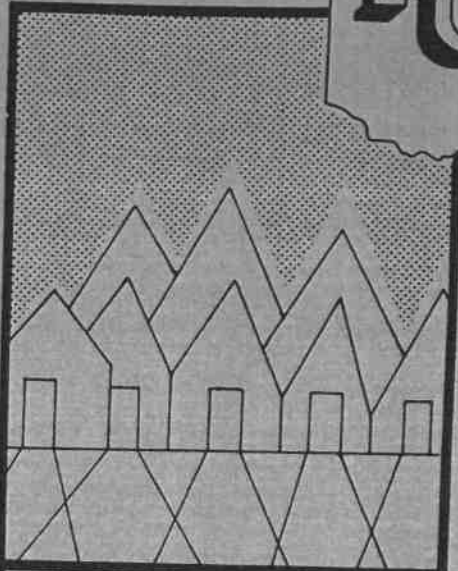


Weatherization Program

WORKING TO



PROTECT YOU



Master Metering Rule
Protecting Tenants



Percentage of Income Payment Plan



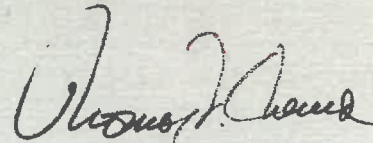
During the past year utility issues have faded from the front page headlines largely because rates have stabilized, and are in fact falling. Nevertheless, utility policy, particularly energy policy, is a critical element in Ohio's future as we face the 1990's.

This annual report is centered around four basic policies which the Commission has pursued during this year and which will be the guiding light for our regulatory activity in the future. The Commission has, and will, foresee a policy designed to achieve moderate utility rates for all Ohioans. In this report you will see evidence of the success we are having with rates.

Our second policy is that we intend to serve as critics of the management of the utilities we regulate. Our objective is to ensure quality service at a fair price. Third, we believe that utility policy should be a tool for economic development in Ohio. If we can make energy costs less expensive for industry, that industry can be more competitive in the global market place.

Finally, and perhaps most important, the decisions which we make today must be correct, not only today, but for the future as well. We can't afford to repeat the mistakes of the past. We must take a long range view as we resolve today's problems.

The utility and transportation industries which we regulate are in the forefront of Ohio's future. Working together we can ensure that these services contribute to a prosperous future for all Ohioans.



Thomas V. Chema
Chairman



CHAIRMAN THOMAS V. CHEMA was appointed Chairman of the PUCO by Governor Richard F. Celeste in 1984. Mr. Chema is a Magna Cum Laude graduate of the University of Notre Dame, and a Cum Laude graduate of Harvard Law School. Before assuming leadership of the PUCO, Chema was a partner in the Cleveland law firm of Arter and Hadden and also served as Executive Director of the Ohio Lottery Commission. In connection with his duties at the Commission, Chema serves as Chairman of the Ohio Power Siting Board, the Ohio Hazardous Substance Emergency Team and during 1986 was Chairman of the Ohio Celebrates Liberty Committee. In addition, he is a member of the NARUC Energy Conservation Committee and the Advisory Committee to the Board of Directors of the Electric Power Research Institute (EPRI).



DEPUTY CHAIRMAN WILLIAM H. BROOKS continues his long, illustrious public service career by serving his second term as PUCO Deputy Chairman. Before his first appointment by Governor Richard F. Celeste in 1983, Commissioner Brooks was a practicing attorney, judge and deputy county auditor. He served as the Director of the Columbus Public Utilities Department from 1964 to 1971; later serving as Special Counsel for the City Attorney's Office and on the Civil Service Commission. Mr. Brooks received his undergraduate degrees and his law degree from the Ohio State University.

William H. Brooks



COMMISSIONER ASHLEY C. BROWN was appointed to the PUCO by Governor Richard F. Celeste in 1983. Prior to his appointment, Commissioner Brown served as coordinator and counsel for Montgomery County Fair Housing Center and as managing attorney for Dayton Legal Aid Society specializing in federal litigation, civil rights, and housing law. Commissioner Brown holds degrees from Bowling Green State University, the University of Cincinnati, and a Juris Doctorate from the University of Dayton. He has extensive teaching experience in both public schools and universities.

Ashley C. Brown



COMMISSIONER ALAN R. SCHRIBER was appointed by Governor Richard F. Celeste in 1983. Prior to his appointment, Commissioner Schriber served as Assistant Professor of Economics at Miami University of Ohio, specializing in teaching governmental regulation of business. He was staff economist for WCPO-TV in Cincinnati, an economist at the Federal Reserve Bank of Cleveland, and lecturer in Economics at Cleveland State University. A graduate of the University of Wisconsin, he has a masters in Economics from Miami University and a Ph.D. in Economics from Indiana University.

COMMISSIONER GLORIA L. GAYLORD was reappointed to the PUCO by Governor Richard F. Celeste in 1985. Prior to her appointment, Commissioner Gaylord worked for Peat, Marwick, Mitchell & Company in Minnesota, was an accounting faculty member at Bowling Green State University and at the University of Toledo. A graduate of Edinboro University, Commissioner Gaylord has a master's degree in Business Administration from St. Cloud University in Minnesota and is a Certified Public Accountant. She is also the author of *Careers in Accounting*.

OFFICE OF ADMINISTRATION

All internal support and direction to the Commission is provided through the office of Administration. Seven divisions fall under the Office of Administration. They include: Docketing, Fiscal, Information Systems, Office Services, Library, Personnel and Word Processing. Services provided are budgeting and accounting, personnel management, data and word processing, automobile fleet operations, purchasing and inventory control, printing, and records management.

UTILITIES DEPARTMENT

The Utilities Department consists of six specific sections including Accounts/Audits, Capital Analysis, Energy and Water, Performance Analysis, Telecommunications, and Forecasting and Siting. This Department performs technical analyses of regulatory matters pertaining to investor owned telephone, electric, gas, water and waste water utilities. The various sections analyze the rates customers are charged for their utility service, complete the PUCO Staff Report of Investigation and testify at Commission hearings. The Department is also responsible for developing programs for the efficient regulation of utilities, monitoring federal regulatory technical developments, analyzing and recommending action on utility security requests, and forecasting.

THE MEDIA OFFICE

The Media Office is responsible for the dissemination of information to the news media, general public and state agencies on all current activities, policies and procedures underway at the Commission.

News releases, pamphlets and brochures on various issues before the Commission are provided by this office.

In addition, all print, radio, and television media related activities for the PUCO Commissioners and staff are coordinated by the Media Office.

LEGISLATIVE LIAISON

The Legislative Liaison monitors all pertinent bills at the state and national level which could affect the operation of the utility companies in Ohio. The Legislative Liaison also assists the Commission and the Commission staff adopt positions and present testimony on utility issues which come before the legislature. Responding to members of the Ohio General Assembly on matters pertaining to utility regulation and how it affects their constituency is included in the office's responsibility.

