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Fiscal Note & Local Impact Statement

Bill: H.B. 554 of the 131st G.A.

Date: November 15, 2016

Status: As Introduced

Sponsor: Rep. Amstutz

Local Impact Statement Procedure Required: No

Contents: To revise the requirements for renewable energy, energy efficiency savings, and peak demand reduction and to revise provisions governing which customers can opt out of related programs

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. 554 extends through 2027 the current freeze on escalating benchmarks for the provision of electricity from renewable energy resources (which currently requires that such resources provide 2.5% of the total number of kilowatt hours sold), and for the implementation of energy efficiency programs that achieve energy savings (cumulative savings equivalent to 4.2% of the total, annual average, and normalized kilowatt hours sold over the preceding three calendar years). The bill terminates renewable energy resource requirements beginning in 2028 and clarifies that energy efficiency savings will also be terminated beginning in 2028.

Regarding benchmarks for peak demand reduction (currently requires a 4.75% decline from peak demand in 2009), the bill extends the current benchmark through 2020, which is the final year for which the escalating standards in current law are applicable.

H.B. 554 makes other changes concerning payments assessed on Ohio's electric distribution utilities (EDUs) and electric services companies (ESCs) for under-compliance or noncompliance with the requirements outlined above.

Also, the bill adds mercantile customers to those customers that may opt out of, and later opt back into, an EDU's portfolio plan. The mercantile-customer opt out provision is effective January 1, 2019. Under continuing law, mercantile customers include a commercial or industrial customer if the electricity consumed is for nonresidential use and the customer consumes more than 700,000 kilowatt hours per year or is part of a national account involving multiple facilities in one or more states.

Renewable portfolio standard

According to the Energy Mandate Study Committee Co-Chairs' Report,[1] "the Public Utilities Commission of Ohio (PUCO) "determined the average monthly charge for the renewables mandate as $0.001142 per kilowatt hour, which averaged out to the following monthly costs for each customer class" as seen in Table 1.

Table 1. Typical Monthly Bill Cost for Alternative Energy Rider for Electric Distribution Utility Service Areas (as of December 4, 2014)

Customer Class (typical usage)	Columbus Southern Power	Ohio Power	Dayton Power and Light	Duke Energy Ohio	Cleveland Electric Illuminating	Ohio Edison	Toledo Edison
Residential (750 kWh)	$1.31	$0.77	$0.62	$0.27	$1.30	$1.01	$0.77
Commercial (300,000 kWh)	$506.52	$298.65	$248.04	$109.20	$501.60	$388.20	$297.30
Industrial (6,000,000 kWh)	$9,928.80	$5,854.20	$4,960.80	$2,184.00	$9,738.00	$7,536.00	$5,778.00

Energy efficiency and peak demand reduction

According to the Energy Mandate Study Committee Co-Chairs' Report:[2]

> "Unlike the renewables mandate, Ohio's energy efficiency and peak demand reduction mandates apply only to EDUs. The costs associated with complying with the energy efficiency and peak demand reduction mandates are recovered by an EDU through a non-bypassable rider. That rider is recovered from all customers of an EDU regardless of whether they shop for electric generation with the exception of those mercantile customers that obtained a rider exemption from the PUCO pursuant to SB221."

As of December 2014, PUCO determined the average monthly charge for the energy efficiency and peak demand reduction mandates as $0.007225 per kilowatt hour. PUCO only provided the range of the costs of the energy efficiency and peak demand reduction mandates for residential customers, which ranged from $0.00189 to $0.004566 per kilowatt hour. PUCO determined the average monthly costs of the energy efficiency and peak demand reduction mandates for the following customer classes to be:

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1 http://emsc.legislature.ohio.gov/.

2 *Ibid.*

Table 2. Typical Monthly Bill Cost for Energy Efficiency and Peak Demand Rider for Electric Distribution Utility Service Areas (as of December 4, 2014)							
Customer Class (typical usage)	**Columbus Southern Power**	**Ohio Power**	**Dayton Power and Light**	**Duke Energy Ohio**	**Cleveland Electric Illuminating**	**Ohio Edison**	**Toledo Edison**
Residential (750 kWh)	$3.42	$3.42	$3.43	$2.58	$3.31	$2.37	$1.42
Commercial (300,000 kWh)	$1,001.70	$1,001.70	$762.27	$501.00	$512.40	$582.30	$948.90
Industrial (6,000,000 kWh)	$5,719.80	$5,719.80	$13,050.60	$10,020.00	$5,076.00	$14,496.00	$15,606.00

Fiscal effect

Despite the costs to ratepayers associated with these riders, economic theory would predict cost savings from energy efficiency and peak demand reduction that could partially (or even potentially fully) offset those costs. The Energy Mandate Study Committee did not receive any definitive data from PUCO on the projected future costs of the energy efficiency and peak demand reduction mandates. In a letter from PUCO to the Study Committee dated September 14, 2015, PUCO stated that they do not currently have the capability to independently forecast the costs of implementing the energy efficiency mandates in future years with a high level of significance.

Existing law states that compliance payments must be remitted to PUCO for deposit into the Development Services Agency's Advanced Energy Fund (Fund 5M50). The Revised Code prohibits EDUs or ESCs from passing through the payment incurred by under-compliance or noncompliance with the renewable resource benchmarks to consumers. Therefore, any potential changes to future compliance payments incurred due to H.B. 554 will be borne by Fund 5M50.

State agencies and local governments are consumers of electricity. The bill does not have a direct effect on these governmental expenditures. The repeal of the riders that fund these energy programs will save customers money, but the savings may be indirectly offset by higher wholesale electricity prices. LSC does not have a reliable source by which it can measure the indirect costs incurred by this bill.

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