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OHIO LEGISLATIVE SERVICE COMMISSION

Office of Research
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Legislative Budget
Office

H.B. 450
(1_134_1481-5)
134th General Assembly

Fiscal Note & Local Impact Statement

[Click here for H.B. 450's Bill Analysis](#)

Version: In House Public Utilities

Primary Sponsors: Reps. Baldrige and Lanese

Local Impact Statement Procedure Required: No

Russ Keller, Senior Economist

Highlights

- The bill amends state energy policy to encourage the development of “community solar projects” (CSPs). In doing so, it creates several new duties for the Public Utilities Commission of Ohio (PUCO), which would likely increase administrative costs. LBO is uncertain whether the new duties could be handled by existing staff.
- The bill requires the Department of Development to promulgate rules related to making grants to CSPs, which the bill makes eligible under an existing grant program, but does not have a direct fiscal effect on other state agencies or on political subdivisions.

Detailed Analysis

The bill amends state energy policy to encourage the development of community solar projects (CSPs) for the benefit of Ohio customers and to facilitate customer participation in the projects. Among other things, the bill defines a CSP as an electric generating facility using a solar photovoltaic device with a nameplate capacity of ten megawatts (MW) or less.¹ Please refer to the LSC bill analysis for a full description of CSPs. The bill allows the Public Utilities Commission of Ohio (PUCO) to certify up to 1,000 MW of CSPs, based on nameplate capacity.

Another 1,000 MW of CSPs may be certified, based on their prospective location in “distressed sites,” which is a term defined by the bill. For a CSP in a distressed site, the bill permits a nameplate capacity up to 45 MW, rather than the ten MW limitation for a CSP built elsewhere. The owner or operator of these particular CSPs (a “subscription organization”) is also eligible to

¹ Under continuing law, an electric generating facility using solar energy must gain approval from the Ohio Power Siting Board prior to construction, if the facility has a capacity of 50 MW or more.

receive a grant awarded by the Department of Development from the Brownfield Remediation Program. The Department must promulgate rules for awarding the grants. The grants and associated administrative costs are paid from Dedicated Purpose Fund (DPF) item 1956A2, Brownfield Remediation.

Under the terms of the bill, PUCO may be involved in certifying over 100 CSPs. In addition, PUCO must conduct an annual review of the CSP program and submit a report to the General Assembly. The bill also requires PUCO to promulgate rules to implement the bill's provisions. These new duties would likely increase PUCO administrative costs, but LBO is uncertain about whether the new duties could be handled by existing staff. The bill does not include an appropriation, so the additional duties would likely be paid for by PUCO's largest operating expense appropriation, DPF item 870622, Utility and Railroad Regulation.

Separately, the bill authorizes a "carbon reduction energy system (CRS)." Notwithstanding any Ohio law or order or regulation of PUCO to the contrary, a mercantile customer of an electric distribution utility (EDU) may (1) construct a CRS, which cannot be a CSP, on their premises that generates electricity while emitting less carbon dioxide than the average generation mix available for purchase from the PJM Interconnection Regional Transmission Organization, and (2) contract with other mercantile customers to connect directly into the system and acquire an interest in the output to meet their electricity requirements, with CRS costs related to transmission and distribution system upgrades to be paid for by the mercantile customer, or group of mercantile customers.

Synopsis of Fiscal Effect Changes

- The substitute bill (I_134_1481-5) removes the Public Utilities Commission of Ohio's (PUCO's) role to ensure consumer protection for the enrollment of subscribers to a community solar project (CSP) and replaces it with a different governing provision. The substitute bill requires the purchase of shares of output of a CSP through subscriber enrollment to be considered (1) a consumer transaction subject to the Consumer Sales Practices Law for residential subscribers, and (2) goods subject to the law governing the sale of goods for nonresidential customers. This change will reduce PUCO expenditures, as compared with the As Introduced bill, by an indeterminate amount.
- The substitute bill limits the total capacity of CSPs that PUCO may certify to 2,000 megawatts (MW) rather than 3,000 MW; this effectively reduces the PUCO workload compared to the As Introduced bill.
- The substitute bill requires PUCO to adopt rules to ensure costs associated with the CSP program only be recovered from customer classes participating in the program and that no cross-subsidization of costs between customer classes occurs. This change ensures that political subdivisions and other public institutions will not incur expenditures unless they elect to participate.

- The substitute bill prohibits a self-assessing purchaser² to own any portion of a CSP or purchase a share of the output of the project. The substitute bill also provides that a self-assessing purchaser cannot be required to pay, in its electric distribution utility (EDU) rates, directly or indirectly, any costs associated with the CSP program, including charges for any transmission or distribution system upgrades necessary for the development of any CSP and rate increases or shifts in costs as a result of a subscriber offsetting its transmission or distribution usage charges through net metering.
- Other changes made by the substitute bill have no direct fiscal effects.

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² Self-assessing purchasers are very large users of electricity. Section 5727.81 of the Revised Code, not in the bill, specifies that electric customers who apply and who the Tax Commissioner expects may use more than 45 million kilowatt hours of electricity during the next year may self-assess the kilowatt hour tax, thereby lowering the amount of tax paid on the electricity they use.