



Ohio Legislative Service Commission

Bill Analysis

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(As Introduced)

Reps. Foley and Blessing, Celeste, Skindell, Morgan, Harris, Evans, Snitchler, Pillich, Mecklenborg, Murray, Phillips, Combs, Grossman, Harwood, Newcomb, McGregor, Chandler, Oelslager, Yates, Ujvagi, Weddington, Stewart, Yuko, Stebelton, J. Adams, Bacon, Hagan

BILL SUMMARY

- Permits a board of education to enter into an installment contract and issue notes for renewable energy generation measures in the same manner as for energy conservation measures.
- Extends from 15 to 30 years the time period by which the balance for installment contracts entered into by a board of education for energy conservation measures must be paid and applies the 30-year pay-off period to renewable energy generation measures.
- Extends from 15 to 30 years the maximum maturity period for securities issued for school district energy conservation and applies the 30-year maturity period to securities issued for renewable energy generation measures.
- Permits an installment payment contract to provide for the seller to retain title to renewable energy generation equipment for part or all of the term of the contract.
- Allows a board of education to determine by resolution that bidding requirements do not apply to installment payment contracts for renewable energy generation measures, including solar energy systems that are undertaken pursuant to an installment payment contract.
- Requires that all Ohio school districts have a long-term supply of solar-sourced electricity for 25% of the schools within their districts.

- Permits a school district to comply with the solar-sourced electricity requirement at a lower percentage that is as close as possible to the 25% required under the bill if the district is unable to comply with that requirement for reasons outlined in the bill.
- Permits districts to derive the supply of solar-sourced electricity by direct ownership of a solar energy system or by entering into a power purchase agreement for such a system with a third-party provider that owns, operates, and maintains the system.
- Prohibits districts from purchasing renewable energy resource credits to meet the bill's solar-sourced electricity requirement.
- Adds assistance for renewable energy generation measures, including solar energy systems, to the advanced energy projects for which districts may receive assistance without the assistance being included as part of the district or state portion of the basic project cost of a school building project under Ohio's school facilities assistance programs.

CONTENT AND OPERATION

Energy conservation and renewable energy generation installment payment contracts

(R.C. 3313.372)

Under current law, boards of education of city, exempted village, local, or joint vocational school districts may enter into installment payment contracts for the purchase and installation of energy conservation measures.¹ The bill expands the law to permit school district boards of education to enter into installment payment contracts for the purchase and installation of renewable energy generation measures. Under the bill, a "renewable energy generation measure" means an installation or modification of an installation in, or remodeling of, a building, or installation of equipment on, in, or

¹ An "energy conservation measure" is defined in continuing law in R.C. 3313.372(A)(1) as an installation or modification of an installation in, or remodeling of, a building, to reduce energy consumption. Measures listed as energy conservation measures are: (a) insulation of the building structure and systems within the building, (b) storm windows and doors as specified in this section, (c) automatic energy control systems, (d) heating, ventilating, or air conditioning system modifications or replacements, (e) caulking and weatherstripping, (f) replacement or modification of light fixtures to increase energy efficiency as specified in this section, (g) energy recovery systems, and (h) any other modification, installation, or remodeling approved by the Ohio School Facilities Commission (SFC) as an energy conservation measure.

proximate to a building, to generate electricity from renewable energy resources.² The bill changes the description of a cogeneration system that current law includes as an energy conservation measure and redefines it as a renewable energy generation measure.³ Specifically, in new language under the bill, a renewable energy generation measure includes "cogeneration systems or other systems that produce or generate steam or forms of energy such as heat, as well as electricity, for use on the premises or in conjunction with a net metering system."⁴ The cogeneration provision of the bill permits a school to offset electricity bills by generating all or part of its electricity needs through renewable energy generation measures installed at the school.

Installment payment contract requirements

(R.C. 133.06(G), 133.20(B)(4)(e), and 3313.752(E))

Energy conservation measures

Under current law before entering into an energy conservation installment contract, the district is required to do the following: (1) obtain a report estimating the costs of the energy conservation measures and the savings in energy costs,⁵ (2) make a finding that the amount spent on such measures is not likely to exceed the amount of money the district would save in energy costs and resultant operational and maintenance costs over the ensuing 15 years, and (3) submit to the School Facilities Commission (SFC) a copy of its findings and a request for approval to incur indebtedness to finance the energy conservation measures for the purpose of

² Renewable energy resources include solar photovoltaic or solar thermal energy, wind energy, power produced by a hydroelectric facility, and geothermal energy (see R.C. 4928.01(A)(35)).

