



Ohio Legislative Service Commission

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Fiscal Note & Local Impact Statement

Bill: S.B. 236 of the 128th G.A.

Date: May 17, 2010

Status: As Introduced

Sponsor: Sens. Grendell and Patton

Local Impact Statement Procedure Required: No — No local cost

Contents: Restores for residential customers with all-electric homes discounts discontinued by an electric company and restores in full any dual fuel heating program or any load management water heating program

State Fiscal Highlights

STATE FUND	FY 2011	FY 2012	FUTURE YEARS
General Revenue Fund			
Revenues	Potential minimal gain	Potential gain of several hundred thousand dollars or more	Potential annual gain of several hundred thousand dollars or more
Expenditures	- 0 -	- 0 -	- 0 -
School District Property Tax Replacement Fund (7053)			
Revenues	Potential minimal gain	Potential gain of one hundred thousand dollars or more	Potential annual gain of one hundred thousand dollars or more
Expenditures	- 0 -	- 0 -	- 0 -
Local Government Property Tax Replacement Fund (7054)			
Revenues	Potential minimal gain	Potential gain of tens of thousands of dollars or more	Potential annual gain of tens of thousands of dollars or more
Expenditures	- 0 -	- 0 -	- 0 -

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

- Reducing the cost of electricity to approximately 388,000 households could increase electricity consumption, which would increase revenues from the kilowatt hour tax. Kilowatt hour tax revenues vary according to the kilowatt hour consumption of individual end users of electricity.
- If household demand increases modestly above what it would otherwise be without the discounts, state revenues may increase by half a million dollars or more. The revenues from the kilowatt hour tax are distributed to three different funds, of which the largest is the GRF.

Local Fiscal Highlights

LOCAL GOVERNMENT	FY 2011	FY 2012	FUTURE YEARS
Local Government Fund and Public Library Fund			
Revenues	Potential minimal gain	Potential minimal gain	Potential minimal gain
Expenditures	- 0 -	- 0 -	- 0 -

Note: For most local governments, the fiscal year is the calendar year. The school district fiscal year is July 1 through June 30.

- A gain in revenues from the kilowatt hour tax would impact the Public Library Fund (PLF) and Local Government Fund (LGF). The LGF and PLF would receive 3.68% and 1.97%, respectively, of the revenue gain in FY 2011. In future biennia, the PLF will receive 2.22% of the revenue gain.

Detailed Fiscal Analysis

S.B. 236 requires every electric company that discontinued discounts for residential customers with all-electric homes to restore them to the discount amounts in place at the time of the discontinuance. The bill applies to discounts that were discontinued during the time period beginning one year before the effective date of the bill and ending on the effective date of the bill.

S.B. 236 also requires every electric company that discontinued any dual fuel heating program or any load management water heating program to restore the discontinued program in full. Under the bill, "dual fuel heating program" means a program under which an electric company provides an incentive, including a discounted rate, for a customer to use a heating system that operates on both electricity and gas, the electric portion of which may be controlled by the company. A "load management water heating program" under the bill means a program under which an electric company provides an incentive, including a discounted rate, for a customer to use an electric water heater that may be controlled by the company.

Fiscal effect

The Public Utilities Commission of Ohio (PUCO) approved a rate change that eliminated the discounted rate for electricity that certain First Energy customers in all-electric homes received and approved charging these customers the standard residential rate. Subsequently, on March 3, 2010, PUCO ordered First Energy to provide temporary rate relief for all-electric residential customers commensurate with the discount that was in place on December 31, 2008, pending a report by PUCO staff addressing appropriate long term rates for such customers. The bill represents a codification of existing practice until the report is presented, which PUCO anticipates happening at the end of the 2010-2011 heating season. Thus, LSC foresees no fiscal effect from the bill before spring of 2011.

After spring 2011, assuming the discount would have been reduced, the bill could hold electric rates down for affected ratepayers. If household demand for electricity increases modestly above what it would otherwise be with reduced discounts, state revenues derived from the kilowatt hour tax may increase by half a million dollars or more. The revenues from the kilowatt hour tax are distributed to three different funds, of which the largest share is directed to the GRF (63%). Kilowatt hour tax revenues are also distributed to the School District Property Tax Replacement Fund (25.4%) and Local Government Property Tax Replacement Fund (11.6%).

It is possible that absent the discount, higher electricity rates for the customers served by First Energy would lead to a reduction in future electricity consumption by these households, which in turn would reduce the state revenues collected from the kilowatt hour excise tax. However, the demand for electricity is relatively insensitive to price changes because other external factors, such as the weather, are large

determinants for household electric consumption. The discounted rate for electricity that applied to certain First Energy customers has been eliminated for a limited duration,¹ and this time period is too brief to serve as a suitable sample from which LSC staff could extrapolate any discernable changes in electricity demand or the resulting state tax revenues.

Newspaper accounts with information provided by First Energy state that there are about 388,000 all-electric homes receiving the discount in northern Ohio. The reduced rate averages seven cents per kilowatt hour, according to First Energy; whereas the standard residential rate is nearly 12 cents per kilowatt hour. According to PUCO, the agency has established new credits to help consumers with their utility bills, and it filed for more discounts, which amount to \$80 million. The \$80 million figure supplements \$90 million that was previously dedicated to this set of customers in the electric security plan filed by First Energy and approved by PUCO in 2009. The \$80 million enables customers in certain all-electric homes to pay the same rates that were in effect on December 30, 2008.

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¹ According to PUCO, the all-electric rate discount will resume on May 21, 2010 and will remain in effect through the end of the 2010-2011 winter heating season.