CONSUMER SERVICES

In December, 1985, the Commission formed the Consumer Services Department to better address the needs of public utility consumers. The former Public Interest Center and the Compliance Division were combined to provide comprehensive services, information, education, and mediation for Ohioans who encounter problems with utility companies. The Department is also responsible for monitoring safety and quality of service standards for Ohio's regulated utilities.

T RANSPORTATION DEPARTMENT

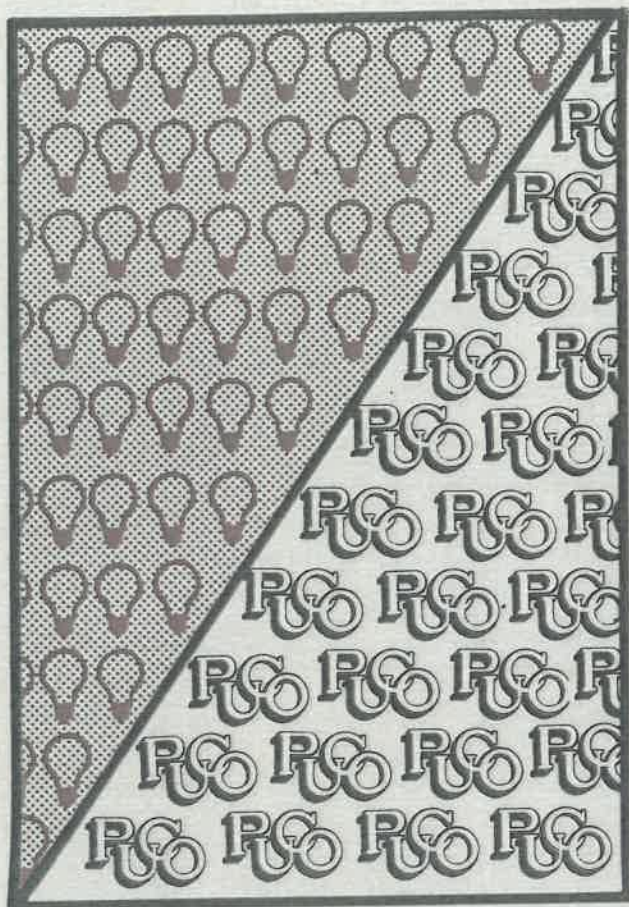
Responsibility for enforcing economic and safety regulations as they apply to trucks, buses and railroad companies operating to, from, and through Ohio fall under the jurisdiction of the PUCO Transportation Department. This Department inspected over 56,000 vehicles during fiscal 1985-1986 resulting in nearly 16,000 citations for safety, economic, tax, licensing and other types of violations. Numerous investigations were conducted into the causes of railroad accidents and complaints regarding railroad safety.

L EGAL DEPARTMENT

The employees of the Legal Department are divided into four sections. Each section reviews the legal aspects of Commission cases, conduct hearings, rules on motions and objections, reviews evidence and testimony, and drafts proposed decisions for the Commission's consideration. All cases filed with the Commission involving rate making are handled by the Rate Section. All non-rate matters and waste water companies, radio common carriers, gas and electric companies, and transportation are handled through the respective sections. The Legal Department also advises the Commission on forecasting and power siting cases.

A TTORNEY GENERAL SECTION

The Public Utilities Section of the Ohio Attorney General's Office acts as legal counsel for the PUCO staff and the Commission. Members of this section act as advisors on testimony that is prepared by Commission Staff on cases before the PUCO. The attorneys also represent the Commission in cases which are appealed to the Ohio Supreme Court and the U.S. Supreme Court. The Attorney General Section has been successful this past year at the state and federal level assuring protection of the interests of Ohio ratepayers.

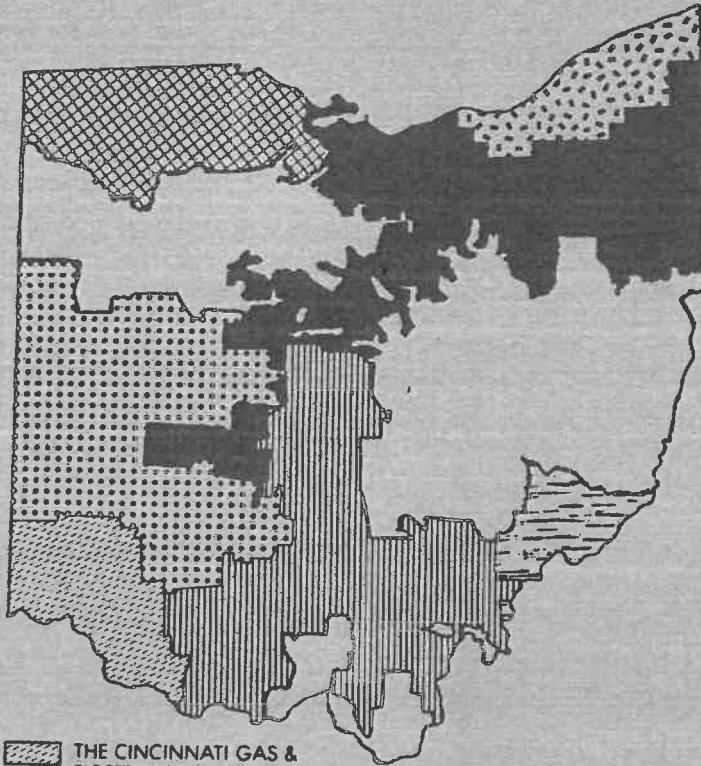


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FY 1986 found the Commission ensuring sound utility management of the eight large investor-owned utility electric companies in Ohio and closing the book on the Zimmer "Nuclear" Power Plant. The Commission also initiated an investigation into the possible mismanagement at the Davis-Besse Nuclear Power plant which may have led to the June 9, 1985, outage at the Plant. The Commission continued its least cost strategy policy and its investigation into the potential for, and benefits of, centrally dispatching Ohio's regulated electric power.

Ohio's Electric Companies



- THE CINCINNATI GAS & ELECTRIC COMPANY
- THE CLEVELAND ELECTRIC ILLUMINATING COMPANY
- COLUMBUS AND SOUTHERN OHIO ELECTRIC COMPANY
- THE DAYTON POWER AND LIGHT COMPANY
- MONONGAHELA POWER COMPANY
- OHIO EDISON COMPANY
- OHIO POWER COMPANY
- THE TOLEDO EDISON COMPANY

ELECTRIC CASES

COMPANY	ORDER DATE	REVENUE INCREASE REQUESTED	REVENUE INCREASE GRANTED	PERCENT INCREASE	PERCENT RATE OF RETURN
Cleveland Electric Illuminating	6/24/86	\$232,040,501	\$26,497,000	2.89	12.87
Ohio Edison	10/29/85	\$134,676,223	\$58,774,000	4.20	12.13

Electric Fuel Component (EEC) rate is a semi-annual rate reviewed by the PUCO to allow Ohio electric utility companies to pass all "fair, just and reasonable" fuel costs to their customers on a dollar-for-dollar basis with no profit. During FY 86, the lower cost of fuel resulted in decreased EFC rates and increased savings for the majority of Ohioans.

