



Ohio Legislative Service Commission

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Fiscal Note & Local Impact Statement

Bill: Sub. H.B. 301 of the 128th G.A. **Date:** December 3, 2010
Status: As Reported by House Alternative Energy **Sponsor:** Rep. Foley

Local Impact Statement Procedure Required: No — No local cost

Contents: Extends the Advanced Energy Fund rider and makes changes to how awards are determined

State Fiscal Highlights

STATE FUND

FY 2011 – FY 2014

Advanced Energy Fund (Fund 5M50)

Revenues	Continuing revenue from advanced energy rider
Expenditures	Continuing loan and grant assistance for eligible advanced energy projects

Note: The state fiscal year is July 1 through June 30. For example, FY 2010 is July 1, 2009 – June 30, 2010.

- The bill extends until January 1, 2014 the advanced energy rider assessed on the electricity bills of customers of investor-owned electric utilities in Ohio that is used to capitalize the Ohio Department of Development's (ODOD) Advanced Energy Fund (Fund 5M50). Under current law, the rider is scheduled to expire January 1, 2011.
- The bill requires the dollar amount of each individual grant from the Advanced Energy Fund to decrease annually in order to accommodate a larger number of grants over time. The FY 2011 adjusted appropriation for the grant program is \$17.3 million.
- The bill requires the Public Benefits Advisory Board to advise the Director of Development on setting the levels of grant awards from the Advanced Energy Fund and to hold public hearings for this purpose. This may result in some new but incidental administrative costs for the Energy Resources Division.

Local Fiscal Highlights

- No direct fiscal effect on political subdivisions.

Detailed Fiscal Analysis

Background

Under current law, the Ohio Department of Development (ODOD) collects revenues from a rider on retail electric distribution rates that are remitted to the state from investor-owned electric utilities and deposits these receipts into the Advanced Energy Fund. The fund is used to provide financial incentives for the development of the advanced and renewable energy industry in Ohio, as well as to assist businesses, residents, local governments, and educational institutions with adopting advanced and renewable energy technology. The program is overseen by the Department of Development's Energy Resources Division. Amounts used for these purposes are appropriated under line item 195660, Advanced Energy Programs. Initial appropriations to this line item under H.B. 1 were approximately \$8.3 million in each fiscal year of the FY 2010-FY 2011 biennium. On November 22, 2010, the Controlling Board approved a \$9.0 million increase to accommodate additional awards in FY 2011, for a total of \$17.3 million this fiscal year.

Current law requires the Director of Development, after consulting with the Public Benefits Advisory Board, to determine the rate of the advanced energy rider based on an annual revenue target and the number of customers of electric distribution utilities in the state. Currently, the rider is set at \$0.09 per month for each customer of an investor-owned electric utility. The current rider is based on a statutorily required revenue target of \$5.0 million per year and is scheduled to expire ten years after the starting date of competitive retail electrical service in Ohio, or January 1, 2011. The rider generated approximately \$5.1 million in FY 2010. From the rider's inception in S.B. 3 of the 123rd General Assembly, the legislation that created the framework for competition in the retail electric utility market, through the close of FY 2010, the fund collected approximately \$95.4 million from this source.

The bill

The bill extends the duration of the rider from ten to 13 years after the starting date of competitive retail electrical service, or January 1, 2014 instead of January 1, 2011 as under current law. This allows ODOD to continue providing incentives and assistance for advanced energy programs Advanced Energy Fund. The \$5.0 million revenue target, or the cap on rider income that can be collected, is unchanged. Just as under current law, any changes to the amount of the rider applied to customers' electricity bills would be driven by the total number of customers of investor-owned utilities in Ohio. According to the U.S. Energy Information Administration, this number was approximately 4.5 million in 2008. The rider rate adjustments would still be made under the same administrative process as under current law.

The bill does, however, change the way grants under the Advanced Energy Program are awarded in three respects. First, the bill requires that the amount of each grant issued from the Advanced Energy Fund be decreased annually so that a greater number of grants can be issued over time. Secondly, the bill requires the Director of Development to determine the amount of each grant from the Advanced Energy Fund based on the market price of energy and the advice of the Public Benefits Advisory Board. Finally, the bill requires the Board to hold public hearings for this purpose and for its existing functions of advising the Director on the Advanced Energy Fund and the Advanced Energy Program. This may result in some new but incidental administrative costs for the Energy Resources Division.

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