Ohio Legislative Service Commission

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Fiscal Note & Local Impact Statement

Bill: S.B. 310 of the 130th G.A. **Date**: April 8, 2014

Status: As Introduced **Sponsor**: Sen. Balderson

Local Impact Statement Procedure Required: No

Contents: To make changes to renewable energy, energy efficiency, and peak demand reduction requirements and to create a study committee

State Fiscal Highlights

- The Energy Mandates Study Committee is tasked with considerable duties, including a required cost-benefit analysis, but the bill does not specify a funding source for support of the Committee.

Local Fiscal Highlights

- No direct fiscal effect on political subdivisions.

Detailed Fiscal Analysis

S.B. 310 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 enacted Section 4928.64 of the Revised Code, which sets 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.

In general, S.B. 310 freezes the renewable and solar energy benchmarks at the 2014 level required under current law, and freezes the amount of solar energy compliance payments at the 2014-2015 level. The bill sets the annual EE savings requirement (required of EDUs only) equal to 4.2% of the most recent three-year average of total kilowatt hours sold to Ohio retail electric customers, and continues the 4.2% annual requirement indefinitely. Additionally, the bill terminates the current peak demand reduction (PDR) requirement in 2014.

S.B. 310 creates the 21-member Energy Mandates Study Committee to study Ohio's renewable energy, EE, and PDR mandates. It requires the Committee to submit a report to the General Assembly by December 15, 2015, including a cost-benefit analysis of the mandates, a recommendation of a standard for future review of the mandates, and recommendations regarding opt-in and opt-out systems for the mandates. The bill does not establish a funding source for the Committee, does not specify whether Committee members would be compensated or be reimbursed for expenses related to Committee work, and it abolishes the Committee effective December 16, 2015.

S.B. 310 proposes numerous changes to existing law, and a comprehensive review of all the changes can be found in the LSC Bill Analysis for S.B. 310. 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 S.B. 310.

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."

S.B. 310 imposes no new duties on PUCO or the Office of Consumers' Counsel, and so is unlikely to affect their costs. The Energy Mandates Study Committee is tasked with considerable duties, including a required cost-benefit analysis, but the bill does not specify a funding source for support of the Committee.

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