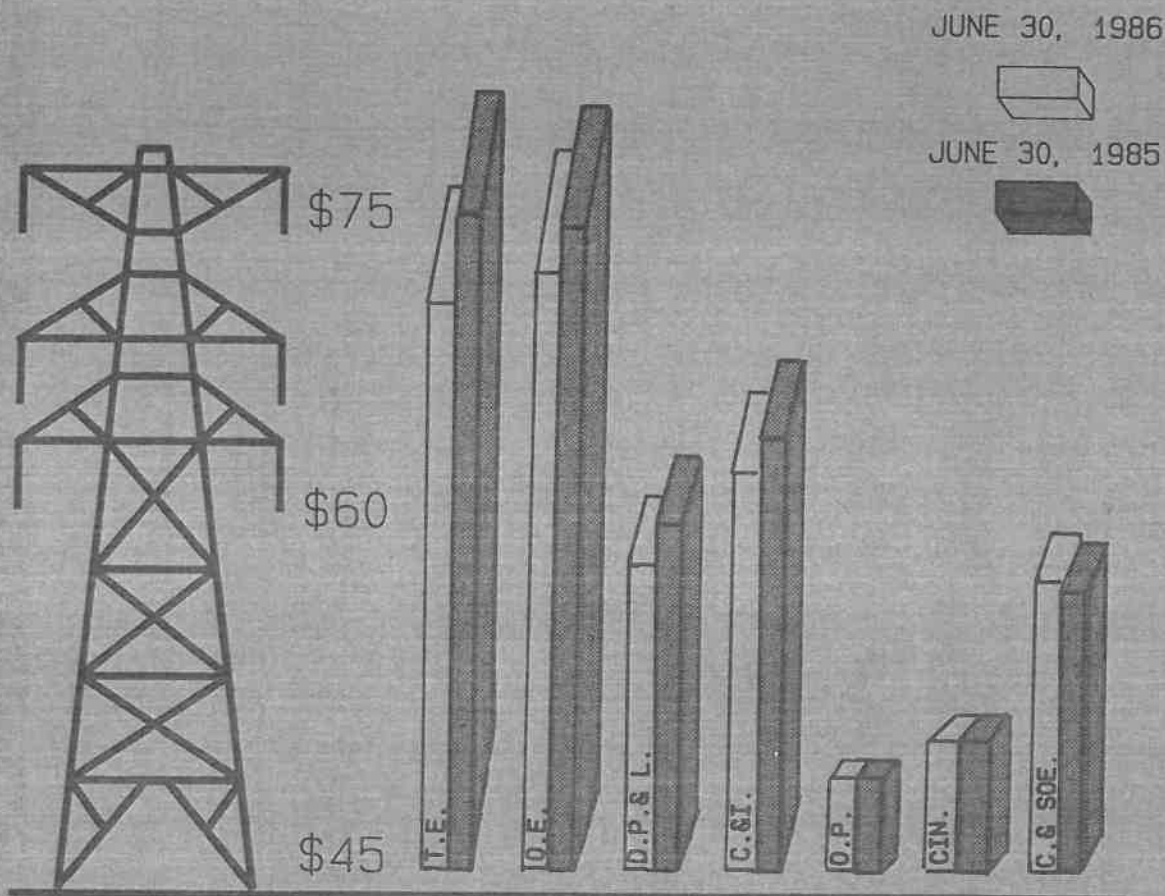
**ELECTRIC FUEL COMPONENT
EFFECTIVE JUNE 30, 1986**

Ohio Edison	1.3702¢/kwh
Ohio Power	1.80267¢/kwh
Cincinnati Gas and Electric	1.7130¢/kwh
Cleveland Electric Illuminating	1.91762¢/kwh
Columbus and Southern Ohio Electric	1.7865¢/kwh
Dayton Power and Light	1.6270¢/kwh
Toledo Edison	1.6759¢/kwh
Monongahela Power	1.4270¢/kwh

TYPICAL ELECTRIC BILL By maximizing the purchase of inexpensive coal, electric companies were able to pass their savings on to customers resulting in the typical residential electric bill decreasing during FY 1986. These accomplishments were made possible by the companies utilizing the Commission's Least-Cost Strategy.

TYPICAL ELECTRIC BILL

JUNE 30, 1986 & JUNE 30, 1985



T.E.—TOLEDO EDISON
O.E.—OHIO EDISON
D.P. & L.—DAYTON POWER & LIGHT
C. & I.—CLEVELAND ILLUMINATING

O.P.—OHIO POWER
CIN.—CINCINNATI ELECTRIC
C. & SOE.—COLUMBUS & SOUTHERN

ZIMMER

On November 26, 1985, the Commission approved a settlement between the PUCO staff, the Ohio Consumers' Counsel, the companies, Industrial Energy Consumers, and other parties. The agreement required the owners of the Zimmer Power Plant (Dayton Power & Light Company, Cincinnati Gas & Electric Company and Columbus & Southern Ohio Electric Company) to absorb one half of the \$1.72 billion spent on the plant as of January 31, 1984.

The agreement set a \$3.6 billion limit on the total recoverable amount by the companies. The companies may only recover \$3.6 billion if they prove that the money was prudently spent on a finished coal facility.

The agreement became effective immediately and concluded an investigation begun by the PUCO in October, 1984.

PERRY POWER PLANT

In January, 1986, the PUCO called for comments from persons and parties interested in the investigation of cost-overruns at the Perry Nuclear Power Plant.

