Ohio Legislative Service Commission

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Fiscal Note & Local Impact Statement

Bill: H.B. 302 of the 130th G.A.

Date: October 30, 2013

Status: As Introduced

Sponsor: Rep. Stautberg

Local Impact Statement Procedure Required: No

Contents: To modify the alternative energy resource, energy efficiency, and peak demand reduction law

State Fiscal Highlights

- No direct fiscal effect on the state.

Local Fiscal Highlights

- No direct fiscal effect on political subdivisions.

Detailed Fiscal Analysis

H.B. 302 modifies the alternative energy resource, energy efficiency, and peak demand reduction provisions established in the competitive retail electric service law enacted in Am. Sub. S.B. 221 of the 127th General Assembly. The 2008 legislation set annual benchmarks requiring electric distribution utilities (EDUs) to provide a portion of their electricity supply from renewable energy resources. The annual benchmarks increase through the end of 2024, at which point 12.5% of the electricity supply will be provided from renewable energy. Current law requires half of the renewable benchmarks to be met through facilities in Ohio.

Separately, S.B. 221 enacted provisions requiring each EDU to implement energy efficiency (EE) programs that achieve energy savings equivalent to a percentage of the total, annual average, and normalized kilowatt hour sales of the EDU during the preceding three calendar years to customers in this state. Current law sets annual benchmarks, in percentage terms, for the annual energy savings requirements. The benchmarks escalate from 2009 until the end of 2025, at which the cumulative, annual energy savings will be in excess of 22%.

H.B. 302 proposes numerous changes to existing law, and a comprehensive review of all the changes can be found in the LSC bill analysis for H.B. 302. Although none of the provisions have a direct fiscal effect on state agencies and political subdivisions, the bill may impact electricity prices paid by consumers, including those paid by government agencies. A variety of variables determine the price of electricity, and some of those determinants are impacted by H.B. 302.

The provisions that may indirectly affect electricity expenditures paid by state and local governments include: eliminating the in-state mandate for half of Ohio's required renewable energy; codifying the method for determining whether a utility has exceeded the 3% cost cap for renewable energy; allowing hydropower from Canada to qualify under the renewable energy portfolio standards (RPS); allowing more power-saving upgrades to be counted toward the energy efficiency standards; creating a streamlined process for large industrial customers to opt-out of EE programs; implementing a new cost cap on how much utilities can spend annually on those programs; and giving the Public Utilities Commission (PUCO) discretion in place of the existing mandate to impose a renewable energy compliance payment on a utility or company for avoidable undercompliance or noncompliance.

Fiscal effect

The provisions in the bill do not have a direct fiscal effect on either the state or local authorities, but some provisions may have an indirect effect on electricity expenditures made by state agencies and political subdivisions. In FY 2013, state agencies spent a total of $102.8 million, which is inclusive of both GRF and non-GRF funds, on electricity. Therefore, a 1% increase (or decrease) in electricity costs could increase (or decrease) state expenditures by $1.0 million, and roughly $0.5 million of that amount would be incurred by the GRF.

S.B. 221 enacted benchmarks for alternative energy resources, energy efficiency, and peak demand reduction, but given the duration these benchmarks have been effective, the available research regarding their impact on Ohio electricity prices is limited. According to PUCO testimony in the House Public Utilities Committee, the agency has not made any explicit estimates to quantify the impact of renewable energy requirements on consumers' rates because there are so many variables involved. The prices of energy resources have changed in recent years, which prevents measurements from being applicable to future time periods. In August 2013, PUCO issued a study attempting "to quantify the price suppression effects that are associated with new utility-scale renewable projects," but the study "does not purport to comprise an overall cost-benefit analysis of these projects."

Separately, there have been some studies (e.g., American Council for an Energy-Efficient Economy, Advanced Energy Economy Ohio Institute) about the price suppression impact of energy efficiency and peak demand reduction standards on Ohio prices, but LSC is unaware of Ohio-specific studies that were published in peer-reviewed academic journals. As such, LSC does not have a reliable basis to estimate the indirect fiscal effect of the alternative energy resource, energy efficiency, and peak demand reduction provisions contained in H.B. 302.

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