Ohio Legislative Service Commission

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Fiscal Note & Local Impact Statement

Bill: S.B. 34 of the 130th G.A.

Date: January 22, 2014

Status: As Introduced

Sponsor: Sen. Jordan

Local Impact Statement Procedure Required: No

Contents: Repeals the requirement that electric distribution utilities and electric services companies provide 25% of their retail power supplies from advanced and renewable energy resources by 2025

State Fiscal Highlights

STATE FUND	FY 2014	FY 2015	FUTURE YEARS
Public Utilities Commission – Public Utilities Fund (Fund 5F60)			
Revenues	- 0 -	- 0 -	- 0 -
Expenditures	- 0 -	Potential decrease	Potential decrease
Office of Consumers' Counsel – Consumers' Counsel Operating Fund (Fund 5F50)			
Revenues	- 0 -	- 0 -	- 0 -
Expenditures	- 0 -	Potential decrease	Potential decrease
Development Services Agency – Advanced Energy Fund (Fund 5M50)			
Revenues	- 0 -	Potential decrease	Potential decrease
Expenditures	- 0 -	- 0 -	- 0 -

Note: The state fiscal year is July 1 through June 30. For example, FY 2014 is July 1, 2013 – June 30, 2014.

- Repealing the alternative energy portfolio standards may reduce expenditures for the Public Utilities Commission of Ohio (PUCO) and the Office of the Consumers' Counsel (OCC) to the extent that those agencies devote resources to that aspect of utility regulation.
- Repealing the renewable energy benchmarks may reduce revenues to the Advanced Energy Fund (Fund 5M50) within the Development Services Agency to the extent that utilities were not going to attain the benchmarks in future years. Utilities must make compliance payments to Fund 5M50 if found out of compliance with the annual benchmarks.

Local Fiscal Highlights

- No direct fiscal effect on political subdivisions.

Detailed Fiscal Analysis

S.B. 34 repeals the state's alternative energy resource requirement, commonly referred to as the "alternative energy portfolio standard." The bill removes the requirement that by 2025, and thereafter, an electric distribution utility (EDU) or an electric services company (ESC) must provide 25% of its electricity supply from alternative energy resources. The bill repeals the specific requirement that, by 2025, 12.5% of that total percentage may be from advanced energy and 12.5% must be from renewable energy. Also repealed under the bill are the solar energy benchmarks (.5% by 2025) incorporated in the renewable energy resource benchmarks. The bill removes the requirement in current law that the Public Utilities Commission of Ohio (PUCO) impose renewable energy compliance payments in an amount based on megawatt hour of undercompliance or noncompliance with the benchmarks. The bill repeals the requirement that the revenues from compliance payments, repealed by the bill, be included in the Advanced Energy Fund (Fund 5M50). The bill also repeals the provision permitting the use of renewable energy credits to meet the renewable energy resource benchmarks and requiring that PUCO rules specify which system the state must use to register renewable energy credits. The energy efficiency programs and peak demand reduction programs are not repealed by the bill.

Fiscal effect

Agency expenditures for PUCO and the Office of the Consumers' Counsel (OCC) may decrease to the extent that those agencies devote resources to the particular aspect of utility regulation repealed by S.B. 34. Compliance payments to Fund 5M50 will decrease to the extent that EDUs were not going to attain the renewable energy benchmarks in future years. The increased use of renewable and advanced energy sources through the alternative energy portfolio standards likely leads to lower coal generation. The price effect on customers, inclusive of state agencies and local jurisdictions, depends on the price of alternative energy sources relative to the price of coal generation.

According to PUCO testimony during a 2013 hearing 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." Moreover, 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 portfolio standard repeal contained in S.B. 34.

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