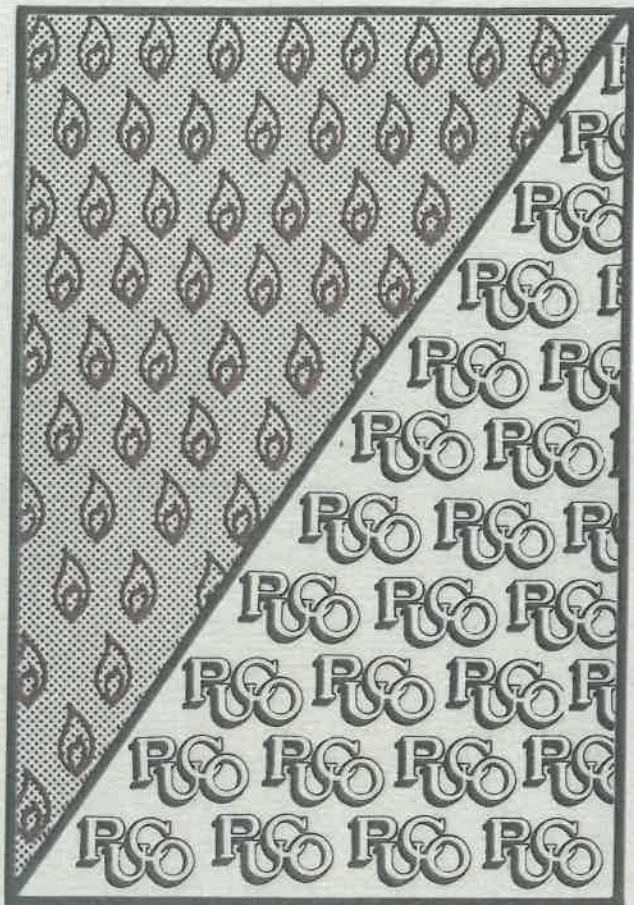
The plant was originally expected to cost \$1.2 billion for two units. As of December, 1985, approximately \$4.2 billion had been incurred for construction of Perry I and Common. Phase I of the investigation began at the site in August, 1985, and was conducted by a special PUCO Staff team. The Commission ordered that the management audit firm of Touche Ross and The Nielson-Wurster Group begin a focused investigation of construction management of Perry. Included in the auditor's report, to be released in September, 1986 will be: engineering, financial, and licensing management issues as well as an extensive review of the overall construction management and quality assurance programs at the Perry site.

DAVIS BESSE

In January, 1986 the Commission ordered an investigation into the facts and circumstances surrounding the June 9, 1985 loss of feedwater event at the Davis-Besse Nuclear Power Plant. The Plant, located in Port Clinton, is owned and operated by the Toledo Edison Company and the Cleveland Electric Illuminating Company.

The investigation ordered by the Commission was to determine whether the loss of feedwater event and the ensuing outage were caused by imprudent management. The additional cost of fuel and purchased power required because of the plant outage as well as the amount of money recovered from the ratepayers were also to be determined.

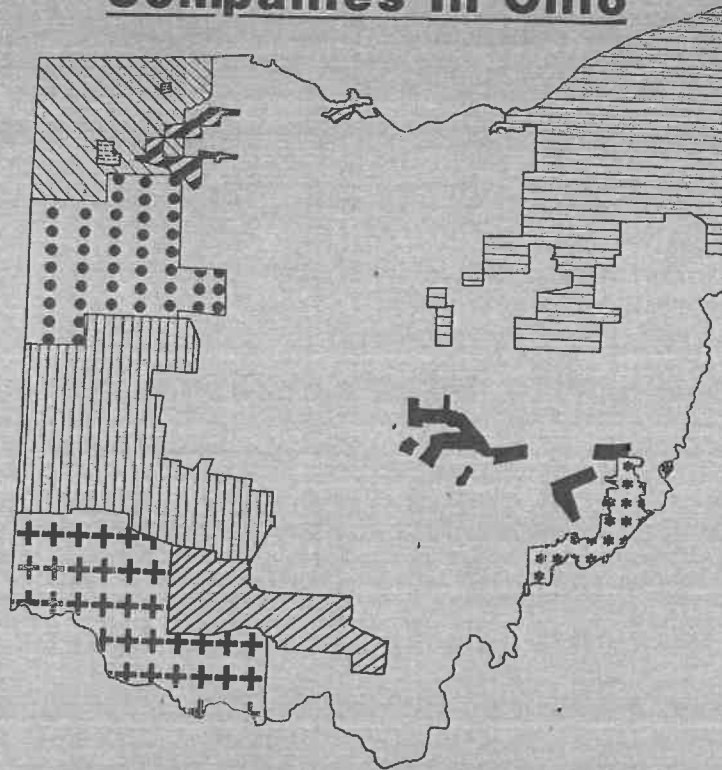
A final report on possible mismanagement is expected to be released in September, 1986.



Ohio is the eighth largest natural gas producing state in the country. In 1985, over 186 billion cubic feet of natural gas was produced in the state, from over 31,000 active gas producing wells. Approximately 3,300 of these wells were drilled prior to January 1, 1973. Seeing the need to further identify ways to maximize the benefits of this natural resource, the Commission formed a gas task force consisting of representatives of Ohio gas producers, distribution companies, governmental agencies, and residential and industrial consumer organizations. The Task Force worked together to enhance the production of Ohio's natural gas and recommended certain changes in Commission rules pertaining to the regulation of the gas companies in Ohio.

FY 1986 saw gas prices declining or stabilizing which allowed those savings to be passed on to ratepayers. It also was the year the Commission took an unprecedented action by requiring a major gas utility to reorganize its board of directors and diversify its supply.

Gas Distribution Companies In Ohio



- | | |
|-----------------------------------|------------------------------|
| Columbia Gas Of Ohio, Inc. | The East Ohio Gas Co. |
| National Gas & Oil Corp. | The Suburban Fuel Gas, Inc. |
| The River Gas Co. | The Dayton Power & Light Co. |
| Pike Natural Gas Co. | West Ohio Gas Co. |
| Ohio Gas Co. | The Toledo Edison Co. |
| The Cincinnati Gas & Electric Co. | |

GAS CASES

COMPANY	ORDER DATE	REVENUE INCREASE REQUESTED	REVENUE INCREASE GRANTED	PERCENT INCREASE	PERCENT RATE OF RETURN
<u>Columbia Gas</u>					
Northwest Region	6/26/85	18,300,000	1,300,537	7.25	12.04
Southeast Region	8/06/85	6,700,000	1,760,084	11.49	12.04
Lake Erie Region	10/01/85	7,095,678	1,084,000	2.28	12.04
Eastern Region	11/12/85	8,083,529	2,815,000	10.02	12.04
<u>Ohio Gas</u>	11/26/85	1,447,851	443,477	1.17	11.93

GAS COST RECOVERY The Gas Cost Recovery (GCR) rate is a method by which gas companies can recover the cost of all of their purchased gas expenses which the PUCO deems to be fair and reasonable. The GCR rate, which appears on all gas customers' bills, represents the actual cost to the utility for gas supplies purchased to serve customers' needs. The GCR rate does not include any profit for the company and is updated quarterly by the PUCO.

