



# Ohio Legislative Service Commission

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## Fiscal Note & Local Impact Statement

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**Bill:** [H.B. 301 of the 128th G.A.](#)

**Date:** December 8, 2009

**Status:** As Introduced

**Sponsor:** Rep. Foley

**Local Impact Statement Procedure Required:** No — No local cost

**Contents:** New advanced energy rider and advanced energy funding for aerospace institutes

### State Fiscal Highlights

STATE FUND

FY 2010 – FUTURE YEARS

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#### Advanced Energy Fund (Fund 5M50)

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Revenues

Significant gain from increased advanced energy rider

Expenditures

Likely increase in assistance for eligible advanced energy projects

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Note: The state fiscal year is July 1 through June 30. For example, FY 2010 is July 1, 2009 – June 30, 2010.

- The Advanced Energy Fund (Fund 5M50) would experience a significant gain in revenues as a result of increased advanced energy riders, which are assessed on the electric bills of customers of investment-owned electric distribution utilities in Ohio. These additional revenues would likely result in greater expenditures from the fund for eligible advanced energy projects.
- The bill allows for up to \$2.5 million annually from the fund to be used for advanced energy projects and economic development by any aerospace institute in Ohio, which may reduce the amounts available for other entities to receive assistance from the fund.

### Local Fiscal Highlights

- No direct fiscal effect on political subdivisions.

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## Detailed Fiscal Analysis

### Advanced energy rider

#### Current law

Under current law, the Ohio Department of Development (ODOD) collects revenues from a rider on retail electric distribution rates that are remitted to the state from electric utilities for deposit into the Advanced Energy Fund (Fund 5M50). The fund is used to provide financial incentives for the development of the advanced and renewable energy industry in Ohio, as well as to assist businesses, residents, local governments, and educational institutions with adopting advanced and renewable energy technology. Appropriations are contained within line item 195660, Advanced Energy Programs, and are approximately \$8.3 million in each fiscal year of the FY 2010-FY 2011 biennium.

Current law requires the Director of Development, after consulting with the Public Benefits Advisory Board, to determine the rate of the advanced energy rider administratively based on an annual revenue target and the number of customers of electric distribution utilities in the state. Currently, the rider is set at \$0.09 per month per customer for customers of investor-owned electric distribution utilities. The current rider is based on a revenue target of \$5 million per year and is scheduled to expire in December 2010. Revenue to the fund from the rider totaled approximately \$5.1 million in FY 2009. Since the rider's inception in S.B. 3 of the 123rd General Assembly, the fund has collected approximately \$90.3 million from this source.

#### The bill

The bill eliminates the Director's administrative authority to establish the amount of the rider using the statutory formula and instead establishes the amount of the rider in the Ohio Revised Code according to the schedule noted below in Table 1, to begin upon the bill's effective date through January 1, 2025.

Type of Customer	Amount
Residential	\$1.00/month
Commercial	\$10.00/month
Industrial	\$50.00/month

According to the U.S. Energy Information Administration (EIA), there were approximately 4.5 million customers of investor-owned electric utilities in Ohio in 2007, the most recent year for which data are available. Table 2 below illustrates the amounts that would have been collected had the bill's advanced energy rider rates been in place

in 2007. Using this consumer population, the rider amounts proposed by the bill would have generated approximately \$116.6 million annually had they been in place that year.

<b>Table 2. Estimated Revenue from Customers of Investor-Owned Electric Utilities in 2007</b>				
	<b>Residential</b>	<b>Commercial</b>	<b>Industrial</b>	<b>Total</b>
<b>Total Customers</b>	3,956,796	488,069	17,589	<b>4,462,454</b>
<b>Estimated Annual Revenue</b>	\$47,481,552	\$58,568,280	\$10,553,400	<b>\$116,603,232</b>

Actual revenues from the new rider rates would likely be similar to the estimated amounts shown above, assuming a similar population of customers, and in any event, would amount to a significant gain over current revenues to the fund. Based on the 2007 EIA data, approximately half of the revenue (50.2%) would be collected by commercial customers, followed by residential customers (40.7%), and finally industrial customers (9.1%). The additional revenue gained by the fund as a result of the increased riders would presumably result in correspondingly greater expenditures from the fund for eligible advanced energy projects, either through larger awards or a greater number of awards.

### **Funding for aerospace institutes**

The bill allows up to \$2.5 million annually from the Advanced Energy Fund to be used for advanced energy projects and economic development assistance to any aerospace institute in Ohio if the institute meets certain eligibility requirements. This provision may reduce the amounts in the fund available for financial assistance to other entities.