³ R.C. 3313.372(A)(8) currently includes, as an energy conservation measure, "cogeneration systems that produce steam or forms of energy such as heat, as well as electricity, for use primarily within a building or complex of buildings."

⁴ A net metering system is a system through which a customer-generator pays the difference in an applicable billing period between the electricity supplied by an electric utility and the electricity generated by the customer-generator that is fed back to the electric utility. It is a facility for the production of electricity that does all of the following: (1) uses as its fuel either solar, wind, biomass, landfill gas, or hydropower, or uses a microturbine or a fuel cell, (2) is located on the customer generator's premises, (3) operates in parallel with the electric utility's transmission and distribution facilities, and (4) is intended primarily to offset part or all of the customer-generator's requirements for electricity (R.C. 4928.01(A)(30) and (31)).

⁵ Under continuing law in R.C. 133.06(G)(1), the board may hire an architect, professional engineer, or other person experienced in the design and implementation of energy conservation measures for an analysis and recommendations pertaining to district energy conservation installation or remodeling costs and savings from reductions in energy consumption and operational and maintenance costs.

significantly reducing energy consumption. The SFC must approve the installment payment contract if it determines that the district board's findings are reasonable.

Under the bill, a board finding regarding the amount spent on energy conservation measures and the amount of money the district would save in energy costs and resultant operational and maintenance costs must cover the ensuing 30 years instead of the ensuing 15 years as in current law. The bill continues the provision in current law that as long as any securities issued to finance energy conservation measures are outstanding, the board must monitor energy consumption and resultant operational and maintenance costs of buildings with energy conservation measures installed and must maintain and annually update a report documenting the energy consumption savings and resultant operational and maintenance cost savings attributable to those measures. The bill extends the monitoring and reporting period to 30 years consistent with the change to the maximum maturity of debt issues to pay for those measures (see "**Duration of installment payment contracts**").

Renewable energy generation measures

The bill establishes different requirements for installment contracts for renewable energy generation measures. Before entering into an installment payment contract for the purchase and installation of renewable energy generation measures, the district board must submit to the SFC a request for approval to incur debt to finance the installation or modification of an installation in, or remodeling of, buildings owned by the district, or installation of equipment on, in, or proximate to the buildings, to generate electricity from renewable energy resources. If the SFC determines that the request is reasonable, it must approve the request. Upon receipt of approval, the district may issue securities to finance renewable energy generation measures through installations, modifications, or remodeling. Unlike current provisions for contracts for energy conservation measures, the bill does not require the district to obtain a cost and savings estimate report before entering into installment payment contracts for renewable energy generation measures.

Duration of installment payment contracts

(R.C. 133.20 and 3313.372(B))

Current law requires 1/15 of the costs of a school district installment payment contract for energy conservation measures to be paid within two years from the date of purchase and the remaining balance of the costs to be paid within 15 years from the date of purchase. The bill extends the repayment period for a contract by requiring 1/30 of the costs of a contract for energy conservation measures to be paid within two years from the date of purchase and setting at 30 years the period by which the

remaining balance must be paid. The bill also applies those repayment requirements to renewable energy generation measures. In addition, a contract may provide for the seller to retain title to renewable energy generation equipment for part or all of the term of the contract.

Current law lists the maximum maturity period for securities issued for permanent improvements and other improvements for certain purposes. In the case of securities issued for school district energy conservation measures, the maximum maturity period must not exceed 15 years. The bill increases the maximum maturity period to 30 years and includes securities issued for renewable energy generation measures among those that have a maximum maturity period of 30 years.

School district debt for renewable energy generation measures

(R.C. 133.06(G) and 3313.372(C))

Generally current law states that a school district's unvoted net indebtedness (debt that may be incurred without approval of the district's voters) is limited to not more than 1/10 of 1% of the district's tax valuation. However, continuing law provides for a few exceptions. Among them is the authority of a district to incur unvoted debt of up to an additional 9/10 of 1% of its tax valuation for the purchase and installation of energy conservation measures approved by the SFC. The bill expands that authority to permit school district boards of education to incur unvoted debt for the installation of renewable energy generation measures. Unchanged is the current law requirement that total indebtedness of the district without a vote of the electors incurred under this provision and all others under the Revised Code (except for classroom facilities projects under Revised Code section 3318.052) must not exceed 1% of the district's total tax valuation.