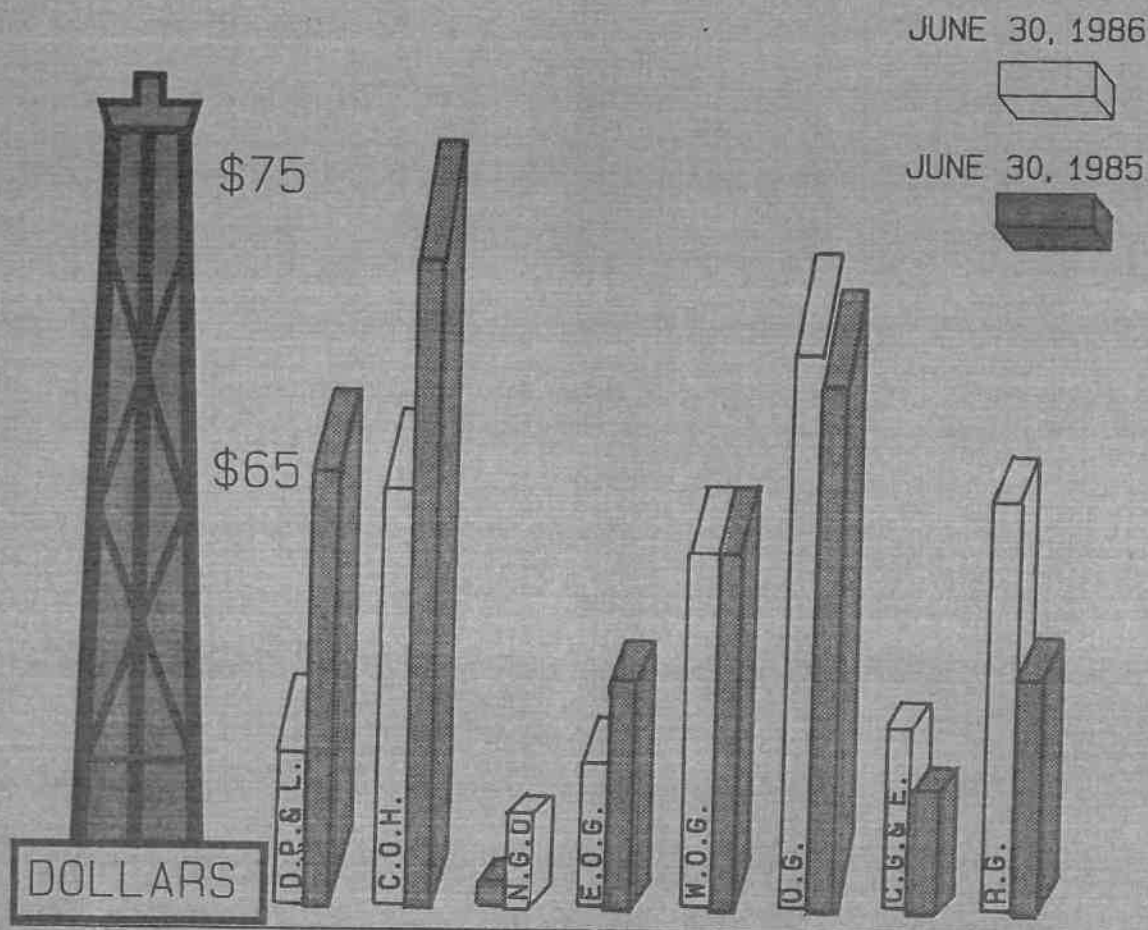
GAS COST RECOVERY RATES

	1985	1986
Cincinnati Gas and Electric	\$3.778/Mcf	\$4.079/Mcf
Columbus Gas of Ohio	\$4.9129/Mcf	\$4.2789/Mcf
Dayton Power and Light	\$4.5651/Mcf	\$3.7934/Mcf
East Ohio Gas	\$4.052/Mcf	\$3.857/Mcf
National Gas and Oil (Newark)	\$3.5219/Mcf	\$3.2600/Mcf
Ohio Gas	\$4.212/Mcf	\$4.334/Mcf
River Gas	\$3.635/Mcf	\$4.255/Mcf
West Ohio Gas	\$4.156/Mcf	\$4.176/Mcf

TYPICAL GAS BILL The typical gas bill for the average Ohio residential customer decreased during FY 1986. This was due in part to declining or stabilizing natural gas prices. Another contributing factor to the added savings was the purchasing of gas by the utilities on the "spot market." "Spot market" buying enables the companies to find the most competitive price which in turn can be passed on to the consumers.

TYPICAL GAS BILL

JUNE 30, 1986 & JUNE 30, 1985



D.P. & L. - DAYTON POWER & LIGHT
 C.O.H. - COLUMBIA GAS OF OHIO
 N.G.O. - NATIONAL GAS OF OHIO
 E.O.G. - EAST OHIO GAS

W.O.G. - WEST OHIO GAS
 O.G. - OHIO GAS
 C.G. & E. - CINCINNATI GAS & ELECTRIC
 R.G. - RIVER GAS

NEW BOARD FOR COLUMBIA GAS On October 8, 1985, the PUCO ordered Columbia Gas of Ohio to restructure its Board of Directors. The decision was reached after the Commission reviewed the management performance audit of Columbia prepared by the auditing firm of Touche-Ross and Associates. It is the Commission's opinion that the reorganized Board would pursue prudent, independent good management, limit its dependence on Columbia Gas Transmission for its source of supply, and pursue access to cheaper gas, eventually resulting in cheaper prices for Columbia's customers.

The audit, completed in 1983, showed that Columbia had imprudently purchased high priced gas when lower cost gas was available. At the time, Columbia's Board was heavily loaded down with members tied to its sister company, Columbia Gas Transmission Company. The Commission believed that new, independent or "outside" directors with no business relationship with other Columbia system companies would better serve the interests of Columbia's ratepayers.

Columbia complied with the Commission's directives by May, 1986. Findings released on June 17, 1986 showed that Columbia had progressed substantially and that the company had taken positive steps to meet its responsibility to provide customers with reliable gas supplies at reasonable prices.

GAS TRANSPORTATION Gas transportation began in Ohio as a result of natural gas shortages occurring in the 1970's.

The Commission developed a "Self-help" program with one simple goal: to transport Ohio produced gas supplies through an Ohio distributor to Ohio Customers.

Due to increased competition and the unmarketability of natural gas, local gas distribution companies (LDC's) began transporting cheaper interstate "spot market" gas. With Commission approval, the LDC's charge fees, established by tariff or contract, to transport end-user supplied natural gas.

