



Ohio Legislative Service Commission

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Fiscal Note & Local Impact Statement

Bill: [S.B. 380 of the 130th G.A.](#)

Date: December 3, 2014

Status: As Introduced

Sponsor: Sen. Jones

Local Impact Statement Procedure Required: No

Contents: Modifies the funding process for the percentage of income payment plan program

State Fiscal Highlights

- The bill requires the Development Services Agency (DSA), instead of allows as under current law, to aggregate Percentage of Income Payment Plan (PIPP) customers and hold an auction for their electric service.
- The bill would likely result in a decrease in payments from the Universal Service Fund (Fund 5M40) to the electric company that had the winning auction bid. The savings would depend on the criteria governing the auctioning process and other economic conditions.
- Nevertheless, any decrease in payments from Fund 5M40 to the electric company as a result of the bill would result in offsetting expenditures. This is because current law requires that any difference in revenues to Fund 5M40 and savings of PIPP program costs under the auction process be reinvested in energy efficiency and weatherization programs.

Local Fiscal Highlights

- No direct fiscal effect on political subdivisions.

Detailed Fiscal Analysis

Background

The percentage of income payment plan (PIPP) program allows low-income electric customers to pay a percentage of their household income rather than the actual bill for residential electric service. Individuals at or below 150% of the federal poverty line are eligible for this assistance. Administered by the Development Services Agency (DSA), the program is funded by a portion of the Universal Service Rider, which is charged to retail electric distribution service customers. This rider revenue is deposited into the Universal Service Fund (Fund 5M40). DSA then uses Fund 5M40 to make payments to electric companies to cover the portion of the electric bills that PIPP customers do not pay, through line item 195659, Low Income Energy Assistance (USF). Fund 5M40 has a current cash balance of approximately \$88.0 million.

Under current law, DSA has the authority to elect to aggregate PIPP customers and hold an auction for to select companies to provide electric service to these customers. The objective of this auction would be to result in a winning bid for retail electric generation service at the lowest and best value to PIPP customers. The law also requires bidders to be qualified under eligibility criteria DSA prescribed by rule under the Administrative Procedure Act, after DSA consults with the Public Utilities Commission and electric companies. Thus far, DSA has not elected to hold an auction to pool the PIPP customers.

Under Ohio Administrative Code Rule 122:5-3-06, DSA is to periodically review economic conditions to determine if a market has developed in which aggregating PIPP customers is feasible and substantial savings for the PIPP program can be realized by aggregating customers for the purpose of competitively auctioning the supply of competitive retail electric generation services. If such a market exists, the rule states that DSA will then consult with the Public Utilities Commission and electric companies to develop rules consistent with the current PIPP customer aggregation law.

Fiscal effects of S.B. 380

The bill changes the current law process by *requiring* DSA to aggregate PIPP customers and to hold an auction for the supply of electricity to these customers. The bill further specifies that the auction shall be held until a winning bid is selected, and eliminates the requirement that DSA adopt bidder eligibility rules. It is not currently known how long the auction process might take to establish and implement. Nevertheless, when the auction is complete, the bill would likely result in a decrease in payments from Fund 5M40 to the electric company that had the winning bid for providing electricity to customers enrolled in the PIPP program. The savings would depend on the criteria governing the auctioning process and other economic conditions. Payments from Fund 5M40 depend heavily on the weather conditions that cause fluctuations in customers' use of electricity and thus affect their electric bills,

particularly in the winter and summer months. As an illustration, over the last five complete fiscal years, expenditures from the Universal Service Fund have ranged from a low of \$292.5 million in FY 2012 to a high of \$405.5 million in FY 2010.

Nevertheless, any decrease in payments from Fund 5M40 to the electric company as a result of the bill would result in offsetting expenditures from the fund. This is because, under current law (section 4928.55 of the Revised Code), any difference in revenues to Fund 5M40 and savings of PIPP program costs under the auction process are required to be reinvested in energy efficiency and weatherization programs. Specifically, DSA oversees the Electric Partnership Program to improve the energy efficiency of low-income households who participate in PIPP by performing in-home audits, and installing appropriate electric base load and thermal energy efficiency measures. DSA also administers the federally-funded Home Weatherization Assistance Program (HWAP) to reduce low-income households' energy usage. The Universal Service Fund may be used to supplement funding for either or both of these programs if savings result from lower payments to the electric company as a result of the bill.