Possible exemption from competitive bidding requirements

(R.C. 3313.372(B) and 3313.46(B)(3))

Current law exempts school district boards from competitive bidding requirements such as the requirements regarding advertising for bids if the board declares by resolution in a two thirds vote of all its members that these requirements do not apply to any installation, modification, or remodeling of an energy conservation measure undertaken through an installment payment contract. The bill applies this provision to a renewable energy generation measure, including a solar energy system, and thus allows a board to adopt a resolution declaring that the bidding requirements do not apply to their installation, modification, or remodeling undertaken through an installment payment contract.

Solar-sourced electricity at Ohio schools

(R.C. 3313.377(B)(1) and (3))

The bill requires each Ohio school district to ensure that at least 25% of the district's schools have a long-term supply of solar-sourced electricity within five years after the bill's effective date. Each district board of education must designate the particular schools that must have the long-term supply of solar-sourced electricity to meet the bill's requirement. To comply with the requirement, the board must provide for the installation, operation, and maintenance of a solar energy system on the property of each designated school. Under the bill, a "solar energy system" means a system providing solar-sourced electricity.

The board may provide for a solar energy system in one of two ways, by direct ownership of the system or by hosting the system pursuant to a third-party provider other than the school. In the case of direct ownership of the system, the district may enter into an installment payment contract for renewable energy generation measures as described above (see "**Installment payment contract requirements**"). In the case of a board hosting a system, the third-party provider owns the system and installs, operates, and maintains it. In addition, the board must enter into a power purchase agreement with the third-party provider to supply the designated school with the electricity generated by the system installed at the school.

Solar energy system requirements

(R.C. 3313.377(C)(2))

A solar energy system installed at a school in the state must meet the following requirements. The system must be capable of generating the annual average electricity load of the school. It also must have a minimum, peak, alternating current generating-capacity of 50 kilowatts or must have a direct current generating-capacity of 50,000 kilowatt hours. The bill also requires that the board consider the size of the roof of the school building on which the system may be installed or any other applicable property limitation at the school when deciding upon the configuration of a solar energy system.

Cost of compliance and exception to 25% requirement

(R.C. 3313.377(B)(2))

If the 30-year cost of compliance with the bill's solar-sourced electricity requirements would be uneconomic regarding one or more schools in a district relative to the reasonably forecasted retail rate of electricity payable for that school or schools over the 30-year period, the bill provides an exception to the solar-sourced electricity

requirement that permits a lower percentage of compliance. Under the exception, a district must provide a long-term supply of solar-sourced electricity at a percentage of its schools that is as close as possible to 25%.

Renewable energy resource credits

(R.C. 3313.377(D))

The bill prohibits a school district from purchasing renewable energy resource credits to meet the solar energy requirements.

Advanced energy project assistance

(R.C. 4928.62(F))

Assistance school districts receive, under current law, for advanced energy projects⁶ is in addition to any assistance for school building projects provided by the SFC and that is not included as part of the district or state portion of the basic project cost of a school building project under Ohio's school facilities assistance programs.⁷ Under current law, these projects include geothermal heating, ventilating, and air conditioning systems. The bill adds renewable energy generation measures, including solar energy systems, to the list of advanced energy projects for which a district may receive assistance in addition to any assistance provided by SFC to the district. As with other advanced energy projects, this assistance may not be included as part of the district or state portion of the basic project cost of the school building project.

HISTORY

ACTION

DATE

Introduced

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⁶ An advanced energy project means any technologies, products, activities, or management practices or strategies that facilitate the generation or use of electricity and that reduce or support the reduction of energy consumption or support the production of clean, renewable energy for industrial, distribution, commercial, institutional, governmental, research, not-for-profit, or residential energy users, including, but not limited to, advanced energy resources and renewable energy resources (R.C. 4928.01(A)(25)).

⁷ Ohio law provides several programs to help school districts and community schools obtain adequate classroom facilities through the help of state funds in combination with local funding (R.C. Chapter 3318.).