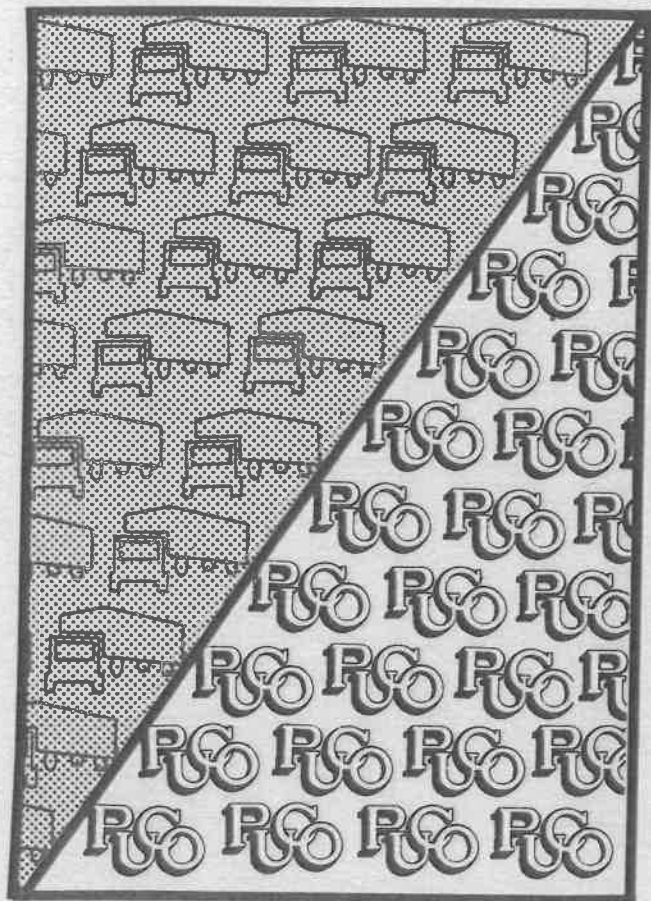
In August, 1985, the Commission initiated a generic proceeding with the stated purpose of investigating the availability of gas transportation service provided by Ohio gas distribution utilities to end-use customers. A new set of Self-Help guidelines were issued in April. Based on its review of the parties' comments, revised guidelines will be issued.

GAS TASK FORCE On December 9, 1986, the Commission announced the formation of the Ohio Natural Gas Task Force. The purpose of the Task Force was to promote the expanded use of Ohio produced natural gas and to find ways of making it more competitive with out-of-state supplies. PUCO Commissioner Gloria Gaylord chaired the Task Force which included representatives of residential and industrial consumers, distribution companies, small and large producers and brokers.

To achieve their goal of promoting Ohio produced natural gas, four subcommittees were chosen to research the following: old contracts, unbundling of rates and services, least cost definition, producer clearinghouse and, affiliates/vertical integration. The Gas Task force was responsible for initiating Commission investigations into ways of avoiding premature plugging of Ohio gas wells and into the restructuring of the commission's gas cost recovery (GCR) and forecasting procedures.

GAS COST RECOVERY AND FORECASTING On May 6, 1986, the Commission established an investigation in Case #86-702-GA-C01, to consider the adoption of an institutional framework for gas procurement management assessment. This process would evaluate the extent to which utility procurement practices minimize customer costs while assuring adequacy of supply in the evolving gas market. The framework would be established by incorporating the long-term forecasting review process into the Gas Cost Recovery proceedings. Due to the transfer of the Forecasting Division from the Department of Development/Division of Energy to the PUCO in January 1986 this task will be possible.

Comments were solicited from interested parties by May 30, 1986. They included most of the gas utilities as well as the Office of Consumers Counsel, the Ohio Petroleum Producers Association and the Ohio Oil and Gas Association. A Task Force was convened on September 25, 1985 to consider the framework developed and proposed by the Staff. The new procedures are expected to be incorporated into the GCR hearings for 1987.



Over the past year the Transportation Department and its staff have come to the forefront of Commission activity as the result of heightened public awareness of the need for strict safety regulation of the transportation industry and the hazards inherent in hazardous material transportation.

The Transportation Department was very active during FY86. A Task Force was formed to bring truckers, regulators, and shippers together to discuss problems confronting the motor carrier industry. Also a joint effort between the major bus companies to ensure safety on highways began. In addition, each transportation investigator took over 160 hours of classroom instruction in safety and economic regulation, hazardous material handling and first aide.

O **HIO HAZARDOUS SUBSTANCE EMERGENCY TEAM** Governor Celeste formed the Ohio Hazardous Substance Emergency Team (OHSET) to ensure the safety of shipments of hazardous materials. OHSET was formed in May after the state was alerted to the proposed shipment of chemical munitions through Ohio. The Team, under the leadership of the PUCO, consists of: the Ohio Departments of Transportation, Health, Commerce, Environmental Protection Agency, Adjutant General, and Attorney General.

Since the PUCO Transportation Department is responsible for the coordination of OHSET, the Department is in constant contact with other agencies to assist the state's efforts in controlling hazardous materials transportation and improving response to accidents and emergencies involving such substances. OHSET's effectiveness was shown this past year when the state of Ohio was able to persuade the United States Army to abandon its announced plan to transport large quantities of deadly mustard gas through Ohio by rail.

MOTOR CARRIER Each day over 1 million trucks travel Ohio highways. Those trucking companies who conduct intrastate business in Ohio must obtain approval from the PUCO. Motor carrier certificates and permits issued by the Commission not only provide a valuable source of revenue to the Transportation Department's operations, but also enable the Commission to provide appropriate economic regulation of the trucking industry.

Recently, the Ohio General Assembly enabled the PUCO to conduct safety inspections of private carriers operating vehicles whose gross weight exceeds 10,000 pounds. These private carriers, which haul goods in the State of Ohio as components of their non-trucking business, represent a substantial portion of the truck traffic in Ohio and were previously unregulated. Now these private carriers, like their common and contract carrier counterparts, will have to pass rigorous spot safety inspections in order to operate on Ohio roads and highways.

T **RANSPORTATION SAFETY** Although the economic regulation is important, the Commission's primary focus over the past year has been on transportation safety. Since 1982, the Commission has doubled its number of investigators in the state's six districts, more than doubled the number of violations found, and increased by five times the number of vehicles and drivers placed out of service for unsafe conditions. Fines assessed by local courts for PUCO violations generated \$1,108,883 in revenues for local jurisdictions in Fiscal Year 1986.

Among the safety items checked are: proper head and tail lights, brakes, tire tread, mud flaps, labeling of potential dangerous materials, horns, windshield wipers and drivers' logs. These inspections take place at the roadside on state or federal highways or at the truck terminal of the company.

BUS The PUCO Transportation Department also regulates privately owned bus systems. This past year representatives of major charter bus companies in Ohio joined with the PUCO to announce a cooperative effort to help ensure the safety of Ohioans traveling on the highways. This program was designed to allow those traveling on buses who have complaints concerning the safety or service during their travels to call the company or the PUCO consumer hotline.

During FY86 the Commission intervened at the federal level to protect the interests of Ohioans who travel by bus. Concerns were brought before the Commission regarding the abandonment of bus routes and its effects on Ohioans, specifically rural Ohioans. It appears that the alleged benefits of deregulation are not being borne out in Ohio. Bus competition has not flourished and consequently thousands of people are going without service.

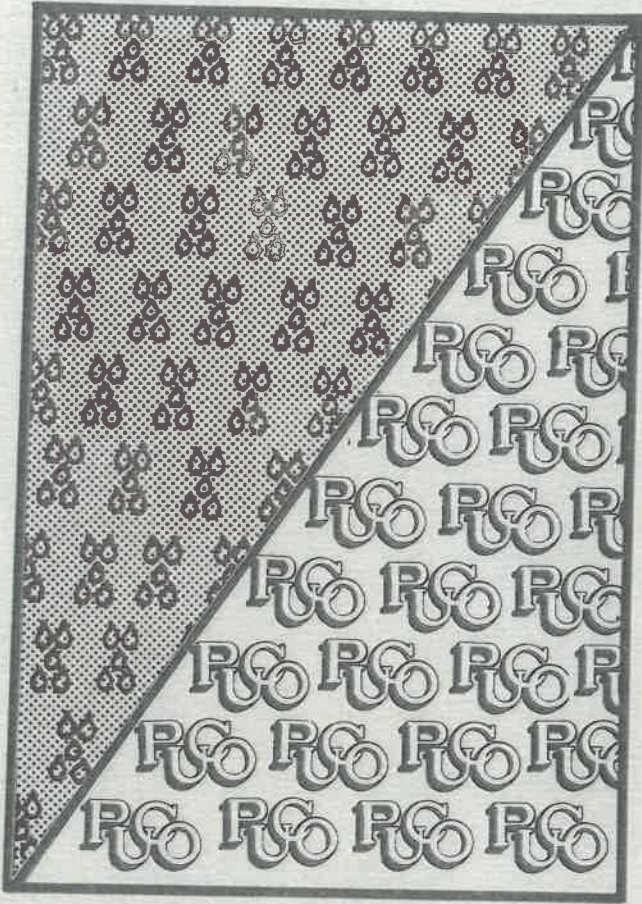
RAILROAD PUCO railroad inspectors perform on-site inspections of railroad equipment, terminals, yards, drains, bridges, and tracks. Complaints received by the PUCO regarding railroad safety are investigated. If unsafe conditions are not corrected informally, and the Commission action in the matter has not been preempted by federal railroad regulation, the Commission may, after a hearing, order improvements. The Transportation Department is working with other state and federal agencies, local governments, and railroads to improve access to funding for needed grade crossing safety improvements.

Investigations of various types are also carried out to the Railroad Section. These include, but are not limited to, investigations into the causes of railroad accident/incidents, rail-related injury or death to persons, and the investigation of incidents involving hazardous materials.

T **RANSPORTATION TASK FORCE** In March, the PUCO announced the formation of an Ohio Transportation Task Force. The primary focus of the task force, which includes representatives from all areas of the trucking industry, will be problems confronting the industry. Subcommittees were formed to address economic and insurance issues.

The Insurance Subcommittee made recommendations to the Commission which would aid insurance companies in establishing appropriate premiums for motor carriers. These recommendations would allow the Commission's Transportation Department to make results of random safety inspections available. Currently, insurance ratings for carriers are primarily based on the net worth of the company, not the overall safety record.

An investigation into the economic regulation of the motor carrier industry in Ohio was also recommended by the Task Force. The scope of the investigation will include an in-depth examination of the economic conditions currently existing among the carriers operating in the industry. The information received from the investigation will be used to determine whether economic problems of the transportation industry are being caused by conditions in the Ohio system; and whether such problems are at a level that cannot be corrected in the marketplace.



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Investor Owned Water & Sewer Utilities



- Water Company (WW)
- Sewer Company (ST)
- ◻ Water & Sewer (WS)

WATER CASES

COMPANY	ORDER DATE	REVENUE INCREASE REQUESTED	REVENUE INCREASE GRANTED	PERCENT INCREASE	PERCENT RATE OF RETURN
Ohio Suburban*	6/18/85	135,972	135,972	6.36	11.88
Lake Erie Utilities**	8/06/85	7,000	6,000		
Lake Erie Utilities**	9/17/86	6,801	6,801	13.00	12.00
Arrowhead Hills*	10/01/85	1,093	1,093	11.00	11.50
Ohio American	10/08/85	1,297,689	650,000	6.00	11.43
Tomahawk*	10/01/85	WITHDRAWN BY COMPANY			
Seneca*	3/04/86	12,632	12,632	24.99	10.00
Camplands*	3/04/86	WITHDRAWN BY COMPANY			
Ohio Water Service Washington C.H.	6/03/86	100,065	100,065	6.44	10.73
Masury	6/17/86	158,382	116,755	14.02	10.87

*Abbreviated Application

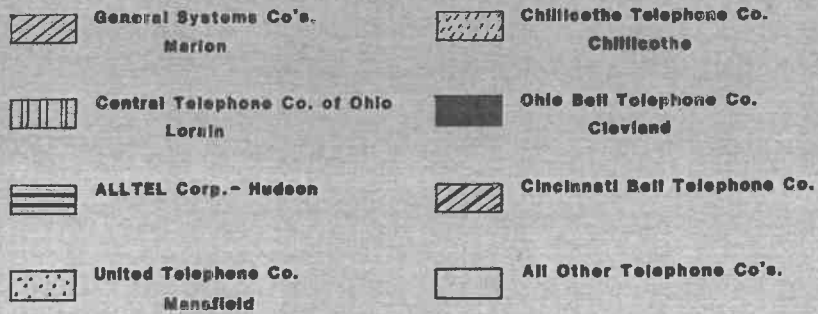
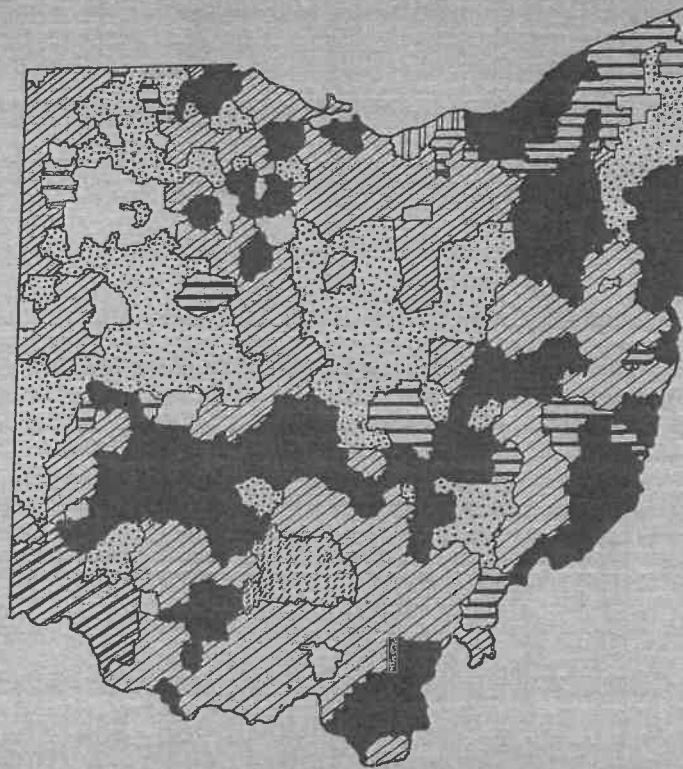
**Abbreviated Application — Amount granted will be refunded to customer in four quarterly installments from October, 1985 to July, 1986

WATER/WASTEWATER Efforts were underway during FY 1986 to improve the quality of services by water/wastewater companies in the state. Such improvements have been sought through refined regulation and performing rate and tariff investigations.

With hopes of encouraging the small water companies to fully utilize the PUCO rate making process, the Commission established a Small Water Utility Category. Companies with less than 2,500 customers are provided with an abbreviated filing form resulting in shorter processing time, reduced company filing, and reduced expenses. These reductions in expenses flow directly to the utility customers. Historically, legal expenses related to rate case processing have been the largest single increment of annual cost increase in small water and wastewater company operations. The reduction in company filing requirements does not impede the integrity of the ratemaking process since the Energy and Water Staff applies its expertise to determine the rates for different classes of service, the required rate verifications, and the determination of usage information.

The Water/Wastewater Staff studied the problems of small companies and reported their findings to the Commission. These problems will be corrected through recommendations in the Staff Report of Investigation. Many of these recommendations will be expanded to become Commission initiated investigations in the upcoming fiscal year.

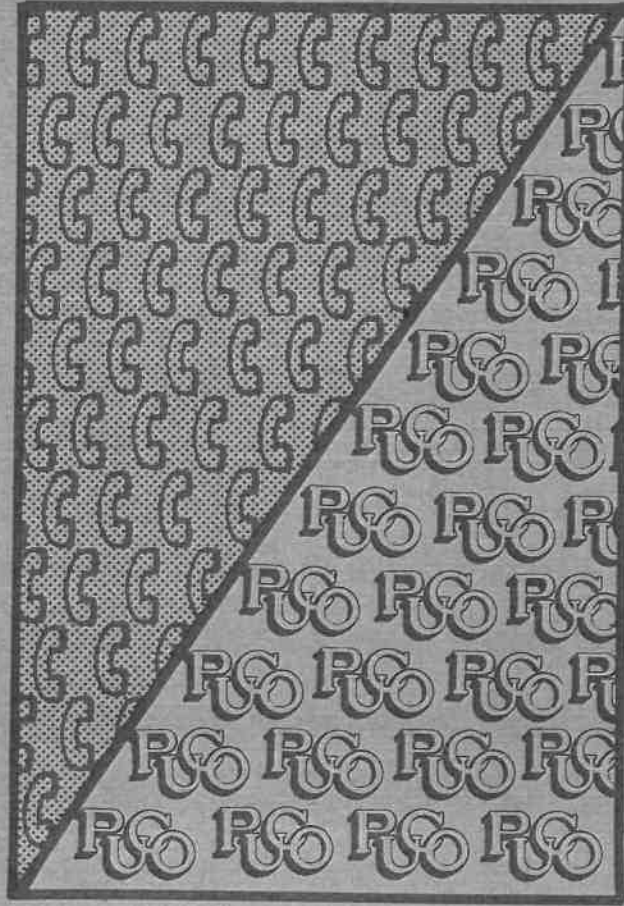
Telephone Companies In Ohio



TELEPHONE CASES

COMPANY	ORDER DATE	REVENUE INCREASE REQUESTED	REVENUE INCREASE GRANTED	PERCENT INCREASE	PERCENT RATE OF RETURN
General	7/23/85	57,433,000	13,430,000	4.80	12.07
Cincinnati Bell	10/29/85	51,863,000	26,105,000	9.30	12.23
Ohio Bell	12/10/85	135,428,000	63,864,000	4.75	12.22
Central	2/11/86	3,624,600	1,148	5.03	12.03
Benton Ridge*	2/19/86	59,203	59,203	13.10	2.66
Continental	3/07/86	397,340	257,276	28.28	6.75
Fayetteville	4/22/86	211,549	128,762	26.70	6.45

*ABBREVIATED APPLICATION



A **CCCESS CHARGES** Following divestiture, Ohio took strong innovative steps to address problems inherent in developing a plan for intrastate access charges. An interim plan was adopted in May, 1984, after it was determined that cost based access data did not yet exist, thus making it impossible to determine what would constitute appropriate levels at which to set rates based on costs. The plan's primary achievement has been to preserve the financial well-being of Ohio's local exchange companies.

The Commission, in its original Order, concluded that intrastate access charges should mirror the interstate charges of the local exchange carriers, with the exception of end user charges. Because current costs could not be identified, the plan required each company's revenue requirement be based on revenues received in 1983 under the previous settlement process. To ensure that all local exchange carriers "remained whole" at this level, the PUCO established a residual revenue pool. Those companies who made in excess of their 1983 revenue requirement would pay into the pool while those who did not meet their 1983 revenue requirement could draw from the pool. By October, 1985, the pool had developed a surplus of more than \$60 million. Therefore, on February 11, 1986, the Commission ordered the excess funds be allocated to the interexchange and local exchange carriers according to their proportionate contributions of intrastate toll and access charge revenues to the total pooled revenues. Long distance callers benefitted from the surplus when the local exchange carriers were ordered to reduce their intra-LATA message toll service rates by slightly more than 9%. In addition, several interexchange carriers subsequently followed suit, resulting in further toll savings.

COMMISSION ORDERED INVESTIGATIONS

Currently, thirteen generic investigations are being conducted by the Telecommunications Staff. Those areas being studied include minimum telephone standards, disconnection for nonpayment of toll charges, Emergency 911 and, detariffing of embedded customer premises equipment. The following investigations are also being conducted:

TELEPHONE USAGE STUDY In FY 1986, the Commission recognized that there had been several significant regulatory, economic, and legal changes in the telecommunications industry in recent years, and that Commission intervention may be necessary. Therefore on January 7, 1986, the Commission ordered a telephone usage study, one of the first of its kind, to ensure the continued growth in the productive use of the telecommunications networks by all customers in this new environment. The study, to be conducted by the National Regulatory Research Institute (NRRI), will provide comprehensive data identifying usage patterns for all types of telephone customers.

RESALE AND SHARING OF LOCAL EXCHANGE SERVICE On September 17, 1985, the Commission opened this investigation to assess the current status of resale and sharing of local exchange telephone service in Ohio and to develop an appropriate regulatory approach to this practice. The Commission noted that there appeared to be increasing interest in local resale/sharing, focused primarily on shared tenant services (STS).

CUSTOMER-OWNED COIN-OPERATED TELEPHONES (COCOTS) By the end of the fiscal year, all of the local exchange companies had filed COCOT tariffs with the Commission by January 29, 1985. There were 1630 applications for COCOT service filed as of June 30, 1985. The Commission held a fact-finding hearing on April 16, 1986 to determine the impact of COCOTS on the quality of coin telephone service. The Commission is currently considering the possibility of issuing an order to address certain issues relating to COCOT use, such as directory assistance.



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